This document was prepared based on the Company's Annual Securities Report in Japanese submitted to the Director of the Kanto Local Finance Bureau via Electronic Disclosure for Investors' Network ("EDINET") on June 21, 2024, pursuant to the Financial Instruments and Exchange Act of Japan. In the event of any discrepancy between this translated document and the Japanese original, the original shall prevail. The accompanying consolidated financial statements are audited by KPMG AZSA LLC.
In this document, "fiscal 2024" refers to the year ended March 31, 2024. All information contained in this document is as of March 31, 2024 or for fiscal 2024, unless otherwise indicated. This document does not contain or constitute any guarantee and the Company will not compensate any losses and/or damage stemming from actions taken based on this document.

Annual Securities Report

Fiscal Year (The 159th Business Term)	For the year ended March 31, 2024

Nitto Denko Corporation

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[Document Title]	Annual Securities Report (“Yukashoken Hokokusho”)
[Clause of Stipulation]	Article 24, Paragraph 1 of the Financial Instruments and Exchange Act
[Filed to]	Director-General of the Kanto Local Finance Bureau
[Filing Date]	June 21, 2024
[Fiscal Year]	The 159th Business Term (from April 1, 2023 to March 31, 2024)
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[Company Name in English]	NITTO DENKO CORPORATION
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Part I. Company Information

I. Overview of the Company

1. Key Financial Data

(1) Consolidated financial data

Fiscal Year		International Financial Reporting Standards				
		155th Term	156th Term	157th Term	158th Term	159th Term
Year ended		March 2020	March 2021	March 2022	March 2023	March 2024
Revenue	(Millions of yen)	741,018	761,321	853,448	929,036	915,139
Profit before income taxes	(Millions of yen)	69,013	93,320	132,378	146,840	138,901
Net profit attributable to owners of the parent company	(Millions of yen)	47,156	70,235	97,132	109,173	102,679
Comprehensive income attributable to owners of the parent company	(Millions of yen)	35,290	89,714	136,207	137,078	164,816
Equity attributable to owners of the parent company	(Millions of yen)	689,446	715,868	821,192	902,211	984,020
Total assets	(Millions of yen)	921,900	965,901	1,094,469	1,153,647	1,251,087
Equity attributable to owners of the parent company per share	(Yen)	4,479.29	4,838.07	5,548.09	6,183.01	6,956.79
Basic earnings per share	(Yen)	301.32	472.71	656.31	738.77	719.57
Diluted earnings per share	(Yen)	301.08	472.39	656.00	738.48	719.30
Ratio of equity attributable to owners of the parent company to total assets	(%)	74.8	74.1	75.0	78.2	78.7
Return on equity attributable to owners of the parent company	(%)	6.8	10.0	12.6	12.7	10.9
Price-earnings ratio	(Times)	16.0	20.0	13.4	11.6	19.2
Cash flows from operating activities	(Millions of yen)	123,641	116,309	144,489	181,702	155,521
Cash flows from investing activities	(Millions of yen)	(59,991)	(57,538)	(57,594)	(159,906)	(67,927)
Cash flows from financing activities	(Millions of yen)	(51,637)	(68,297)	(36,639)	(57,627)	(90,784)
Cash and cash equivalents at the end of the period	(Millions of yen)	304,922	300,888	362,046	329,966	342,269
Number of employees (Separately, average number of temporary workers)	(Persons)	25,793 (2,812)	25,424 (2,700)	25,961 (2,425)	26,070 (2,123)	25,300 (1,934)

(Notes) 1. Number of employees indicates the number of working employees.
2. Figures are rounded down to the nearest million yen.
3. Consolidated financial statements are prepared in accordance with the International Financial Reporting Standards (IFRS).

(2) Reporting company's financial data

Fiscal Year		155th Term	156th Term	157th Term	158th Term	159th Term
Year ended		March 2020	March 2021	March 2022	March 2023	March 2024
Net sales	(Millions of yen)	470,701	481,473	517,458	544,158	518,626
Ordinary income	(Millions of yen)	59,356	69,522	85,963	113,735	94,261
Net profit	(Millions of yen)	46,093	51,855	65,815	91,368	74,874
Share capital	(Millions of yen)	26,783	26,783	26,783	26,783	26,783
Total number of issued shares	(Thousands of shares)	158,758	149,758	149,758	149,758	143,551
Net assets	(Millions of yen)	464,800	454,160	487,646	523,833	515,511
Total assets	(Millions of yen)	679,932	681,499	729,581	760,758	782,752
Net assets per share	(Yen)	3,015.27	3,066.03	3,292.16	3,587.59	3,642.47
Dividends per share (Interim dividends per share included in the figure above)	(Yen)	200.00 (100.00)	200.00 (100.00)	220.00 (110.00)	240.00 (120.00)	260.00 (130.00)
Net profit per share-Basic	(Yen)	294.52	349.01	444.71	618.29	524.71
Net profit per share-Diluted	(Yen)	294.29	348.77	444.50	618.04	524.52
Ratio of shareholders' equity to total assets	(%)	68.3	66.6	66.8	68.8	65.8
Return on equity	(%)	9.9	11.3	14.0	18.1	14.4
Price-earnings ratio	(Times)	16.4	27.1	19.8	13.8	26.3
Dividend payout ratio	(%)	67.9	57.3	49.5	38.8	49.6
Number of employees (Separately, average number of temporary workers)	(Persons)	5,592 (699)	5,870 (604)	6,091 (479)	6,285 (399)	6,610 (360)
Total shareholder return (Benchmark: TOPIX Total Return Index)	(%) (%)	86.4 (90.5)	169.6 (128.6)	162.3 (131.2)	161.8 (138.8)	256.2 (196.2)
Highest share price	(Yen)	6,500	10,170	9,940	9,920	14,445
Lowest share price	(Yen)	4,115	4,390	7,390	7,500	8,210

(Notes) 1. Number of employees indicates the number of working employees.

2. Highest and lowest share prices were, from April 4, 2022, those recorded on the Prime Market of the Tokyo Stock Exchange and before that, those recorded on the First Section of the Exchange.

3. The "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020), etc., have been applied from the beginning of the 157th term, and the key financial data for the 157th and 158th terms are data to which such accounting standards were applied.

2. History

Month/Year	History
October 1918	Nitto Electric Industrial Co., Ltd. is established in Ohsaki, Tokyo to produce electrical insulating materials in Japan.
December 1941	Ibaraki Plant begins operation.
July 1946	Head office is relocated to Ibaraki, Osaka.
October 1946	Begins production of Black Tape and enters into the tape business.
June 1957	Takes a stake in Shinko Kagaku Kogyosha (Now called Nitto Shinko Corporation and a consolidated subsidiary of the Company).
February 1961	Spins off the dry battery and magnetic tape divisions into Maxell Electric Industrial Co., Ltd. (Now called Maxell, Ltd.).
May 1962	Toyohashi Plant begins operation.
August 1962	Lists common stocks on the Tokyo Stock Exchange and the Osaka Securities Exchange (Now integrated into the Tokyo Stock Exchange).
September 1967	Kanto Plant begins operation.
December 1968	Nitto Denko America, Inc is established.
October 1969	Kameyama Plant begins operation.
December 1969	Nitto Denko (Taiwan) Corporation (Now a consolidated subsidiary of the Company) is established.
June 1973	Begins production of Flexible Printed Circuits.
February 1974	Nitto Europe NV is established (Now called Nitto Belgium NV and a consolidated subsidiary of the Company).
April 1975	Nitoms, Inc. is established (Now a consolidated subsidiary of the Company).
April 1975	Begins production of polarizing films for liquid crystal displays.
April 1976	Begins production of high-polymer separation membranes.
March 1977	Tohoku Plant begins operation as a specialized plant for medical products.
January 1980	Nitto Denko (Singapore) Pte. Ltd. is established (Now a consolidated subsidiary of the Company).
December 1983	Begins production of transdermal drug delivery patches.
April 1986	Shiga Plant begins operation as a specialized plant for high-polymer separation membranes.
November 1987	Acquires Hydranautics in the United States (hereinafter “the U.S.”) (Now a consolidated subsidiary of the Company).
September 1988	Changes name from Nitto Electric Industrial Co., Ltd. to Nitto Denko Corporation.
December 1995	Nitto Denko (Shanghai Songjiang) Co., Ltd. is established (Now a consolidated subsidiary of the Company).
February 1996	Onomichi Plant begins operation as a specialized plant for liquid crystal displays-related products.
January 1999	Nitto Denko Packaging System Corporation. is established (Now called Nitto Denko Base Material Corporation and a consolidated subsidiary of the Company).
November 1999	Korea Nitto Optical Co., Ltd. is established (Now a consolidated subsidiary of the Company).
November 2000	Nitto Denko America Latina LTDA. is established (Now a consolidated subsidiary of the Company).
August 2002	Nitto Denko (China) Investment Co., Ltd. is established (Now a consolidated subsidiary of the Company).
April 2003	Taiwan Nitto Optical Co., Ltd. is established (Now a consolidated subsidiary of the Company).
November 2004	Nitto Denko Fine Circuit Technology (Shenzhen) Co., Ltd. is established (Now a consolidated subsidiary of the Company).
July 2005	Shanghai Nitto Optical Co., Ltd. is established (Now a consolidated subsidiary of the Company).
January 2006	Head Office is relocated to Kita-ku, Osaka.
October 2006	Shenzhen Nitto Optical Co., Ltd. is established (Now a consolidated subsidiary of the Company).
February 2011	Acquires Avecia Biotechnology Inc. in the U.S. (Now called Nitto Denko Avecia Inc. and a consolidated subsidiary of the Company).
June 2012	Acquires Bento Bantcilik ve Temizlik Maddeleri Sanayi Ticaret in Turkey (Now called Nitto Bento Bantçılık San. ve Tic. A.S. and a consolidated subsidiary of the Company).
March 2016	Opens “inovas,” a facility for R&D and human resource development in Ibaraki Office, Osaka.
November 2016	Enters into a global exclusive license contract with Bristol Myers Squibb for the development, manufacturing, and sale of organ fibrosis drugs.

Month/Year	History
November 2017	Enters into a technical partnership contract with Hangzhou Jinjiang Group Company Ltd. and its affiliated companies for large-scale polarizing film.
April 2022	Pursuant to the Tokyo Stock Exchange’s market segment restructuring, the listing of the Company’s stocks moves from the First Section to the Prime Market.
May 2022	Acquires Bend Labs, Inc. in the U.S. (Now called Nitto Bend Technologies, Inc. and a consolidated subsidiary of the Company).
June 2022	Acquires the Personal Care Components business of Mondi plc which is listed on the London Stock Exchange (now called Nitto Advanced Film Gronau GmbH and other three companies, all of which are consolidated subsidiaries of the Company).

(Note) As of May 5, 2024, Nitto Denko CS System Corporation changed its name to Nitto Denko Base Material Corporation.

3. Description of Business

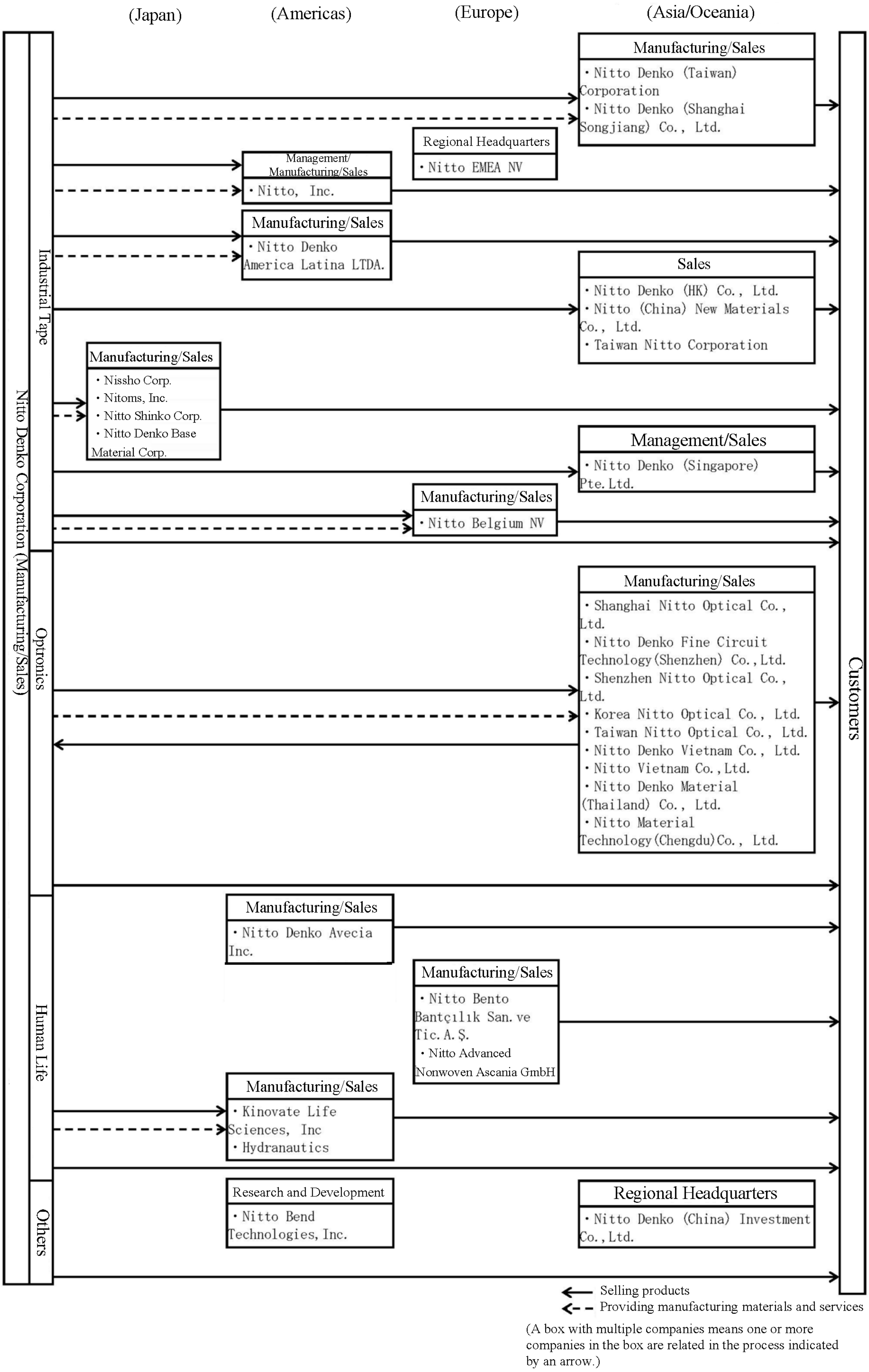
The Company and its subsidiaries and affiliates (comprising the Company, 88 subsidiaries, and four affiliates as of March 31, 2024) conduct businesses mainly related to four segments of Industrial Tape, Optronics, Human Life, and Others with a broad range of products. Positions of the Company and its subsidiaries and affiliates in each business are as follows.

Please note that the following four segments are the same as the segment categories shown in "V. Financial Information, 1. Consolidated Financial Statements, etc., (1) Consolidated Financial Statements, Notes to Consolidated Financial Statements, 5. Segment information."

Operating segment	Major products or business
Industrial Tape	Functional Base Products (bonding and joining products, protective materials, processing materials, automotive products, etc.)
Optronics	Information Fine Materials (optical films, etc.), Circuits Materials (CIS (Circuit Integrated Suspension), high-precision circuits, etc.)
Human Life	Life Science (oligonucleotide contract manufacturing business, nucleic acid synthesis materials, nucleic acid drug discovery, medical products, etc.), Membrane (high-polymer separation membrane), Personal Care Materials (functional film for hygienic materials, etc.)
Others	New Business, Other Products

Business Organization Chart

The business organization chart is as follows:



(Note) As of May 5, 2024, Nitto Denko CS System Corporation changed its name to Nitto Denko Base Material Corporation.

4. Subsidiaries and Affiliates

Name	Location	Share capital or investment in capital (Millions of yen)	Principal business	Ratio of voting rights holding (held)		Description of relationship
				Holding ratio (%)	Held ratio (%)	
(Consolidated subsidiaries) Nissho Corporation	Kita-ku, Osaka City	515	Industrial Tape	100.0	-	(1) The Company has concurrent appointment of officers. (2) The Company has loaned funds to the subsidiary. (3) The Company provides the subsidiary some of the semi-finished products.
Nitto Shinko Corporation	Sakai City, Fukui	482	Industrial Tape	94.8	-	(1) The Company has concurrent appointment of officers. (2) The Company has loaned funds to the subsidiary. (3) The Company purchases the subsidiary's products, etc.
Nitoms, Inc.	Shinagawa-ku, Tokyo	160	Industrial Tape	100.0	-	(1) The Company has concurrent appointment of officers. (2) The Company has loaned funds to the subsidiary. (3) The Company provides the subsidiary some of the semi-finished products.
Hydranautics	Oceanside, the U.S.	(1,000 USD) 511	Human Life	100.0 (100.0)	-	(1) The Company has concurrent appointment of officers. (2) The subsidiary has not borrowed funds from the Company. (3) The Company provides the subsidiary some of the semi-finished products. (4) The subsidiary sells the Company's products in North America.
Nitto Denko America Latina LTDA.	Santana de Parnaiba, Brazil	(1,000 BRL) 68,850	Industrial Tape	100.0 (100.0)	-	(1) The Company has concurrent appointment of officers. (2) The subsidiary has not borrowed funds from the Company. (3) The subsidiary sells the Company's products in South America.
Kinovate Life Sciences, Inc.	Oceanside, the U.S.	(1,000 USD) 0	Human Life	100.0 (100.0)	-	(1) The Company has concurrent appointment of officers. (2) The subsidiary has not borrowed funds from the Company. (3) The Company provides the subsidiary some of the semi-finished products. (4) The subsidiary sells the Company's products in North America.
Nitto, Inc.	Teaneck, the U.S.	(1,000 USD) 0	Industrial Tape Holding company	100.0	-	(1) The Company has concurrent appointment of officers. (2) The Company has loaned funds to the subsidiary. (3) The Company provides the subsidiary some of the semi-finished products. (4) The subsidiary sells the Company's products in North America. (5) The subsidiary acts as the regional headquarters in Americas.
Nitto Denko Avecia Inc.	Milford, the U.S.	(1,000 USD) 1	Human Life	100.0 (100.0)	-	(1) The Company has concurrent appointment of officers. (2) The subsidiary has not borrowed funds from the Company.

Name	Location	Share capital or investment in capital (Millions of yen)	Principal business	Ratio of voting rights holding (held)		Description of relationship
				Holding ratio (%)	Held ratio (%)	
Nitto Bend Technologies, Inc	Farmington the U.S.	(1,000 USD) 0	Others	100.0	-	(1) The Company has concurrent appointment of officers. (2) The subsidiary has not borrowed funds from the Company.
Nitto EMEA NV	Genk, Belgium	(1,000 EUR) 212,282	Holding company	100.0	-	(1) The Company has concurrent appointment of officers. (2) The subsidiary has not borrowed funds from the Company. (3) The subsidiary acts as the regional headquarters in Europe.
Nitto Belgium NV	Genk, Belgium	(1,000 EUR) 28,446	Industrial Tape Human Life	100.0 (100.0)	-	(1) The Company has concurrent appointment of officers. (2) The subsidiary has not borrowed funds from the Company. (3) The Company provides the subsidiary some of the semi-finished products. (4) The subsidiary sells the Company's products in Europe.
Nitto Bento Bantçılık San. ve Tic. A.S.	Istanbul, Turkey	(1,000 TRY) 7,646	Industrial Tape Human Life	100.0 (100.0)	-	(1) The Company has concurrent appointment of officers. (2) The subsidiary has not borrowed funds from the Company.
Nitto Advanced Film Gronau GmbH	Gronau, Germany	(1,000 EUR) 7,600	Human Life	100.0	-	(1) The Company has concurrent appointment of officers. (2) The Company has loaned funds to the subsidiary.
Nitto Advanced Nonwoven Ascania GmbH	Aschersleben Germany	(1,000 EUR) 850	Human Life	100.0	-	(1) The Company has concurrent appointment of officers. (2) The Company has loaned funds to the subsidiary.
Nitto Denko (Taiwan) Corporation	Kaohsiung, Taiwan	(1,000 TWD) 405,497	Industrial Tape	100.0	-	(1) The Company has concurrent appointment of officers. (2) The subsidiary has not borrowed funds from the Company. (3) The Company provides the subsidiary some of the semi-finished products. (4) The subsidiary sells the Company's products in Taiwan.
Nitto Denko (Shanghai Songjiang) Co., Ltd.	Shanghai, China	(1,000 RMB) 428,709	Industrial Tape Human Life	100.0 (100.0)	-	(1) The Company has concurrent appointment of officers. (2) The subsidiary has not borrowed funds from the Company. (3) The Company provides the subsidiary some of the semi-finished products.
Nitto Denko (HK) Co., Ltd.	Hong Kong	(1,000 HKD) 24,652	Industrial Tape Optronics	100.0	-	(1) The Company has concurrent appointment of officers. (2) The Company has loaned funds to the subsidiary. (3) The subsidiary sells the Company's products in Hong Kong and China.
Shanghai Nitto Optical Co., Ltd.	Shanghai, China	(1,000 RMB) 89,981	Optronics	100.0 (35.0)	-	(1) The Company has concurrent appointment of officers. (2) The subsidiary has not borrowed funds from the Company. (3) The Company provides the subsidiary some of the semi-finished products. (4) The subsidiary sells the Company's products in China.

Name	Location	Share capital or investment in capital (Millions of yen)	Principal business	Ratio of voting rights holding (held)		Description of relationship
				Holding ratio (%)	Held ratio (%)	
Korea Nitto Optical Co., Ltd.	Pyeongtaek, Korea	(1 million KRW) 84,365	Optronics	100.0	-	(1) The Company has concurrent appointment of officers. (2) The subsidiary has not borrowed funds from the Company. (3) The Company provides the subsidiary some of the semi-finished products. (4) The subsidiary sells the Company's products in Korea.
Nitto Denko (China) Investment Co., Ltd.	Shanghai, China	(1,000 RMB) 925,394	Holding company	100.0	-	(1) The Company has concurrent appointment of officers. (2) The Company has loaned funds to the subsidiary. (3) The subsidiary acts as the regional headquarters in China.
Taiwan Nitto Optical Co., Ltd.	Taichung, Taiwan	(1,000 TWD) 568,003	Optronics Industrial Tape	100.0	-	(1) The Company has concurrent appointment of officers. (2) The subsidiary has not borrowed funds from the Company. (3) The Company provides the subsidiary some of the semi-finished products. (4) The subsidiary sells the Company's products in Taiwan.
Nitto Denko Fine Circuit Technology (Shenzhen) Co., Ltd.	Shenzhen, China	(1,000 RMB) 210,913	Optronics	100.0	-	(1) The Company has concurrent appointment of officers. (2) The subsidiary has not borrowed funds from the Company. (3) The Company provides the subsidiary some of the semi-finished products. (4) The Company purchases the subsidiary's products, etc.
Shenzhen Nitto Optical Co., Ltd.	Shenzhen, China	(1,000 RMB) 568,925	Optronics	100.0	-	(1) The Company has concurrent appointment of officers. (2) The subsidiary has not borrowed funds from the Company. (3) The Company provides the subsidiary some of the semi-finished products.
Nitto (China) New Materials Co., Ltd.	Shanghai, China	(1,000 RMB) 50,000	Industrial Tape Optronics Human Life	100.0 (100.0)	—	(1) The Company has concurrent appointment of officers. (2) The subsidiary has not borrowed funds from the Company. (3) The subsidiary sells the Company's products in China.
Nitto Material Technology (Chengdu) Co., Ltd.	Chengdu, China	(1,000 RMB) 310,750	Optronics	100.0 (100.0)	-	(1) The Company has concurrent appointment of officers. (2) The subsidiary has not borrowed funds from the Company. (3) The Company provides the subsidiary some of the semi-finished products. (4) The subsidiary sells the Company's products in China.
Nitto Denko Vietnam Co., Ltd.	Binh Duong, Vietnam	(1,000 USD) 34,280	Optronics	100.0 (100.0)	-	(1) The Company has concurrent appointment of officers. (2) The subsidiary has not borrowed funds from the Company. (3) The Company provides the subsidiary some of the semi-finished products.

Name	Location	Share capital or investment in capital (Millions of yen)	Principal business	Ratio of voting rights holding (held)		Description of relationship
				Holding ratio (%)	Held ratio (%)	
Nitto Denko (Singapore) Pte. Ltd.	Queenstown, Singapore	(1,000 USD) 90,590	Industrial Tape Holding company	100.0	-	(1) The Company has concurrent appointment of officers. (2) The Company has loaned funds to the subsidiary. (3) The subsidiary sells the Company’s products in Southeast Asia. (4) The subsidiary acts as the regional headquarters in South Asia.
Nitto Denko Material (Thailand) Co., Ltd.	Ayutthaya, Thailand	(1,000 THB) 460,000	Optronics	100.0 (100.0)	-	(1) The Company has concurrent appointment of officers. (2) The subsidiary has not borrowed funds from the Company. (3) The Company provides the subsidiary some of the semi-finished products. (4) The subsidiary sells the Company’s products in Thailand.
Nitto Vietnam Co., Ltd.	Bac Ninh, Vietnam	(1,000 USD) 31,500	Optronics	100.0 (100.0)	-	(1) The Company has concurrent appointment of officers. (2) The subsidiary has not borrowed funds from the Company. (3) The Company provides the subsidiary some of the semi-finished products.
Taiwan Nitto Corporation	Taipei, Taiwan	(1,000 TWD) 262,768	Optronics Industrial Tape	100.0	-	(1) The Company has concurrent appointment of officers. (2) The subsidiary has not borrowed funds from the Company. (3) The subsidiary sells the Company’s products in Taiwan.
Other 54 companies						
Affiliates accounted for using the equity method: 3 companies						

(Notes) 1. The “Principal business” column represents segment names.

2. Among the subsidiaries above, Nitto Denko America Latina LTDA., Nitto EMEA NV, Nitto Belgium NV, Nitto Denko (Shanghai Songjiang) Co., Ltd., Korea Nitto Optical Co., Ltd., Nitto Denko (China) Investment Co., Ltd., Nitto Denko Fine Circuit Technology (Shenzhen) Co., Ltd., Shenzhen Nitto Optical Co., Ltd., Nitto Material Technology (Chengdu) Co., Ltd., Nitto Denko Vietnam Co., Ltd., Nitto Denko (Singapore) Pte. Ltd. and Nitto Vietnam Co., Ltd. meet the criteria of the specified subsidiaries or “Tokutei Kogaisya” as defined in the Cabinet Office Ordinance on Disclosure of Corporate Affairs, etc. of Japan.

3. Figures in parentheses in the “Ratio of voting rights holding (held)” column indicate shares attributable to indirect ownership.

4. The revenue of Shanghai Nitto Optical Co., Ltd. (excluding the internal revenue between consolidated companies) accounted for more than 10% of the consolidated revenue.

Key information of profit or loss, etc.

(1) Revenue	154,265 million yen
(2) Net profit	8,503 million yen
(3) Total equity	54,704 million yen
(4) Total assets	80,974 million yen

5. Employees

(1) Status of consolidated companies

As of March 31, 2024

	Industrial Tape	Optronics	Human Life	Others	Corporate (Common)	Total
Number of employees (Persons)	9,044 [873]	12,207 [560]	3,046 [178]	250 [31]	753 [292]	25,300 [1,934]

(Notes) 1. Number of employees is the number of working employees (excluding Directors (those who are classified as employees) and those who are seconded from the Group to outside the Group) and the number of temporary workers separately listed in square brackets is the annual average number of workers.

2. Temporary workers include part-timers and junior employees and exclude dispatched workers.

(2) Status of reporting company

As of March 31, 2024

Number of employees (Persons)	Average age (Years old)	Average length of service (Years)	Average annual salary (Thousands of yen)
6,610 [360]	40.8	12.6	7,615

	Industrial Tape	Optronics	Human Life	Others	Total
Number of employees (Persons)	2,140 [34]	3,640 [170]	648 [127]	182 [29]	6,610 [360]

(Notes) 1. Number of employees is the number of working employees (excluding those who are seconded from the Company to outside the Company) and the number of temporary workers separately listed in square brackets is the annual average number of workers.

2. Temporary workers include part-timers and junior employees and exclude dispatched workers.

3. Average annual salary includes bonuses and non-standard wages.

(3) Status of labor union

There are no special issues to be noted as to the relationship between labor and management.

(4) Proportion of female workers in management positions, proportion of male workers taking childcare leave, and the gender wage gap

(i) Reporting Company

For the year ended March 31, 2024					
Female workers in management positions (%) (Note 1)	Male workers taking childcare leave (%)		Ratio of female wages to male wages (%) (Notes 1, 4, 5)		
	(Note 2)	(Note 3)	All workers	Full-time workers	Part-time/Temporary workers
7.3	46.0	94.8	76.2 [90.8]	79.5 [*]	60.0 [*]

(Notes) 1. Determined based on the provision of the "Act on the Promotion of Women's Active Engagement in Professional Life" (Act No. 64 of 2015).

2. Based on the provisions of the "Act on Childcare Leave, Caregiver Leave, and Other Measures for the Welfare of Workers Caring for Children or Other Family Members" (Act No. 76 of 1991), the percentage of workers taking childcare leave, etc. is determined as specified in Article 71-4, item (i) of the "Ordinance for Enforcement of the Act on Childcare Leave, Caregiver Leave, and Other Measures for the Welfare of Workers Caring for Children or Other Family Members" (Ordinance of the Ministry of Labor No. 25 of 1991).

3. Based on the provisions of the "Act on Childcare Leave, Caregiver Leave, and Other Measures for the Welfare of Workers Caring for Children or Other Family Members" (Act No. 76 of 1991), the percentage of workers taking childcare leave and company-specific parental leave is determined as specified in Article 71-4, item (ii) of the "Ordinance for Enforcement of the Act on Childcare Leave, Caregiver Leave, and Other Measures for the Welfare of Workers Caring for Children or Other Family Members" (Ordinance of the Ministry of Labor No. 25 of 1991).

4. The number in brackets "[ ]" means the gender wage gap in management positions, which is excluded from the number above.

5. The asterisk (*) means no workers are subject to the gender wage gap.

(ii) Consolidated subsidiaries

For the year ended March 31, 2024							
Company name	Female workers in management positions (%) (Note 1)	Male workers taking childcare leave (%) (Notes 1, 2)			Ratio of female wages to male wages (%) (Note 1)		
		All workers	Full-time workers	Part-time/ Temporary workers	All workers	Full-time workers	Part-time/ Temporary workers
Nissho Corporation	7.9	*	*	*	62.0	70.6	57.7
Nitoms, Inc.	5.6	50.0	50.0	*	61.9	67.1	53.9
Nitto Shinko Corporation	5.9	62.5	71.4	0.0	62.6	61.8	72.0
Nitto Business Expert Corporation	14.8	44.4	60.0	25.0	74.2	81.0	75.1

(Notes) 1. Determined based on the provision of the "Act on the Promotion of Women's Active Engagement in Professional Life" (Act No. 64, 2015). Male workers taking childcare leave is the percentage of workers taking childcare leave, etc. determined based on such provision.

2. The asterisk (*) means no male workers are eligible for childcare leave.

(iii) Consolidated companies

The proportion of female workers in management positions is 19.5%. We have no data on the percentages of male workers taking childcare leave and the gender wage gap, as we have not summarized the data.

II. Overview of Business

1. Management Policy, Business Environment, and Challenge

The forward-looking statements included in this section are based on the judgment of the Group as of March 31, 2024. Please note that the forward-looking statements, including the forecast, are prepared based on information available to the Group and on certain assumptions deemed reasonable as of the issuing date of the report. Actual results may differ materially from forecast figures due to various unknown factors.

(1) Basic Management Policies

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

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

In the current fiscal year, the Group revisited its Material Issues for Sustainability (materiality) in order to place ESG at the core of management, and to become an "essential" entity for the global environment, humankind, society, as well as the general public, further driving sustainable growth. Through its commitment to the 10 material issues defined for the E (Environment), S (Society), and G (Governance) domains, the Group will aim to simultaneously solve social issues and create economic value and enhance its corporate value.

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

As for attitude and initiatives toward sustainability, please refer to "II. Overview of Business, 2. Attitude and Initiatives toward Sustainability."

*1.Activities stimulating new demand through the development of new applications and new products.

*2.A differentiation strategy unique to the Group, which aims for the No.1 market share by continuously creating essential products, functions, and business models born from the co-creation between stakeholders in the niche fields and the integration of knowledge and technologies unique to Nitto, while identifying markets that are changing and growing.

(2) Medium- to Long-term Management Strategy

2030 Ideal State and the Mid-Term Management Plan, "Nitto for Everyone 2025"

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

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

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

(a) Transformation of Business Portfolio to Contribute to the Environment and Humanity

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

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

In new areas, as an environmental business, in addition to reducing energy consumption through the shift to solvent-free, etc., we are pushing forward with our Negative Emission Factory Concept. Under this concept, we will accelerate the development of negative emission technologies (technology to remove CO_2 from the atmosphere by capturing, absorbing, storing, and fixing atmospheric CO_2), such as capturing CO_2 that is inevitably emitted in the manufacturing process, and work toward proposing them as total solutions to reduce CO_2 emissions.

(b) Advancement of Innovation Models to Produce New Niche Top

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

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

In the area of environmental contribution, in the current fiscal year, we launched an initiative to produce formic acid (additive used to prevent deterioration in the production of grass silage, which is feed for dairy cattle), which is used to preserve pasture grass, from CO2 derived from livestock manure biomass in collaboration with Air Water Inc. We will contribute to both solving a social issue and creating economic value through the effective use of CO2 the co-creating with stakeholders. We are also promoting the bio-based production of acetonitrile (solvent), one of the key raw materials for nucleic acid production, in a joint development with Crysalis Biosciences, a U.S. startup in the development of biomaterials. Our goal is to create next-generation environmental technologies that focus on social issues, accelerate decarbonization, and capture new business opportunities in areas that contribute to the environment.

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

(c) Reformation of Organizational Culture to Accelerate Challenges

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

In order to collect employee's opinions, consider the company's challenges and the challenges of each department, and create an organization in which each employee can work with vitality, we conduct a global engagement survey every other year. In the survey for fiscal 2023 (94% response rate; 23,776 respondents), our engagement scores rose 7 points on the previous survey to 81, demonstrating the results of the activities of each company and base.

In addition, in order to expand our expertise and diversity, we have been bolstering our efforts to recruit career personnel at the Company since fiscal 2021. in the current fiscal year, we hired around the same number of mid-career employees as fresh graduates.

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

(d) Transformation of Management Infrastructure to Anticipates Change

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

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

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

Under “Nitto for Everyone 2025,” the Group has set its management targets for the end of the fiscal year 2025 as operating profit of 170.0 billion yen, 17% in the ratio to revenue, and a ROE (return on equity attributable to owners of the parent company) of 15%.

Furthermore, in order to achieve the goal of becoming “an essential top ESG company,” “Nitto for Everyone 2025” has established nine Future-financial indicators. We will accelerate our transformation and enhance our corporate value by promoting activities to achieve these Future-financial goals.

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

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

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

Future-financial Indicators		FY2023 Results	FY2025 Targets	FY2030 Targets	Related Material Issue
Products related	New products ratio (1)	41%	**At least 35%**	**At least 35%**	-
	Niche Top sales ratio (2)	44%	**50%**	**At least 50%**	-
	PlanetFlags/HumanFlags category sales ratio (3)	36% *Flags certified products	**40%**	**At least 50%**	Creating PlanetFlags Creating HumanFlags
Environment related	CO2 emissions (4)	525 kton/year	**550 kton/year**	**400 kton/year**	Realizing a decarbonized society
	Waste plastics recycling ratio (5)	47%	**50%**	**60%**	Realizing a circular society
	Sustainable materials procurement ratio (6)	16% *In Japan (Non-consolidated)	**20%**	**30%**	
HR related	Female leaders ratio (7)	20%	**24%**	**30%**	Empowering diverse employees
	Engagement scores (8)	81	**78**	**85**	
	Challenge ratio (9)	37%	**70%**	**85%**	

(1) The indicator measuring the creation of new products, the source of the Group’s competitiveness

(2) The indicator measuring the expansion of essential Nitto products

(3) The indicator measuring the expansion of PlanetFlags/HumanFlags products, the basis of Nitto’s ESG management

(4) The indicator measuring the progress toward “Nitto Group Carbon Neutral 2050” initiatives

(5) The indicator measuring the progress toward circular economy initiatives

(6) The indicator measuring the procurement of sustainable materials considering the environment and human rights in the supply chain

(7) The indicator measuring diversity initiatives by increasing the number of female leaders who can propel the company forward

(8) The indicator measuring three factors which have close relations with an organization’s performance growth, namely, employees’ “sense of belonging and willingness to contribute,” “productive work environment,” and “physical and mental well-being and vitality”

(9) The indicator measuring the percentage of employees who have taken on the challenge to stretch their own experiences and possibilities for new value creation

(Note) Fiscal year 2023 results for CO_2 emissions and Waste plastic recycling ratio are the figures as of the filing date, and the figures assured by a third-party will be disclosed in Nitto Group Sustainability Data Book 2024.

(4) Strategies and initiatives by segment

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

・Industrial tape

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

・Optronics

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

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

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

・Human life

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

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

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

・Others

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

2. Attitude and Initiatives toward Sustainability

The Group's attitude and initiatives toward sustainability are as follows. The forward-looking statements in the report are based on the judgment of the Group as of March 31, 2024.

(1) Overall sustainability

(i) Governance

The Group recognizes that promoting ESG (Environment, Society and Governance) management is a significant issue in achieving a sustainable society. We place ESG at the core of our management, aiming to simultaneously solve social issues and create economic value. The Group is working to establish a governance system to ensure that ESG management works, aiming to increase its corporate value over the medium to long term.

To solve sustainability issues, the Group is working to establish and promote short- to mid-term and long-term strategies by establishing a governance system where President-Director & CEO is appointed as the superintendent, and the Corporate Strategy Meeting body plays the central role under the direction and supervision of the Board of Directors.

The Group has integrated a sustainability committee, ESG committee, and other general functions into the management strategy meeting body and ensures that the President-Director & CEO is responsible for executing operations on significant climate change issues. This enables us to incorporate ESG into management in a swift and appropriate manner, and to achieve governance that ensures higher feasibility by integrating the company's sustainability and growth strategy.

(ii) Strategy

To simultaneously solve social issues and create economic value, the Group has identified material issues for sustainability based on the Basic Policy on Sustainability. Placing ESG at the core of management, the Group reviewed and revised material issues for sustainability in 2024 in order to become "essential" for the global environment, humanity, society, and the general public and further accelerate sustainable growth. These material issues have been selected and identified as such from issues deemed important as they might affect the company and its stakeholders (the environment and society) over the long term. In implementing them, we identify risks and opportunities associated with each issue and reflect them in our business plans.

For the material issues identification process, please refer to "Material Issues for Sustainability" published on our website.
https://www.nitto.com/jp/en/sustainability/infocus/materiality/

Ideal State	Material Issues for Sustainability	Risks	Opportunities	Implementation Details
Protecting the future Earth	Realizing a decarbonized society	•Difficulty in continuing business activities due to delay in responding to the decarbonized society •Increase in difficulty in sales of existing products as environmental regulations are tightened	•Increase in productivity due to a shift to eco-friendly production lines that meet the demand for GHG reduction •Increase in business opportunities by providing products with a low carbon footprint	Reduction in GHG emissions
	Realizing a circular society	•Shut-downs due to increased cost and difficulty in procurement •Decrease in competitive edge due to delay in innovating waste disposal and developing new technologies	•Increase in demand for technologies/products for cyclic use of various resources/materials •Cost reduction and efficient use of resources by waste reduction and recycling	Promotion of cyclic use of raw materials, energy, and waste

Ideal State	Material Issues for Sustainability	Risks	Opportunities	Implementation Details
	Conserving biodiversity	• Health hazards to stakeholders due to air, water, or soil pollution •Increase in the cost for compliance and difficulty in obtaining operational licenses	•Acquisition of trust from local communities and customers by properly managing pollutants and hazardous substances •Increase in demand for technologies/products that contribute to separation, removal, purification or otherwise, of hazardous substances	Prevention of air, water, and soil pollution
	Creating PlanetFlags	•Decrease in order volume in case of falling behind in addressing environmental need • Inadequate response to social demand for environmental conservation	•Increase in business opportunities by providing low-carbon-footprint or carbon-negative products •Creation of new markets and business models by accumulating biodiversity-friendly technologies and knowhow	Providing solutions for decarbonization and material-circulation solutions Providing nature-positive products
Enriching people and society	Safe manufacturing	•Personal damage and shut-downs due to work-related accidents •Occurrence of recalls, lawsuits, etc. due to quality problems	•Increase in productivity and acquisition of trust from customers by providing a safe and secure workplace environment •Acquisition of customer trust and support by providing them with safe and quality products	Improvement of workplace environment Enhancement of safety and quality of products
	Empowering diverse employees	•Increase in difficulty in maintaining stable business operations due to shortages of human resources •Stagnation of novel ideas and innovations due to lack of diversity in human resources	•Increase in productivity by way of workstyle reform and human resource development •Enhancement of employee motivation by providing opportunities that empower diverse human resources	Hiring and development of personnel daring to take on challenges Promotion of DE&I

Ideal State	Material Issues for Sustainability	Risks	Opportunities	Implementation Details
	Upholding and respecting human rights	• Shut-downs and damage to corporate value due to violation of laws concerning respect for human rights • Employee health hazards due to human rights violations and outflow of human resources due to poor working conditions	•Improvement of corporate image and brand value through socially responsible and fair practices •Improvement of public credibility by complying with and proactively advancing beyond laws/regulations concerning human rights	Promotion of human rights due diligence
	Building resilient supply chains	•Disruption in production and distribution due to damage to factories and infrastructures in the supply chain •Damage to the image of the Nitto brand as affiliates and business partners engage in misconduct or unlawful practices	•Increase in product supply efficiency and reduction in costs by optimizing supply chains • Acquisition of trust from business partners and society through management of supply chains	Sustainable procurement practices
	Creating HumanFlags	•Lowering of the company's competitive edge and growth potential due to inadequate response to social needs •Lowering of products' competitive edge as alternative technologies emerge and the company's technologies become commoditized	•Increase in business opportunities by providing products/services that improve QOL and prevent disease progression •Enhancement of competitive edge and growth potential by complying with and proactively advancing beyond next-generation technologies	Providing products that promote digital society Providing products that ensure comfort and security of life Providing products that support sound and healthy life
Fulfilling stakeholders' expectations and trust	Enhancing management security	•Lowering of operational efficiency and quality due to inadequate internal control and workflow •System shut-downs due to cyberattacks or leakage of confidential information	•Reduction in cost and increase in profit due to improvement of management efficiency and effectiveness •Creation of new markets and business models by comprehending the value and utilization of information assets	Ensuring compliance Creation of a safety/quality-oriented culture Promotion of information security management

*GHG: Greenhouse Gas

(iii) Risk management

The Group appropriately manages key risks and opportunities related to sustainability that the management considers could significantly impact its business activities. Regarding key risks and opportunities related to sustainability, the Group understands long-term issues that affect the Company and its stakeholders (the environment and society), evaluates and identifies (selects) relative importance based on the “magnitude of impact” on business in the case of an incident and the “possibility of occurrence,” which actually occurs, and determines the priority of the risks and opportunities.

Departments promoting ESG management are responsible for administrative work on risks and opportunities related to sustainability and collaborate with related departments, including those responsible for environmental issues, safety, human resources, and compliance.

Information regarding monitored risks and opportunities will be reported and deliberated monthly at the Corporate Strategy Meeting, which consists of Directors and Vice Presidents. The results of the deliberation will be instantly communicated to related departments, and countermeasures against risks and measures for opportunities will be promptly taken to strengthen controls. The progress of the implementation and improvement will be again reported to and monitored at the Corporate Strategy Meeting to increase the effectiveness of the Group management.

For details of the risks, please refer to “II. Overview of Business, 3. Business Risks, (3) Selection and Management of respective risks.”

(iv) Indicators and targets

The Group has set indicators and targets related to its material issues for sustainability to realize the 2030 Ideal State and is managing progress appropriately to ensure implementation. For details, please refer to the table set forth in “II. Overview of Business, 1. Management Policy, Business Environment, and Challenge, (3) Objective indicators for assessing the achievement of management goals, etc.”

(2) Climate change

(i) Governance

The Group has set “Realizing a decarbonized society” as one of its material issues for sustainability and is strengthening its efforts to combat climate change.

To solve climate change issues, the Group is working to establish and promote short- to mid-term and long-term strategies by establishing a governance system where President-Director & CEO is appointed as the superintendent, and the Corporate Strategy Meeting body plays the central role under the direction and supervision of the Board of Directors.

In addition, in order to increase the effectiveness of climate change initiatives, the Group has established the Global Green Committee led by the officer in charge of promoting climate change-related issues. We strengthen cross-organizational coalitions while examining strategies and implementing and promoting countermeasures against issues.

(ii) Strategy

In line with external trends, as exemplified by the conclusion of the 2015 Paris Agreement and the Japanese government’s carbon-neutral declaration, the Group carried out a scenario analysis regarding transition risks and physical risks and opportunities expected due to climate change across the entire value chain, which includes not only the Company but also suppliers and customers. The results of the scenario analysis have been incorporated into 2030 management indicators, including Nitto Group Carbon Neutral 2050, and into the mid-term management plan Nitto for Everyone 2025, confirming the effectiveness of the strategy. Meanwhile, the Group has revised its CO_2 emission target from 470 to 400 K tons based on scientific grounds, making it a higher target commensurate with 1.5°C. To achieve the goal, the Group will promote initiatives to remove solvents, save energy, use renewable energy and create products that contribute to the environment, thereby minimizing risks and maximizing opportunities.

To realize a decarbonized society, the Group recognizes measures against climate change as its material management issue and strategically incorporates them into its management.

Type of risk/opportunity		Event	Assumed risks and opportunities
Transition risk	Policy and laws and regulations	Strengthening of low carbon regulations	An increase in transition costs (raw material costs) to low GHG-emitting raw materials
			A substantial increase in renewable energy procurement costs due to the spread of renewable energy
			An increase in capital expenditures (installation costs of renewable energy facilities) due to the spread of renewable energy
		An increase in GHG emission price	An increase in taxation costs (operating costs) due to the increased introduction of carbon taxes and GHG emission levies
	Technology	Transition to low carbon products due to investment in new technologies	A substantial increase in capital expenditures (installation costs of high-efficiency facilities) due to the development and introduction of high energy-efficient technologies
	Industry/ market	A substantial increase in raw material prices	An increase in petroleum-derived raw materials procurement costs due to soaring fossil fuel prices
			An increase in petroleum-derived raw material costs due to carbon taxes and other taxes in the upstream of the value chain passed on to raw materials
			An increase in energy prices due to soaring fossil fuel prices
Physical risk	Acuteness	Occurrence of abnormal weather and natural disaster (acute)	Damage to the company’s buildings, facilities, infrastructure, etc., plant shutdowns, and lost opportunities (decrease in revenue) due to a flood, high tide, etc.
			Suspension of operation at the company’s plants, loss of opportunities (decrease in revenue) due to major suppliers being hit by a flood, high tide, etc.
Opportunity	Products/services	An increase in demand for low-carbon products (Change in preferences)	An increase in revenue of products contributing to the environment due to increased demand for recycled products
		An increase in demand for medical-related products (response to infectious disease)	An increase in revenue of medical-related products due to an increase in health damage, such as infectious diseases due to rising average temperature

(iii) Risk management

The Group appropriately manages key risks and opportunities related to climate change that management recognizes may significantly impact its business activities and implements comprehensive management across the Group by combining them with other key risks that also significantly impact its business activities.

Regarding key risks and opportunities related to climate change, the Group understands the impact on the Company in association with changes in the internal and external environment, evaluates and identifies (selects) relative importance based on the “magnitude of impact” on business in the case of an incident and the “possibility of occurrence,” which actually occurs, and determines the priority of the risks and opportunities.

The key risks and opportunities related to climate change will be monitored by business execution departments and regional managers in collaboration, while the department responsible for environmental issues will assume responsibility for managing them. Information regarding monitored risks and opportunities, together with information managed by other special function departments, will be reported and deliberated monthly at the Corporate Strategy Meeting, which consists of Directors and Vice Presidents. The results of the deliberation will be instantly communicated to related departments, and countermeasures against risks and measures for opportunities will be promptly taken to strengthen controls. The progress of the implementation and improvement will be again reported to and monitored at the Corporate Strategy Meeting to increase the effectiveness of the Group management.

(iv) Indicators and targets

The Group has set “Realizing a decarbonized society” as one of its material issues for sustainability and believes that reducing CO2 emissions, a cause of global warming, is essential for a sustainable growth and the realization of a sustainable environment and society, and that it is an important social responsibility.

Therefore, the Group ensures that the countermeasures are implemented to minimize risks and maximize opportunities and has established 2030 management indicators and targets to regularly monitor and manage the status of those countermeasures. The main indicators and targets, such as CO2 emissions (Scope 1+2), waste plastics recycling ratio, sustainable materials procurement ratio, and PlanetFlags and HumanFlags category revenue ratio are also set as 2030 management targets and managed by the Group as a whole.

In addition, the Group aims to achieve net zero CO2 emissions (Scope 1+2) by 2050, and has declared the Nitto Group Carbon Neutral 2050 declaration.

For details, please refer to the table set forth in “II. Overview of Business, 1. Management Policy, Business Environment, and Challenge, (3) Objective indicators for assessing the achievement of management goals, etc.”

For the details about climate change, please refer to “Disclosure Pursuant to TCFD Recommendations” published on our website.

https://www.nitto.com/jp/en/sustainability/infocus/TCFD/

(3) Human capital

(i) Governance

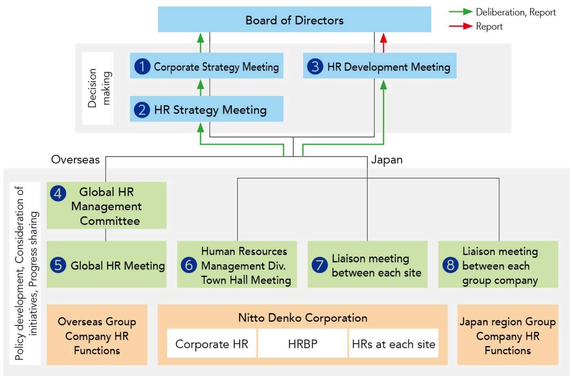
The Group has set “Empowering diverse employees” as one of its material issues for sustainability and is strengthening its efforts in acquiring and developing human resources who can take on challenges and also in promoting DE&I.

To solve human resource issues, the Group is working to establish and promote short- to mid-term and long-term strategies by establishing a governance system where President-Director & CEO is appointed as the superintendent, and the Corporate Strategy Meeting body plays the central role under the direction and supervision of the Board of Directors.

In addition, Key policies, strategies, challenges, and initiatives regarding human resource management are communicated and determined by each meeting body based on internal standards. Initiatives determined by each meeting body are promoted primarily by the Company’s Human Resources Management Div. in close collaboration with each business unit and business site in Japan as well as with the Group companies in Japan and overseas.

An appropriate human resource management structure based on the human resource strategy is organized and maintained through the performance of duties by each meeting body and each human resource function.

[Human Resource Management Structure]



(ii) Strategy

The Group considers human resources as its most valuable assets and is committed to creating new value by globally developing the “Nitto Person” who can carry out the Nitto Way.

To this end, as a means of embodying our Corporate Philosophy in terms of human resources, we have established the “Basic Policy on Human Resource Management” clearly stating the goals of the “Nitto Person” and leading to the strong promotion of individual initiatives.

- We employ and develop human resources who understand diversity and respect people of all nationalities, genders, ages, careers, and disabilities, and who act with integrity.
- We respect our employees as individuals and provide growth opportunities for their autonomous career development.
- We build a rewarding, safe, secure, and healthy work environment by promoting diverse work styles and an open organizational culture.
- We fairly evaluate the results of our employees who take upon challenges without fear of failure to motivate them to do their best.
- We seek to discover outstanding human resources from across the globe and train them to become leaders who can anticipate and deliver changes.

The Group has cultivated a unique corporate culture that values bringing amazement and inspiration to our customers through the “Niche Top Strategy,” “*Sanshin* Activities,” and “Customer-oriented approaches.” Under this culture, numerous innovations have been born. The source of this lies in the Group’s culture and human resources, which pursue skills to create innovation from scratch (zero to one) and develop technologies that others cannot imitate.

To maintain and develop the Group’s strengths, we are fostering a corporate culture that respects diversity, increases employee engagement, and enjoys taking on challenges. Furthermore, to realize the Group’s vision of “Creating Wonders,” we are building an organization that provides an environment for growth, where everyone can utilize their strengths and overcome challenges through teamwork.

Moving forward, we will continue to view DE&I as an essential element and actively pursue initiatives to promote it in order to further develop our “Niche Top Strategy.”

Based on the above strategy, the Group is exercising globally consistent talent management and deploying diverse initiatives with the aim of creation of a work environment where everyone feels rewarding and satisfied with what they are doing.

- Development of female leaders

To achieve one of our FY2030 Future-financial Targets the "30% female leaders ratio," we have been implementing the Female Leaders Ownership Empowerment Program (FLOWER Program) since April 2022 to develop female leaders in Japan. This program not only aims to cultivate leaders as for the "managerial positions," but also develop female leaders who can lead organizations and teams.

It includes lectures by executives, a mentoring policy, and management skills training to cultivate a leadership mindset and improve management-related business skills. The program has been highly satisfactory because of its rich content, such as lectures on leadership by outside experts.

The female leaders ratio is 20% as of FY2023 and by continuously developing many leaders who can lead organizations, we aim to foster a culture that accelerates value creation.

- Engagement activities

The Group conducts an employee engagement survey once every two years, and in FY2023, it was carried out globally. We have set an "Engagement Score" as our FY2030 Future-financial Targets, and great thanks to the steady efforts at each group company and each business site, the "Sustainable Engagement Score" increased substantially from 74 in FY2021 to 81 in FY2023.

In particular, the questions related to "Safety" and "Management Philosophy" received high scores just as the last time, reaffirming that these are the Group's strengths. On the other hand, "Talent Management," "Leadership," and "Work Efficiency" remain as challenges that require ongoing efforts.

In order for the Group to be "An essential top ESG company," we will continuously work to create a foundation where each employee can maintain high engagement, take on challenges, and play an active role by utilizing their strengths.

- Creation of an Environment Where Employees Enjoy Taking on Challenges

The Group has a deep-rooted culture that supports taking on challenges, and in order to accelerate value creation, we are promoting the creation of an environment where many employees across borders can move from a "culture that supports challenges" to a "culture that enjoys challenges."

From FY2023, the Group has adopted a unique indicator called the "Challenge Ratio," which counts the number of people who have taken on challenges that contribute to the company's value creation as part of our FY2030 Future-financial Targets. Specifically, we are counting people who have participated in small group activities, proposed ideas for new business creation, engaged in self-improvement, or participated in overseas trainee programs. We will continue to increase initiatives that make it enjoyable to take on challenges beyond daily work.

- Health and productivity management

The Group promotes groupwide efforts to improve employee's health with the belief that investing in their health will revitalize the organization through increased employee energy and productivity and lead to improved business performance and corporate value.

Under the Group's organizational structure for promoting health and productivity management, the Head of Human Resources Management Div. assumes full responsibility under the supervision of the Corporate President. In addition, the health improvement secretariat, established at the Human Resources Management Div. in the Company's headquarters, performs activities in collaboration with each business site's HR & General Affairs teams, occupational health staff, the Health Insurance Association, and the labor union. In each business site, the HR and General Affairs teams, occupational health staff, and the labor union have regular discussions through the meeting bodies such as the Health and Safety Committee, working together to address not only company-wide health issues but also health issues at each business site.

Furthermore, the Group has set three priority issues: smoking cessation, prevention of mental health disorders, and prevention of lifestyle-related diseases. We are implementing various initiatives such as subsidizing the cost of smoking cessation support for those who wish to quit, conducting mental health seminars to improve employee's health literacy, and holding interviews with young obese individuals, all aimed at improving employee's awareness and behavior change.

(iii) Risk management

The Group appropriately manages key risks and opportunities related to human resources that management recognizes may significantly impact its business activities and implements comprehensive management across the Group by combining them with other key risks that also significantly impact its business activities.

The key risks and opportunities related to human resources will be monitored by business execution departments and regional managers in collaboration, while the department responsible for human resource issues will assume responsibility for managing them. Information regarding monitored risks and opportunities, together with information managed by other special function departments, will be reported and deliberated monthly at the Corporate Strategy Meeting, which consists of Directors and Vice Presidents. The results of the deliberation will be instantly communicated to related departments, and countermeasures against risks and measures for opportunities will be promptly taken to strengthen controls. The progress of the implementation and improvement will be again reported to and monitored at the Corporate Strategy Meeting to increase the effectiveness of the Group management.

(iv) Indicators and targets

The Group believes that fostering an organizational culture where each employee feels fulfilled and challenged is important, and we have set the following indicators as our FY2030 Future-financial Targets.

- Female leaders ratio
- Employee engagement scores
- Challenge ratio

For details, please refer to the table in "II. Overview of Business, 1. Management Policy, Business Environment, and Challenge, (3) Objective indicators for assessing the achievement of management goals, etc."

3. Business Risks

(1) Basic policy

On the matters such as the overview of business and financial information in the Annual Securities Report, the management identifies significant risks that may materially affect investors making decisions. Two significant risks described below are: "business risks," which are risks associated with the business, and "operational risks," which are other risks that may affect our entire Group. The forward-looking statements in the report are based on the judgment of the Group as of March 31, 2024.

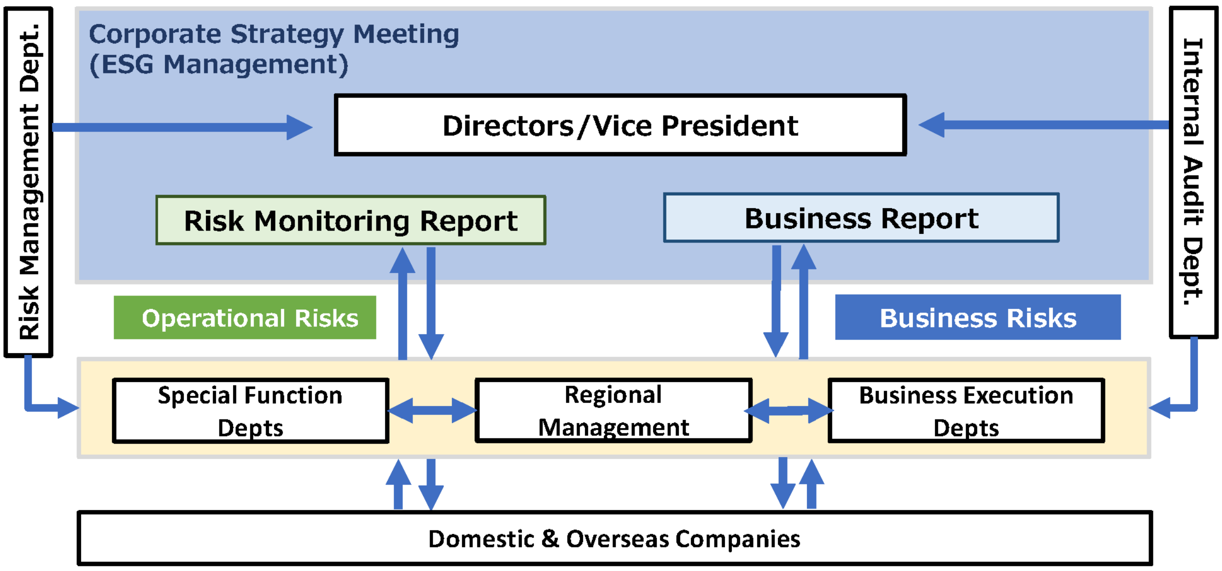
(2) Risk management system

The Group promotes risk management for significant risks under the risk management system specified in the "basic policy on internal control."

Business execution departments manage "business risks," and special function departments manage "operational risks." To monitor risks globally, we appoint regional managers for each major overseas geographic region to develop a regional monitoring function.

Each responsible department manages risk information and provides reports at the Corporate Strategy Meeting every month. The Meeting members, joined by Directors and Vice Presidents, deliberate the risk information. The results of the deliberations are immediately instructed to each responsible department, which promptly implements measures, strengthens controls. Eventually, those are reported back again to the Corporate Strategy Meeting with respective actions and remediation status, making the group's risk management more effective.

Risk Management System Chart

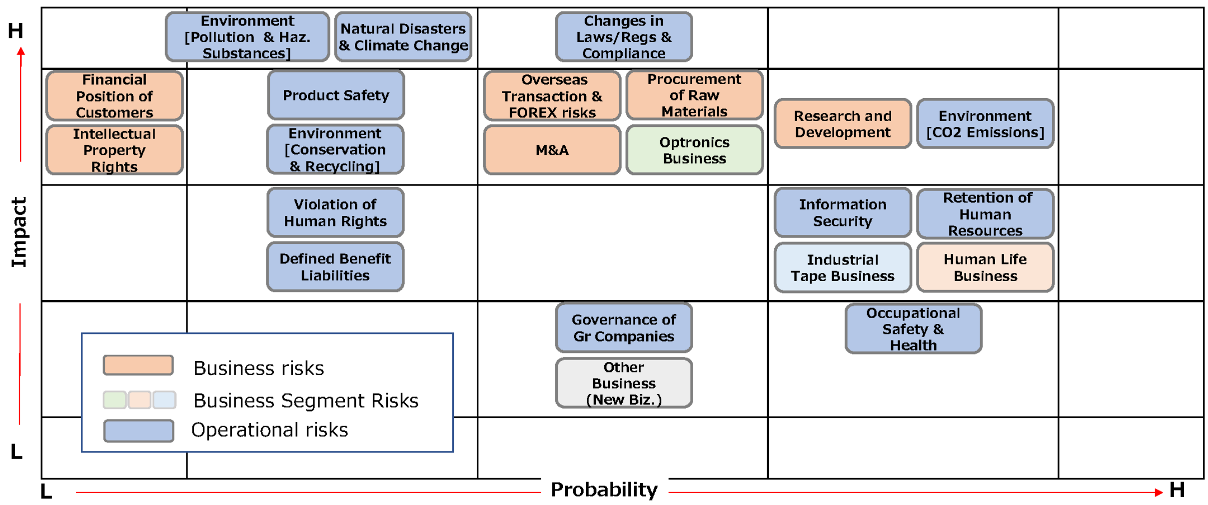


(3) Selection and Management of respective risks

The major risks in the current fiscal year, in addition to the remaining risks since the previous fiscal year, were selected by the officer in charge of risk management and the department in charge of risk management after gathering opinions from Directors, departments in charge, the audit firm, analyzing the agenda and deliberation topics at the Board of Directors and the Corporate Strategy Meeting, and deliberating at the Corporate Strategy Meeting.

We considered the relative significance of respective risks by categorizing in the following chart with two axes: the vertical axis showing the "impact" on the businesses when such risks arise and surface, and the horizontal axis showing the "probability" of the occurrence.

Risk map of the current fiscal year



At the end of the fiscal year, those risks (business and operational risks) are self-assessed by the responsible departments, and independently evaluated by the department and the officer in charge of risk management, based on the assessment criteria, such as implementation systems, the implementation of controls and measures, and the occurrence of and response to incidents, etc. The results are reported to the Corporate Strategy Meeting and the Board of Directors.

The assessment result below indicates a change in risk from the beginning to the end of the fiscal year.

Assessment results of the current fiscal year

	Major Risks	Direction	Assessed Items
Business Risks	Overseas Transactions & Foreign Exchange Risks	↗	Deterioration of cash flow
			Exchange rate fluctuation
			Trade restrictions/incidents
			Logistic conditions/visualization
	Financial Position of Customers	→	Irrecoverable receivables
	Procurement of Raw Materials	→	Change of supply chain conditions
			Deterioration of procurement conditions & environments
	Research & Development	→	Delayed/obsolete R&D
	Intellectual Property Rights	→	Intellectual property infringement
	Industrial Tape Business	→	Changes in electronics/semi-conductor market
			Changes in automobile productions
	Optronics Business	↗	Product or tech obsolescence
			Changes in external environment
			Difficult procurement
	Human Life Business	↗	Changes in external environment
			Difficult procurement
	Other Business・M&A	→	Failure of new business
			Failed M&A & partnerships

	Major Risks	Direction	Assessed Items
Operational Risks	Product Safety	↗	Product defects/Tightening of regulations
	Environment (CO2 Emissions)	↗	Response to environmental regulations
	Environment (Conservation & Recycle)	→	Tightening of regulations
	Environment (Pollution & Hazardous Substance)	→	Increasing responsibilities/costs
	Information Security	↗	Information leakage/illegal use
			IT system destructions/failures
	Changes in Laws, Regulations & Compliance	→	Revision of laws and regulations
			Violation of laws
			Breach of compliance
	Governance of Group Companies	→	Accounting frauds and errors
			Procurement frauds
			Ineffective and inadequate internal controls
	Natural Disasters & Climate Change	→	Earthquakes
			Heavy Rain, Floods, Typhoons (Global warming)
	Retention of Human Resources	↗	Loss of human resources
	Occupational Safety & Health	→	Occupational accidents & disasters
	Human Rights	→	Human rights violations (The Group)
			Human rights violations (Supply chain)
	Defined Benefit Liabilities	→	Defined benefit liabilities

*The arrow indicates the change in risk from the beginning of the period
(↗: Increase in risk, →: No change, ↘: Decrease in risk)

Status of respective risks at the end of the current fiscal year

(1) Business risks

Overseas transactions and foreign exchange risks
Related Materiality: Building resilient supply chains
The Group operates a global business, with more than 80% of total sales revenue earned outside Japan, and about 40 subsidiaries and affiliates conduct trade activities such as export and import. Accordingly, in the various countries where we operate, there are risks such as interruption of electric power supply and transportation services, rising labor costs, deterioration of employment relationships, labor disputes and risks arisen by prolonged lead times due to cyber-terrorism and environmental issues. The Group's performance may also be adversely affected by abrupt changes in the global economy triggered by events such as conflicts or outbreak of infectious diseases. Furthermore, the Group's performance may be adversely affected by unexpected exchange rates, volatility in equity and interest rates, financial instability, the rise of protectionism, and trade restrictions for the sake of national security. The Group manages distribution by increasing risk visibility in the supply chain and establishing BCP (business continuity plan) for distribution to strengthen the supply chain. In addition to conducting timely monitoring of the Group's internal fund balance, financing situation, asset and liability by currency, etc., we have established financial control centers in each area and are working to consolidate funds and hedge foreign exchange risks, among other measures.

Financial position of customers
Related Materiality: Enhancing management security
Serious financial problems could develop at some customers from whom the Group holds accounts receivable due to major changes in their operating environments. Should such receivables become irrecoverable at any one of its largest customers in the fast-changing electronics and life science sectors, the amount to be written off could be enormous, which in turn could negatively affect the performance of the Group. The Group has established Credit Control Group, and makes it a rule to closely investigate the financial positions of its customers before starting business. The Group has also purchased credit insurance to mitigate risks.

Procurement of raw materials
Related Materiality: Building resilient supply chains
Some of the Group's raw materials are sourced from specific individual suppliers. If the supply of raw materials were to decrease or be disrupted due to unavoidable circumstances on the part of those suppliers, such as damage from natural disasters, accidents, or bankruptcy, the supply-demand balance could be disturbed, resulting in failure to procure necessary raw materials or an increase in costs. Any of these contingencies could influence the performance of the Group. The Group endeavors to reduce the risks involved in securing sufficient supply of key raw materials through measures including sourcing materials from multiple suppliers and setting and managing inventory levels for a given period of time. In the previous fiscal year, we launched the Supply Chain Committee with a cross-sectional team that aims for sustainable procurement in the supply chain. We have been addressing the risks involved in the upstream supply chain by visualizing geopolitical risks and risks related to chemical substance regulations, which have been increasing in recent years. From the current fiscal year, we have established new process and systems for measures in advance of potential future risks to strengthen the supply chain.

Research and development
Related Materiality: Creating PlanetFlags / Creating HumanFlags
The industry in which we operate our business experiences turbulent market changes that are not easy to predict. New technologies or products from other companies can suddenly and unexpectedly cause our products to become obsolete. Situations like this can impact our future financial results. In order not to be influenced by trends in a given business, the Group works on R&D to develop new technologies and products focusing on the *Sanshin* (“three new”) Activities, which is to stimulate demand through the development of new applications and new products, as well as make relevant equipment investments. Furthermore, in accordance with the Group policies that place ESG at the center of management, we are concentrating our resources on themes which can be the options for our proprietary PlanetFlags/HumanFlags. We also practice rigorous intellectual property management to protect such products by creating barriers to entry.

Intellectual property rights
Related Materiality: Creating PlanetFlags / Creating HumanFlags
The Group owns, maintains and manages a large amount of intellectual property rights for the purpose of enhancing its market competitiveness. However, it is possible that a third party could claim that such rights are invalid, or such rights could be inadequately protected, imitated, or involved in litigation in some regions. Should the protection afforded by intellectual property rights be seriously lost, the performance of the Group may be adversely affected. The Group’s Technology and IP Strategy Division and business divisions work together to pay due attention to the intellectual property rights of other companies to ensure the Group does not infringe upon them, while at the same time pursuing initiatives to uncover any products on the market that infringe upon the Group’s intellectual property rights.

Business risks in each operating segment are as follows:

Industrial Tape business
Related Materiality: All Materialities
The Group globally supplies a diverse range of Functional Base Products to a broad range of industries, including its three focus domains of Power & Mobility, Digital Interface, and Human Life. In each domain, customers are increasingly seeking products with high added value. In Power & Mobility, we offer adhesive materials for the automobile structure and sealing materials for airtight and waterproofing applications in the global market, and fluctuations in automobile production volumes can therefore impact our financial results. By pushing expansion into growth areas such as EVs (electric vehicles) and CASE (Connected, Autonomous, Sharing/Service, and Electric) and working to add to our existing business by capturing new business in growth areas, we are, also in this sector, working to create a business constitution that is resilient to market forces. As part of our efforts in growth areas, we are strengthening collaboration among the Group companies and working to provide a wide range of product lines. In Digital Interface, there is the possibility that our performance may fluctuate in line with market conditions for electronics or semiconductors. By creating Global Niche Top™ products and Area Niche Top™ products under our Niche Top Strategy and *Sanshin* Activities initiatives, we are working to create PlanetFlags/HumanFlags as new axes for growth while developing a business constitution that is resilient to market forces. Furthermore, by understanding our customers’ processes and offering a lineup that meets their needs, we offer proposals that combine materials and facilities, thereby contributing to our customers’ productivity improvement. In Human Life, we have developed functional films and porous materials from precision-processed special engineering plastics with dustproof and chemical resistance features. We continue to propose materials that are resilient to a change in external environment with keeping compliance with tightened chemical substance regulations. In the markets that the Industrial Tape business serves, an increasing number of customers in the automotive and electronics industries are focusing their efforts on contributing to the environment. To this end, in our Industrial Tape business we are also working to develop and manufacture PlanetFlags products with lower environmental impact, while promoting the collection and recycling of materials discarded by customers to reduce CO2 throughout the supply chain and provide added value as an environmentally friendly product.

Optronics business
Related Materiality: All Materialities
A major market for the Information Fine Materials sector is the display industry, which is rapidly changing and is exposed to fierce competition from a number of companies. The commoditization of products and technologies in which the Group's components are incorporated, a decline in sales revenue due to market maturation, and pressure on profit margins due to the entry of competitors may negatively affect the Group's performance. Price hikes and unstable supply of materials affected by geopolitical risks and environmental regulations may affect the Group's production and supply of products. We immediately identify the evolving needs of our customers, the leaders of the display industry, and continue to develop and launch new products built on our technology. We also expand markets for our products by accelerating product launches in non-display markets. In addition, to prepare for the various changes in the external environment, we implement BCP measures for our business, such as ensuring stable procurement, diversifying our production locations and promoting digital transformation and data-driven management. In the circuit materials business, we are focusing our efforts on markets and products that support a data-driven society/smart society and are anticipated to grow, and supply products with high market share. Soaring material/power costs caused by continued inflation worldwide and changes in investment trend of data center may temporarily affect our financial results. However, if market growth is sustained over the long term, our responsibility as a supplier to meet demand trend may affect our financial results. In response, we are planning and implementing to secure production capacity satisfying demand trends, including establishing a manufacturing backup system across our multiple sites, creating a BCP for our procurement of materials, and implementing productivity innovations to reduce reliance on manual labor.

Human Life business
Related Materiality: All Materialities
The Human Life business consists of Life Science, Membrane, and Personal Care Materials businesses. In the Life Science business, we are strengthening our initiatives as a new business field for the Group, with a focus on the oligonucleotide therapeutics business. The oligonucleotide therapeutics market is forecast to grow in the future, with a rise in the number of late-stage clinical research topics and new drug approvals. Demand for contract manufacturing of oligonucleotide therapeutics, which we undertake in the Life Science business, fluctuates according to the progress of customer's research and development and clinical trials. Accordingly, suspension or discontinuation of customer's clinical trials based on scientific evidence may affect our performance. In addition, drug discovery of oligonucleotide therapeutics in this business provides technologies to customers in the pharmaceutical industry after our research and development is advanced. Therefore, depending on the progress of our research and development of technologies with competitive advantages, which leads to the provision of value to customers, our performance may be affected accordingly. The Group strives to mitigate the impact of demand fluctuations by handling a wide range of research and development activities and clinical trial projects commissioned by customers. Meanwhile, in drug discovery of oligonucleotide therapeutics, we are steadily advancing our research and development initiatives, including collaborations with external organizations, in order to ensure both safety and efficacy. The Membrane business supplies components for water treatment plants in the energy sector, desalination plants, and water treatment systems in a variety of industries. The Group's performance may be affected if plant construction or customer's procuring parts schedules are delayed due to soaring material prices or supply shortages or if the availability of raw materials is limited due to soaring raw material prices. In order to create a business structure that is resilient against the impact of market conditions, we are bolstering efforts to develop new markets and launch new products as quickly as possible. In the area of raw material procurement, we will strive to utilize multiple suppliers and review our sales prices. The Personal Care Materials business offers hygiene materials, primarily diaper materials. The main market is for hygiene materials and daily necessities, of which demand is relatively stable. Meanwhile, as a commodity market, falling sales prices caused by the circumstances where competitors could easily enter may affect our performance. Also, our performance may be affected by rising energy costs, price increases due to inflation (soaring material costs) and rising labor costs. The Group strives to mitigate the impact of those factors by focusing on improvement of our manufacturing capabilities and promoting cost reduction activities. In addition, we will optimize our workforce through investment in digitalization for productivity innovations to reduce reliance on manual labor. The Group aims to further improve profitability by expanding high-value-added products and developing environmentally friendly products.

Other business
Related Materiality: All Materialities
The Group's performance may be adversely affected if new businesses are not launched as planned. The Group strives to conduct sound business operations by regularly assessing the alignment of the Group's position with that of relevant markets and customers.

(Additional item) M&As
Related Materiality: All Materialities
The Group engages in mergers and acquisitions, business alliances, and strategic investments as necessary when such actions provide an effective means of acquiring technologies to enhance corporate value, expanding into new business areas, or accelerating business growth. However, if the Group is unable to achieve the results or synergies that it initially envisioned due to significant changes in the market or competitive environment, or if acquired businesses are unable to secure revenue as planned, there is a possibility that the Group's performance may be affected by impairment of goodwill and fixed assets. When forming partnerships with other companies, the Group bases its decisions on due consideration of market trends, customer needs, the business conditions of the counterpart company, and competitive advantage in the market.

(2) Operational risks

Product safety
Related Materiality: Safe manufacturing
The Group manufactures and supplies intermediate materials or products to our customers in accordance with strict quality control standards for the purpose of safe and quality-oriented manufacturing. Also, tightening regulations on chemicals such as fluorinated compounds has been demanded in recent years. In the event of a product defect, such as a quality defect, or a violation of laws or regulations with respect to a chemical substance, we are subject to have obligations for a compensation for the defect or a penalty for violation of laws or regulations, which may affect our performance. The Group strives to make continuous improvements by obtaining certification of strict international quality management systems in line with those required by industry. We are also considering an alternative product for PFAS, which is expected to be a stricter regulation, and working to strengthen the management system for bisphenols and vinyl chloride. We belong to the specific industry associations as a part of advanced response to comply with the chemical substance regulations. We have obtained regulatory information from authorizations and promoted collaborative actions with industry associations.

Environment (CO2 emissions)
Related Materiality: Realizing a decarbonized society
As climate change and natural disasters grow increasingly severe, the Group is working to reduce CO2 emissions in the entire supply chain to realize a decarbonized society. A sharp rise in renewable energy prices, carbon taxes, or soaring emissions trading prices could lead to an unavoidable increase in production costs, which could adversely affect the Group's performance. In addition to complying with more stringent related laws and regulations, we are also working to reduce our customer's CO2 emissions through our products and solutions by reducing energy consumption and introducing renewable energy in our manufacturing processes to meet societal demands for lower CO2 emissions.

Environment (resource conservation and recycling)
Related Materiality: Realizing a circular society
In response to the global environmental crisis, including depletion of resources and marine pollution caused by plastics, the Group is working to reduce plastics, organic solvents, and other waste, primarily used in its manufacturing processes, with the aim of realizing a circular society. In the event that the Group faces a refusal to collect plastics, organic solvents, and other waste or a sharp rise in prices for collection of such waste, its production activities slow down due to difficulties in disposing of waste, which could adversely affect the Group's performance. In addition, improper disposal of products or waste may lead to a loss of public trust and damage to the company's brand image, which could adversely affect the Group's performance. In addition to ensuring compliance with relevant laws and regulations, the Group is working to establish a resource-recycling society by promoting the effective use of resources and recycling throughout its supply chain.

Environment (pollution and hazardous substance)
Related Materiality: Conserving biodiversity
The Group is striving to reduce emissions of pollutants and hazardous substances used in its manufacturing processes in order to conserve biodiversity by preventing the destruction of ecosystems. The release of volatile organic compounds into the atmosphere or rivers due to equipment malfunction or other causes could cause pollution of the local environment, resulting in loss of public trust and damage to the company's brand image, which could adversely affect the Group's performance. In addition to ensuring compliance with relevant laws and regulations, we have established our own stringent management standards to control pollutants and hazardous substances, and are working to reduce the amount of such substances used.

Information security
Related Materiality: Enhancing management security
Information systems play a crucial role in every aspect of the Group's business activities. On the other hand, cyber-attack is becoming increasingly sophisticated, and human-caused risks such as internal fraud and negligence are also increasing. In the event that the Group's information systems suffer a malfunction, or leakage or unauthorized use of information such as technical, customer, transaction, or personal information occurs, regardless of intent or negligence, the Group's performance may be adversely affected. The Group implements a range of information security measures against cyber-attack from both a hardware and software perspective, including implementing multilayered protection and deploying CSIRT, a rapid detection and response system. In addition, we implement a variety of measures to prevent leakage and unauthorized use of information due to negligence or error, including providing officers and employees with training on the importance of information security and targeted e-mail attack preparedness drills in order to enhance management security.

Changes in laws, regulations and compliance
Related Materiality: Enhancing management security
The Group promotes compliance not only with laws, regulations, and internal rules, but also with social norms and ethics. Moreover, the Group operates in 28 countries and regions, each with its own laws and regulations, social norms, and ethical standards, which makes compliance a multifaceted issue. Compliance violations by a company not only impact its corporate value, but can also affect its stakeholders, including its customer's procurement and consumption, its supplier's production, and the livelihood of local residents. We have translated the "Nitto Group Business Conduct Guidelines," which underpin our commitment to compliance, into 18 languages and thoroughly communicated them to all officers and employees of the Group. In addition, we are working to detect legal violations and ethical breaches at an early stage by operating a whistle-blowing system at all regions. In the current fiscal year, we have established a whistle-blowing system which suppliers can externally use in certain regions, and we are preparing to complete to set that system at all the other regions.

Governance of group companies
Related Materiality: Enhancing management security
The Group conducts business on a global scale across a wide range of fields and maintains operations in 28 countries and regions worldwide, including Nitto Denko Corporation and its 88 subsidiaries and four affiliates. If corporate governance and internal control functions do not work at those subsidiaries and affiliates, improper actions, business transactions or decisions made by officers or employees of these companies that are not in accordance with the Group's management policies could result in losses to the Group and affect our performance. The Group operates a matrix-based management approach, in which three axes complement and support each other: the business axis, which includes the business execution departments consisting of Functional Base Products, Information Fine Materials, Circuit Materials, Life Science, Membrane, Personal Care Materials, etc., the regional axis, which divides global operations into seven regions, and the functional axis, which consists of special function departments such as human resources and accounting. The business axis establishes governance and internal control systems, while the regional and functional axes audit and monitor their status appropriately at the regional and operational levels. We are working to conduct thorough governance and strengthen internal controls by detecting and reporting operational risks and issues and implementing necessary improvements in these areas.

Natural disasters and climate change
Related Materiality: Enhancing management security
The Group operates a global business and thus has a number of production sites and sales sites in Japan and overseas. Natural disasters such as typhoons, which are becoming more severe due to climate change, or earthquakes in any of these locations could damage the employees, sites and facilities of the Group. Moreover, such an event could damage power, gas or other infrastructure, eventually cutting off our supply chain extensively, which could seriously impact our financial results. Such events could also cause considerable damage to our customers or suppliers, stalling orders or supply for an extended period and seriously impacting our financial results. Following our Corporate Philosophy "We place safety before everything else," we have implemented disaster drills and decision-making drills when setting up the Emergency Headquarters at each site to prepare for accidents and disasters and have prepared a business continuity plan (BCP) as a measure for preventing disruptions to business functions, and we periodically update the BCP in order to enhance management security.

Retention of human resources
Related Materiality: Empowering diverse employees
In order for the Group to promote its business activities and develop into the future, it needs to recruit and train personnel in a variety of fields, including research and development, manufacturing, sales, and administration. It is vital to foster a corporate culture where every employee can enjoy taking on new challenges with motivation and promote DE&I (diversity, equity, and inclusion) to enable the Group to respond to rapid changes in the business environment. Additionally, against the backdrop of intensifying global competition to acquire human resources, as evidenced by the shrinking working population due to Japan's declining birthrate and aging population, values in terms of work styles and careers are diversifying, and the mobility of human resources is increasing. To respond to these trends, reviewing personnel systems and treatment standards to retain human resources has become an ongoing issue. Failure to continually hire necessary personnel or to prevent the drain of talent could negatively affect the performance of the Group. As the importance of human capital management increases, as mentioned, the Group works to improve employee's engagement and recruit and develop a variety of human resources through the development of the environment, allowing employees to take on challenges in a variety of fields, including overseas trainee and job posting fields, and strengthening of its recruiting capability by improving its recruiting branding and strengthening internship initiatives. We also build a workplace environment where diverse human resources can work comfortably through the provision of support for balancing work with childcare/nursing care, etc., teleworking systems, and the implementation of other measures, increase wages to ensure competitive compensation levels and take other measures, thereby retaining and motivating human resources.

Occupational safety and health
Related Materiality: Safe manufacturing
Aiming to realize a safety society, the Group places safety before everything else in its manufacturing under the slogan of “Zero Accidents and Injuries.” The occurrence of an injury or illness resulting in death or permanent disability or other damage on human health, or a fire that affects production, could result in a loss of public trust, suspension of operations, or suspension of transactions by customers, which could negatively affect the Group’s operations. In order to reduce risks that could lead to injury, illness, or fire, the Group is working to mitigate risks by thoroughly identifying foreseeable risks and to implement maintenance management measures such as compliance with rules.

Human rights
Related Materiality: Upholding and respecting human rights
Stakeholders’ focus on companies’ human rights initiatives have been growing in recent years. The Guiding Principles on Business and Human Rights, approved by the United Nations Human Rights Council in 2011, stipulates that companies are responsible for and must commit to protecting and respecting human rights, and remedying human rights violations. The scope of corporate responsibility is not only within its own company but also throughout its supply chain. Customers and suppliers are increasingly reluctant to continue doing business with companies without mechanisms in place to address human rights issues such as child labor, forced labor, and discrimination against foreign workers, and the stock market is increasingly reluctant to invest in such companies. The Group communicates its policy on respect for human rights to its stakeholders through disclosure of the Nitto Group Basic Policy on Human Rights in 10 languages. Also, we conduct a compliance survey as one of the initiatives of the compliance management system. We are working to visualize and reduce the risk level of each site. Meanwhile, we hold a partnership meeting at global to inform our main suppliers about our CSR Procurement Policies and their activities. Also, we conduct an annual CSR Procurement Survey under the CSR-Based Procurement Guidelines, which describe rules we expect our suppliers to follow, including respect for the human rights and labors. Based on the survey findings, we assess their risk, suggest improvements to the suppliers whose risk is deemed high, and follow up on their improvement efforts. In order to ensure the objectivity and validity of assessment, we have newly introduced CSR assessment by EcoVadis as a third-party assessment in Japan and China. From the next fiscal year, we will expand the introduction of this assessment globally in South Asia, Europe and the Americas regions. For suppliers that handle raw materials with high risks of human rights violations, we ask them to survey the place of origin and answer the questionnaire on human rights policy to raise their awareness and cooperation in human rights in raw material procurement.

Defined benefit liability
Related Materiality: Enhancing management security
The Group’s defined benefit liabilities are calculated on the basis of various assumptions used in actuarial calculations and investment yields of pension assets. As such, fluctuations in the market value of pension assets, interest rate behaviors, and changes in retirement allowance systems and pension plans can affect the amount of such liabilities that are recognized and reported, thereby having an impact on the performance of the Group. When managing pension assets affected by market fluctuations, the Group aims to achieve stable returns by setting long-term policy asset mix based on factors such as pension asset liability management (ALM) analysis, diversifying investments, and considering downside risks. In implementing the above, the Group has established an appropriate operation and management system by designating members from its finance and human resources departments as well as members with asset management experience as fund managers, in addition to engaging external consultants. When considering changes to retirement benefits and pension plans, such as reducing the risk of additional contributions by, for example, introducing defined contribution pension plans in certain cases, due consideration is given to the impact on retirement benefit obligations.

4. Management Analysis of Financial Position, Operating Results, and Cash Flows

Overview of operating results

(1) Financial position

Total assets as of March 31, 2024 (hereinafter "the end of the current fiscal year") increased by 97,440 million yen to 1,251,087 million yen from the end of the previous year ended March 31, 2023 (hereinafter "the end of the previous fiscal year"). Current assets increased by 40,767 million yen to 717,957 million yen, and non-current assets increased by 56,672 million yen to 533,130 million yen.

The increase in current assets was mainly due to a 12,302 million yen increase in cash and cash equivalents, a 30,952 million yen increase in trade and other receivables, a 4,296 million yen decrease in inventories, a 3,079 million yen increase in other financial assets, a 3,962 million yen increase in other current assets, and a 5,232 million yen decrease in assets held for sale.

The increase in noncurrent assets was mainly due to a 45,432 million yen increase in property, plant and equipment, a 6,361 million yen increase in right-of-use assets, a 7,234 million yen increase in goodwill, a 2,435 million yen decrease in deferred tax assets, and other factors.

Total liabilities at the end of the current fiscal year increased by 15,586 million yen from the end of the previous fiscal year to 266,038 million yen. Current liabilities increased by 18,608 million yen to 206,856 million yen, and non-current liabilities decreased by 3,022 million yen to 59,182 million yen.

The increase in current liabilities was mainly due to a 7,131 million yen increase in trade and other payables, a 5,086 million yen decrease in income tax payables, a 16,234 million yen increase in other financial liabilities, a 1,693 million yen increase in other current liabilities, a 1,436 million yen decrease in liabilities directly associated with assets held for sale, and other factors.

The decrease in noncurrent liabilities was mainly due to a 5,114 million yen increase in other financial liabilities, a 6,884 million yen decrease in defined benefit liabilities, and other factors.

Total equity at the end of the current fiscal year increased by 81,853 million yen from the end of the previous fiscal year to 985,048 million yen.

This was mainly due to a 21,792 million yen increase in retained earnings from the end of the fiscal year ended March 31, 2023 caused by net profit attributable to owners of the parent company and dividends and the cancellation of the treasury shares, etc., and a 4,333 million yen decrease in treasury shares and a 55,802 million yen increase in other components of equity.

(2) Operating Results

The economic environment in the current fiscal year slowed globally, with some regional variations, due to the continuation of monetary tightening associated with inflation, the increase in geopolitical risks such as the war between Russia and Ukraine and the outbreak of conflicts in the Middle East. In the United States, while the effects of interest rate hikes are visible, persistent inflation remains due to factors such as the sustained high service prices caused by labor shortages. As a result, the Federal Reserve Board (FRB) kept interest rates unchanged for five consecutive meetings. In China, personal consumption remained sluggish due to the prolonged real estate recession. In addition, constraints on imports and exports due to trade friction between the United States and China and the decrease in investment in China against the backdrop of the review of supply chains are weighing on economic recovery. In Japan, the economy recovered moderately due to solid inbound demand and corporate capital investment. In the foreign exchange market, the yen continued to depreciate even after the termination of the negative interest rate policy by the Bank of Japan due to the divergence in interest rate differentials between Japan and the United States.

In the key markets of Nitto Group (the "Group") under these circumstances, demand for optical films, Optical Clear Adhesive (OCA) and process protective films for high-end smartphones increased. In addition, demand for optical films for automotive displays and Virtual Reality (VR) increased as a new market. Demand for automotive materials recovered as the impact of a shortage of semiconductors eased. Demand for products used in the manufacture of semiconductors and electronic equipment recovered moderately as inventory adjustments completed. On the other hand, demand for optical films for high-end laptop PCs and tablets and products for data centers decreased due to deteriorating market conditions. In addition, revenue for immunologic adjuvants for COVID-19 vaccines has not been recorded in the current fiscal year.

The yen's exchange rate against the U.S. dollar for the fiscal year ended March 31, 2024, was 143.9 yen to the dollar, a 6.8% depreciation of the yen compared with the same period of the previous year, and the effect of the weaker yen increased operating profit by 24 billion yen.

As a result of the above, revenue decreased by 1.5% from the same period of the previous year (changes hereinafter are given in comparison with the same period of the previous year) to 915,139 million yen. Operating profit decreased by 5.5% to 139,132 million yen, profit before income taxes decreased by 5.4% to 138,901 million yen, net profit decreased by 6.0% to 102,755 million yen, and net profit attributable to owners of the parent company decreased by 5.9% to 102,679 million yen.

Operating Results by segment

(Industrial Tape)

In Functional Base Products, revenue increased from the previous fiscal year. Demand for assembly materials for high-end smartphones increased due to the launch of new products. In addition, excluding Noise, Vibration, Harshness (NVH) business which was divested in the first quarter, demand for automotive materials increased as automotive production recovered, mainly in Japan and Europe. Demand for process materials used in the manufacture of semiconductor memories and ceramic capacitors increased, reflecting a gradual recovery trend after bottoming out in the fourth quarter of the previous fiscal year.

As a result of the above, revenue increased by 2.7% to 352,158 million yen and operating profit increased by 44.3% to 39,281 million yen.

(Optronics)

In Information Fine Materials, revenue did not reach the level of the previous fiscal year. Demand for optical films and transparent conductive films (ITO) decreased as stay-at-home demand for high-end laptop PCs and tablets ended. On the other hand, for high-end smartphones, demand for OCA and process protective films, in addition to optical films, remained strong. In addition, mass production of optical films for VR started in a new production line.

In Circuit Materials, revenue did not reach the level of the previous fiscal year. In Circuit Integrated Suspension (CIS), demand for Hard Disk Drives (HDDs) with high capacities in data centers decreased, and the Group reduced costs by adjusting operations and other measures. The number of models adopting the high-precision circuits for high-end smartphones increased compared with the previous fiscal year.

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

(Human Life)

In Life Science, revenue did not reach the level of the previous fiscal year. In the oligonucleotide contract manufacturing business, demand for immunologic adjuvants for vaccine decreased due to the end of COVID-19. On the other hand, in the nucleic acid drugs market, commercialization for large-scale diseases is expected, and engineering batch began at a new plant in Massachusetts, in the United States, to meet the growing demand in the future. In development of nucleic acid drug discovery, following the result of the Phase 2 clinical trial for the treatment of idiopathic pulmonary fibrosis, the Group received the notification that Bristol Myers Squibb Company had decided not to exercise the option rights to further in-license in the second quarter. The Group also received the notification from the company that it was decided to discontinue the ongoing Phase 2 clinical trial for the treatment of Non-Alcoholic SteatoHepatitis (NASH), which was based on the exclusive licensing agreement about the drug discovery for liver fibrosis and cirrhosis. For intractable cancer drugs, the Group continues clinical trials to out-license its pipeline. In medical products, demand for transdermal absorbents recovered due to an increase in outpatients.

In Membrane (high-polymer separation membrane), revenue did not reach the level of the previous fiscal year. Demand for high-polymer separation membrane for various industrial applications decreased, mainly in China.

In Personal Care Materials, revenue increased from the previous year due to the full-year contribution of Mondi plc's personal care component business acquired in June 2022. In addition to the mainstay products for diapers, the Group is advancing the development of new applications that leverage the characteristics of functional films, which are the core materials. At the same time, the Group is working to develop new products contributing to the environment using biodegradable technologies.

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

(Others)

Please note that this segment includes new products that have not generated sufficient revenue yet. Primarily, the Group is conducting kits sales of flexible sensor to developers.

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

Some changes have been made to reporting segments from the current fiscal year.

1. The name of Flexible Printed Circuits has been changed to Circuit Materials.
2. The plastic optical cable business has been transferred from Others to Circuit Materials of Optronics.
3. Certain related businesses have been transferred from Personal Care Materials of Human Life to Industrial Tape.
4. Certain business included in Adjustment has been transferred to Others.

The changes have also been reflected in the figures for the previous fiscal year.

(3) Cash flows

Cash and cash equivalents (hereinafter referred to as “Cash”) were 342,269 million yen as of March 31, 2024, an increase of 12,302 million yen from the end of the previous fiscal year. The following are changes in the financial position by each cash flow activity and their factors.

(Cash flow from operating activities)

Cash increased by 155,521 million yen as a result of operating activities (an increase of 181,702 million yen at the end of the previous fiscal year). The main factors responsible for the increase were profit before income taxes of 138,901 million yen and depreciation and amortization of 60,811 million yen and impairment losses of 1,651 million yen and increase (decrease) in defined benefit liabilities of 1,371 million yen and decrease (increase) in inventories of 11,769 million yen and increase (decrease) in trade and other payables of 3,804 million yen and interest and dividend income of 2,065 million yen, while the main offsetting factor was decrease (increase) in trade and other receivables of 19,033 million yen and increase (decrease) in advances received of 1,312 million yen and income taxes (paid) refunded of 41,030 million yen.

(Cash flow from investing activities)

Cash decreased by 67,927 million yen as a result of investing activities (a decrease of 159,906 million yen at the end of the previous fiscal year). The main factors responsible for the decrease were the purchase of property, plant and equipment and intangible assets of 67,774 million yen, decrease (increase) in time deposits of 2,465 million yen, while the main offsetting factor was proceeds from sale of shares of subsidiaries resulting in change in scope of consolidation of 1,871 million yen.

(Cash flow from financing activities)

Cash decreased by 90,784 million yen as a result of financing activities (a decrease of 57,627 million yen at the end of the previous fiscal year). The main factors responsible for the decrease were repayment of lease liabilities of 7,631 million yen, decrease (increase) in treasury shares of 47,167 million yen, and cash dividends paid of 36,041 million yen.

Shown below are the changes in the Group’s cash flow indices.

	March 2021	March 2022	March 2023	March 2024
Ratio of equity attributable to owners of the parent company to total assets (%)	74.1	75.0	78.2	78.7
Ratio of equity attributable to owners of the parent company on a market value basis (%)	144.9	119.3	108.1	155.8
Ratio of liabilities with interest to cash flow (year)	0.2	0.2	0.1	0.2
Interest coverage ratio (times)	188.3	269.8	337.4	255.0

(Notes) 1. Each index is calculated using the following formula based on consolidated financial results.

Ratio of equity attributable to owners of the parent company to total assets (%): Equity attributable to owners of the parent company / Total assets

Ratio of equity attributable to owners of the parent company on a market value basis (%): Market capitalization / Total assets

Ratio of liabilities with interest to cash flow (year): Liabilities with interest / Cash flow from operating activities

Interest coverage ratio (times): Cash flow from operating activities / Interest payment

2. Market capitalization is calculated by the closing price of the share at the end of the year multiplied by the number of shares issued at the end of the year, after deduction of treasury shares.
3. Cash flow from operating activities is used to calculate the Group’s cash flow indices shown above.
4. Liabilities with interest represent all liabilities included in the consolidated statement of financial position for which interest is paid.

Results of production, orders received and sales

(1) Production results

Production results by segment for the current fiscal year are as follows.

Segment name	Amount (Millions of yen)	Y-o-Y (%)
Industrial Tape	210,257	100.1
Optronics	527,879	103.7
Human Life	112,860	96.8
Others	3	41.3
Total	850,999	101.9

(Notes) 1. Amounts are calculated by the selling price and exclude intersegment transactions.

2. Some changes have been made to reporting segments from the current fiscal year. Year-on-year comparison is calculated based on the figures of the previous fiscal year after reflecting the relevant changes.

(2) Orders received

While the Group generally manufactures products in prospect of demand trends and order production is carried out for some other products, the order production's contribution to net sales is not significant. Therefore, the description is omitted.

(3) Sales results

The results of sales by segment for the current fiscal year are as follows.

Segment name	Amount (Millions of yen)	Y-o-Y (%)
Industrial Tape	347,206	102.7
Optronics	449,966	95.9
Human Life	116,629	96.9
Others	1,336	104.9
Total	915,139	98.5

(Notes) 1. Intersegment transactions are excluded.

2. Sales results by major customers and their ratio to the total sales results are not disclosed because there is no customer whose sales results are equal to or more than 10% of the total sales results.

3. Some changes have been made to reporting segments from the current fiscal year. Year-on-year comparison is calculated based on the figures of the previous fiscal year after reflecting the relevant changes.

Management's discussion and analysis of financial condition and operating results

Revenue decreased by 1.5% to 915,139 million yen for the year ended March 31, 2024 (hereinafter "the current fiscal year") from the year ended March 31, 2023 (hereinafter "the previous fiscal year"). This was mainly due to decreased sales of Life Science and other products.

Cost of sales decreased by 1.2% year-on-year to 584,280 million yen. The cost of sales to revenue ratio increased by 0.1 percentage points year-on-year to 63.8%.

Selling, general and administrative expenses increased by 0.5% year-on-year to 146,143 million yen. The ratio of selling, general and administrative expenses to revenue increased by 0.3 percentage points year-on-year to 16.0%. Research and development expenses increased by 8.2% year-on-year to 43,485 million yen. The ratio of research and development expenses to revenue increased by 0.5 percentage points year-on-year to 4.8%.

As a result, operating profit decreased by 5.5% year-on-year to 139,132 million yen.

Profit before income taxes decreased by 5.4% year-on-year to 138,901 million yen.

Income tax expenses were 36,146 million yen in the current fiscal year, compared to 37,576 million yen in the previous fiscal year, and the effective tax rate after the application of deferred tax accounting was 26.0% (25.6% in the previous fiscal year).

Net profit attributable to owners of the parent company decreased by 5.9% year-on-year to 102,679 million yen. Basic earnings per share decreased by 2.6% year-on-year to 719.57 yen.

For an overview of the operating results and the perception, analysis, and discussion of the operating results by segment, please refer to "II. Overview of Business, 4. Management Analysis of Financial Position, Operating Results, and Cash Flows, Overview of operating results."

Liquidity and capital resources

In order to consistently enhance its corporate value amid fast-changing operating environments, the Group prioritizes its application of funds in the order of: 1. Capital investment, 2. Cash dividends, 3. M&As, and 4. Share buybacks.

The source of the Group's funds is mainly its capital. The Group uses a treasury management system to monitor the funds within the Group in a timely manner and centralizes the funds into a fund management center in each region by way of dividend payments and cash pooling to further enhance capital efficiency.

Consolidated borrowings as of the end of the current fiscal year increased by 72 million yen from the end of the previous fiscal year to 345 million yen. The cash and cash equivalents balance was 342,269 million yen as of the end of the current fiscal year.

Significant accounting estimates and assumptions used for the estimates

Significant accounting estimates and assumptions used for the estimates are described in "V. Financial Information, 1. Consolidated Financial Statements, etc., (1) Consolidated Financial Statements, Notes to Consolidated Financial Statements, 3. Summary of material accounting policies, 4. Significant accounting estimates and judgments."

5. Material Contracts, etc.

There were no material contracts or agreements in the current fiscal year.

6. Research and Development Activities

With the Basic Policy on R&D, "Solving social issues through innovation," the Group aims to create new products, services, and businesses that help preserve and improve the global environment and help improve the quality of people's lives. We offer new value by combining various technologies based on our eight core technologies: adhesion, optical design, circuit formation, thin layer formation, porous formation, separation, oligonucleotide synthesis, and drug delivery systems.

The Corporate Technology Sector develops future businesses and technologies to support them through close cooperation between the Technology and IP Strategy Division and three other divisions: the Corporate Research and Development Division, the New Business Development Division, and the Nucleic Acid Medicine Business Division. With "inovas" as a core R&D site in Ibaraki City, Osaka, opened in March 2016, we have sites outside of Japan, which are Nitto Denko Technical Corporation (Oceanside), Nitto BioPharma, Inc. (San Diego), Nitto Bend Technologies, Inc. (Farmington) in the U.S., and Nitto Denko Asia Technical Centre Pte. Ltd. in Singapore.

In addition to developing a manufacturing process that does not use solvents, the Corporate Technology Sector is accelerating technology development to separate and collect CO_2 emitted from factories. As part of it, we installed the equipment that uses our separation membrane technology to separate and collect CO_2 from boiler exhaust gas in the Shiga Plant and started demonstration testing in the current fiscal year. Going forward, we will establish technologies, including those capturing CO_2 from the air and those converting CO_2 into other substances, thereby connecting total solutions for CO_2 reduction to new business opportunities.

The Group is also working on R&D, emphasizing patent strategy and steadily materializing the technologies transferred from R&D into businesses with strategic patent applications. As a result of these R&D activities, we were selected as one of the "Clarivate Top 100 Global Innovators 2024" in the current fiscal year. Clarivate Analytics selects 100 companies/organizations with superior R&D activities and intellectual asset management based on five evaluation criteria: the number of patents, the influence of patents, success rate, global performance, and rarity. Starting in 2012, Nitto was awarded 11 times.

The number of employees in the research and development division was 1,711 for the Group, of which 1,079 were for the Company, in the current fiscal year. The Group's total research and development expenses were 43,485 million yen. Of this amount, research and development expenses for the Corporate Technology Sector, which has no direct association with any of the operating segments, were 9,974 million yen.

The results of R&D activities by segment are as follows:

(1) Industrial Tape

Reducing CO_2 emissions is essential for the Group to achieve sustainable growth and realize a sustainable environment and society. To achieve this, we are developing new organic solvent-free products to reduce CO_2 emissions in our production activities. Additionally, we are working to utilize biomass adhesives and recycled materials through resource recycling to help reduce CO_2 throughout the supply chain and to develop products that enable rework and recycling using the Group's peeling technology.

We are developing new products to meet the needs of our customers and expanding the product lines, focusing on three key areas: digital devices, semiconductors, and hydrogen and battery.

In the digital device field, we will not only pursue the adhesion and shock absorption properties required of conventional tapes but also contribute to improving sustainability by providing removability and using recycled materials, aiming to achieve a recycling society.

In the semiconductor field, we will proceed with the development of process tapes used in semiconductor manufacturing, especially the manufacturing process for advanced semiconductors. This will help improve the productivity of our customers, who continue to look for high quality.

In the hydrogen and battery field, we will promote marketing and development activities for new applications, thereby contributing to achieving a safe and clean society.

Research and development expenses for this segment were 7,918 million yen in the current fiscal year.

(2) Optronics

In the display industry, organic light emitting displays (OLED) are expanding, especially in smartphones. They are expected to be increasingly used in home appliances such as tablet PCs and laptop PCs, as well as in-vehicle displays. Besides improving basic characteristics such as display quality as a display, we have received various requests from customers, such as device-specific flexibility, high reliability, and the ability to follow curved surfaces. To satisfy customer requests, we will add functionality to polarizing films, retardation films, and adhesives and optimize the total design. We are also focusing on developing products that can improve the productivity of customer's production processes.

We are also developing products for VR devices, which are gaining popularity as new devices. We are developing ultra-high-quality optical film products to meet the demand for improved realism in virtual space projected through VR headsets.

In addition to displays, we are also developing electrode film products for touch sensors, automotive dimming sunroofs, and other various sensors by utilizing the sputtering technology used for ITO film production.

We are accelerating the provision of value to customers and society by integrating the above activities with environmental technologies, such as using recycled and bio-based materials and solvent-free adhesives.

In the circuit material-related business, we provide circuit boards for hard disk drives (HDDs) used in data centers. The entire storage market slowed down in FY2023, however, the market is expected to grow again as AI technology becomes more widespread. We have also launched circuit boards for new technology that will significantly improve HDD recording density, enabling us to contribute to the industry's continued growth. We are also developing high-precision substrates for smartphones by applying circuits for HDDs and are expanding our production capacity in printed circuit boards.

As initiatives for new markets, we have developed low-dielectric substrates using the Group's unique porous technologies and are preparing to launch flexible circuit boards for high-speed signal transmission.

In the information and telecommunications sectors, we developed plastic optical fiber cables that will revolutionize high-speed, large-capacity communications, established a mass production system for those cables, and started their shipments for VR headset applications.

As part of our environmental initiatives, we have developed a new liquid waste treatment technology that enables us to reduce the environmental impact of circuit board manufacturing. We will promote its application to our products.

Research and development expenses for this segment were 14,735 million yen in the current fiscal year.

(3) Human Life

In Life Science, we are developing a process to increase manufacturing capacity for oligonucleotide process materials in preparation for the launch of a new factory in the Tohoku Plant scheduled for FY2024. Meanwhile, requests from pharmaceutical companies to reduce environmental impact have been increasing. We have worked to reduce solvents for some time, and from now on, we will accelerate the initiative to reduce, replace, and eliminate environmentally hazardous substances in the manufacturing process of oligonucleotide process materials and bulk oligonucleotide therapeutics towards the implementation. Along with improving quality and reducing costs, we are committed to differentiating our initiatives from competitors.

In medical materials, we are working to launch products that use less environmentally hazardous substances on the market and will continuously promote the development of technologies that lead to prevention and early treatment.

In Membrane, we are working to recover and reuse DMF (dimethylformamide), an organic solvent used in the production process of the Shiga Plant. In FY2023, we successfully regenerated and reused approximately 80% of the DMF used at the factories by RO membranes and distillation operations. Additionally, since FY2022, we have worked to develop an innovative system that reduces energy consumption to approximately 1/50 compared to conventional distillation methods with a new system that uses the Group's RO membranes and Kobe University's innovative membranes in NEDO Energy and Environment New Technology Leading Program "Recovery of organic resources from industrial wastewater using innovative membranes," which is run in collaboration with Kobe University.

We will continue to develop products that meet social needs and contribute to water resource recycling, energy saving in customers' production processes, and CO2 emission reduction with our environment-friendly separation technology.

In personal care materials, we develop hygiene materials, such as diaper materials, based on our core technologies in film and nonwoven fabrics. By creating products that use 100% solvent-free adhesive and lamination, processing technologies, biomass, and biodegradable materials that can contribute to the global environment, we will strive to be at the forefront of the market and provide innovative hygiene materials that are comfortable and safe for consumers.

In addition, we will actively expand our business beyond hygiene materials by expanding our functional film and nonwoven fabric manufacturing technology for internal and external applications. Leveraging our ability to process product design closely and quickly in-house, we focus on new business development and synergistic activities for business growth.

Research and development expenses for this segment were 6,833 million yen in the current fiscal year.

(4) Others

In new businesses in Others, we are developing various products for new fields, such as the digital health field and the next-generation semiconductor field. In the digital health field, we continued pilot sales of single-use Holter electrocardiographs in the current fiscal year.

Research and development expenses for this segment were 4,022 million yen in the current fiscal year.

III. Facilities

1. Overview of Capital Investment

The Group's capital expenditure for the current fiscal year totaled 83,445 million yen.

In Industrial Tape, 17,427 million yen was spent to enhance its production capacity of adhesive tapes, renew aging buildings and equipment, and so on.

In Optronics, 30,240 million yen was spent to boost production capacity of optical films for automotive displays and VR, which are growth areas, and to improve productivity of high precision circuits in Circuit Materials.

In Human Life, 30,674 million yen was spent mainly to establish the production capabilities for commercialization of oligonucleotide therapeutics in the contract manufacturing business.

In Others, 573 million yen investments were implemented, including investment into the introduction of demonstration equipment for new business development.

Capital expenditure that has no direct association with any of the operating segments was 4,529 million yen.

2. Major Facilities

The Group's major facilities are as follows.

(1) Reporting company

As of March 31, 2024

Name of facility (Location)	Segment name	Description of facilities	Carrying amount (Millions of yen)						Number of employees (Persons)
			Buildings and structures	Machinery and vehicles	Land (Area: m^2)	Right-of-use assets	Others	Total	
Tohoku Plant (Osaki, Miyagi)	Human Life	Medical products manufacturing facility	3,545	916	1,104 (383,973)	2	531	6,099	191 [34]
Kanto Plant (Fukaya, Saitama)	Industrial Tape	Tape-related products manufacturing facility	4,939	6,951	1,155 (69,920)	110	599	13,756	345 [4]
Toyohashi Plant (Toyohashi, Aichi)	Industrial Tape Optronics	Tape-related products manufacturing facility Information Fine Materials manufacturing facility	17,017	16,265	6,040 (336,812)	215	1,298	40,836	1,595 [28]
Kameyama Plant (Kameyama, Mie)	Optronics	Circuits Materials manufacturing facility Information Fine Materials manufacturing facility	23,537	21,897	79 (133,119)	114	1,349	46,978	1,260 [155]
Shiga Plant (Kusatsu, Shiga)	Human Life Optronics	Membrane module manufacturing facility Information Fine Materials manufacturing facility	2,877	1,959	1,580 (74,303)	49	145	6,612	319 [82]
Onomichi Plant (Onomichi, Hiroshima)	Optronics	Information Fine Materials manufacturing facility Circuits Materials manufacturing facility	19,005	11,666	3,575 (182,528)	23	464	34,735	1,652 [25]
Ibaraki Office (Ibaraki, Osaka)	Industrial Tape Optronics Human Life Others	Research and development facility	9,851	2,920	239 (24,777)	4	1,052	14,067	703 [16]

(2) Subsidiaries

As of March 31, 2024

Company name (Location)	Segment name	Description of facilities	Carrying amount (Millions of yen)						Number of employees (Persons)
			Buildings and structures	Machinery and vehicles	Land (Area: m^2)	Right-of-use assets (Area: m^2)	Others	Total	
(Domestic subsidiaries)									
Nitto Shinko Corporation (Sakai, Fukui)	Industrial Tape	Tape-related products manufacturing facility	1,883	1,533	383 (61,405)	93 (-)	500	4,395	325 [137]
Nissho Corporation (Osaki, Miyagi and Ritto, Shiga)	Industrial Tape	Tape-related products manufacturing facility	1,518	578	569 (12,169)	188 (-)	300	3,153	338 [97]
(Overseas subsidiaries)									
Nitto, Inc. (Teaneck, the U.S.)	Industrial Tape	Tape-related products manufacturing facility	2,070	1,492	215 (135,789)	1,424 (-)	251	5,454	560 [57]
Nitto Denko Avecia Inc. (Milford, the U.S.)	Human Life	Medical products manufacturing facility	26,224	10,067	2,126 (203,151)	192 (-)	302	38,915	571 [2]
Nitto Belgium NV (Genk, Belgium)	Industrial Tape	Tape-related products manufacturing facility	946	5,040	173 (199,740)	399 (-)	79	6,640	529 [2]
Nitto Advanced Film Gronau GmbH (Gronau, Germany)	Human Life	Personal Care Materials manufacturing facility	6,841	8,623	841 (104,498)	269 (-)	1,296	17,872	598 [-]
Nitto Advanced Nonwoven Ascania GmbH (Aschersleben, Germany)	Human Life	Personal Care Materials manufacturing facility	3,296	2,716	136 (71,489)	13 (-)	53	6,217	140 [4]
Nitto Denko (Taiwan) Corporation (Kaohsiung City, Taiwan)	Industrial Tape	Tape-related products manufacturing facility	2,037	1,444	- (-)	73 (33,522)	98	3,653	328 [5]
Nitto Denko (Shanghai Songjiang) Co., Ltd. (Shanghai, China)	Industrial Tape	Tape-related products manufacturing facility	3,248	3,862	- (-)	201 (100,516)	85	7,398	472 [-]
Korea Nitto Optical Co., Ltd. (Pyeongtaek, Korea)	Optronics	Information Fine Materials manufacturing facility	7,210	1,892	226 (86,745)	55 (-)	919	10,304	925 [-]
Taiwan Nitto Optical Co., Ltd. (Taichung City, Taiwan)	Optronics Industrial Tape	Information Fine Materials manufacturing facility Tape-related products manufacturing facility	1,916	1,039	- (-)	775 (52,589)	248	3,979	916 [-]
Shanghai Nitto Optical Co., Ltd. (Shanghai, China)	Optronics	Information Fine Materials manufacturing facility	729	621	- (-)	2,091 (19,953)	109	3,551	1,181 [72]
Shenzhen Nitto Optical Co., Ltd. (Shenzhen, China)	Optronics	Information Fine Materials manufacturing facility	7,356	6,340	- (-)	435 (52,301)	243	14,376	1,615 [-]
Nitto Material Technology (Chengdu) Co., Ltd. (Chengdu, China)	Optronics	Information Fine Materials manufacturing facility	531	450	- (-)	2,017 (66,440)	22	3,021	190 [-]
Nitto Denko Vietnam Co., Ltd. (Binh Duong, Vietnam)	Optronics	Circuits Materials manufacturing facility	5,881	15,928	- (-)	153 (38,153)	556	22,520	1,652 [-]
Nitto Vietnam Co., Ltd. (Bac Ninh, Vietnam)	Optronics	Information Fine Materials manufacturing facility	1,157	1,339	- (-)	2,241 (9,049)	286	5,024	496 [-]

(Notes) 1. The above amounts do not include construction in progress.

2. “Others” of carrying amount represents tools, furniture and fixtures.

3. Square brackets of number of employees separately represent the average number of temporary workers.

3. Planned Addition, Retirement, and Other Changes of Facilities

As of March 31, 2024, the addition or expansion of important facilities implemented or planned by the Group is as follows. There is no retirement or sale of important facilities.

Company name Name of facility	Location	Segment name	Description of facilities	Estimated amount of investment (Millions of yen)		Financing method	Estimated date of start and completion	
				Total amount	Paid amount		Start	Completion
The Company Tohoku Plant	Osaki, Miyagi	Human Life	Medical products manufacturing facility	9,220	6,434	Equity Loan	April 2021	June 2025
The Company Kanto Plant	Fukaya, Saitama	Industrial Tape	Tape-related products manufacturing facility	7,210	4,653	Equity Loan	April 2022	October 2025
The Company Toyohashi Plant	Toyohashi, Aichi	Industrial Tape Optronics	Tape-related products manufacturing facility Information Fine Materials manufacturing facility	18,974	7,073	Equity Loan	April 2021	April 2026
The Company Kameyama Plant	Kameyama, Mie	Optronics	Circuits Materials manufacturing facility Information Fine Materials manufacturing facility	27,234	15,550	Equity Loan	April 2021	March 2027
The Company Shiga Plant	Kusatsu, Shiga	Human Life Optronics	Membrane module manufacturing facility Information Fine Materials manufacturing facility	16,993	3,442	Equity Loan	April 2022	January 2027
The Company Onomichi Plant	Onomichi, Hiroshima	Optronics	Information Fine Materials manufacturing facility Circuits Materials manufacturing facility	16,581	7,359	Equity Loan	April 2021	December 2027
The Company Ibaraki Office	Ibaraki, Osaka	Industrial Tape Optronics Human Life Others	Research and development facility	5,004	1,954	Equity Loan	April 2021	March 2027
Nitto Shinko Corporation	Sakai, Fukui	Industrial Tape	Tape-related products manufacturing facility	5,980	412	Equity	October 2022	August 2025
Kinovate Life Sciences, Inc.	Oceanside the U.S.	Human Life	Nucleic acid synthesis materials manufacturing facility	13,626	3,270	Loan	January 2022	September 2024
Nitto Denko Avecia Inc.	Milford the U.S.	Human Life	Oligonucleotide contract manufacturing facility	17,568	4,587	Equity	July 2020	September 2026

Company name Name of facility	Location	Segment name	Description of facilities	Estimated amount of investment (Millions of yen)		Financing method	Estimated date of start and completion	
				Total amount	Paid amount		Start	Completion
Nitto Denko (Taiwan) Corporation	Kaohsiung, Taiwan	Industrial Tape	Tape-related products manufacturing facility	19,024	-	Equity Loan	March 2024	May 2028
Nitto Material Technology (Chengdu) Co., Ltd.	Chengdu, China	Optronics	Information Fine Materials manufacturing facility	10,987	2,945	Equity Loan	February 2023	October 2025
Nitto Denko Vietnam Co., Ltd.	Binh Duong Vietnam	Optronics	Circuits Materials manufacturing facility	16,416	3,421	Equity Loan	November 2021	December 2026
Nitto Vietnam Co., Ltd.	Bac Ninh Vietnam	Optronics	Information Fine Materials manufacturing facility	15,443	1,771	Equity Loan	April 2023	February 2027

IV. Information about Reporting Company

1. Company’s Shares, etc.

(1) Total number of shares

(i) Authorized shares

Class	Total number of shares authorized to be issued (Shares)
Common stock	400,000,000
Total	400,000,000

(ii) Issued shares

Class	Number of issued shares as of the end of the fiscal year (Shares) (March 31, 2024)	Number of issued shares as of the filing date (Shares) (June 21, 2024)	Stock exchange on which the Company is listed/Authorized financial instruments firms associations to which the Company is affiliated	Description
Common stock	143,551,735	143,551,735	The Tokyo Stock Exchange Prime Market	The Company’s standard stock whose rights are not subject to any restrictions. One unit of shares constitutes 100 shares.
Total	143,551,735	143,551,735	-	-

(2) Share acquisition rights

(i) Stock option plans

The details of the stock option plan are described in “V. Financial Information, 1. Consolidated Financial Statements, etc., (1) Consolidated Financial Statements, Notes to Consolidated Financial Statements, 19. Share-based remuneration.”

(ii) Rights plans

Not applicable.

(iii) Share acquisition rights for other uses

Not applicable.

(3) Exercise of moving strike convertible bonds, etc.

Not applicable.

(4) Changes in number of issued shares, share capital, and legal capital surplus

Date	Changes in the total number of issued shares (Shares)	Balance of the total number of issued shares (Shares)	Changes in share capital (Millions of yen)	Balance of share capital (Millions of yen)	Changes in legal capital surplus (Millions of yen)	Balance of legal capital surplus (Millions of yen)
March 15, 2021	(9,000,000)	149,758,428	-	26,783	-	50,482
September 15, 2023	(6,206,693)	143,551,735	-	26,783	-	50,482

(Note) The decrease in the total number of issued shares is due to the cancellation of treasury shares.

(5) Shareholding by shareholder category

As of March 31, 2024

Category	Status of shares (The number of shares per unit is 100 shares)								Shares below one unit (Shares)
	Government and local municipalities	Financial institutions	Financial instruments business operators	Other corporations	Foreign corporations, etc.		Individuals and others	Total	
					Other than individuals	Individuals			
Number of shareholders (Persons)	-	69	27	282	824	10	19,204	20,416	-
Number of shares held (Units)	-	589,939	59,021	41,455	624,860	60	119,464	1,434,799	71,835
Ratio of shares held (%)	-	41.12	4.11	2.89	43.55	0.00	8.33	100.00	-

(Notes) 1. 2,104,272 shares of treasury shares include 21,042 units in “Individuals and others” and 72 shares in “Shares below one unit.”

2. The number of shares in “Other corporations” includes 5 units of shares held by Japan Securities Depository Center, Incorporated.

(6) Major shareholders

As of March 31, 2024

Name	Address	Number of shares held (Thousands of shares)	Percentage of shares held to the total number of issued shares (excluding treasury shares) (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	Akasaka Intercity AIR, 1-8-1 Akasaka, Minato-ku, Tokyo	36,272	25.64
Custody Bank of Japan, Ltd. (Trust Account)	1-8-12 Harumi, Chuo-ku, Tokyo	14,408	10.19
STATE STREET BANK AND TRUST COMPANY 505223 (Standing proxy: Settlement & Clearing Services Department, Mizuho Bank, Ltd.)	P.O. BOX 351 BOSTON MASSACHUSETTS 02101 U.S.A. (Shinagawa Intercity, Tower A, 2-15-1 Konan, Minato-ku, Tokyo)	6,522	4.61
STATE STREET BANK WEST CLIENT-TREATY 505234 (Standing proxy: Settlement & Clearing Services Department, Mizuho Bank, Ltd.)	1776 HERITAGE DRIVE, NORTH QUINCY, MA 02171, U.S.A. (Shinagawa Intercity, Tower A, 2-15-1 Konan, Minato-ku, Tokyo)	2,868	2.03
HSBC HONGKONG-TREASURY SERVICES A/C ASIAN EQUITIES DERIVATIVES (Standing proxy: The Hongkong and Shanghai Banking Corporation Limited, Tokyo Branch)	1 QUEEN’S ROAD CENTRAL, HONG KONG (3-11-1 Nihombashi, Chuo-ku, Tokyo)	2,205	1.56
SSBTC CLIENT OMNIBUS ACCOUNT (Standing proxy: The Hongkong and Shanghai Banking Corporation Limited, Tokyo Branch)	ONE CONGRESS STREET, SUITE 1, BOSTON, MASSACHUSETTS (3-11-1 Nihombashi, Chuo-ku, Tokyo)	2,116	1.50
Nippon Life Insurance Company (Standing proxy: The Master Trust Bank of Japan, Ltd.)	Nippon Life Insurance Company, Securities Management Department, 1-6-6 Marunouchi, Chiyoda-ku, Tokyo (Akasaka Intercity AIR, 1-8-1 Akasaka, Minato-ku, Tokyo)	2,082	1.47
JP MORGAN CHASE BANK 385781 (Standing proxy: Settlement & Clearing Services Department, Mizuho Bank, Ltd.)	25 BANK STREET, CANARY WHARF, LONDON, E14 5JP, UNITED KINGDOM (Shinagawa Intercity, Tower A, 2-15-1 Konan, Minato-ku, Tokyo)	1,968	1.39
JPMorgan Securities Japan Co., Ltd.	TOKYO BUILDING, 2-7-3 Marunouchi, Chiyoda-ku, Tokyo	1,730	1.22
STATE STREET BANK AND TRUST COMPANY 505103 (Standing proxy: The Hongkong and Shanghai Banking Corporation Limited, Tokyo Branch)	ONE CONGRESS STREET, SUITE 1, BOSTON, MASSACHUSETTS (3-11-1 Nihombashi, Chuo-ku, Tokyo)	1,675	1.18
Total	-	71,850	50.80

(Note) Although the following reports on large-scale shareholdings have been made available for public inspection, the Company lists the major shareholders above according to the shareholder register as of March 31, 2024.

(1) A total of two shareholders comprising Sumitomo Mitsui Trust Asset Management Co., Ltd. and its joint holder
13,635 thousand shares (as of June 30, 2022)

(2) A total of 13 shareholders comprising BlackRock Japan Co., Ltd. and its joint holders
13,144 thousand shares (as of October 31, 2022)

(3) A total of two shareholders comprising MFS Investment Management K.K. and its joint holder
10,756 thousand shares (as of September 15, 2023)

(4) A total of three shareholders comprising Mitsubishi UFJ Financial Group, Inc. and its joint holders
8,223 thousand shares (as of October 9, 2023)

(5) A total of three shareholders comprising Nomura Securities Co., Ltd. and its joint holders
14,646 thousand shares (as of March 8, 2024)

(7) Voting rights

(i) Issued shares

As of March 31, 2024

Category	Number of shares (Shares)	Number of voting rights (Units)	Description
Shares without voting rights	-	-	-
Shares with limited voting rights (treasury shares, etc.)	-	-	-
Shares with limited voting rights (others)	-	-	-
Shares with full voting rights (treasury shares, etc.)	(Treasury shares) Common shares 2,104,200	-	The Company's standard stock whose rights are not subject to any restrictions.
Shares with full voting rights (others)	Common shares 141,375,700	1,413,757	Same as above
Shares below one unit	Common shares 71,835	-	-
Total number of issued shares	143,551,735	-	-
Total voting rights held by all shareholders	-	1,413,757	-

(Note) The number of shares in "Shares with full voting rights (others)" includes 500 shares held by Japan Securities Depository Center, Incorporated.

In addition, the number of shares in "Number of voting rights" includes five units of voting rights related to shares with full voting rights held by such the center.

(ii) Treasury shares, etc.

As of March 31, 2024

Shareholder	Address of shareholder	Number of shares held under own name (Shares)	Number of shares held under the name of others (Shares)	Total number of shares held (Shares)	Percentage of shares held to the total number of issued shares (%)
(Treasury shares) Nitto Denko Corp.	1-1-2, Shimohozumi, Ibaraki, Osaka	2,104,200	-	2,104,200	1.47
Total	-	2,104,200	-	2,104,200	1.47

2. Acquisition and Disposal of Treasury Shares

[Class of Shares, etc.]

Acquisition of common shares under Article 155, Item 3 of the Companies Act of Japan and Article 155, Item 7 of the Companies Act of Japan

(1) Acquisition by resolution of a general meeting of shareholders

Not applicable.

(2) Acquisition by resolution of Board of Directors meeting

Category	Number of shares (Shares)	Total amount (Yen)
Resolution of the Board of Directors (January 26, 2023) (Acquisition period: February 3, 2023 through July 31, 2023)	Maximum 7,000,000	Maximum 50,000,000,000
Acquired treasury shares before the current fiscal year	2,121,800	17,998,779,000
Acquired treasury shares during the current fiscal year	3,392,600	32,000,880,881
Total number and value of remaining resolution shares	1,485,600	340,119
Unexercised percentage as of March 31, 2024 (%)	21.2	0.0
Acquired treasury shares during the current term	-	-
Unexercised percentage as of the filing date (%)	21.2	0.0

Category	Number of shares (Shares)	Total amount (Yen)
Resolution of the Board of Directors (January 26, 2024) (Acquisition period: February 5, 2024 through May 31, 2024)	Maximum 3,000,000	Maximum 30,000,000,000
Acquired treasury shares before the current fiscal year	-	-
Acquired treasury shares during the current fiscal year	1,103,800	14,999,110,000
Total number and value of remaining resolution shares	1,896,200	15,000,890,000
Unexercised percentage as of March 31, 2024 (%)	63.2	50.0
Acquired treasury shares during the current term	1,095,300	15,000,415,495
Unexercised percentage as of the filing date (%)	26.7	0.0

(Note) "Acquired treasury shares during the current term" does not include the number of shares acquired from June 1, 2024 to the filing date of the Annual Securities Report.

(3) Acquisition not based on resolution of a general meeting of shareholders or Board of Directors meeting

Category	Number of shares (Shares)	Total amount (Yen)
Acquired treasury shares during the current fiscal year	511	5,868,335
Acquired treasury shares during the current term	13	177,060

(Note) "Acquired treasury shares during the current term" does not include the number of shares acquired for purchase of shares below one unit from June 1, 2024 to the filing date of the Annual Securities Report.

(4) Disposal of acquired treasury shares and number of treasury shares held

Category	Current fiscal year		Current term	
	Number of shares (Shares)	Total amount disposed (Yen)	Number of shares (Shares)	Total amount disposed (Yen)
Acquired treasury shares for which subscribers were solicited	-	-	-	-
Acquired treasury shares that were cancelled	6,206,693	51,286,586,995	-	-
Acquired treasury shares transferred due to merger, share exchange, share delivery or company split	-	-	-	-
Others (Note 2)	26,500	214,175,515	-	-
Number of treasury shares held	2,104,272	-	2,104,272	-

(Notes) 1. Treasury shares disposed of during the current term do not include the number of shares disposed of by the sale of shares below one unit from June 1, 2024 to the filing date of the Annual Securities Report. In addition, the number of treasury shares held during the current term does not include the number of shares disposed of by the purchase and sale of shares below one unit from June 1, 2024 to the filing date of the Annual Securities Report.

2. Current fiscal year consists of disposal due to exercises of subscription rights to shares (number of shares: 6,500, total amount disposed: 51,069,915 yen) and disposal due to restricted share remuneration (number of shares: 20,000, total amount disposed: 163,105,600 yen).

3. Dividend Policy

The Group's dividend policy is to ensure stable and fair returns to its shareholders, and we aim to maintain DOE (Dividend On Equity) ratio of 4% or higher. In addition, we will acquire treasury shares as part of our flexible capital policy and comprehensive shareholder return policy.

The Group's basic policy is to pay dividends from internal reserves twice a year, an interim dividend and a year-end dividend. The decision-making bodies for the dividend payouts are the General Meeting of Shareholders for the year-end dividend and the Board of Directors for the interim dividend. The Company's Articles of Incorporation stipulate that the Company may, by resolution of the Board of Directors, pay an interim dividend with a record date of September 30 of each year.

In accordance with the basic policy outlined above, the Group has determined to pay 130 yen per share for the year-end dividend of the fiscal year 2023, which is unchanged from the interim dividend, therefore the full-year total of 260 yen per share.

The Group will effectively use internal reserves for future business growth, including R&D expenses for rapid technological innovation and building a production system to meet customer needs.

In addition, the Group has planned to pay the full-year total of 280 yen per share as the dividend amount for the next fiscal year.

Dividends of surplus for the current fiscal year are as follows.

Date of resolution	Total amount of dividends (Millions of yen)	Dividends per share (Yen)
October 26, 2023 Board of Directors	18,531	130
June 21, 2024 Ordinary General Meeting of Shareholders	18,388	130

4. Corporate Governance

(1) Overview of Corporate Governance

Basic Views on Corporate Governance

At the Nitto Group, we make clear our fundamental values and a sense of purpose with respect to business performance in the form of our Corporate Philosophy.

In order to maximize our corporate value and achieve continuous growth under the Corporate Philosophy, we believe that prompt and transparent decision-making, as well as bold managerial decisions, are necessary. Being fully aware of the importance of establishing corporate governance to achieve such decision-making, we will further improve our corporate governance system by establishing these Corporate Governance Guidelines in accordance with the following basic principles.

- We ensure the rights and equality of our shareholders.
- We collaborate with our stakeholders appropriately.
- We disclose information appropriately to ensure transparency.
- We aim to realize the management functions expected of us by our stakeholders.
- We engage in constructive dialogue with our shareholders.

(i) Basic policy on internal control

The Nitto Group has stipulated its Mission, "Contribute to customers' value creation with innovative ideas," to clarify the role the Group should fulfill. The Nitto Way is as our management philosophy, which expresses the values, attitudes, and standards of conduct common to all executives and employees. The Nitto Way is a set of principles that we have adopted to guide us in our operations. One of the principles of the Nitto Way is, "Place safety before everything else," which refers not only to physical safety but also to the safety of management. The Group recognizes that creating a system needed to ensure the appropriateness of business operations (internal control system) and confirming their operation status are part of an important management process.

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

1. Compliance promotion system
(Article 362, Paragraph (4), item (vi) of the Companies Act of Japan; Article 100, Paragraph (1), item (iv) and item (v) of the Ordinance for Enforcement of the Companies Act of Japan)

(1) Development of the Code of Conduct
The Nitto Group has established the "Nitto Group Business Conduct Guidelines" as the basis of the Group's compliance practices that will guide the Group's officers and employees to act ethically in compliance with laws and ordinances in their business activities.

(2) Appointment of officers and departments in charge
An officer in charge of compliance (Director or Vice President) shall be appointed and a department in charge of compliance shall be established to promote compliance in the Group.

(3) Development of a whistleblowing system
The department in charge of compliance shall function as a contact point for the Nitto Group's whistleblowing system. In addition, an external professional organization shall function as an outside contact point to directly receive information from whistleblowers. The department in charge of compliance shall respond to reported incidents and develop a system to prevent their recurrence.

2. Risk management promotion system (Article 100, Paragraph (1), item (ii) and item (v) of the Ordinance for Enforcement of the Companies Act of Japan)

(1) Development of a business risk management system
Business execution departments shall manage risks associated with their business mix and overseas business operations, risks arising from external factors, such as foreign exchange fluctuations and country risks, and risks associated with technological competitiveness, such as capabilities to develop new technologies and intellectual property rights (hereinafter "Business Risks").

(2) Development of an operational risk management system
Special function departments shall manage risks associated with safety, the environment, disasters, and product quality/defects and risks associated with measures for information security and antisocial forces, and antimonopoly and export control laws (hereinafter "Operational Risks").

(3) Development of a risk monitoring system in each region

To build a global risk monitoring system, an officer in charge of regional management shall be appointed for each major geographic region to develop a regional oversight function.

(4) Development of a system of risk monitoring by officers

With respect to Business Risks and Operational Risks, a system shall be established whereby, in addition to appropriate reports from the managing departments, an officer in charge of risk management shall be appointed and a department in charge of risk management shall be established to create a system for Nitto's Board of Directors and Corporate Strategy Meeting to receive reports on these risks.

(5) Development of a crisis management system

A system shall be developed to ensure that a report is promptly given to Nitto's President and its officer in charge of risk management upon the occurrence of an emergency, accident, or disaster (hereinafter collectively referred to as the "Emergency"). Upon the occurrence of an Emergency, a crisis management task force shall be created under the command of Nitto's President to minimize the damage and to continue and promptly recover business operations.

3. Operational efficiency improvement promotion system (Article 100, Paragraph (1), item (iii) and item (v) of the Ordinance for Enforcement of the Companies Act of Japan)

(1) Promotion of efficiency improvement of the Board of Directors

As a basis for the system to ensure the efficient execution of duties by Nitto's Directors, the Board of Directors shall meet regularly, in principle, once a month, and have extraordinary meetings when needed.

(2) System to promote efficiency through the delegation of authorities

Important matters concerning the Group's concrete management policies and strategies shall be subject to a resolution of Nitto's Board of Directors depending on the degree of their importance. They also shall be subject to a resolution at one of the Corporate Strategy Meetings, which consists of Nitto's Directors (excluding Outside Directors) and Vice Presidents and, in principle, convenes once a month; a resolution of a meeting organized by the relevant business execution department; or an approval through a *ringi* collective decision-making process.

(3) Development of the Nitto Group's reporting system

The appropriateness of business operations of the entire Group shall be ensured by establishing a system whereby Nitto is involved in the Group companies' decision-making on their management issues and other important matters. These include requiring a resolution of, prior consultations with, or reporting to Nitto.

(4) Appointment of officers in charge

The Group's decision-making regulations and standards and other instruments (hereinafter the "Decision-Making Rules") shall be developed to clarify matters such as a decision-making entity, a responsible person, the scope of his or her responsibilities, business execution procedures, and the recipients of reports, concerning the business execution of the Group. An officer in charge of management strategies shall be responsible for developing the Decision-Making Rules and shall periodically review their contents.

(5) Development of a system for management and safekeeping of business documents

All documents associated with the execution of duties by Nitto's Directors, including, but not limited to the minutes of Nitto's general meetings of shareholders, Board of Directors meetings, and Corporate Strategy Meetings, and *ringi* collective decision-making documents, shall be safekept and managed in a manner that is appropriate and reliable for the chosen storage medium, such as printed paper or electromagnetic media, in accordance with the regulations on control and safekeeping of documents, and shall be kept in a condition that allows inspection as necessary.

4. Internal audit system (Article 362, Paragraph (4), item (vi) of the Companies Act of Japan)

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

5. Policy on ensuring effectiveness of audits by Corporate Auditors (Article 100, Paragraph (3) of the Ordinance for Enforcement of the Companies Act of Japan)

(1) Support for audits by Corporate Auditors

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

(2) Appointment of staff for Corporate Auditors

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

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

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

(4) Policy on expenses for audits by Corporate Auditors

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

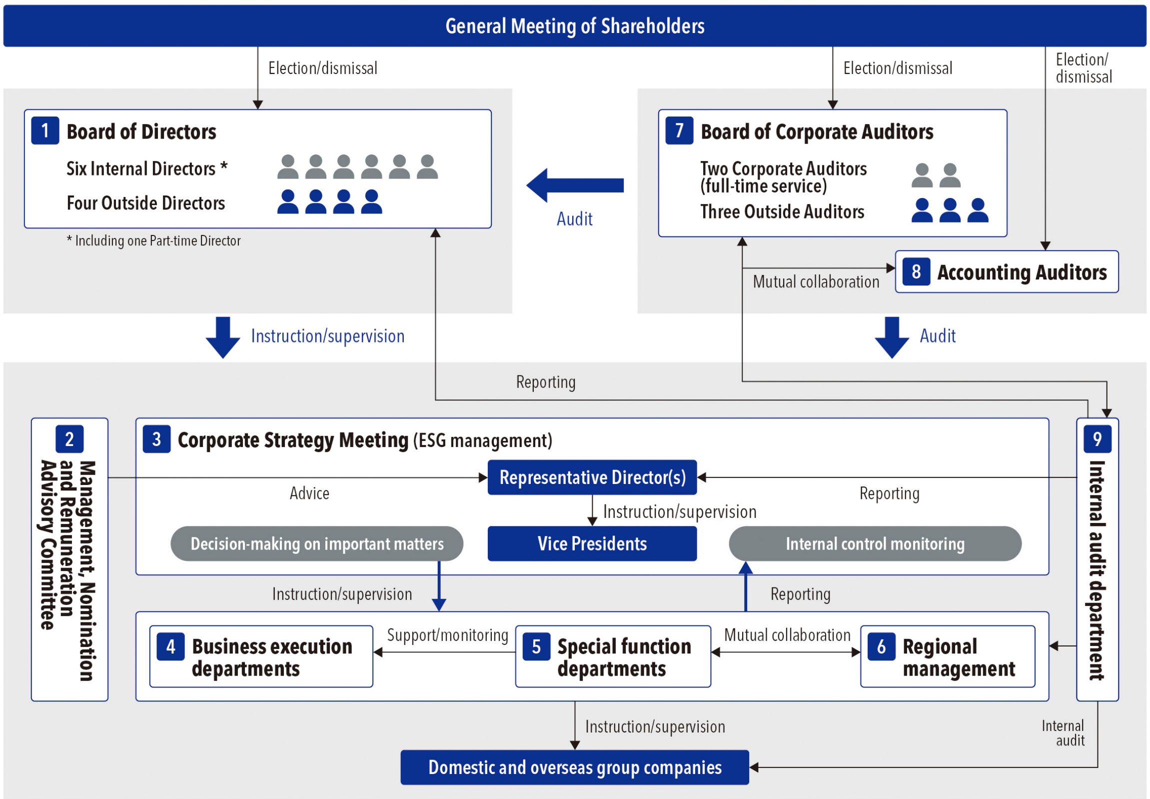
(5) Other policies

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

(ii) Summary of Corporate Governance Structure

Pursuant to the provisions Article 362 of the Companies Act and Article 100 of the Ordinance for Enforcement of the Companies Act, the Company has defined the basic policy on internal control and executes its business under the following corporate governance structure.

<Corporate governance structure>



	Institution	Roles, etc.
1	**Board of Directors** [Chairperson] Hideo Takasaki, President-Director	**[Composition] Six (6)* Internal Directors and four (4) Outside Directors (ten (10) in total)** * Including one Part-time Director · Decision-making on important matters such as basic policies and strategic management decisions, including management policy, mid-term management plan, and ESG management · Supervision of business execution by Representative Directors, Vice Presidents, etc. · Establishment of internal controls and supervision of its operational status · Decision-making on other legal resolutions
2	**Management, Nomination and Remuneration Advisory Committee** [Chairperson] Hideo Takasaki, President-Director	**[Composition] One (1) Representative Director, four (4) Outside Directors, three (3) Outside Corporate Auditors (eight (8) in total)** · Voluntary advisory committee · A structure where Representative Director receives appropriate engagement and advice from Outside Directors and Outside Corporate Auditors in advance and important matters are deliberated at the Board of Directors thereafter · Advice on important issues including important management themes, nomination of Directors, and executive remuneration
3	**Corporate Strategy Meeting** [Chairperson] Hideo Takasaki, President-Director	**[Composition] Twenty-seven (27) Directors and Vice Presidents (including those concurrently serving as Directors; twenty-eight (28) in total)** * Members may be limited for discussion of urgent/technical agenda items. · Decision-making on important management matters · Discussion and decision-making on measures to promote ESG management · Internal control monitoring and decision-making on corrective measures
4	**Business execution departments**	· Execution of business delegated by the Representative Director(s) · Decision-making on important business operations through meetings hosted by the business execution departments (chaired by the Head of said department).
5	**Special function departments**	· Support for business execution departments from a professional perspective by special function departments organized by function, such as management strategy, human resources, accounting and finance, etc. · Control and monitor compliance of business execution departments through the formulation of rules and regulations, etc.
6	**Regional management**	· Established in major overseas regions (Americas, EMEA, China, Korea, Taiwan, South Asia/India/Oceania) · Support, control and monitoring based on the characteristics of each region, implemented in cooperation with special function departments
7	**Board of Corporate Auditors** [Chairperson] Shin Tokuyasu, Corporate Auditor (full-time service)	**[Composition] Two (2) Corporate Auditors (full-time service) and three (3) Outside Auditors (five (5) in total)** · Monitoring of directors' execution of duties through attendance at Board of Directors meetings · Attendance at important meetings, interviews with Directors and employees on the status of their activities, inspection of approved documents and other important documents, inspection of the head office, technology and business divisions and offices, and domestic and overseas group companies, as well as interviews with the Accounting Auditors on their audit reports and exchanges of opinions.
8	**Accounting Auditors**	**KPMG AZSA LLC** · Audit of appropriateness and legality of accounting and internal control over accounting
9	**Internal audit department**	· Internal audits of the accuracy, legitimacy, and reasonableness of management activities at each Group company for the purpose of contributing to the improvement of operations and business performance, independent of the execution of those activities. · Internal audits include QES audits for quality, environment, and safety, and external evaluations on a regular basis.

<Characteristics of Nitto’s Corporate Governance Structure>

From the standpoint of unitary audits, independent of execution that contribute to the Company’s enhanced governance, Nitto has chosen to be a company with the Board of Corporate Auditors. It has also adopted the executive officer system and promotes quick decision-making by making each Vice President’s authority clear. Further, it has established the Management, Nomination and Remuneration Advisory Committee that mainly consists of Independent Outside Officers to build a system to hear neutral opinions. Nitto’s corporate governance structure has the following characteristics.

1. Diversity of the Board of Directors and the Board of Corporate Auditors to consolidate multifaced opinions
   Comprehensively taking into account diversity including elements such as the balanced allocation of specializations (e.g., skill, specialty, and length of tenure) to be fully acquired, gender, age, work experience, race, ethnicity, or cultural background, Nitto appoints members of the Board of Directors and the Board of Corporate Auditors, who can practice The Nitto Way or a set of values that expresses what the Nitto Group should cherish and its standard for judgment.

2. Open and robust discussions by the Board of Directors
   The Nitto Board Effectiveness Evaluation, which the Company conducts annually, confirms that open and robust discussions on each management issue are among its Board of Directors' strengths.

3. The Management, Nomination and Remuneration Advisory Committee as a place to hear broad opinions
   As a place for its members to exchange opinions and provide advice for Representative Directors, the Management, Nomination and Remuneration Advisory Committee hears valuable opinions each time its meeting is convened. In addition, it is characteristic of Nitto not to restrict the Management, Nomination and Remuneration Advisory Committee's targets to the areas of Nomination and Remuneration but to add Management to cover broader ones. Please note that since, according to the Companies Act, Nomination and Remuneration are to be determined by the Board of Directors, which has open and robust discussions, the Management, Nomination and Remuneration Advisory Committee is not deliberately obliged to report to the Board of Directors.

4. Triple axis management for adequate resolution of management issues
   Nitto has built a system for adequately resolving management issues through supplementary and collaborative operations of the following three axes: the business axis centering on the business execution departments, the functional axis centering on the special function departments, and the regional axis centering on the regional oversight function.

5. ESG management promotion system to ensure effectiveness
   Under the slogan, "Place ESG at the core of our management," Nitto has appointed a Director or Vice President in charge of ESG promotion and established a department in charge within a specialized functional department. The relevant department makes proposals on sustainability, including the identification of materiality issues, based on which the Board of Directors and the Corporate Strategy Meeting make decisions. The Representative Directors and Vice Presidents, who are members of the Board of Directors and the Corporate Strategy Meeting, instruct the responsible business execution departments and Group companies in their respective areas to implement the proposals, ensuring the effectiveness of ESG management promotion.
   Please note that Nitto has not established a sustainability or ESG committee to which some members belong. Rather, it designates the Corporate Strategy Meeting for which the President is responsible and to which all Vice Presidents belong as a place to discuss ESG management promotion.

6. Compliance and risk management promotion system leading to voluntary activities
   Nitto has appointed a Director or Vice President in charge of compliance and risk management and established a department in charge within the specialized functional departments. These systems promote compliance and risk management. In addition, the department in charge puts together the status of compliance and risks (human rights, human capital, whistleblowing, environment, safety, information security, etc.) to report to the Board of Directors and the Corporate Strategy Meeting on a regular basis. Representative Directors and Vice Presidents, who are members of the Board of Directors and the Corporate Strategy Meeting, instruct the responsible business execution departments and Group companies in their respective areas to make improvements, thereby ensuring the effectiveness of internal control monitoring.
   Please note that Nitto has not established a risk committee or a committee for each target risk as a place for final monitoring. Rather, it has a system in place where the Corporate Strategy Meeting for which the President is responsible and to which all Vice Presidents belong receives compliance and risk monitoring results as their own problems.

7. Alignments to ensure audits by Corporate Auditors

It is characteristic of Nitto for Corporate Auditors to participate in its key meetings and strongly align with the departments in charge of internal audits and the Nitto Group's auditors, in order to ensure the effectiveness of audits by Corporate Auditors.

(iii) Reason for adopting the corporate governance structure

The Company recognizes that "Corporate governance structure" in "(ii) Summary of corporate governance structure" functions effectively and efficiently in executing business and overseeing the management.

(iv) 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 of Japan, and the compensation limitation amount under these agreements is the minimum amount determined under laws and regulations.

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

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

(vi) Number of Directors

The Company stipulates in its articles of incorporation that the number of Company's Directors shall not be more than ten.

(vii) Resolution for election of Directors

The Company stipulates in its articles of incorporation that resolutions for election of Directors shall be adopted by a majority of the voting rights of shareholders attending the general meeting of shareholders who collectively hold one-third or more of all voting rights. It also stipulates in its articles of incorporation that cumulative voting shall not be applied to pass a resolution on the appointment of Directors.

(viii) Decision-making body for the acquisition of treasury shares

The Company stipulates in its articles of incorporation that the Company may acquire treasury shares through market transactions, etc. by resolution of the Board of Directors to enable an execution of agile capital management policy.

(ix) Special resolution requirement at the general meeting of shareholders

The Company stipulates in its articles of incorporation that special resolutions of the general meeting of shareholders as set forth in Article 309, Paragraph (2) of the Companies Act of Japan, shall be adopted by two-third or more of the voting rights of shareholders attending the general meeting of shareholders who collectively hold one-third or more of all voting rights to maintain the smooth operation of the general meeting of shareholders.

(x) Decision-making body for interim dividends

The Company stipulates in its articles of incorporation that the Company may pay interim dividends on the record date of September 30 annually, based on the Board of Directors' resolution under Article 454, Paragraph (5) of the Companies Act of Japan to enable agile profit distribution to shareholders.

(xi) Policy on corporate dominance

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

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

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

(xii) Activities of the Board of Directors, and the Management, Nomination and Remuneration Advisory Committee

(1) Activities of the Board of Directors

During the current fiscal year, the Board of Directors held 12 meetings. All Board Members and Corporate Auditors attended the deliberations as members of the Board of Directors. The followings are attendance status and main deliberations:

<Attendance status>

Name	Number of meetings	Number of attendance	Percentage of attendance
Hideo Takasaki	12	12	100%
Yosuke Miki	12	12	100%
Yasuhiro Iseyama	12	12	100%
Yasuhito Ohwaki	10	10	100%
Yoichiro Furuse	12	12	100%
Takashi Hatchoji	2	2	100%
Tamio Fukuda	12	12	100%
Wong Lai Yong	12	12	100%
Michitaka Sawada	12	12	100%
Yasuhiro Yamada	12	12	100%
Mariko Eto	10	10	100%
Masami Kanzaki	2	2	100%
Shin Tokuyasu	12	12	100%
Toshihiko Takayanagi	10	10	100%
Masashi Teranishi	12	12	100%
Masakazu Toyoda	2	2	100%
Mitsuhide Shiraki	12	12	100%
Yasuko Kobashikawa	10	10	100%

(Notes) The difference in the number of meetings is due to the difference in the timing of appointment and retirement.

<Topics discussed at Board of Directors meetings in the fiscal year 2023>

Management

- Progress of the mid-term management plan
- Revision in decision-making standards
- Disclosure of status of the efforts to implement management that is Conscious of Cost of Capital and Stock Price
- Revision in material issues
- Support to outside initiative
- Election and policy on development of senior management
- Individual M&A deals

Monitoring

- Verification of the implementation status of internal control
- Verification of the implementation status of supply chain management system

Others

- Formulation of “Zero-Cross-Shareholding Policy”
- Dialogue with investors

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

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

<Participation>

Name	Number of meetings	Number of attendance	Percentage of attendance
Hideo Takasaki	4	4	100%
Yoichiro Furuse	1	1	100%
Takashi Hatchoji	1	1	100%
Tamio Fukuda	4	4	100%
Wong Lai Yong	4	4	100%
Michitaka Sawada	4	4	100%
Yasuhiro Yamada	4	4	100%
Mariko Eto	3	3	100%
Masashi Teranishi	4	4	100%
Masakazu Toyoda	1	1	100%
Mitsuhide Shiraki	4	4	100%
Yasuko Kobashikawa	3	3	100%

(Notes) 1. The difference in the number of meetings is due to the difference in the timing of appointment and retirement.

2. Yoichiro Furuse retired Outside Director and has assumed Part-time Director at the close of the 158th Ordinary General Meeting of Shareholders held on June 23, 2023, and he retired the Management, Nomination and Remuneration Advisory Committee.

<Major consultations and deliberations in the fiscal year 2023>

Management

- Approach to shareholder dialogue in light of the status of shareholder proposals

Nomination

- The Company’s ideal approach to diversity in the Board of Directors

Remuneration

- Consistency between the executive remuneration policy and this fiscal year’s director remuneration

(2) Directors and Corporate Auditors

(i) List of Directors and Corporate Auditors

Male: 12, Female: 3 (Ratio of females to Directors and Corporate Auditors: 20%)

Title and position	Name	Date of birth	Career summary		Term	Number of shares held (Thousand shares)
Representative Director President-Director CEO, COO	Hideo Takasaki	August 11, 1953	April 1978 June 2008 June 2010 June 2011 June 2013 April 2014	Joined Nitto Denko Corporation Director, Vice President Director, Senior Vice President Director, Executive Vice President Director, Senior Executive Vice President Representative Director, President CEO, COO (present)	(Note 4)	52
Director Senior Executive Vice President CTO	Yosuke Miki	June 19, 1965	April 1993 June 2016 April 2017 June 2017 June 2019 April 2020 June 2020 April 2021 June 2022	Joined Nitto Denko Corporation Vice President, General Manager of Information and Communication Technology Sector Vice President, Deputy CTO General Manager of Information and Communication Technology Sector, Deputy General Manager of Corporate Technology Sector and General Manager of New Business Development Division Director, Vice President Director, Senior Vice President Director, Senior Vice President, Deputy CTO General Manager of Information and Communication Technology Sector, Deputy General Manager of Corporate Technology Sector Director, Executive Vice President, CTO General Manager of Corporate Technology Sector, General Manager of Information and Communication Technology Sector Director, Executive Vice President, CTO Director, Senior Executive Vice President, CTO (present)	(Note 4)	10
Director Senior Executive Vice President CFO	Yasuhiro Iseyama	April 19, 1962	June 1991 June 2017 June 2020 June 2021 June 2023	Joined Nitto Denko Corporation Vice President, General Manager of Corporate Accounting & Finance Division Director, Senior Vice President, CFO Director, Executive Vice President, CFO Director, Senior Executive Vice President, CFO (present)	(Note 4)	8

Title and position	Name	Date of birth	Career summary		Term	Number of shares held (Thousand shares)
Director Senior Executive Vice President CHRO	Yasuhito Ohwaki	February 13, 1962	April 1984 June 2006 April 2010 April 2011 April 2012 June 2012 October 2013 April 2015 April 2017 June 2017 October 2018 October 2019 June 2020 June 2021 April 2022 June 2023 June 2024	Joined Nitto Denko Corporation General Manager of Printed Circuits Department, Industrial Business Division General Manager of Planning & Management Department, Information and Communication Technology Division General Manager of Planning & Management Division, Tape Products Sector and General Manager of Planning & Management Department Industrial Products Division General Manager of Strategy Management Division, Functional Base Products Sector Vice President, General Manager of Functional Base Products Sector Vice President, General Manager of Automotive Products Sector Vice President, General Manager of Quality, Environment & Safety Management Sector Vice President, Director, Nitto Denko India Private Limited Senior Vice President Senior Vice President, CPO Senior Vice President, CIO, CPO Executive Vice President, CIO, General Manager of Corporate Sustainability Division Senior Executive Vice President Senior Executive Vice President, General Manager of Human Resources Management Division Director, Senior Executive Vice President, General Manager of Human Resources Management Division Director, Senior Executive Vice President, CHRO, General Manager of Human Resources Management Division (present)	(Note 4)	11
Director Executive Vice President	Tatsuya Akagi	November 19, 1970	April 1993 May 2010 April 2015 April 2016 April 2017 June 2019 June 2022 June 2024	Joined Nitto Denko Corporation Director, Taiwan Nitto Optical Co., Ltd. General Manager of Sales Management Division, Information Fine Materials Unit, Information Fine Materials Sector General Manager of Business Management Division, Information Fine Materials Unit, Information Fine Materials Sector Deputy General Manager of Information Fine Materials Sector Vice President, General Manager of Information Fine Materials Sector Senior Vice President, General Manager of Information Fine Materials Sector Director, Executive Vice President, General Manager of Information Fine Materials Sector (present)	(Note 4)	4

Title and position	Name	Date of birth	Career summary		Term	Number of shares held (Thousand shares)
Director	Yoichiro Furuse	November 4, 1941	April 1964 June 1989 October 1993 June 1996 June 2001 June 2002 January 2006 June 2007 September 2010 July 2015 October 2015 March 2016 January 2018 January 2021 June 2023	Joined Sumitomo Bank, Ltd. Director, Sumitomo Bank, Ltd. Executive Director, Sumitomo Bank, Ltd. (retired in June 1996) Senior Managing Director, Mazda Motor Corporation (retired in June 2000) Director, Sanyo Electric Co., Ltd. Representative Director and Vice President, Sanyo Electric Co., Ltd.(retired in October 2005) Representative Director, Evanston Corporation (present) Outside Director, Nitto Denko Corporation Non-Executive & Independent Director, Global Logistic Properties Limited (retired in December 2017) Chairman of Japan, Permira Advisers KK (retired in December 2020) Director, Sushiro Global Holdings Ltd. (retired in December 2016) Outside Director, Nasta Co., Ltd. (present) Consultant of GLP Pte. Ltd. (present) Consultant of Japan, Permira Advisers KK (retired in December 2022) Part-time Director, Nitto Denko Corporation (present)	(Note 4)	2
Director	Wong Lai Yong	January 10, 1972	September 2013 July 2018 October 2019 June 2020 November 2022 June 2024	Founder, Principal Trainer and Consultant, First Penguin Sdn. Bhd. (present) Director, Penang Women's Development Corporation (retired in September 2023) Adjunct Associate Professor, Graduate School of Leadership and Innovation, Shizenkan University (present) Outside Director, Nitto Denko Corporation (present) Outside Director, Farmnote Holdings, Inc. (present) Outside Director, MITSUI E&S Co., Ltd. (Scheduled to be appointed)	(Note 4)	-
Director	Michitaka Sawada	December 20, 1955	April 1981 June 2008 June 2012 June 2020 January 2021 June 2021 June 2022 March 2024	Joined Kao Soap Co., Ltd. Director, Executive Officer, Kao Corporation Representative Director, President and CEO, Kao Corporation Outside Director, Panasonic Corporation (present) Director and Chair of the Board of Directors, Kao Corporation Outside Director, Nitto Denko Corporation (present) Outside Director, Komatsu Ltd. (present) Special Advisor, Kao Corporation (present)	(Note 4)	-
Director	Yasuhiro Yamada	June 28, 1963	April 1987 May 2018 June 2022 September 2022 June 2024	Joined Bank of Japan Executive Director, Bank of Japan (retired in May 2022) Outside Director, Nitto Denko Corporation (present) Outside Director, SUSMED, Inc (present) Chairman, Custody Bank of Japan, Ltd. (Scheduled to be appointed)	(Note 4)	-

Title and position	Name	Date of birth	Career summary		Term	Number of shares held (Thousand shares)
Director	Mariko Eto	May 24, 1971	April 1994 October 2003 April 2015 January 2017 March 2019 June 2020 June 2022 June 2023 March 2024	Joined MITSUI & CO., LTD. Registered with Daini Tokyo Bar Association Joined TMI Associates Partner of TMI Associates (present) Outside Corporate Auditor, OTSUKA KAGU LTD. (retired in August 2021) Outside Corporate Auditor, Starzen Co., Ltd. (retired in June 2022) Outside Director, Starzen Co., Ltd. (present) Outside Director, Nitto Denko Corporation (present) Outside Director, ASICS Corporation (present)	(Note 4)	-
Corporate Auditor (full-time service)	Shin Tokuyasu	June 7, 1961	April 1985 June 2017 July 2018 April 2019 June 2019	Joined Nitto Denko Corporation Vice President, Representative Director, Nitto Automotive, Inc. Vice President, General Manager of Compliance Division Vice President, General Manager of Corporate Sustainability Division Corporate Auditor (full-time service) (present)	(Note 5)	5
Corporate Auditor (full-time service)	Toshihiko Takayanagi	August 19, 1958	April 1981 June 2009 August 2014 April 2018 June 2018 June 2020 June 2023	Joined Nitto Denko Corporation Representative Director, Nitto Shinko Corporation Vice President, Chairman, Nitto Denko (China) Investment Co., Ltd. Vice President, General Manager of Sales Management Sector & Manager of Tokyo Sales Branch Senior Vice President Executive Vice President, General Manager of Sales Management Sector, General Manager of Taiwan Corporate Auditor (full-time service) (present)	(Note 5)	8
Corporate Auditor (part-time service)	Yasuko Kobashikawa	July 9, 1965	February 2001 June 2006 June 2015 December 2017 June 2023 June 2024	Registered as a Certified Public Accountant Established MIKASA&Co. Outside Director of ARTNATURE INC. (retired in June 2022) Established JK & CREW Tax Accountant's Corporation (present) Outside Corporate Auditor, Nitto Denko Corporation (present) Outside Corporate Auditor, JVCKENWOOD Corporation (Scheduled to be appointed)	(Note 5)	-

Title and position	Name	Date of birth	Career summary	Term	Number of shares held (Thousand shares)
Corporate Auditor (part-time service)	Kiyoshi Sono	April 18, 1953	April 1976 Joined The Sanwa Bank, Ltd. May 2014 Director & Deputy Chairman, The Bank of Tokyo-Mitsubishi UFJ, Ltd. June 2015 Chairman, Mitsubishi UFJ Financial Group, Inc. May 2017 Vice Chair, Kansai Economic Federation (present) June 2017 Outside Director, Nankai Electric Railway Co., Ltd. (Scheduled to be retired in June 2024) April 2019 Chairman/CAO, MUFG Bank, Ltd. June 2019 Managing Executive Officer, Mitsubishi UFJ Financial Group, Inc. (retired in April 2021) June 2019 Outside Director, Mitsubishi Motors Corporation (retired in June 2022) April 2021 Special Advisor, MUFG Bank, Ltd. (present) May 2021 Outside Director, Yomiuri Telecasting Corporation (present) June 2022 Outside Corporate Auditor, Sompo Japan Insurance Inc. April 2024 Outside Director, Sompo Japan Insurance Inc. (Audit and Supervisory Board Member) (Present) June 2024 Outside Corporate Auditor, Nitto Denko Corporation (present) June 2024 Outside Director (Member of the Nominating Committee and Audit Committee), The Kansai Electric Power Company, Incorporated (Scheduled to be appointed)	(Note 6)	-
Corporate Auditor (part-time service)	Tsuyoki Hattori	November 5, 1955	April 1979 Joined Tokio Marine Fire Insurance Co., Ltd. May 2012 Outside Director, Matsuya Co., Ltd. (retired in May 2017) June 2013 Managing Director, Tokio Marine & Nichido Fire Insurance Co., Ltd. April 2015 Senior Managing Executive Officer, Tokio Marine & Nichido Fire Insurance Co., Ltd. (retired March 2017) June 2017 Representative Director & President, Nippon Automated Cargo And Port Consolidated System (NACCS) Inc. (retired in June 2021) June 2024 Outside Corporate Auditor, Nitto Denko Corporation (present)	(Note 6)	-
Total					103

(Notes) 1. CEO: Chief Executive Officer
COO: Chief Operating Officer
CTO: Chief Technology Officer
CFO: Chief Financial Officer
CIO: Chief Information Officer
CPO: Chief Procurement Officer
CHRO: Chief Human Resources Officer
2. Directors Wong Lai Yong, Michitaka Sawada, Yasuhiro Yamada, and Mariko Eto are Outside Directors.
3. Corporate Auditors Yasuko Kobashikawa, Kiyoshi Sono and Tsuyoki Hattori are Outside Corporate Auditors.
4. One year from the close of the Ordinary General Meeting of Shareholders held on June 21, 2024
5. Four years from the close of the Ordinary General Meeting of Shareholders held on June 23, 2023
6. Four years from the close of the Ordinary General Meeting of Shareholders held on June 21, 2024
7. The Company has adopted the executive officer system to enhance corporate governance, accelerate decision-making, and improve the efficiency of business execution. The following are Vice Presidents who are not concurrently serving as Directors.

Executive Vice President	Sam Strijckmans
Executive Vice President	Seiji Fujioka
Executive Vice President	Kazuki Tsuchimoto
Executive Vice President	Yukihiro Horikawa
Senior Vice President	Atsushi Ukon
Senior Vice President	Bae-Won Lee
Senior Vice President	Norio Sato
Senior Vice President	Katsuyoshi Jo
Senior Vice President	Nobuyuki Aoki
Senior Vice President	Kenjiro Asuma
Senior Vice President	Yasuhiro Hayashi
Vice President	Shingo Suita
Vice President	Yoshihiko Terada
Vice President	Hitoki Kanagawa
Vice President	Yoichiro Sugino
Vice President	Nao Murakami
Vice President	Naoki Makino
Vice President	Michihiro Hagiwara
Vice President	Junichi Matsumoto
Vice President	Hiroyuki Katayama
Vice President	Futoshi Shiomi
Vice President	Kei Nakamura
Vice President	Kenshi Tozuka

(ii) Outside Directors and Corporate Auditors

Name	Important concurrent positions	Relationship with the Company and reason for appointment
Outside Director Wong Lai Yong	First Penguin Sdn.Bhd.	(i) In this fiscal year (FY2023), Ms. Wong participated in all the Board of Directors meetings (12 times) and provided useful opinions on diversity and sustainability including the promotion of women and non-Japanese nationals based on her experience of studying and working in Japan for about 16 years and diverse experience and track records in her mother country, Malaysia, and other Asian countries. As it is expected that she will continue to oversee the Board of Directors based on her insights and experience as an expert as detailed above and provide opinions on the management of Nitto from the perspective of an expert. Ms. Wong will also continue working as a member of the Management, Nomination and Remuneration Advisory Committee. (ii) The Company stipulates the "Criteria for Election of Independent Outside Directors and Outside Corporate Auditors" and selects candidates for Outside Directors based on the criteria. The Company has designated Ms. Wong as an Independent Director as stipulated by the Tokyo Stock Exchange and has reported such designation to the Exchange. Ms. Wong also currently serves as an important executing person of First Penguin Sdn. Bhd., with which the Company does not engage in transactions.
Outside Director Michitaka Sawada	Kao Corporation Panasonic Holdings Corporation Komatsu Ltd.	(i) In this fiscal year (FY2023), Mr. Sawada participated in all the Board of Directors meetings (12 times) and provided useful opinions based on his diverse experience and achievements as a leading corporate manager in ESG promotion. As it is expected that he will continue to oversee the Board of Directors and provide a wide range of opinions on the management of Nitto based on his insights and experience as a corporate manager. Mr. Sawada will also continue working as a member of the Management, Nomination and Remuneration Advisory Committee. (ii) The Company stipulates the "Criteria for Election of Independent Outside Directors and Outside Corporate Auditors" and selects candidates for Outside Directors based on the criteria. The Company has designated Mr. Sawada as an Independent Director as stipulated by the Tokyo Stock Exchange and has reported such designation to the Exchange. Mr. Sawada also previously served as an important executing person of Kao Corporation, with which the Company does not engage in transactions.

Name	Important concurrent positions	Relationship with the Company and reason for appointment
Outside Director Yasuhiro Yamada	SUSMED, Inc.	(i) In this fiscal year (FY2023), Mr. Yamada participated in all the Board of Directors meetings (12 times) and provided useful opinions based on his diverse experience and achievements as an expert in financial economy. As it is expected that he will continue to oversee the Board of Directors and provide a wide range of opinions on the management of Nitto based on his insights and experience as an expert. Mr. Yamada will also continue working as a member of the Management, Nomination and Remuneration Advisory Committee. (ii) The Company stipulates the “Criteria for Election of Independent Outside Directors and Outside Corporate Auditors” and selects candidates for Outside Directors based on the criteria. The Company has designated Mr. Yamada as an Independent Director as stipulated by the Tokyo Stock Exchange and has reported such designation to the Exchange. Mr. Yamada also previously served as an important executing person of the Bank of Japan in the past. The Company has no transactions with the Bank.

Name	Important concurrent positions	Relationship with the Company and reason for appointment
Outside Director Mariko Eto	TMI Associates Starzen Co., Ltd. ASICS Corporation	(i) In this fiscal year (FY2023), Ms. Eto participated in all the Board of Directors meetings (10 times) and provided useful opinions based on her diverse experience and achievements as an expert in corporate legal affairs and labor issues. As it is expected that she will continue to oversee the Board of Directors based on her insights and experience as an expert as detailed above and provide opinions on the management of Nitto from the perspective of an expert. Ms. Eto will also continue working as a member of the Management, Nomination and Remuneration Advisory Committee. (ii) The Company stipulates the “Criteria for Election of Independent Outside Directors and Outside Corporate Auditors” and selects candidates for Outside Directors based on the criteria. The Company has designated Ms. Eto as an Independent Director as stipulated by the Tokyo Stock Exchange and has reported such designation to the Exchange. Ms. Eto is currently a partner of TMI Associates. Although the Company may receive advice on individual matters based on the expertise of TMI Associates, she is not in charge of the Company and the annual amount is less than 0.001% of Nitto’s consolidated revenue. The Company has not entered into a consultant agreement with TMI Associates. Thus, the Company’s relationship with TMI Associates does not affect her independence.
Outside Corporate Auditor Yasuko Kobashikawa	JK & CREW Tax Accountant’s Corporation	(i) In this fiscal year (FY2023), Ms. Kobashikawa participated in all the Board of Directors meetings (10 times) and in all the Board of Corporate Auditors meetings (11 times), performed appropriate audits based on her insights and experience an expert in accounting and finance, and provided useful opinions on the business administration of the Company from the perspective of finance. As it is expected that she will continue to audit the company based on her insights and experience as an expert as detailed above and provide opinions on the management of Nitto from the perspective of an expert. She possesses a broad range of knowledge in finance and accounting. Ms. Kobashikawa will also continue working as a member of the Management, Nomination and Remuneration Advisory Committee. (ii) The Company stipulates the “Criteria for Election of Independent Outside Directors and Outside Corporate Auditors” and selects candidates for Outside Corporate Auditors based on the criteria. The Company has designated Ms. Kobashikawa as an Independent Director as stipulated by the Tokyo Stock Exchange and has reported such designation to the Exchange. Ms. Kobashikawa also currently serves as an important executing person of JK & CREW Tax Accountant’s Corporation, with which the Company does not engage in transactions.

Name	Important concurrent positions	Relationship with the Company and reason for appointment
Outside Corporate Auditor Kiyoshi Sono	Kansai Economic Federation Sompo Japan Insurance Inc.	(i) We expect him to provide opinions based on his extensive expertise and diverse experience related to the finance and financial fields. He possesses considerable knowledge of finance and accounting matters. Mr. Sono will also become a member of the Management, Nomination and Remuneration Advisory Committee. (ii) The Company stipulates the "Criteria for Election of Independent Outside Directors and Outside Corporate Auditors" and selects candidates for Outside Corporate Auditors based on the criteria. The Company has designated Mr. Sono as an Independent Director as stipulated by the Tokyo Stock Exchange and has reported such designation to the Exchange. Mr. Sono also previously served as an important executing person of Mitsubishi UFJ Financial Group, with which the Company does not engage in transactions.
Outside Corporate Auditor Tsuyoki Hattori	Not applicable	(i) We expect him to provide opinions based his extensive expertise and diverse experience related to risk management, cultivated through key positions in a non-life insurance company. Mr. Hattori will also become a member of the Management, Nomination and Remuneration Advisory Committee. (ii) The Company stipulates the "Criteria for Election of Independent Outside Directors and Outside Corporate Auditors" and selects candidates for Outside Corporate Auditors based on the criteria. The Company has designated Mr. Hattori as an Independent Director as stipulated by the Tokyo Stock Exchange and has reported such designation to the Exchange. In the past, Mr. Hattori also previously served as an important executing person of Tokio Marine & Nichido Fire Insurance Co., Ltd. Although the Company has various non-life insurance contracts with Tokio Marine & Nichido Fire Insurance Co., Ltd, the annual amount is less than 0.005% of Nitto's consolidated revenue. Thus, the Company's relationship with Tokio Marine & Nichido Fire Insurance Co., Ltd. does not affect his independence.

(iii) Policies and Procedures for Electing and Dismissing Directors and Corporate Auditors

a. 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 Directors (one-third or more of whom are Independent Outside Directors). Likewise, the Articles of Incorporation set an upper limit of 10. The Company also believes that the appropriate size of the Board of Corporate Auditors is not more than five 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 Corporate Auditor who has sufficient expertise in finance and accounting. Likewise, the Articles of Incorporation set an upper limit of 5. Furthermore, to make important policy decisions in an ever-changing business environment and to exercise a sustained supervisory function, we have identified five qualities, knowledge, experience, etc. (collectively referred to as “skills”) in “leadership,” “technology,” “finance,” “governance,” and “sustainability” for the Board of Directors and Board of Corporate Auditors and believe that a composition that ensures a good balance of such skills will contribute to management.

b. 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
  1. A person who practices the Nitto Way*
  2. A person who can contribute to the Company with the five skills identified by the Company.

  *Our unique values consisting of safety, sustainability, diversity and human rights, customer, anticipation of change, challenge, *Sanshin* activities, Niche Top, speed and perfection, corporate culture, personal development and sense of ownership.

Five skills identified by the Company

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

- 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 for the execution of the duties of an Officer was caused.
4. Any of the quality requirements set forth in the Officer Appointment Standards is no longer satisfied.

c. 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 Independent Officer Appointment Standards and the Officer Appointment Standards. Furthermore, in order for Outside Directors and Outside Corporate Auditors to set aside the time and labor necessary to properly fulfill their roles and responsibilities at Nitto, due attention is paid to the statuses of concurrent positions (officers, etc.) that they might hold at other companies to ensure that such statuses are appropriate.

- Criteria for Appointment of Independent Outside Directors and Outside Corporate Auditors

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

The Company considers an Outside Officer or a candidate for Outside Officer to have independence, if, after conducting an investigation to the utmost reasonable extent, it is determined that none of the following items are applicable to the Outside Officer or 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 borrowings at the latest fiscal year-end exceeds 2% of consolidated total assets)
6. A person who is a legal professional, accounting and tax professional, consultant, or research and education specialist who receives a large amount of remuneration or donation (for the latest fiscal year, 10 million yen or more in the case of an individual and more than 2% of consolidated 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 Group
8. A person to whom any of the items 2. through 7. above has been applicable within the past ten years
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

(iv) The mutual cooperation between oversights and audits by Outside Officers, audits by Corporate Auditors, internal audits, and accounting audits and their relationship with the internal control division

Outside Officers (Outside Directors, Outside Corporate Auditors) attend Board of Directors meetings and conduct oversights or audits based on the reports, etc. of Directors and Corporate Strategy Meeting. Outside Officers are provided with opportunities to hear opinions at the Management, Nomination and Remuneration Advisory Committee, and, based on such opinions, strive to enhance internal control.

Please also refer to "(1) Overview of corporate governance, (ii) Summary of corporate governance structure."

(3) Audits

(i) Audits by Corporate Auditors

a. Organization and members

The Company’s Board of Corporate Auditors consists of five members, including two Corporate Auditors (full-time service) with abundant experience of execution within the Company and expertise and three Outside Corporate Auditors with a variety of backgrounds (financial institutions, universities, accounting and tax specialists) and expertise, and is sharing information on audits and conducts audits from a broad point of view. Those three Outside Corporate Auditors are also members of the Management, Nomination and Remuneration Advisory Committee.

The experience and expertise of each Corporate Auditor are as follows.

Position	Name	Experience and expertise
Corporate Auditor (full-time service)	Shin Tokuyasu	Over many years, Mr. Tokuyasu has assumed key positions at the Company’s accounting and finance and other administrative departments and served as Representative Director of its overseas subsidiary, thus possessing a broad range of knowledge in finance and accounting.
Corporate Auditor (full-time service)	Toshihiko Takayanagi	Over many years, Mr. Takayanagi has assumed key positions at the Company’s sales departments and overseas area management and served as the Representative Director of a Group company, thus having deep insight and extensive business experience.
Outside Corporate Auditor	Masashi Teranishi	Mr. Teranishi possesses significant insights into finance and accounting through his long years of management experience at financial institutions.
Outside Corporate Auditor	Mitsuhide Shiraki	Mr. Shiraki is a specialist in labor issues and global human resource development as a university professor with deep insight and extensive experience.
Outside Corporate Auditor	Yasuko Kobashikawa	Ms. Kobashikawa possesses significant insights into finance and accounting. As a certified public accountant and tax accountant, she engaged in accounting audits for many years.

(Notes) 1. Mr. Masashi Teranishi, Outside Corporate Auditor, retired at the close of the 159th Ordinary General Meeting of Shareholders held on June 21, 2024.

2. Mr. Mitsuhide Shiraki, Outside Corporate Auditor, retired at the close of the 159th Ordinary General Meeting of Shareholders held on June 21, 2024.

3. Mr. Kiyoshi Sono, Outside Corporate Auditor, has assumed office at the 159th Ordinary General Meeting of Shareholders held on June 21, 2024.

4. Mr. Tsuyoki Hattori, Outside Corporate Auditor, has assumed office at the 159th Ordinary General Meeting of Shareholders held on June 21, 2024.

In order to assist Corporate Auditors in performing their duties, three dedicated staff experienced in specialized areas such as accounting have been appointed.

b. The meetings of the Board of Corporate Auditors and their attendance

During the current fiscal year, the Company has held the meetings of the Board of Corporate Auditors 14 times, and the details of attendance for each member are as follows.

	Number of meetings	Number of attendance	Percentage of attendance
Masami Kanzaki	3	3	100%
Shin Tokuyasu	14	14	100%
Toshihiko Takayanagi	11	11	100%
Masashi Teranishi	14	14	100%
Masakazu Toyoda	3	3	100%
Mitsuhide Shiraki	14	14	100%
Yasuko Kobashikawa	11	11	100%

(Note) The difference in the number of meetings is due to the difference in the timing of appointment and retirement.

c. Status of audit activities

The Board of Corporate Auditors has established the audit policy and plan for the term under review, received reports regarding the status of audits and the results thereof from each Corporate Auditor, as well as reports regarding the status of the execution of duties from Directors, etc., and Accounting Auditors, and requested explanations as necessary. In addition, the Board has conducted audit activities, some of which were remotely for the prevention of COVID-19 infection and efficiency, and worked to sustain the quality of audits.

・ Priority audit items

1. Status of the efforts against ESG management issues
   Based on the ESG management policy, the Board confirmed the promotion system and the progress of its implementation of the Company's ESG commitment through audits of head office, sectors, plants, domestic and overseas group companies, and general managers of overseas areas.
2. Status of the efforts against business risk issues
   The Board has conducted audits of the Company's head office, sectors, plants, domestic and overseas group companies, general managers of overseas areas to check status of efforts to generate synergy in acquired business, risk recognition and preparation for business expansion, growth strategies and structural reforms of overseas manufacturing subsidiaries, and how supply chain risks are being handled.
3. Status of the development and implementation of the Group's internal control system
   The Board has conducted audits of the Company's head office, sectors, plants, domestic and overseas group companies, general managers of overseas areas to check the effectiveness of internal control system (especially, how important safety issues and priority quality issues are being handled).
4. The Board has discussed with Accounting Auditors with regard to "Key Audit Matters (KAM)."

・ Activities of Corporate Auditors (full-time service)

1. Corporate Auditors (full-time service) have attended the meetings of the Board of Directors, the Corporate Strategy Meetings, and other important meetings and provided related advice while confirming the adequacy of their deliberation processes and the appropriateness of their conclusions.
2. They have interviewed Representative Director and Directors, etc., and held meetings to exchange opinions with Internal and Outside Part-Time Directors on key management issues.
3. They have reported each result of audits conducted at the Company's head office, sectors, plants, domestic and overseas group companies, and general managers of overseas areas to the Board of Corporate Auditors and shared information.
4. They have held regular reporting meetings with the departments in charge of internal audits, compliance, JSOX, and corporate accounting & finance.
   And they have received reports from Accounting Auditors on audit plan and audit results (including the audit of internal controls over financial reporting).

・Activities of Outside Corporate Auditors

1. Outside Corporate Auditors have attended the meetings of the Board of Directors, interviewed Representative Directors and Directors, and attended meetings to exchange opinions with Internal and Outside Part-Time Directors on key management issues.
2. They have participated in audits conducted by Corporate Auditors (full-time service) as necessary, and received reports from Corporate Auditors (full-time service) on the audit results.
3. They have received reports from Accounting Auditors on audit plan and audit results (including the audit of internal controls over financial reporting).

d. The mutual cooperation with internal audits and accounting audits

Corporate Auditors share information on the status of audits by Corporate Auditors, while receiving reports from the department in charge of internal audits on their audit system and audit plan and reports on results of audit conducted accordingly. They are also making efforts to ensure the effectiveness of audits, with regularly holding liaison meetings of domestic and overseas group companies Corporate Auditors, and exchanging opinions and information with them as necessary.

In addition, Corporate Auditors regularly hold meetings to receive audit results report from Accounting Auditors and to exchange information with them. As the unification of overseas Group companies accounting auditors to KPMG member firm was completed, the system will promote the enhancement of the governance. Especially for the audit results and issues of overseas Group companies, they hold opinion exchange meetings with Accounting Auditors, as needed, to share information since Accounting Auditors collect information from KPMG area partners allocated in the same areas as the Company's overseas six areas.

(ii) Status of internal audit

a. Status of internal audit

Based on the results of regular risk assessment, Internal Audit Department formulates the internal audit plan and with the approval of the Board Member President, conducts internal audits.

Internal Audit Department conducts audits of the status of internal control from the viewpoint of compliance and effectiveness of business operations relating to the management activities of the Company and its group companies from the objective standpoint. Based on the results of the audits, it provides information and advice or recommendations for the improvement of internal control. And for the Company's group companies which were audited, it advises their boards of directors and, at the same time, requests for their response and improvement measures to its recommendations and confirms their implementation status.

Internal Audit Department regularly reports to the Board of Directors and Board of Corporate Auditors on the audit plan and audit results, and ensures the dual reporting lines to the Board of Directors and Board of Corporate Auditors. And it regularly improves audit operations and adds or reviews the audit targets based on the opinions exchanged with and advice received from Directors and Corporate Auditors.

As for the Accounting Auditors, it requests their attendance at the regular audit reporting meetings and meetings for exchanging opinions with Corporate Auditors, as well as information sharing regarding the audit contents with respect to accounting and internal controls.

b. Status of human resources

The Company has established the Internal Audit Department (10 personnel) and has a diverse workforce including five employees with experience seconded to overseas Group companies, four female employees, and two foreign nationals employees. Our new internal auditors are required to obtain certification as internal auditors, and qualified professionals such as certified internal auditors and certified public accountants conduct internal audits. In addition, we focus on developing personnel who can support internal audits by providing internal control education through joint audits with audit departments, safety departments, and quality departments from the Group companies.

c. Other activities

Aiming for improvement of the level of internal controls and fraud prevention in the Group companies, it provides the training on fraud prevention and establishment of internal controls based on detected issues and actual sample countermeasures of the past internal audits by accepting president candidates of the Group companies in Internal Audit Department for a certain period. In the fiscal year 2023, we conducted acceptance and training for a total of 11 presidents of the Group companies.

- Internal controls over financial reporting

  In accordance with Financial Instruments and Exchange Act and the relevant assessment standards for internal controls over financial reporting generally accepted in Japan, the Company executes the documentation and self-assessment of internal control in the Group's sites targeted for assessment, and the department in charge (with nine staff members) implements monitoring as independent assessment of the results of such self-assessment. As for the issues related to business process found in the monitoring, the sites targeted for assessment are required to submit improvement plans and the details of improvement are confirmed together with not only the targeted site but also the business execution department or special function department to which it belongs. Information sharing of those details of improvement is carried out with Corporate Auditors and Accounting Auditors as appropriate.

(iii) Status of accounting audit

The Company has appointed KPMG AZSA LLC as its Accounting Auditor. KPMG AZSA LLC and its engagement partners in charge of the Company's audits have no special interests with the Company, and they have voluntarily put mechanisms in place to prevent their engagement partners from being involved with the Company's accounting audits for longer than a certain period of time. The Company has entered into an agreement with KPMG AZSA LLC with regard to statutory audits and pays audit fees in accordance with the agreement. The names of the certified public accountants who conducted the accounting audits, and the composition of the assistants for such audits in the current fiscal year are as follows.

- Names of certified public accountants who conducted accounting audits

  Sung-Jung Hong
  Satoshi Uchida
  Junichi Morimoto

- Composition of assistants engaged in accounting audits

  17 certified public accountants and 46 others

- Consecutive audit period: 39 years

- Reasons for the selection of auditing certified public accountants, etc. (including policies for selection, status of business suspension)

  Board of Corporate Auditors believes the reappointment of the current Accounting Auditor as reasonable considering that there has not been an event or a sign of event of the current Accounting Auditor which conflicts with "Policy to determine dismissal or non-reappointment of the Accounting Auditor," and that, after assessing the Accounting Auditor, their accounting audits satisfy the level of quality and service expected by the Company.

  Details of "Policy to determine dismissal or non-reappointment of the Accounting Auditor" are as follows.

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

- Evaluation of an audit corporation by Corporate Auditors and Board of Corporate Auditors

  In order to examine the reappointment or non-reappointment of Accounting Auditor, Board of Corporate Auditors complies with "Policy to determine dismissal or non-reappointment of the Accounting Auditor," as well as confirms the status of their execution of duties, audit system, and whether they have independence and expertise, etc. based on the assessment results by the Company's business execution bodies and external organizations (The Japanese Institute of Certified Public Accountants and Certified Public Accountants and Auditing Oversight Board) and decides comprehensively.

(iv) Details of audit fees

Details of audit fees for auditing certified public accountants

Category	For the year ended March 31, 2023		For the year ended March 31, 2024	
	Audit fees in accordance with audit certification (Millions of yen)	Audit fees in accordance with non-audit certification (Millions of yen)	Audit fees in accordance with audit certification (Millions of yen)	Audit fees in accordance with non-audit certification (Millions of yen)
Reporting company	225	72	237	31
Consolidated subsidiaries	15	-	18	-
Total	241	72	252	31

(Notes) 1. Reporting company's Audit fees in accordance with audit certification for the year ended March 31, 2024 include the additional fees for the audit for the consolidated financial statements and notes included in this document, which is difference from the original Annual Securities Report in Japanese.

2. Details of non-audit services rendered to the Reporting Company by auditing certified public accountants

(For the year ended March 31, 2023)

The details of non-audit services for which the Company pays audit fees certified public accountants include due diligence service, support service for data monitoring, and support service for documentation of internal control procedures.

(For the year ended March 31, 2024)

The details of non-audit services for which the Company pays audit fees certified public accountants include due diligence service and support service for documentation of internal control procedures.

- Details of audit fees for the same network (member firm of KPMG) as auditing certified public accountants (excluding details of audit fees for auditing certified public accountants)

Category	For the year ended March 31, 2023		For the year ended March 31, 2024	
	Audit fees in accordance with audit certification (Millions of yen)	Audit fees in accordance with non-audit certification (Millions of yen)	Audit fees in accordance with audit certification (Millions of yen)	Audit fees in accordance with non-audit certification (Millions of yen)
Reporting company	-	134	-	48
Consolidated subsidiaries	315	107	362	107
Total	315	242	362	156

(Note) Details of non-audit services rendered by the same network (member firm of KPMG) as auditing certified public accountants to the reporting company and its consolidated subsidiaries

(For the year ended March 31, 2023)

Details of non-audit services for the Company include due diligence service and assurance service for environmental information.

In addition, details of non-audit services for consolidated subsidiaries include tax consultation service.

(For the year ended March 31, 2024)

Details of non-audit services for the Company include due diligence service and assurance service for environmental information.

In addition, details of non-audit services for consolidated subsidiaries include tax consultation service.

- Details of other important audit fees in accordance with audit certification

  (For the year ended March 31, 2023)

  Not applicable.

  (For the year ended March 31, 2024)

  Not applicable.

- Policies concerning decision of audit fees

  The Company determined, with the consent of the Board of Corporate Auditors, the amount of audit fees upon mutual consultation with KPMG AZSA LLC, which is the auditing certified public accountant of the Company, based on audit plans including audit hours and service details prepared by KPMG AZSA LLC.

- Reason of agreeing audit fees by Board of Corporate Auditors

  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 for the basis of estimation of their audit fees, before agreeing to such audit fees and other matters.

(4) Remuneration for Directors and Corporate Auditors

1) Details of the policy and how to determine the amount or calculation method of remuneration for Directors and Corporate Auditors

I Remuneration paid to Directors

a. Basic policy related to remuneration for Directors

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

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

b. Components of remuneration

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

Type	Category	Policy related to the content of remuneration, methods of calculating the cash amount/number of shares, and the timing of payment
Fixed remuneration	Basic remuneration (cash)	Monthly remuneration as determined by position, responsibility, and length of service is paid in cash.
Short-term performance-linked remuneration	Bonus for Directors (cash)	Remuneration in cash is paid after the relevant business term is over to raise awareness about the Group's performance improvement for each business term. The amount of remuneration paid to each Director is determined by the progress of achievement of the Group's performance indicators on consolidated operating profit and consolidated ROE* over the period of one business term and by the progress made against the targets set for each Director's areas of responsibilities.
Medium-term performance-linked remuneration	Performance-linked share-based remuneration	This additional remuneration is designed to incentivize Directors to improve business performance over the mid-term, and share-based remuneration is granted once every three consecutive business terms. The number of shares to be granted to each individual is determined by consolidated operating profit and consolidated ROE, and ESG-related performance when three years have passed since the commencement of their performance evaluation. Targets should be set high and no remuneration is paid if the targets are not met. The number of shares to be granted ranges between 0% and 150% according to the progress of achievement of the targets.
Medium- and long-term performance-linked remuneration	Restricted share remuneration	Share-based remuneration is granted for each business term to align the interests of Directors and shareholders and reflect medium- and long-term business performance in their remuneration. The number of shares to be granted to each Director is determined by position, responsibility, and length of service. The amount of remuneration is linked to the market price by setting restrictions on transfer until retirement.

(Note) Consolidated operating profit is chosen as an indicator for their commitment to delivering results, whereas consolidated ROE serves as an indicator for measuring business stability. ESG-related performance serves as a measure of sustainable corporate value improvement.

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

c. Policy related to the designing of the remuneration level

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

d. Policy related to the component ratio of remuneration

For the purpose of standard evaluation, the target component ratio of remuneration is: Remuneration in cash : Bonus for Directors : Restricted share remuneration = 30% : 60% : 10%. Performance-linked share-based remuneration is provided as additional remuneration when medium-term targets are achieved, but not provided for a standard evaluation.

e. Policy related to the determination process

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

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

II Remuneration paid to Corporate Auditors

a. Basic policy related to remuneration of Corporate Auditors

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

b. Components of remuneration

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

c. Policy related to the designing of the remuneration level

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

d. Policy related to the determination process

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

2) Details of remuneration paid to Directors

I Basic remuneration and bonus for Directors

The maximum amount of remuneration paid to Directors (base remuneration and bonuses for Directors) was resolved at the 157th Ordinary General Meeting of Shareholders to be no more than 1 billion yen per year (including no more than 120 million yen for Outside Directors).

Bonus for Directors (excluding Part-time Directors and Outside Directors) is paid as consideration for single-year business results of the Group and achievements of each officer, etc. and designed to function as an incentive for officers, etc. to deliver results and to share profits with shareholders. Bonus for Directors comprises performance-linked portion (85%) that reflects the business results of the entire company and the individual evaluation portion (-15 to 15%) that reflects the achievements of individuals. The amount of the performance-linked portion is determined based on performance indicators (consolidated operating profit and consolidated ROE). Consolidated operating profit is chosen as an indicator for their commitment to delivering results, whereas consolidated ROE serves as an indicator for measuring business stability. The amount of the individual evaluation portion is determined according to the performance of individuals.

II Performance-linked share-based remuneration

1. Summary of performance-linked share-based remuneration

The Company grants the Company’s common stocks (hereinafter referred to as “the Company’s shares”) to Directors (excluding Part-time Directors and Outside Directors; hereinafter referred to as “Eligible Directors”) with three consecutive business terms (April 1, 2024 through March 31, 2027) as evaluation period, based on performance-linked share-based remuneration plan (hereinafter referred to as “the Plan A”). The Plan A is designed to provide an incentive for Eligible Directors to enhance corporate value over the mid-term.

2. Structure of the Plan A

Specific details of the Plan A’s structure are as follows.

(i) The Company predetermines the performance indicators (consolidated operating profit, consolidated ROE and ESG-related items) and indicators, etc. required for specific calculations of the number of shares delivered to each Eligible Director (hereinafter referred to as “number of shares delivered individually”) to be used under the Plan A. Specific details of indicators, etc. are described in 4. below.

(ii) The Company determines, after the performance evaluation period has ended, the number of shares delivered individually based on the rate of achievement of performance indicators during the performance evaluation period.

(iii) The Company pays monetary remuneration claims to each Eligible Director to be used for contribution in kind, in accordance with the number of shares delivered individually as determined in (ii) above. The amount of monetary remuneration claims is determined by the Company’s Board of Directors, within a range that is not especially advantageous for each Eligible Director subscribing to the Company’s shares.

(iv) Each Eligible Director, upon issuance of new shares or disposal of treasury shares by the Company, receives delivery of the Company’s shares by providing all of the monetary remuneration claims as contributions in kind described in (iii) above.

3. Performance evaluation period

It will be April 1, 2024 through March 31, 2027.

4. Calculation method of the number of shares delivered individually under the Plan A

The number of shares delivered individually to each Eligible Director is calculated based on the following method.

(i) Number of shares delivered individually (any fraction less than 100 shares created as a result of the calculation shall be discarded)

Number of shares delivered individually = Number of shares to be issued to each Eligible Director ((ii) below) x Payment rate ((iii) below)

The upper limit of the total number of shares delivered individually is 48,400 shares.

(ii) Number of shares to be issued

According to the positions of Eligible Directors of the Company, respective number is determined as shown in the table below.

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

(iii) Payment rate

The payment rate is determined by adding the payment rate based on the future-financial performance to the payment rate based on the financial performance in fiscal year ending March 2027 which is the final year of the performance evaluation period.

[Payment rate based on financial performance]

		Consolidated ROE	
		Up to 15%	15% and above
Consolidated operating profit	Up to 170 billion yen	0%	
	Above 170 billion yen- but less than 185 billion yen	30%	100%
	185 billion yen and above	50%	120%

[Payment rate based on the future-financial performance]

ESG-related items*	Payment rate
Achieved 9 items	30%
Achieved 7 to 8 items	20%
Achieved 5 to 6 items	10%
Achieved 0 to 4 items	0%

* Nine future-financial targets described in the "(3) Objective indicators for assessing the achievement of management goals, etc." section of "II. Overview of Business"

(iv) Share price at the time of delivery

After the performance evaluation period has ended, the share price shall be determined by the Company's Board of Directors based on the closing price of the Company's common stock at the Tokyo Stock Exchange on the business day prior to the day of resolution by the Board of Directors regarding issuance of new shares or disposal of treasury shares delivered under the Plan A (if there is no closing price on such date, the closing price of the closest preceding day) within a range that is not especially advantageous for each Eligible Director subscribing to the Company's common stock.

5. Timing of payment

The Company delivers the number of shares delivered individually to Eligible Directors as calculated in 4. above by August 2027 after the figures of performance indicators in fiscal year ending March 2027 become available.

6. Requirements for delivery of the Company's shares

(i) Eligible Director has continuously served as the Company's Director (excluding Part-time Directors and Outside Director) for the period from the date of the Company's 159th Ordinary General Meeting of Shareholders held on June 21, 2024 to March 31, 2027 (hereinafter referred to "Eligible Period").

(ii) There have been no illegal activities such as a certain violation of law specified by the Company's Board of Directors, violation of internal rules of the Company or material breach of contract.

(iii) To satisfy other requirements specified by the Company's Board of Directors as needed to achieve the idea of performance-linked share-based remuneration.

7. Method of delivery

Delivery is made by issuance of the Company's new shares or disposal of treasury shares. When the Company's total number of issued shares increases or decreases due to share split (including allotment of shares without contribution) or consolidation of shares, the final number of shares delivered individually after adjustment is calculated by multiplying the number of shares delivered individually before adjustment by the rate of consolidation or split.

8. Treatment of any change to Eligible Directors during the Eligible Period

(i) In case a new Eligible Director assumes the office, or an existing Eligible Director is promoted or demoted during the Eligible Period

i. Those who newly assume the post of the Company's Director (excluding Part-time Directors and Outside Director) will not be granted performance-linked share-based remuneration for the Eligible Period.

ii. For the Eligible Director who is promoted or demoted, the number of shares calculated by the formula below will be the number of shares to be issued by his or her position.

Number of shares to be issued = Number of shares to be issued before promotion or demotion + (Number of shares to be issued after promotion or demotion - Number of shares to be issued before promotion or demotion) x Remaining months* of the Eligible Period after promotion or demotion/36

* Period shorter than a month shall be rounded down to zero.

(ii) Directors (excluding Outside Directors) of the Company who retired during the Eligible Period will not be granted performance-linked share-based remuneration for the Eligible Period.

9. Treatment of an organizational restructuring, etc. or abolishment of the Plan A during the Eligible Period

If the general meeting of shareholders of the Company approves an agenda for an organizational restructuring, etc. such as a merger agreement under which the Company will become a non-surviving company, or a share exchange agreement or a share transfer plan that makes the Company a wholly-owned subsidiary of another company (if the approval of the general meeting of shareholders of the Company is not required for the said organizational restructuring, etc., the resolution of the Board of Directors of the Company), the Company shall not grant performance-linked share-based remuneration for the Eligible Period.

III Restricted share remuneration

1. Summary of restricted share remuneration

The Company grants "restricted share remuneration" to the Company's Directors (excluding Part-time Directors and Outside Directors; hereinafter referred to as "Eligible Directors") that allocates the Company's common shares subject to a specified transfer restriction period and provisions on reasons for free acquisition by the Company (hereinafter referred to as "the Plan B"). The Plan B aims to raise motivation of the Eligible Directors more than ever before to make contribution to the improvement of performance and continuous improvement of corporate value over the medium and long term.

2. Structure of the Plan B

Specific details of the Plan B's structure are as follows.

(i) Details of transfer restrictions

Eligible Directors who are allocated with restricted shares are prohibited from transfer to a third party, creation of a pledge, creation of security by way of assignment, living donation, devise or any other disposal conducts with regard to the restricted shares for 30 years (hereinafter referred to as "Transfer Restriction Period").

(ii) Cancellation of transfer restrictions

At the expiry of Transfer Restriction Period, the Company cancels transfer restrictions on all the restricted shares allocated to the Eligible Director (hereinafter referred to as "Allocated Shares") provided that the Eligible Director allocated with restricted shares has continuously served as Director, Vice President or employee of the Company after the start date of the Transfer Restriction Period until the date of the Company's first ordinary general meeting of shareholders held after the start date.

However, when an Eligible Director is deceased or retires or resigns as Director, Vice President or employee before the expiry of the Transfer Restriction Period and if there is a reason which the Company's Board of Directors determines to be justifiable, the number of Allocated Shares whose transfer restrictions are canceled and the timing of the cancellation of transfer restrictions shall be reasonably adjusted as necessary.

(iii) Free acquisition of restricted shares

- If an Eligible Director allocated with restricted shares retires or resigns as the Company's Director, Vice President or employee after the start date of the Transfer Restriction Period and by the previous day of the date of the Company's first ordinary general meeting of shareholders held after the start date, the Company shall naturally acquire the Allocated Shares free of charge, except when there is a justifiable reason determined by the Company's Board of Directors.
- If there are Allocated Shares whose transfer restrictions are not canceled in accordance with the cancellation provision of transfer restrictions described in (ii) above at the expiry of the Transfer Restriction Period described in (i) above, the Company shall naturally acquire them free of charge.
- Other provisions on reasons for free acquisition shall be determined in the agreement for allocation of restricted shares based on the resolution of the Company's Board of Directors.

(iv) Treatment on an organizational restructuring, etc.

If the general meeting of shareholders of the Company approves an agenda for an organizational restructuring, etc. such as a merger agreement under which the Company will become a non-surviving company, or a share exchange agreement or a share transfer plan that makes the Company a wholly-owned subsidiary of another company (if the approval of the general meeting of shareholders of the Company is not required for the said organizational restructuring, etc., the resolution of the Board of Directors of the Company), the Company shall cancel the transfer restrictions prior to the effective date of the organizational restructuring, etc., of the Allocated Shares whose number is reasonably determined based on the period from the start date of the Transfer Restriction Period to the date of approval of the organizational restructuring, etc.

In this case, the Company shall naturally acquire the Allocated Shares free of charge whose transfer restrictions are not yet canceled at the time immediately after the cancellation of transfer restrictions in accordance with the above provisions.

3. Upper limit of the number of shares granted under the Plan B

32,000 shares (individual allocation depends on each position)

However, in the event of a share split (including allotment of shares without contribution) or consolidation of shares of the Company's common stocks, or any other event equivalent thereto necessitating the total number of allocated restricted shares to be adjusted after the resolution of the agenda, the total number of restricted shares shall be reasonably adjusted.

(Reference) Application of restricted share remuneration to the Company's Vice Presidents

The Company grants same restricted share remuneration as above to the Company's Vice Presidents.

3) Remuneration for officers, etc.

a. Total amount of remuneration, etc. by position, remuneration by type, and number of eligible Directors and Corporate Auditors

(Millions of yen)

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

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

2. Regarding one Director, who retired as Outside Director and was appointed Part-time Director as of the closing of the 158th Ordinary General Meeting of Shareholders held on June 23, 2023, his period of tenure as an Outside Director is classified as “Outside Director” and his period of tenure as Part-time Director is classified as “Director (excluding Outside Directors),” and is included in the above “Total amount of remuneration, etc.” and “Number of eligible Directors and Corporate Auditors.”

3. The maximum amount of base remuneration and bonuses for directors was resolved at the 157th Ordinary General Meeting of Shareholders held on June 17, 2022 to be no more than 1 billion yen per year (including no more than 120 million yen for Outside Directors). The number of Directors at the close of the said Ordinary General Meeting of Shareholders was ten (of which, six were Outside Directors). The maximum amount of basic remuneration for Corporate Auditors was resolved at the 156th Ordinary General Meeting of Shareholders held on June 18, 2021 to be no more than 144 million yen per year. The number of Corporate Auditors at the close of said Ordinary General Meeting of Shareholders is five.

4. The above bonuses to Directors, excluding Outside Directors, are the amounts scheduled to be paid by resolution of the Board of Directors based on the resolution of the General Meeting of Shareholders as described in Note 3 and excluding Part-time Director.

5. The upper limits of the total value and the number of shares to be granted to Directors (excluding Outside Directors) in the form of performance-linked share-based remuneration were set at 364 million yen and 48,400 shares a year at the 153rd Ordinary General Meeting of Shareholders held on June 22, 2018. The number of Directors at the close of the said Ordinary General Meeting of Shareholders was nine (of which, three were Outside Directors).

6. The upper limit of the total value and the number of shares to be granted to Directors (excluding Outside Directors) in the form of restricted share remuneration were set at 243 million yen and 32,000 shares a year at the 153rd Ordinary General Meeting of Shareholders held on June 22, 2018. The number of Directors at the close of the said Ordinary General Meeting of Shareholders was nine (of which, three were Outside Directors).

7. In accordance with the determination process, the Board of Directors has delegated the determination of the specific details of remuneration in cash and bonuses for directors to Hideo Takasaki, President-Director based on a resolution of the Board of Directors.

8. Consolidated operating profit and consolidated ROE are adopted as indicators based on which bonuses for Directors and performance-linked share-based remuneration are calculated. For the fiscal year, the Company's consolidated operating profit was 139,132 million yen and consolidated ROE 10.9%. There will be no payment of performance-linked share-based remuneration as the Company did not achieve its targets. Restricted share remuneration is linked to the market price of the Company's shares. There is nothing that needs to be disclosed in relation to its performance.
9. Individual remuneration and so on granted to Directors and others for the fiscal year are (or will be) paid in accordance with the determination process. The Board of Directors considers that their details are in line with the Company's remuneration policy.
10. Salaries (including bonuses) of Directors concurrently serving as employees are separate from the above remuneration, etc., but no employee salaries were paid in the fiscal year.

4) Total amount of remuneration, etc. of those whose total amount of remuneration, etc. is 100 million yen or more

(Millions of yen)

Name	Total amount of remuneration, etc.	Position	Company category	Remuneration by type			
				Fixed remuneration	Performance-linked remuneration		
				Basic remuneration (cash)	Bonus for Directors (cash)	Performance-linked share-based remuneration	Restricted share remuneration
Hideo Takasaki	285	Director	Reporting Company	96	150	-	39
Yosuke Miki	129	Director	Reporting Company	38	77	-	13
Yasuhiro Iseyama	125	Director	Reporting Company	37	75	-	13
Yasuhito Ohwaki	102	Director	Reporting Company	28	63	-	10

(5) Shareholdings

1) Criteria and approach to investment share categories

The Company categorizes shares held for asset management as investment shares held for pure investment purposes, and other shares held based on the judgment that they will contribute to the enhancement of corporate value as investment shares held for purposes other than pure investment.

The Company does not hold investment shares held for pure investment purposes.

2) Investment shares held for purposes other than pure investment

a. Shareholding policy, the method for verifying the rationality of the holding, and the contents of the verification of the propriety of holding individual shares at the Board of Directors meeting and others.

The Company shall not hold shares of listed companies for purposes other than pure investment in principle. The Company exceptionally hold shares of companies deemed necessary for capital and business alliances for the purpose other than pure investment. In that case, the Company considers the necessity of holding individual shares and the returns from shares other than pure investment purposes and comprehensively evaluates the point of view of cost of capital. The Company verifies the rationality for holding shares each year in the Board of Directors meeting, and sell it if its rationality is not found.

b. Number of stock names and total amounts recorded on the balance sheet

	Number of stock names (Stock names)	Total amounts recorded on the balance sheet (Millions of yen)
Unlisted shares	17	61

(Stock names of which the number of shares increased in the current fiscal year)

Not applicable.

(Stock names of which the number of shares decreased in the current fiscal year)

	Number of stock names (Stock names)	Total sales value related to the decrease in the number of shares (Millions of yen)
Shares other than unlisted shares	3	551

c. Information on the number of shares and balance sheet amounts for specified investment shares by stock name

Specified investment shares

Stock name	As of March 31, 2024 Number of shares (Thousands of shares) Balance sheet amount (Millions of yen)	As of March 31, 2023 Number of shares (Thousands of shares) Balance sheet amount (Millions of yen)	Holding purpose, details of business alliance, etc., quantitative holding effect, and reason for increase in number of shares	Holding the Company's shares
Murata Manufacturing Co., Ltd.	-	48	Because the maintenance of relationship related to sales transactions, etc. and the high quality of the company's technology in the field of electronics contribute to the further development and expansion of the Group's Industrial Tape business.	No
	-	386		
Toyota Motor Corporation	-	26	Because the maintenance of relationship related to sales transactions, etc. and the company's knowledge and technology in the wide range of fields of automobile-related businesses contribute to the further development and expansion of the Group's Industrial Tape business.	No
	-	50		
Taiyo Yuden Co., Ltd.	-	15	Because the maintenance of relationship related to sales transactions, etc. and the high quality of the company's technology in the field of electronics contribute to the further development and expansion of the Group's Industrial Tape business.	No
	-	66		

* As it is difficult to quantify the effects of individual shares, we verify them based on the above mentioned method for verifying the rationality of the holding and determine that the holding is appropriate.

V. Financial Information

1. Basis of Preparation of the Consolidated Financial Statements and Nonconsolidated Financial Statements

(1) The consolidated financial statements of the Company are prepared in accordance with International Financial Reporting Standards (IFRS) as prescribed in Article 93 of the Regulation on Terminology, Forms and Preparation Methods of Consolidated Financial Statements (Ministry of Finance Order No. 28 of 1976, hereinafter referred to as the "Regulation on Consolidated Financial Statements").

(2) The nonconsolidated financial statements of the Company are prepared in accordance with the Regulation on Terminology, Forms, and Preparation Methods of Financial Statements (Ministry of Finance Order No. 59 of 1963, hereinafter referred to as the "Regulation on Financial Statements"). Moreover, the Company is qualified as a special company submitting financial statements and prepares nonconsolidated financial statements pursuant to Article 127 of the Regulation on Financial Statements.

2. Audit Certification

Pursuant to Article 193-2, Paragraph 1 of the Financial Instruments and Exchange Act, the Company's consolidated financial statements in Japanese for the consolidated fiscal year (from April 1, 2023 to March 31, 2024) and non-consolidated financial statements in Japanese for the fiscal year (from April 1, 2023 to March 31, 2024) were audited by KPMG AZSA LLC."
Additionally, the accompanying English consolidated financial statements were audited by KPMG AZSA LLC on a voluntary basis.

3. Specific Efforts to Ensure the Appropriateness of the Consolidated Financial Statements, etc. and Development of a System to Properly Prepare the Consolidated Financial Statements, etc. in Accordance with IFRS

The Company makes specific efforts to ensure the appropriateness of the consolidated financial statements, etc., and develops a system to properly prepare the consolidated financial statements and notes in accordance with IFRS. The details are as follows.

(1) In order to ensure an appropriate understanding of the corporate accounting standards, etc., and to develop a system to accurately handle revisions to the corporate accounting standards, etc., the Company holds a membership in the Financial Accounting Standards Foundation and participates in the training sessions conducted by the Foundation and audit firms, etc.

(2) In applying IFRS, the Company obtains press releases and standards issued by the International Accounting Standards Board as needed to understand the latest standards. In addition, in order to prepare its consolidated financial statements in accordance with IFRS, the Company has prepared the Group's internal accounting policies and guidelines based on IFRS and conducts its accounting work based on such policies and guidelines.

1. Consolidated Financial Statements and Notes

(1) Consolidated financial statements

(i) Consolidated statement of financial position

(Millions of yen)

	Notes	As of March 31, 2023	As of March 31, 2024
Assets			
Current assets			
Cash and cash equivalents	7,14	329,966	342,269
Trade and other receivables	8,14,21	178,388	209,341
Inventories	9	141,101	136,804
Other financial assets	14	2,141	5,220
Other current assets		20,358	24,321
Subtotal		671,956	717,957
Assets held for sale		5,232	-
Total current assets		677,189	717,957
Noncurrent assets			
Property, plant and equipment	10	333,103	378,535
Right-of-use assets	11	12,959	19,321
Goodwill	12	58,822	66,056
Intangible assets	12	21,469	20,674
Investments accounted for using equity method		2,140	2,115
Financial assets	14	8,860	9,192
Deferred tax assets	25	23,420	20,985
Other noncurrent assets	17	15,682	16,248
Total noncurrent assets		476,457	533,130
Total assets		1,153,647	1,251,087

(Millions of yen)

	Notes	As of March 31, 2023	As of March 31, 2024
Liabilities and Equity			
Liabilities			
Current liabilities			
Trade and other payables	14,15	91,834	98,965
Borrowings	14,16	272	345
Income tax payables		18,488	13,402
Other financial liabilities	14	22,162	38,396
Other current liabilities	21	54,053	55,746
Subtotal		186,811	206,856
Liabilities directly associated with assets held for sale		1,436	-
Total current liabilities		188,248	206,856
Noncurrent liabilities			
Other financial liabilities	14	15,729	20,843
Defined benefit liabilities	17	40,015	33,130
Deferred tax liabilities	25	4,173	3,427
Other noncurrent liabilities		2,286	1,779
Total noncurrent liabilities		62,204	59,182
Total liabilities		250,452	266,038
Equity			
Equity attributable to owners of the parent company			
Share capital	18	26,783	26,783
Capital surplus	18,19	50,047	49,928
Retained earnings	18	786,269	808,062
Treasury shares	18	(27,631)	(23,298)
Other components of equity	18,20	66,741	122,544
Total equity attributable to owners of the parent company		902,211	984,020
Noncontrolling interests		983	1,028
Total equity		903,194	985,048
Total liabilities and equity		1,153,647	1,251,087

(ii) Consolidated statement of profit or loss and Consolidated statement of comprehensive income

Consolidated statement of profit or loss

(Millions of yen)

	Notes	For the year ended March 31, 2023	For the year ended March 31, 2024
Revenue	21,22	929,036	915,139
Cost of sales	9,10,11,12 17,22,23	591,592	584,280
Gross profit		337,443	330,858
Selling, general and administrative expenses	10,11,12,17 19,22,23	145,436	146,143
Research and development expenses	10,12,17,22,23	40,175	43,485
Other income	22	8,103	9,914
Other expenses	10,13,22,23	12,761	12,012
Operating profit		147,173	139,132
Finance income	24	1,574	2,195
Finance expenses	11,24	1,936	2,460
Share of profit of investments accounted for using the equity method		29	34
Profit before income taxes		146,840	138,901
Income tax expenses	25	37,576	36,146
Net profit		109,264	102,755
Net profit attributable to:			
Owners of the parent company		109,173	102,679
Noncontrolling interests		91	75
Total		109,264	102,755
Earnings per share attributable to owners of the parent company			
Basic earnings per share (Yen)	26	738.77	719.57
Diluted earnings per share (Yen)	26	738.48	719.30

Consolidated statement of comprehensive income

(Millions of yen)

	Notes	For the year ended March 31, 2023	For the year ended March 31, 2024
Net profit		109,264	102,755
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Net changes on financial assets measured at fair value through other comprehensive income	20	(63)	85
Remeasurement of defined benefit liability	20	3,962	5,999
Items that may be reclassified to profit or loss			
Exchange differences on translation of foreign operations	20	21,807	55,986
Net changes in fair value of cash flow hedges	20	2,210	1
Share of other comprehensive income of investments accounted for using equity method	20	(4)	81
Total other comprehensive income		27,913	62,154
Total comprehensive income		137,177	164,910
Total comprehensive income attributable to:			
Owners of the parent company		137,078	164,816
Noncontrolling interests		99	93
Total		137,177	164,910

(iii) Consolidated statement of changes in equity

For the year ended March 31, 2023

(Millions of yen)

	Notes	Equity attributable to owners of the parent company						Non-controlling interests	Total equity
		Share capital	Capital surplus	Retained earnings	Treasury shares	Other components of equity	Total		
Balance as of April 1, 2022		26,783	49,992	705,910	(9,771)	48,276	821,192	913	822,105
Net profit		-	-	109,173	-	-	109,173	91	109,264
Other comprehensive income	20	-	-	-	-	27,905	27,905	8	27,913
Total comprehensive income		-	-	109,173	-	27,905	137,078	99	137,177
Share based remuneration transactions	18,19	-	(21)	-	-	(0)	(21)	-	(21)
Dividends	27	-	-	(34,046)	-	-	(34,046)	(29)	(34,075)
Changes in treasury shares	18,19	-	75	-	(17,860)	-	(17,784)	-	(17,784)
Transfer from other components of equity to retained earnings	18	-	-	5,232	-	(5,232)	-	-	-
Transfer from other components of equity to non-financial assets	18	-	-	-	-	(4,206)	(4,206)	-	(4,206)
Total transactions with owners		-	54	(28,813)	(17,860)	(9,440)	(56,059)	(29)	(56,088)
Balance as of March 31, 2023		26,783	50,047	786,269	(27,631)	66,741	902,211	983	903,194

For the year ended March 31, 2024

(Millions of yen)

	Notes	Equity attributable to owners of the parent company						Non-controlling interests	Total equity
		Share capital	Capital surplus	Retained earnings	Treasury shares	Other components of equity	Total		
Balance as of April 1, 2023		26,783	50,047	786,269	(27,631)	66,741	902,211	983	903,194
Net profit		-	-	102,679	-	-	102,679	75	102,755
Other comprehensive income	20	-	-	-	-	62,136	62,136	17	62,154
Total comprehensive income		-	-	102,679	-	62,136	164,816	93	164,910
Share based remuneration transactions	18,19	-	(47)	-	-	(1)	(48)	-	(48)
Dividends	27	-	-	(36,041)	-	-	(36,041)	(28)	(36,070)
Changes in treasury shares	18, 19,29	-	(51,254)	-	4,333	-	(46,921)	-	(46,921)
Transfer from other components of equity to retained earnings	18	-	-	6,333	-	(6,333)	-	-	-
Acquisition of NCI without change in control		-	3	-	-	-	3	(20)	(17)
Transfer from retained earnings to capital surplus		-	51,178	(51,178)	-	-	-	-	-
Total transactions with owners		-	(119)	(80,887)	4,333	(6,334)	(83,007)	(49)	(83,056)
Balance as of March 31, 2024		26,783	49,928	808,062	(23,298)	122,544	984,020	1,028	985,048

(iv) Consolidated statement of cash flows

(Millions of yen)

	Notes	For the year ended March 31, 2023	For the year ended March 31, 2024
Cash flows from operating activities			
Profit before income taxes		146,840	138,901
Depreciation and amortization	10,11,12	57,362	60,811
Impairment losses	13	4,036	1,651
Increase (decrease) in defined benefit liabilities		1,270	1,371
Decrease (increase) in trade and other receivables		44,492	(19,033)
Decrease (increase) in inventories		(2,230)	11,769
Increase (decrease) in trade and other payables		(15,779)	3,804
Increase (decrease) in advances received		(17,420)	(1,312)
Interest and dividend income		1,283	2,065
Interest expenses paid		(538)	(609)
Income taxes (paid) refunded		(38,748)	(41,030)
Others		1,133	(2,868)
Net cash provided by (used in) operating activities		181,702	155,521
Cash flows from investing activities			
Purchase of property, plant and equipment and intangible assets		(65,921)	(67,774)
Proceeds from sale of property, plant and equipment and intangible assets		350	602
Decrease (increase) in time deposits		81	(2,465)
Purchase of investment securities		(177)	(723)
Proceeds from sale of investment securities		2,675	551
Purchase of shares of subsidiaries and affiliates		(1,703)	-
Purchase of shares of subsidiaries resulting in change in scope of consolidation		(95,263)	-
Proceeds from sale of shares of subsidiaries resulting in change in scope of consolidation	6	-	1,871
Others		51	10
Net cash provided by (used in) investing activities		(159,906)	(67,927)
Cash flows from financing activities			
Net increase (decrease) in short-term borrowings		29	72
Repayment of lease liabilities	11	(5,567)	(7,631)
Decrease (increase) in treasury shares		(18,008)	(47,167)
Cash dividends paid	27	(34,046)	(36,041)
Others		(35)	(16)
Net cash provided by (used in) financing activities		(57,627)	(90,784)
Effect of exchange rate changes on cash and cash equivalents		5,671	13,573
Cash and cash equivalents included in assets held for sale		(1,920)	–
Reclassification of cash and cash equivalents included in assets held for sale in the opening balance		–	1,920
Net increase (decrease) in cash and cash equivalents		(32,079)	12,302
Cash and cash equivalents at the beginning of the period		362,046	329,966
Cash and cash equivalents at the end of the period	7	329,966	342,269

Notes to Consolidated Financial Statements

1. Reporting entity

Nitto Denko Corporation (the “Company”) is a corporation domiciled in Japan. The consolidated financial statements above comprise the Company and its subsidiaries (the “Group”) and the Group’s affiliates. The Group is engaged mainly in the “Industrial Tape business,” the “Optronics business,” the “Human Life business,” and “Others” (related businesses with a broad range of products). See Note 5, “Segment information,” for details.

2. Basis of preparation

(1) Accounting standards compliance

The Group’s consolidated financial statements, which meet the requirements of a “specified company complying with any designated international accounting standards” defined in Article 1-2 of the Regulation on Consolidated Financial Statements, have been prepared in accordance with IFRS as prescribed in Article 93 of the Regulation.

(2) Basis of measurement

The consolidated financial statements have been prepared on historical cost basis, except for specific financial assets, financial liabilities and employee benefits, etc., measured at fair value as detailed in Note 3, “Summary of material accounting policies.”

(3) Presentation currency and units

The consolidated financial statements are presented in Japanese yen and figures less than a million yen are rounded down to the nearest million yen.

(4) Standards and interpretations that have been issued but not yet applied

(IFRS 18 “Presentation and Disclosure in Financial Statements” (Issued in April 2024))

IFRS 18, issued in April 2024, is effective for the fiscal year beginning on or after January 1, 2027. IFRS 18 replaces IAS 1 “Presentation of Financial Statements”, and IAS 1 is superseded. In IFRS 18, new requirements for presentation and disclosure in statements of profit or loss has been established. In addition, along with the announcement of IFRS 18, amendments to IAS 7 “Cash Flow Statement”, etc. have been made. The impact of the application of IFRS 18 on the consolidated financial statements of the Company is under consideration.

(5) Changes in accounting policies

(IAS 12 “Income Tax”)

The Group has adopted the “Deferred Tax related to Assets and Liabilities arising from a Single Transaction (which amended IAS 12)” for the current fiscal year. The adoption of this standard does not have material impact on the consolidated financial statements of the Group except for the impact described in “25. Income tax (1) Deferred tax assets and liabilities.” Because the amendments to IAS 12 have been adopted retrospectively, the corresponding amounts of the previous fiscal year included in “25. Income tax (1) Deferred tax assets and liabilities” have been restated.

In addition, the Group has adopted the temporary exception set forth in “International Tax Reform - Pillar Two Model Rules, which amended IAS 12”.

Therefore, the Group does not recognize or disclose deferred tax assets and deferred tax liabilities for income taxes arising from tax laws enacted or substantively enacted when implementing the Pillar Two model rules.

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

3. Summary of material accounting policies

Material accounting policies implemented in the consolidated financial statements above are, unless otherwise stated, the same as the accounting policies implemented during all periods presented in the consolidated financial statements.

(1) Basis of consolidation

(a) Subsidiaries

Subsidiaries are all the entities controlled by the Group. The Group controls an entity when the Group is exposed or has rights to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Group consolidates a subsidiary from the date when it gains control over the subsidiary until the date it loses control.

The Group uses the acquisition method of accounting for business combinations. The consideration transferred for an acquisition of a subsidiary is calculated as the sum of the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair values of assets and liabilities arising from contingent consideration arrangements. Acquisition related costs are expensed as incurred. The identifiable assets acquired and the liabilities assumed in a business combination are measured at their acquisition date fair values. For each acquisition, the Group measures the noncontrolling interests of the acquired company either at fair value or at the noncontrolling interests' proportionate share of the acquired company's net assets.

If the sum of the consideration transferred, the amount of noncontrolling interests in the acquired company, and the acquisition date fair value of the equity interests of the acquired company that the Group previously held exceeds the fair value of the Group's share of the identifiable net assets acquired, the excess is recognized as goodwill. If the purchase amount is less than the fair value of the net assets of the subsidiary acquired in a bargain purchase, the difference is recognized in net profit or loss.

Intercompany transactions, balances and unrealized gains arising from intercompany transactions are eliminated. Unrealized losses are also eliminated unless an impairment loss should be recognized on the assets transferred.

(b) Affiliates

An affiliate is an entity in which the Group owns 20% to 50% of the voting rights and over which the Group has significant influence, but such influence does not rise to the level of control generally. Investments in affiliates are initially recognized at cost and accounted for using the equity method.

(2) Segment reporting

The reportable segments are components of business activities which generate revenues and costs and include transactions with other reportable segments.

The reportable segments are reported in accordance with internal reports presented to the chief operating decision maker. The chief operating decision maker bears responsibility for the allocation of resources and the evaluation of performance of the reportable segments. In the Group, the Board of Directors, which makes the related strategic decisions, is the chief operating decision maker.

(3) Foreign currency translation

(a) Foreign currency transactions

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

Foreign currency transactions are translated into functional currencies using the exchange rates prevailing on the dates of the transactions or, when remeasuring items in the financial statements, the exchange rates prevailing on the date 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.

(b) Foreign operations

For foreign operations that use functional currencies different from the Group's presentation currency, assets and liabilities, including goodwill arising from the acquisitions and adjustment of fair value are translated into Japanese yen at the closing rate at the date of the statement of financial position, and the income and expenses are translated into Japanese yen at the average exchange rate for the period.

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

(4) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, demand deposits and other highly liquid short-term investments due within three months from the deposit date.

(5) Inventories

Inventories are measured at the lower of cost and net realisable 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 realisable value represents the estimated selling price for inventories in the ordinary course of business less the related variable selling cost.

(6) Property, plant and equipment

Property, plant and equipment is measured at the value of its acquisition cost less accumulated depreciation and accumulated impairment losses.

Costs incurred after acquisition are included in the carrying amounts of the assets or recognized when appropriate, as individual assets when it is probable that the future economic benefits associated with the items will flow to the Group and the costs could be reasonably estimated. The carrying amounts of replaced portions are derecognized. Other costs of repairs and maintenance are charged to expenses in the consolidated financial statements in the fiscal year when the costs are incurred.

Depreciation of property, plant and equipment is calculated by allocating the acquisition cost of each asset to the residual value using the straight-line method over the estimated useful life of the asset as set forth below.

- Buildings and structures: 15-30 years
- Machinery and vehicles: 5-10 years

The residual values and useful lives of assets are reviewed at the end of each reporting period, and modified as necessary.

(7) Intangible assets and goodwill

(a) Capitalized development cost

An expenditure incurred in a development phase (or a development stage of an internal project) is capitalized only if the expenditure can satisfy all the following criteria.

- The technical feasibility of completing the developed product so that it will be available for use or sale
- The intention of the entity to complete the developed product and use or sell it
- The ability to use or sell the developed product
- It is probable that the developed product will generate future economic benefits
- The availability of adequate technical, financial and other resources to complete the development and to use or sell the developed product
- The ability to reliably measure the expenditure attributable to the developed product during its development

Amount of initial recognition of capitalized development cost is the total of the cost incurred from the date the intangible asset meets all the above criteria to the completion of the development.

Subsequent to initial recognition, the capitalized development cost is recorded at its acquisition cost less accumulated depreciation and accumulated impairment losses.

When a capitalized development cost is not recognized, it is recognized as an expense when incurred.

(b) Intangible assets acquired in a business combination (goodwill and other intangible assets)

Measurement of goodwill upon initial recognition is described in Note 3 (1), “Summary of material accounting policies - Basis of consolidation.” Goodwill is measured at cost less any accumulated impairment losses.

Goodwill is not amortised but is tested for impairment. Impairment is described in Note 3 (9), Summary of material accounting policies - Impairment of nonfinancial assets.”

Intangible assets acquired in a business combination and recognized separately from goodwill are initially recognized at their acquisition-date fair values.

(c) Other intangible assets acquired separately

Other intangible assets acquired separately are measured at cost less any accumulated depreciation and accumulated impairment losses, and include software and patent, etc.

Amortization of intangible assets are calculated by allocating the acquisition cost of each asset using the straight-line method over their estimated useful lives as set forth below.

- Software: 5 years
- Other intangible assets: 3 to 15 years

The useful lives are reviewed at the end of each reporting period and modified as necessary.

(8) Leases

The Group determines whether a contract is a lease contract, or if it contains a lease, at the conclusion of the contract. When a contract conveys that in return for consideration a party receives the right to control the use of a specified asset for an agreed period of time, the contract is determined to be a lease contract or one that contains a lease.

If the Group determines that a contract is a lease contract or one that contains a lease, the right-of-use asset and the lease liability are recognized at the commencement date of the lease. Right-of-use assets are measured at the acquisition cost by the amount of lease liability at the initial measurement adjusted by any lease payments made before the commencement date, any initial direct costs to a lessee and costs, including restoration obligation under the lease agreement. Lease liabilities are measured at the discounted present value of the total lease payments not paid at the lease commencement date and are presented in “Other financial liabilities” and “Other financial liabilities (noncurrent)” in the consolidated statement of financial position.

Right-of-use assets are depreciated using the straight-line method from the commencement date to the earlier of the end of its useful life or the end of the lease term.

Lease payments are allocated to the repayment of interest expenses and lease liabilities under the interest method, and interest expenses is presented in “Finance expenses” in the consolidated statement of income.

For short-term leases with a lease term of 12 months or less and leases of low-value assets, a right-of-use asset and a lease liability are not recognized, and total lease payments are recognized as expense over the lease term using the straight-line method or other regular basis.

(9) Impairment of nonfinancial assets

Property, plant and equipment and intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of such an asset may not be recoverable. An impairment loss is recognized for the amount by which the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the higher of the fair value of the asset less costs of disposal and its value in use. In calculating value in use, estimated future cash flows are discounted to present value using a discount rate that reflects the time value of money and the inherent risks of the asset. In order to be considered for impairment, assets are grouped into the smallest units (cash generating units) for which there are separately identifiable cash flows.

Intangible assets with indefinite useful life and intangible assets that are not yet available for use are not subject to amortization, but are tested for impairment at least once a year to estimate the recoverable amount of the asset and compare it to its carrying amount.

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

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

(10) Nonderivative financial assets

The Group initially recognizes trade and other receivables on the date when they are originated. The Group recognizes all other nonderivative financial assets on the date when the Group becomes a contracting party to the financial instruments in question.

(a) Financial assets measured at amortised cost

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

- The 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 financial assets give rise on a specific date to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

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

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

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

- The 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 financial assets give rise on a specific date to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

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

With regard to financial assets measured at fair value through other comprehensive income, gains and losses attributable to changes in realized fair value and recognized impairment losses are not reclassified to net profit or loss. However, dividend income from such investments is recognized as "finance income" as a part of net profit or loss, except in cases in which 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 those discussed in subsections (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 subsections (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 through net profit or loss.

(11) Impairment of financial assets

The Group estimates expected credit losses at the end of each financial year with regard to the recoverability of financial assets and contract assets, etc., measured at amortised cost.

For financial instruments whose credit risk has not significantly increased since the initial recognition, expected credit losses within 12 months are recognized as the loss valuation allowance. For financial instruments whose credit risk has significantly increased since the initial recognition, expected credit losses for the entire period are recognized as the loss valuation allowance.

The Group determines whether credit risk has significantly increased based on changes in circumstances and the risk of default from the time of the initial recognition, considers information on overdue bills, the aggravation of the debtor's financial condition, any decline in the internal credit rating, etc.

In order to measure the expected credit losses for 12 months, or the entire period, the Group uses reasonable and well supported information on past events, current circumstances and forecasts of future economic conditions which are available at the end of the reporting period without undue cost or effort.

Allowance for doubtful accounts related to financial instruments are recognized in net profit or loss. In the event of an allowance for doubtful accounts being reduced, a reversal of the allowance for doubtful accounts is recognized in net profit or loss.

(12) Derivative financial instruments and hedge accounting

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

Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated as cash flow hedges and satisfy relevant requirements is recognized in other components of equity. The ineffective portion is recognized in net profit or loss in the consolidated statement 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 the hedged items affect profit or loss. When forecast transactions to be hedged can give rise to the recognition of nonfinancial assets, any amount that has been recognized as other comprehensive income is reclassified and included in the initial measurement of the acquisition cost of the respective assets.

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

(13) Trade payables

Trade payables are the obligations to pay for the goods or services acquired from suppliers in the ordinary course of business. Trade payables are classified as current liabilities when the payment due date is within one year or in cases in which the due date is more than one year but within a normal operating cycle of the business, otherwise they are classified as noncurrent liabilities. Trade payables are measured at fair value upon initial recognition, subsequently, measured at the cumulative amount of related finance expenses calculated using the effective interest method and the initial fair value amount.

(14) Borrowings

Borrowings are measured at fair value net of transaction cost incurred upon initial recognition, subsequently, measured at the cumulative amount of finance expenses calculated using the effective interest method over the borrowing period and the initial fair value amount.

(15) Employee benefits

(a) Short-term employee benefits

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

(b) Long-term employee benefits

The Group provides its employees and retirees with post-employment benefit plans consisting of defined benefit plans and defined contribution plans.

Obligations for the defined benefit plans are recognized as the present value of the 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 the estimated future cash outflows based on the market yields of high quality corporate bonds that have a maturity approximating the estimated dates for the payments of the obligations and are denominated in the currencies in which the payments are made.

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

Past service costs of pension plans are recognized as gains or losses for 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. For as long as the Group pays contributions, the Group will not be obliged to make any additional payments. Such contributions are recognized as employee benefit expenses when they are due.

(16) 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 the cash outflows that are deemed necessary to settle the 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 increase in a provision that may have taken place over time is recognized as a finance expenses.

(17) Shareholders' equity

Common stock is classified as equity.

Incremental costs directly attributable to the issue of new shares (common stock) or stock options are recorded in equity as the amount of deduction from the proceeds.

When an entity of the Group acquires the Company's share capital (treasury shares), the consideration paid, including any directly related incremental costs, is deducted from the equity attributable to the Company's shareholders until the shares are retired or reissued.

(18) Share based remuneration plans

The Group operates the following equity settled share based remuneration plans.

(a) Stock option plans

The Group receives services from Directors, Vice Presidents and employees in exchange for the Group's equity instruments (options). The fair value of the options is based on the Black-Scholes Model, and the fair value of services received in exchange for the granted options is expensed over the vesting period. If a variance arises between the estimate and the result in the vesting period, the recognized cost is adjusted for.

In connection with the introduction of restricted share remuneration plans and performance linked, share based remuneration plans, stock option plans were abolished with exception of those stock options already granted.

(b) Restricted share remuneration plans and performance linked, share based remuneration plans

Remuneration under share based remuneration plans are measured by reference to the fair value of the Company's shares to be granted, and the calculated remunerations is expensed with the corresponding amount recognized as an increase in equity.

(19) Revenue recognition

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

Step 1: Identify the contract with a customer.

Step 2: Identify performance obligations in the contract.

Step 3: Determine the transaction price.

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

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

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

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

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

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

(20) Government grants

Government grants are measured and recognized at fair value if there is reasonable assurance that the Group will comply with the conditions attached to them and that the grants will be received. Government grants associated with an expense are recognized as revenue in the same fiscal year the expense is incurred. Grants associated with the acquisition of an asset are recorded as other income on a systematic basis over the useful life of the asset, and unearned grants are recorded in liabilities as deferred income.

(21) Finance income and finance expenses

Finance income consists of interest income, dividend income, etc. Interest income is recognized when it is incurred using the effective interest method. Dividend income is recognized when the Group's right to receive the dividend is established.

Finance expenses consist of interest expenses, etc. Borrowing costs not directly attributable to the acquisition, construction or production of a qualifying asset are recognized when incurred using the effective interest method.

(22) Income tax

Income tax expenses consist of current and deferred taxes and are recognized in net profit or loss, except when related to items recognized in other comprehensive income or directly recognized in equity.

Income tax expenses for the current fiscal year are calculated based on tax rates enacted or substantively enacted at the end of reporting period in the countries where the Company and its subsidiaries operate and generate taxable profits.

Deferred tax assets and liabilities are recognized using the asset-liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes of consolidated statements. However, deferred tax assets and liabilities are not recognized for temporary differences when:

- the temporary difference arises from the initial recognition of goodwill
- the temporary difference arises from the initial recognition of an asset or liability in a transaction (excluding business combinations) that, at the time of the transaction, affect neither accounting profit or loss nor taxable profit (loss) and does not give rise to equal taxable and deductible temporary differences.
- the timing of a reversal of taxable temporary differences related to investments in subsidiaries and affiliates is controllable, and the temporary difference is unlikely to be reversed within the foreseeable future.
- deductible temporary differences related to investments in subsidiaries and affiliates to the extent that the temporary difference is unlikely to be reversed within the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each reporting period and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are determined at the tax rates expected to apply in the year when the relevant deferred tax asset is realized or the liability is settled, based on the tax rates enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred tax assets and liabilities relate to income taxes imposed by the same taxation authority on the same taxable entity or the same or different taxable entity intended to settle on a net basis.

(23) Dividend payments

Dividends paid to the owners of the parent company are recognized as a liability in the consolidated financial statements of the Group at the time the dividends are approved by the owners of the parent company.

(24) Earnings per share

Basic earnings per share is calculated by dividing the profit and loss attributable to owners of the parent company by the weighted average number of common issued shares during the current fiscal year. Diluted earnings per share are calculated by adjusting the effect of all potentially dilutive shares.

(25) Assets held for sale

Assets classified as held for sale are measured at the lower of either the carrying amount or the fair value after less costs to sell without being depreciated or amortised while classified as held for sale or part of a disposal groups classified as held for sale.

4. Significant accounting estimates and judgments

When preparing the consolidated financial statements, management makes judgments, estimates, and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income, and expenses. Actual results may vary from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis, and the effect of revised accounting estimates is recognized in the current and future accounting periods.

Significant items that resulted from management’s estimates and judgments are as follows.

- Evaluation of recoverability of property, plant and equipment (See Note 10, “Property, plant and equipment” and Note 13, “Impairment of nonfinancial assets”).
- Evaluation of recoverability of goodwill and intangible assets (See Note 12, “Goodwill and intangible assets” and Note 13, “Impairment of nonfinancial assets”).
- Evaluation of recoverability of deferred tax assets (See Note 25, “Income tax”).
- Measurement of defined benefit liabilities (See Note 17, “Employee benefits”).

5. Segment information

(1) Outline of reportable segments

Reportable segments of the Group are determined as segments whose separate financial information is available among the constituent units of the Group and which are regularly used by the Board of Directors, the chief operating decision maker, to determine the allocation of management resources and to evaluate their business results.

The Group has divisions by product, and each division develops comprehensive domestic and overseas strategies for its products and conducts business activities.

The Group's segments are based on three product divisions, and its three reportable segments are the Industrial Tape segment the Optronics segment and the Human Life segment. Each reportable segment is grouped into one operating segment based on similarities in products, markets, and other aspects.

Intersegment revenue is based on prevailing market prices.

Major products for each segment

Operating segment	Major products or business
Industrial Tape	Functional Base Products (bonding and joining products, protective materials, processing materials, automotive products, etc.)
Optronics	Information Fine Materials (optical films, etc.), Circuits Materials (CIS (Circuit Integrated Suspension), high-precision circuits, etc.)
Human Life	Life Science (oligonucleotide contract manufacturing business, nucleic acid synthesis materials, nucleic acid drug discovery, medical products, etc.), Membrane (high-polymer separation membrane), Personal Care Materials (functional film for hygienic materials, etc.)
Others	New Business, Other Products

(2) Information regarding revenue, profit or loss, assets, and other items by segment
Segment information regarding the Group's reportable segments is as follows.

For the year ended March 31, 2023

(Millions of yen)

	Reportable segments				Others (Note 1)	Total	Adjustment (Notes 2,3)	Figures in consolidated statement of income
	Industrial Tape	Optronics	Human Life	Total				
Revenue from external customers	338,124	469,331	120,306	927,762	13	927,776	1,260	929,036
Intersegment revenue	4,819	13,102	8,329	26,252	-	26,252	(26,252)	-
Total segment revenue	342,944	482,433	128,636	954,014	13	954,028	(24,991)	929,036
Operating profit (loss)	27,217	127,441	519	155,178	(3,892)	151,285	(4,112)	147,173
Finance income								1,574
Finance expenses								(1,936)
Share of profit of investments accounted for using the equity method								29
Profit before income taxes								146,840
Segment assets	271,860	588,380	203,436	1,063,677	13,045	1,076,723	76,924	1,153,647
Other items:								
Depreciation and amortization	16,767	25,560	6,978	49,306	567	49,874	7,488	57,362
Impairment losses	3,065	617	225	3,909	0	3,910	126	4,036
Increase in Property, plant and equipment and Intangible assets	14,763	24,654	6,197	45,615	502	46,118	4,670	50,789

(Note) 1. Others is an operating segment that is not included in the reportable segments and consists of New Business.
2. Adjustment of operating profit (loss) in the amount of (4,112) million yen includes other incomes (losses) not allocated to each segment.
3. Adjustment of segment assets in the amount of 76,924 million yen includes Cash and cash equivalents, Property, plant and equipment and others not belonging to each operating segment.
4. Some changes have been made to reporting segments from the current fiscal year. The name of Flexible Printed Circuits has been changed to Circuit Materials and the plastic optical cable business has been transferred from Others to Circuit Materials of Optronics. In addition, Certain related businesses have been transferred from Personal Care Materials of Human Life to Industrial Tape and Certain business included in Adjustment has been transferred to Others. Such changes have also been reflected in the figures for the year ended March 31, 2023.

For the year ended March 31, 2024

(Millions of yen)

	Reportable segments				Others (Note 1)	Total	Adjustment (Notes 2,3)	Figures in consolidated statement of income
	Industrial Tape	Optronics	Human Life	Total				
Revenue from external customers	347,206	449,966	116,629	913,802	12	913,815	1,323	915,139
Intersegment revenue	4,951	19,943	7,872	32,766	-	32,766	(32,766)	-
Total segment revenue	352,158	469,909	124,501	946,569	12	946,582	(31,442)	915,139
Operating profit (loss)	39,281	123,971	(9,490)	153,762	(5,661)	148,100	(8,968)	139,132
Finance income								2,195
Finance expenses								(2,460)
Share of profit of investments accounted for using the equity method								34
Profit before income taxes								138,901
Segment assets	282,736	666,872	228,637	1,178,247	14,407	1,192,654	58,433	1,251,087
Other items:								
Depreciation and amortization	17,368	25,587	9,821	52,777	719	53,496	7,314	60,811
Impairment losses	395	230	893	1,519	18	1,537	113	1,651
Increase in Property, plant and equipment and Intangible assets	17,427	30,240	30,674	78,342	573	78,916	4,529	83,445

(Note) 1. Others is an operating segment that is not included in the reportable segments and consists of New Business.

2. Adjustment of operating profit (loss) in the amount of (8,968) million yen includes other incomes (losses) not allocated to each segment.

3. Adjustment of segment assets in the amount of 58,433 million yen includes Cash and cash equivalents, Property, plant and equipment and others not belonging to each operating segment.

(3) Other information

(a) Information on products and services

There is no additional information on products and services as the classification of the reportable segments is based on the characteristics of the products and services.

(b) Information by geographical area

Revenues from domestic and overseas customers by geographical area are as follows.

(Millions of yen)

	For the year ended March 31, 2023	For the year ended March 31, 2024
Japan	164,350	150,465
Americas	93,779	80,914
Europe	76,478	84,561
Asia/Oceania (Note)	590,657	594,711
Others	3,770	4,486
Total	929,036	915,139

(Note) Of the revenue from the Asia/Oceania region, revenue from China was 328,003 million yen for the year ended March 31, 2023 and 324,890 million yen for the year ended March 31, 2024.

The breakdown of noncurrent assets by geographical area (excluding financial instruments, deferred tax assets, retirement benefit assets, etc.) is as follows.

(Millions of yen)

	As of March 31, 2023	As of March 31, 2024
Japan	187,906	209,947
Americas	69,264	87,066
Europe	87,848	93,299
Asia/Oceania	86,939	100,023
Total	431,959	490,337

(Note) Classification method for countries and regions and major countries and regions included in the classification

(1) Classification method for countries and regions is based on geographic proximity.

(2) Countries and regions included in the classification: Americas: the U.S., Mexico, Brazil

Europe: Belgium, France, Germany, Sweden, Turkey

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

Other regions: Africa

(c) Information on major customers

There was no single customer group who contributed to 10% or more of the Group’s revenues for the year ended March 31, 2023 and the year ended March 31, 2024.

6. Loss of control

For the year ended March 31, 2023

Not applicable.

For the year ended March 31, 2024

(Transfer of shares in subsidiaries)

On October 24, 2022, we concluded an agreement to transfer a portion of Transportation business belonging to Industrial Tape Business Segment to Parker Corporation and transferred it on April 3, 2023. The gain on transfer of 614 million yen was recorded in “Other income” in the consolidated statement of profit or loss.

The breakdown of assets and liabilities at the time of loss of control of the company that is no longer a subsidiary due to the transfer of equity interests, and the relationship between the consideration received and the proceeds from the sale of shares are as follows.

(Millions of yen)

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

7. Cash and cash equivalents

The breakdown of cash and cash equivalents is as follows.

(Millions of yen)

	As of March 31, 2023	As of March 31, 2024
Cash and deposits	331,926	347,006
Time deposit with a maturity of more than three months	(1,959)	(4,736)
Total	329,966	342,269

The balance of cash and cash equivalents in the consolidated statement of financial position equals the balance of "cash and cash equivalents" in the consolidated statement of cash flows for both previous and current fiscal years, respectively.

8. Trade and other receivables

The breakdown of trade and other receivables is as follows.

(Millions of yen)

	As of March 31, 2023	As of March 31, 2024
Trade receivables		
Notes and accounts receivable - trade	171,891	202,988
Other receivables	6,744	6,810
Less: Allowance for doubtful accounts (Note 14. Financial instruments)	(246)	(458)
Total	178,388	209,341

9. Inventories

The breakdown of inventories is as follows.

(Millions of yen)

	As of March 31, 2023	As of March 31, 2024
Merchandises and finished goods	48,338	44,092
Work in process	54,902	53,381
Raw materials and supplies	37,860	39,331
Total	141,101	136,804

Loss on the valuation of inventories recorded as expense amounted to 11,108 million yen and 5,924 million yen in the previous and current fiscal years, respectively.

10. Property, plant and equipment

The changes in acquisition cost, accumulated depreciation and accumulated impairment losses, and book value of property, plant and equipment are as follows.

(Millions of yen)

Acquisition cost	Buildings and structures	Machinery and vehicles	Tools, furniture and fixtures	Land	Construction in progress	Total
Balance as of April 1, 2022	328,890	586,832	49,224	18,657	17,594	1,001,200
Acquisition	9,520	32,961	4,418	1	16,570	63,471
Acquisition through business combination	14,475	24,585	5,152	855	1,558	46,626
Disposal	(1,654)	(15,585)	(2,736)	(5)	(105)	(20,087)
Transfer to assets held for sale	(2,513)	(2,333)	(495)	(239)	(39)	(5,622)
Foreign currency translation differences, etc.	4,656	8,874	762	323	482	15,099
Balance as of March 31, 2023	353,374	635,334	56,326	19,591	36,061	1,100,688
Acquisition	32,494	41,802	4,543	1,377	(1,663)	78,555
Disposal	(2,672)	(13,147)	(3,050)	(61)	(124)	(19,057)
Foreign currency translation differences, etc.	13,150	25,700	2,177	567	3,006	44,603
Balance as of March 31, 2024	396,346	689,690	59,996	21,475	37,279	1,204,789

(Millions of yen)

Accumulated depreciation and accumulated impairment losses	Buildings and structures	Machinery and vehicles	Tools, furniture and fixtures	Land	Construction in progress	Total
Balance as of April 1, 2022	198,477	478,315	37,027	194	234	714,250
Depreciation	11,029	32,291	3,814	-	-	47,135
Impairment losses	505	456	39	-	83	1,084
Acquisition through business combination	3,610	12,188	3,444	-	-	19,242
Disposal	(1,471)	(15,060)	(2,634)	-	(94)	(19,261)
Transfer to assets held for sale	(1,434)	(1,506)	(303)	-	-	(3,244)
Foreign currency translation differences, etc.	2,134	5,759	543	1	(61)	8,377
Balance as of March 31, 2023	212,850	512,444	41,931	195	162	767,584
Depreciation	12,362	32,609	4,057	-	-	49,030
Impairment losses	207	1,219	67	-	89	1,584
Disposal	(2,405)	(12,861)	(2,965)	-	(102)	(18,334)
Foreign currency translation differences, etc.	6,284	18,508	1,577	17	1	26,389
Balance as of March 31, 2024	229,300	551,919	44,668	213	151	826,253

(Millions of yen)

Carrying amount	Buildings and structures	Machinery and vehicles	Tools, furniture and fixtures	Land	Construction in progress	Total
Balance as of April 1, 2022	130,413	108,516	12,197	18,462	17,359	286,949
Balance as of March 31, 2023	140,523	122,890	14,395	19,395	35,899	333,103
Balance as of March 31, 2024	167,046	137,770	15,328	21,262	37,128	378,535

(Note 1) Depreciation of property, plant and equipment is included in “Cost of sales,” “Selling, general and administrative expenses,” “Research and development expenses,” and “Other expenses.”

(Note 2) There are no material borrowing costs included in the acquisition cost.

11. Leases

The Group is a lessee that leases assets such as buildings and structures.

Lease related expenses and cash outflows are as follows.

(Millions of yen)

	For the year ended March 31, 2023	For the year ended March 31, 2024
Depreciation of right-of-use assets (Note 1)		
Buildings and structures	4,506	4,783
Machinery and vehicles	853	879
Tools, furniture and fixtures	64	67
Land	207	259
Total	5,632	5,990
Interest expenses on lease liabilities (Note 2)	408	452
Expenses relating to short-term leases (Note 3)	1,893	1,939
Expenses relating to leases which the underlying asset is of low value (Note 3)	125	65
Total cash outflows related to leases	7,995	10,089

(Note 1) Depreciation of right-of-use assets is included in “Cost of sales” and “Selling, general and administrative expenses” in the consolidated statement of profit or loss.

(Note 2) Interest expenses on lease liabilities are included in “Finance expenses” in the consolidated statement of profit or loss.

(Note 3) Short-term lease expenses and small lease expenses are included in “Cost of sales” and “Selling, general and administrative expenses” in the consolidated statement of profit or loss.

The breakdown of the book value of right-of-use assets is as follows.

(Millions of yen)

	As of March 31, 2023	As of March 31, 2024
Right-of-use assets		
Buildings and structures	9,751	13,643
Machinery and vehicles	1,511	1,439
Tools, furniture and fixtures	99	420
Land	1,596	3,817
Total	12,959	19,321

An increase in right-of-use assets in the previous and current fiscal years was 4,936 million yen and 12,387 million yen, respectively.

A maturity analysis of lease liabilities is described in Note 14(3)(c), “Financial Instruments - Financial risks - Liquidity risk.”

12. Goodwill and intangible assets

The changes in acquisition cost, accumulated amortization and accumulated impairment losses, and book value of goodwill and intangible assets are as follows.

(Millions of yen)

Acquisition cost	Goodwill	Software	Software in progress	Other intangible assets (Note 1)	Total
Balance as of April 1, 2022	7,868	41,947	906	5,402	56,125
Acquisition	-	3,888	253	997	5,139
Acquisition through business combination	52,217	745	47	7,531	60,541
Disposal	-	(289)	-	(168)	(457)
Transfer to assets held for sale	-	(190)	-	(14)	(205)
Foreign currency translation differences, etc.	2,080	560	(13)	461	3,089
Balance as of March 31, 2023	62,166	46,662	1,193	14,209	124,232
Acquisition	-	3,227	736	471	4,435
Disposal	-	(1,169)	(0)	(855)	(2,025)
Foreign currency translation differences, etc.	7,690	747	(92)	1,118	9,463
Balance as of March 31, 2024	69,857	49,467	1,837	14,943	136,106

(Millions of yen)

Accumulated amortization and accumulated impairment losses	Goodwill	Software	Software in progress	Other intangible assets (Note 1)	Total
Balance as of April 1, 2022	3,058	30,584	115	3,849	37,608
Amortization	-	3,976	-	617	4,594
Impairment losses	-	140	-	-	140
Acquisition through business combination	-	547	-	318	865
Disposal	-	(278)	-	(46)	(324)
Transfer to assets held for sale	-	(159)	-	(14)	(173)
Foreign currency translation differences, etc.	285	453	10	481	1,230
Balance as of March 31, 2023	3,344	35,264	126	5,205	43,941
Amortization	-	4,290	-	1,499	5,790
Impairment losses	-	7	-	60	67
Disposal	-	(1,145)	-	(583)	(1,729)
Foreign currency translation differences, etc.	456	550	16	280	1,304
Balance as of March 31, 2024	3,800	38,967	143	6,463	49,375

(Millions of yen)

Carrying amount	Goodwill	Software	Software in progress	Other intangible assets (Note 1)	Total
Balance as of April 1, 2022	4,809	11,363	790	1,552	18,516
Balance as of March 31, 2023	58,822	11,397	1,067	9,004	80,291
Balance as of March 31, 2024	66,056	10,500	1,694	8,480	86,731

(Note 1) There were no significant internally generated intangible assets in the previous and current fiscal years.

(Note 2) Amortization of intangible assets is included in “Cost of sales,” “Selling, general and administrative expenses,” and “Research and development expenses.”

(Note 3) There are no material borrowing costs included in the acquisition cost.

13. Impairment of nonfinancial assets

(1) Impairment losses

For the year ended March 31, 2023

During the current fiscal year, impairment losses were 4,036 million yen, and included in “Other expenses.”

The major factors are as follows.

As part of the restructuring, the Group made a decision to transfer a portion of Transportation business belonging to Industrial Tape operating segment. In conjunction with this decision, the Group recognized an impairment loss because the carrying amount of the disposal groups (property, plant and equipment, etc.) exceeded the fair value less costs of disposal. The fair value was determined based on pricing negotiations with the buyer and other factors and the hierarchy as Level 3.

For the year ended March 31, 2024

Since there is no important matter for the year ended March 31, 2024, a description is omitted.

(2) Impairment tests for goodwill

Recoverable amounts of each cash-generating unit in impairment tests for goodwill are calculated by the higher of fair value less costs of disposal and value in use.

Among the goodwill allocated to each cash-generating unit, individually significant goodwill was the goodwill related to Nitto Advanced Film Gronau GmbH. The carrying amount of the goodwill allocated to the relevant cash-generating unit during the previous and current fiscal years was 45,065 million yen and 50,483 million yen, respectively.

The recoverable amount of the cash-generating unit to which individually significant goodwill was allocated was calculated based on the fair value less costs of disposal and is categorized in the fair value hierarchy as Level 3.

The fair value less costs of disposal was calculated by the discounted cash flow method, and estimated future cash flows based on the business plan were discounted to the present value. The future prospects have the expected time period of eight years and were developed reflecting past experience and aligned with external information. The related business plan contains assumptions such as market forecasts. A perpetual growth rate of 0.9% and 1.4% was applied in consideration of the long-term growth rate of markets and countries, etc., to which the relevant cash-generating unit belongs for the previous fiscal year and the current fiscal year. A discount rate of 7.6% and 7.2% (before tax), respectively was applied based on the weighted average cost of capital of the relevant cash-generating unit in the previous fiscal year and the current fiscal year. It was judged that any reasonably predictable change in the recoverable amount by the end of the following fiscal year would unlikely cause the carrying amount to exceed the recoverable amount.

(3) Goodwill

At the end of the previous fiscal year and the current fiscal year, the total carrying amount of individually insignificant goodwill among all goodwill allocated to each cash-generating unit was 13,756 million yen and 15,573 million yen, respectively.

There was no impairment loss in the previous fiscal year and the current fiscal year.

14. Financial instruments

(1) Capital risk management

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

(2) Financial risk management

(i) Risk management policies

The Group conducts risk management to mitigate the financial risks arising from its business activities. The Group's basic policy on risk management is to eliminate the sources of risk to avoid its occurrence and to mitigate the risks that are not avoidable.

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

For details of the Group's major financial risks and related management policies see below Note 14(3), "Financial risks".

(ii) Classification of financial instruments

Carrying amounts of financial assets by classification are as follows.

(Millions of yen)

Financial assets	As of March 31, 2023	As of March 31, 2024
Cash and cash equivalents (Note 7)	329,966	342,269
Financial assets measured at fair value through profit or loss		
Investments in debt instruments	1,930	2,389
Derivative	103	309
Subtotal	2,034	2,698
Financial assets measured at fair value through other comprehensive income		
Investments in equity instruments	705	335
Subtotal	705	335
Financial assets measured at amortised cost		
Trade and other receivables (Note 8)	178,388	209,341
Investments in debt instruments	14	12
Others	8,247	11,366
Subtotal	186,650	220,720
Total	519,357	566,023

Carrying amounts of financial liabilities by classification are as follows.

(Millions of yen)

Financial liabilities	As of March 31, 2023	As of March 31, 2024
Financial liabilities measured at fair value through profit or loss		
Derivative	592	148
Subtotal	592	148
Other financial liabilities measured at amortised cost		
Trade and other payables (Note 15)	91,834	98,965
Borrowings (Note 16)	272	345
Others	37,298	59,091
Subtotal	129,406	158,403
Total	129,999	158,552

(3) Financial risks

Business activities of the Group are affected by the businesses and financial market environment. The financial instruments owned by the Group in the course of its business activities are exposed to inherent (a) market risk (including (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 overseas markets. Consequently, the Group is exposed to the risk of changes in foreign currency exchange rates ("foreign exchange risk") arising from the translation of the balances of foreign currency denominated trade receivables and trade payables resulting from 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.

Derivatives

A summary of the major derivatives used by the Group to mitigate foreign exchange fluctuation risk is as follows.

Derivative transactions to which hedge accounting is not applied

(Millions of yen)

	As of March 31, 2023			As of March 31, 2024		
	Contract amount	Due after 1 year	Fair value	Contract amount	Due after 1 year	Fair value
Forward exchange contracts						
Selling						
(U.S. dollars)	64,904	-	(126)	92,852	-	160
(Euro)	24,950	-	(6)	26,195	-	(3)
(Others)	6,595	-	(273)	3,101	-	(12)
Buying						
(U.S. dollars)	564	-	(0)	539	-	16
(Others)	417	-	(1)	-	-	-
Total	97,433	-	(409)	122,689	-	160

Details of the hedging instruments designated as cash flow hedges

As of March 31, 2023

(Millions of yen)

	Hedged item	Contract amount	Due after 1 year	Average exchange rate	Carrying amount		Presentation in the consolidated statements of financial position
					Assets	Liabilities	
Foreign exchange risk Forward exchange contracts							
Selling							
(U.S. dollars)	Forecast transactions	115	-	128.7 yen	-	2	Other financial liabilities
(Euro)	Forecast transactions	21	-	140.8 yen	-	0	Other financial liabilities
Total		136	-		-	2	

(Note) There is no ineffective portion recognized in net profit or loss.

As of March 31, 2024

(Millions of yen)

	Hedged item	Contract amount	Due after 1 year	Average exchange rate	Carrying amount		Presentation in the consolidated statements of financial position
					Assets	Liabilities	
Foreign exchange risk Forward exchange contracts							
Selling							
(U.S. dollars)	Forecast transactions	103	-	148.4 yen	0	0	Other financial assets Other financial liabilities
(Euro)	Forecast transactions	24	-	162.3 yen	0	-	Other financial assets
Total		128	-		0	0	Other financial assets Other financial liabilities

(Note) There is no ineffective portion recognized in net profit or loss.

Details of the hedged items designated as cash flow hedges

As of March 31, 2023

(Millions of yen)

	Cash flow hedge reserve related to ongoing hedges
Foreign exchange risk	(1)

(Note) There is no ineffective portion recognized in net profit or loss.

As of March 31, 2024

(Millions of yen)

	Cash flow hedge reserve related to ongoing hedges
Foreign exchange risk	0

(Note) There is no ineffective portion recognized in net profit or loss.

Effects of application of hedge accounting to the Consolidated Statement of Income

For the year ended March 31, 2023

(Millions of yen)

	Fluctuations in the value of hedging instruments recognized as other comprehensive income	Amounts reclassified from cash flow hedge reserve to net profit or loss	Presentation affected by reclassification in net profit or loss
Foreign exchange risk			
Forward exchange contracts			
Selling			
(U.S. dollars)	(2)	-	-
(Euro)	(0)	(0)	Finance expenses
(RMB)	0	(0)	Finance expenses
Buying			
(Euro)	3,172	-	-
Total	3,170	(0)	

(Note) There are no reclassification adjustments caused by the derecognition of hedging instruments.

For the year ended March 31, 2024

(Millions of yen)

	Fluctuations in the value of hedging instruments recognized as other comprehensive income	Amounts reclassified from cash flow hedge reserve to net profit or loss	Presentation affected by reclassification in net profit or loss
Foreign exchange risk			
Foreign exchange contracts			
Selling			
(U.S. dollars)	2	(2)	Finance expenses
(Euro)	0	(0)	Finance expenses
(RMB)	-	-	-
Buying			
(Euro)	-	-	-
Total	2	(2)	

(Note) There are no reclassification adjustments caused by the derecognition of hedging instruments.

Analysis of exchange rate sensitivity

An analysis of exchange rate sensitivity shows the impact of the appreciation of yen by 1% against the foreign exchange exposure in U.S. dollars on the reporting date on profit before income taxes in the consolidated statement of income, excluding the impact of converting financial instrument denominated in functional currency and income and expenses of foreign operations into yen and assuming that all other variables were constant. The effective portion of the hedge relationship of derivative financial instruments to which hedge accounting is applied is excluded from the calculation of the impact amount. Under these assumptions, the Group's sensitivity to foreign exchange risk and exposure in the previous fiscal year and the current fiscal year is (517) million yen and (768) million yen, respectively. These figures do not represent the impact on the Group's consolidated operating results.

(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 the 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 changes in the 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 related is mainly to liabilities such as borrowings and to assets such as time deposits and loan receivable. As the amount of interest is affected by the fluctuation of market interest rates, future cash flows from interest are exposed to interest rate risk.

The Group is working to use its funds efficiently and reduce its interest bearing debt as much as possible, with the result that the level of its interest bearing debt is kept extremely low as a portion of total assets.

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

(b) Credit risk

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

If, as a result, the credit standing of a customer is determined to have changed or become abnormal, or if no payment is received from a customer on or before the payment due date contractually agreed upon, we will investigate the situation of the customer and take appropriate preventive measures, such as changing the payment terms and factoring, which are subject to approval of the responsible persons in charge.

Trade receivables and contract assets are classified in accordance with day counts after the due date. With consideration for pasting experience, an allowance for doubtful accounts is measured in the same amount as the expected credit loss for the entire period. For other receivables and other financial assets, an allowance for doubtful accounts is generally measured at an amount equal to 12 months of expected credit losses. However, if the credit risk associated with financial assets increase significantly after the initial recognition, the allowance for doubtful accounts is measured by individually estimating the expected credit losses for the entire period related to the recovery of related financial assets based on the historical experience of defaults and forecasts of future economic conditions.

The Group determines whether credit risk has significantly increased based on the change in default events risk from the time of the initial recognition. For that determination, the Group, considers information about overdue bills, any deterioration in the debtor’s financial condition, decline of internal credit rating, etc.

In order to measure the expected credit losses for 12 months or the entire period, the Group uses reasonable and well-supported information on past events, current conditions and forecasts of future economic conditions available at the end of the financial year without excessive cost and effort.

A provision for doubtful accounts related to financial instruments is recognized in net profit or loss. In the event of an allowance for doubtful accounts being reduced, a reversal of the allowance for doubtful accounts is recognized in net profit or loss.

The total carrying amount of trade receivables, contract assets and other receivables, which are subject to recognition of the allowance for doubtful accounts is as follows.

As of March 31, 2023

(Millions of yen)

Past due period	Trade receivables and contract assets	Other receivables			Total
		Stage 1 Measured at an amount equal to 12-month expected credit losses	Stage 2 Measured at an amount equal to expected credit losses for the entire period	Stage 3 Measured at an amount equal to expected credit losses for the entire period	
Before due date	166,977	3,662	-	-	170,640
Less than three months	7,137	-	-	-	7,137
Three to six months	307	-	-	-	307
More than six months	549	-	-	-	549
Total	174,972	3,662	-	-	178,635

As of March 31, 2024

(Millions of yen)

Past due period	Trade receivables and contract assets	Other receivables			Total
		Stage 1 Measured at an amount equal to 12-month expected credit losses	Stage 2 Measured at an amount equal to expected credit losses for the entire period	Stage 3 Measured at an amount equal to expected credit losses for the entire period	
Before due date	194,790	4,193	-	-	198,984
Less than three months	9,481	-	-	-	9,481
Three to six months	201	-	-	-	201
More than six months	1,132	-	-	-	1,132
Total	205,606	4,193	-	-	209,799

(Note) Expected credit losses on financial assets for which a simplified approach is applied and financial assets in Stage 1 are divided into groups based on similar risk characteristics and then evaluated in aggregate by multiplying the actual rate of historical credit losses by the allowance rate, taking into account the forecast of future economic conditions, etc. Expected credit losses on financial assets in Stage 2 and Stage 3 are individually evaluated after adjusting the counterparties' financial situation taking into account the forecast, etc., of future economic conditions.

Changes in the allowance for doubtful accounts related to impairment losses on trade receivables, contract assets and other receivables are as follows.

(Millions of yen)

	For the year ended March 31, 2023	For the year ended March 31, 2024
Balance at the beginning of the period	850	246
Increase during the period	103	402
Decrease during the period (intended use)	(57)	(8)
Others	(649)	(182)
Balance at the end of the period	246	458

Other financial assets consist mainly of deposits. The Group deposits surplus funds with financial institutions and uses derivative financial instruments provided by financial institutions to mitigate the business related risks. Since the trades associated with deposits and derivative financial instruments are executed only with financial institutions with high credit ratings, the Group considers its current risk arising from such transactions as immaterial.

(c) Liquidity risk

The Group uses short-term borrowings principally for funding the working capital and long-term borrowings 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 its obligations associated with such liabilities. The Group manages liquidity risk by effective cash planning based on cash flow forecasts to meet its liabilities' settlements.

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

For long-term borrowings for purposes of long-term financing, cash planning is undertaken prior to engaging in long-term fund procurement, which is subject to the approval of the Board of Directors.

The maturity analysis of contractual cash flows of borrowings and lease liabilities is as follows.

(Millions of yen)

As of March 31, 2023	Within 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	More than 5 years	Total
Borrowings	273	-	-	-	-	-	273
Lease liabilities	8,044	5,312	3,931	3,476	1,365	2,573	24,704
Total	8,317	5,312	3,931	3,476	1,365	2,573	24,977

(Millions of yen)

As of March 31, 2024	Within 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	More than 5 years	Total
Borrowings	346	-	-	-	-	-	346
Lease liabilities	8,081	6,867	5,224	4,212	1,847	3,884	30,118
Total	8,427	6,867	5,224	4,212	1,847	3,884	30,464

As of March 31, 2024, the Group holds 342,269 million yen of cash and short-term deposits, etc., available at any time to address liquidity risks.

(4) Fair values of financial instruments

Estimating fair values

(i) Fair value measurement methods

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

Cash and cash equivalents, trade and other receivables, trade and other payables, and short-term borrowings

Since cash and cash equivalents, trade and other receivables, trade and other payables, and short-term borrowings 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 by on market prices, etc., while the fair values of unlisted securities are determined using other valuation techniques.

The fair values of derivatives are calculated based on forward exchange markets at the end of the reporting period, etc.

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

- Quoted market prices of similar financial instruments or broker quotes
- The fair values of foreign currency forward contracts are 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.

(ii) Carrying amount and fair value of financial instruments

There are no financial instruments not measured at fair value in the Consolidated Statement of Financial Position at the end of each fiscal year.

(iii) Fair value hierarchy

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

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

The breakdown of the Group’s assets and liabilities measured at fair values is as follows.

(Millions of yen)

As of March 31, 2023	Level 1	Level 2	Level 3	Total
Financial assets				
Financial assets measured at fair value through profit or loss				
Investments in debt instruments	-	-	1,930	1,930
Derivatives	-	103	-	103
Financial assets measured at fair value through other comprehensive income				
Investments in equity instruments	503	-	201	705
Total financial assets	503	103	2,132	2,739
Financial liabilities				
Financial liabilities measured at fair value through profit or loss				
Derivatives	-	(592)	-	(592)
Total financial liabilities	-	(592)	-	(592)

(Millions of yen)

As of March 31, 2024	Level 1	Level 2	Level 3	Total
Financial assets				
Financial assets measured at fair value through profit or loss				
Investments in debt instruments	-	-	2,389	2,389
Derivatives	-	309	-	309
Financial assets measured at fair value through other comprehensive income				
Investments in equity instruments	-	-	335	335
Total financial assets	-	309	2,724	3,033
Financial liabilities				
Financial liabilities measured at fair value through profit or loss				
Derivatives	-	(148)	-	(148)
Total financial liabilities	-	(148)	-	(148)

There were no reclassifies between Levels 1, 2 and 3 during the previous and current fiscal years.

(iv) Equity instruments

Equity instruments such as shares, are held mainly for the purpose of contributing to the development and expansion of businesses in the long term and designated as financial assets measured at fair value through other comprehensive income. The fair value of equity instruments in the previous and current fiscal years are 705 million yen and 335 million yen, respectively.

Dividend income recognized from equity instruments are as follows.

(Millions of yen)

For the year ended March 31, 2023		For the year ended March 31, 2024	
Financial assets derecognized during the period	Financial assets held at the end of the period	Financial assets derecognized during the period	Financial assets held at the end of the period
106	13	10	5

15. Trade and other payables

The breakdown of trade and other payables is as follows.

(Millions of yen)

	As of March 31, 2023	As of March 31, 2024
Trade payables		
Trade notes and accounts payables	64,836	70,690
Other payables	26,997	28,275
Total	91,834	98,965

16. Borrowings

The breakdown of borrowings is as follows.

(Millions of yen)

	As of March 31, 2023	As of March 31, 2024	Average interest rate (%) (Note)
Current liabilities			
Short-term borrowings	272	345	0.3
Total	272	345	

(Note) The average interest rate is the weighted average interest rate for the balance of borrowings, etc., at the end of the fiscal year.

17. Employee benefits

The Group has retirement benefit plans based on salary levels during employment, length of service, and other factors. As part of the retirement benefit plans, pension assets related to defined benefit plans are contributed to external asset managers. Pension assets are deposited in trust accounts or other similar entities that comply with local regulations and practices in each country.

The Group has defined benefit plans consisting of a fund-type corporate pension plan, a contract-type corporate pension plan, and a lump-sum retirement payment plan. In addition, in certain occasions, additional retirement payment is made to employees for their retirement.

(1) Defined benefit plans

(a) The amounts recorded in the Consolidated Statement of Financial Position are as follows.

(Millions of yen)

	As of March 31, 2023	As of March 31, 2024
Present value of defined benefit obligations	134,258	130,578
Fair value of plan assets	104,319	107,947
Defined benefit liability	40,015	33,130
Retirement benefit assets (Note)	10,077	10,499
Net assets and liabilities in the Consolidated Statement of Financial Position	29,938	22,631

(Note) Assets for retirement benefits is included in “Other noncurrent assets” in the consolidated statement of financial position.

(b) Changes in defined benefit obligations are as follows.

(Millions of yen)

	For the year ended March 31, 2023	For the year ended March 31, 2024
Balance at the beginning of the period	141,552	134,258
Service cost	6,842	6,466
Interest cost	1,059	1,640
Remeasurement of defined benefit obligations		
Actuarial gains and losses arising from changes in demographic assumptions	(63)	(981)
Actuarial gains and losses arising from changes in financial assumptions	(8,979)	(5,086)
Actuarial gains and losses arising from experience adjustment	1,835	1,428
Benefits payment	(7,754)	(7,322)
Others	(234)	174
Balance at the end of the period	134,258	130,578

(c) Changes in the fair value of plan assets are as follows.

(Millions of yen)

	For the year ended March 31, 2023	For the year ended March 31, 2024
Balance at the beginning of the period	107,333	104,319
Interest income on plan assets	848	1,323
Remeasurement of fair value of plan assets		
Return on plan assets	(1,595)	3,961
Employer contributions	2,988	3,066
Benefits payment	(5,374)	(5,415)
Others	119	691
Balance at the end of the period	104,319	107,947

(d) The fair value of plan assets consists of the following items.

(Millions of yen)

	As of March 31, 2023		As of March 31, 2024	
	With quoted prices in active markets	No quoted prices in active markets	With quoted prices in active markets	No quoted prices in active markets
Cash and cash equivalents	9,664	-	8,816	-
Life insurance general account	-	18,185	-	18,300
Bonds	7,447	6,778	7,514	8,404
Shares	3,605	5,024	3,984	5,473
Others (Note)	-	53,614	-	55,454
Total plan assets	20,717	83,601	20,314	87,632

(Note) This includes investments in private investment trusts, etc., for the purpose of balanced investment and controlling risk.

(e) Key actuarial assumptions are as follows.

	For the year ended March 31, 2023	For the year ended March 31, 2024
Discount rate	1.14%	1.36%

(f) The sensitivity analysis of the defined benefit obligations to changes in the weighted average of key assumptions is as follows.

For the year ended March 31, 2023

(Millions of yen)

	Impact on defined benefit obligations		
	Changes in assumptions	Increased assumptions	Decreased assumptions
Discount rate	0.5%	(9,512)	10,289

For the year ended March 31, 2024

(Millions of yen)

	Impact on defined benefit obligations		
	Changes in assumptions	Increased assumptions	Decreased assumptions
Discount rate	0.5%	(7,961)	8,589

The sensitivity analysis above was performed by varying one assumption while all other assumptions were unchanged. In practice, the value may result from multiple assumption changes related to each other. In calculating the sensitivity of defined benefit obligations for significant actuarial assumptions, the same method (the projected unit credit method to calculate the present value of the defined benefit obligations at the end of the reporting period) was applied to calculate the pension obligation recognized in the consolidated statement of financial position.

There were no changes from the previous fiscal year for the methods and assumptions used in the sensitivity analysis.

(g) Asset-liability matching strategy

Under current market conditions, no significant changes in discount rates or liabilities are anticipated. Accordingly, the Company sets its investment strategy so that the expected medium- to long-term investment return exceeds the discount rate, limiting the mismatch between assets and liabilities.

The Company's investment strategy primarily focuses on strengthening the management of downside risk rather than maximizing returns. With this investment policy, the Company expect to generate revenues that can fulfill long-term contracts.

(h) Impact of defined benefit plans on future cash flows

(i) The Company has adopted a policy of ensuring that funding arrangements and funding that affects future contributions meet the relevant legal requirements and adapts to the risk structure associated with benefit obligations.

(ii) The Company's projection of contributions for the following fiscal year is 3,066 million yen.

(iii) The weighted average duration of the defined benefit obligations is 13.85 years.

(2) Defined contribution plans

Expenses related to required contributions to defined contribution plans were 2,398 million yen in the previous fiscal year and 2,503 million yen in the current fiscal year.

18. Equity and other equity items

(1) Total numbers of authorized shares and issued shares

The total numbers of authorized shares and issued shares are as follows.

The shares issued by the Company are common stock without par value, and all issued shares are fully paid-in capital.

(Thousands of shares)

	Total number of authorized shares	Total number of issued shares
Balance as of April 1, 2022	400,000	149,758
Changes	-	-
Balance as of March 31, 2023	400,000	149,758
Changes (Note)	-	(6,206)
Balance as of March 31, 2024	400,000	143,551

(Note) Changes of total number of issued shares in the current fiscal year is due to the cancellation of treasury shares based on a resolution of the Board of Directors meeting held on August 30, 2023. Changes in treasury shares are as follows.

	Number of treasury shares (Thousands of shares)	Amount (Millions of yen)
Balance as of April 1, 2022	1,744	9,771
Changes (Note 1)	2,095	17,860
Balance as of March 31, 2023	3,840	27,631
Changes (Note 2)	(1,736)	(4,333)
Balance as of March 31, 2024	2,104	23,298

(Note 1) The increase is due to the acquisition of treasury shares based on a resolution of the Board of Directors meeting held on January 26, 2023, and the demands for the purchase of shares of less than one unit, and the decrease is due to the exercise of stock options and the disposal of treasury shares based on a resolution of the Board of Directors meeting held on June 17, 2022.

(Note 2) The increase is due to the acquisition of treasury shares based on a resolution of the Board of Directors meeting held on January 26, 2023 and January 26, 2024, and the demands for the purchase of shares of less than one unit, and the decrease is due to the exercise of stock options and the disposal of treasury shares based on a resolution of the Board of Directors meeting held on June 23, 2023, and the cancellation of treasury shares based on a resolution of the Board of Directors meeting held on August 30, 2023.

(Note 3) The Company resolved at a meeting of its Board of Directors on May 24, 2024, the stock split and partial amendment to the articles of incorporation. Overview of stock split is described in Note 33, “Significant subsequent events - (Stock split, partial amendment of articles of incorporation).”

(Note 4) The Company resolved at a meeting of its Board of Directors on June 21, 2024, the cancellation of treasury shares. Overview of cancellation of treasury shares is described in Note 33, “Significant subsequent events - (Cancellation of treasury shares).”

(2) Share capital and capital surplus

The Companies Act of Japan specifies that 50% or more of the amount paid or delivered for the issuance of shares is recorded as share capital, and the amount not recorded as share capital is recorded as legal capital surplus included in capital surplus.

The Companies Act of Japan also specifies that the amount of legal capital surplus may be transferred as share capital based on a resolution of a general meeting of shareholders.

(3) Retained earnings

The Companies Act of Japan specifies that 10% of the amount of surplus reduced by dividends is appropriated as legal capital surplus or legal retained earnings until the total amount of legal capital surplus and legal retained earnings reaches 25% of share capital.

The accumulated legal retained earnings may be used to cover deficits. In addition, the Company may reduce the legal retained earnings based on a resolution of a general meeting of shareholders.

The distributable amount in the Company under the Companies Act of Japan is calculated based on the amount of retained earnings in the Company's accounting books prepared in accordance with generally accepted accounting principles in Japan.

In addition, the Companies Act of Japan sets certain limits on the distributable amount, and the Company makes distributions from retained earnings within those limits.

(4) Other components of equity

For the year ended March 31, 2023

(Millions of yen)

	Exchange differences on translation of foreign operations	Net changes on financial assets measured at fair value through other comprehensive income	Net changes in fair value of cash flow hedges	Reevaluation of defined benefit liability	Restricted shares	Total
Balance as of April 1, 2022	44,678	1,651	1,994	-	(47)	48,276
Other comprehensive income	21,802	(63)	2,210	3,954	-	27,905
Total comprehensive income	21,802	(63)	2,210	3,954	-	27,905
Share-based remuneration transactions	-	-	-	-	(0)	(0)
Transfer from other components of equity to retained earning	-	(1,277)	-	(3,954)	-	(5,232)
Transfer from other components of equity to hedged non-financial assets	-	-	(4,206)	-	-	(4,206)
Balance as of March 31, 2023	66,481	310	(1)	-	(48)	66,741

For the year ended March 31, 2024

(Millions of yen)

	Exchange differences on translation of foreign operations	Net changes on financial assets measured at fair value through other comprehensive income	Net changes in fair value of cash flow hedges	Reevaluation of defined benefit liability	Restricted shares	Total
Balance as of April 1, 2023	66,481	310	(1)	-	(48)	66,741
Other comprehensive income	56,063	85	1	5,985	-	62,136
Total comprehensive income	56,063	85	1	5,985	-	62,136
Share-based remuneration transactions	-	-	-	-	(1)	(1)
Transfer from other components of equity to retained earning	-	(347)	-	(5,985)	-	(6,333)
Balance as of March 31, 2024	122,544	49	0	-	(49)	122,544

(a) Exchange differences on translation of foreign operations

An exchange difference on translation of foreign operations is the exchange difference on overseas operations in the financial statements.

(b) Net changes on financial assets measured at fair value through other comprehensive income

A net change on financial assets measured at fair value through other comprehensive income is the difference between the acquisition cost and the fair value of financial assets measured at fair value through other comprehensive income arising before derecognition.

(c) Net changes in fair value of cash flow hedges

A net change in fair value of cash flow hedges is net gain or loss in unrealized gains (losses) on derivatives, as hedging instruments, recorded in the consolidated statement of comprehensive income before the hedge accounting closing date.

(d) Re-evaluation of defined benefit liability

A re-evaluation of defined benefit liability is the remeasurement of the defined benefit obligation resulting from differences between actuarial assumptions and actual experience of the defined benefit plan.

(e) Restricted shares

Under the restricted share remuneration plan, the Company provides monetary compensation to be used as assets for investment in restricted stock. The fair value of the compensation determined at the time of initial recognition is recognized as other components of equity as a debit. Over the vesting period, other components of equity recognized as debits are deducted when the compensation cost is recognized.

The restricted share remuneration plan is detailed in Note 19, “Share-based remuneration.”

19. Share-based remuneration

(1) Description, scale, and transition of stock options

Overview of stock option plans

Details of the Group’s stock option plans are as follows.

<table>
<tr><th></th><th>2007
Equity-based remuneration stock options</th><th>2008
Equity-based remuneration stock options</th><th>2009
Equity-based remuneration stock options</th></tr>
<tr><td>Resolution date</td><td>June 22, 2007</td><td>June 20, 2008</td><td>June 19, 2009</td></tr>
<tr><td>Category and number of persons granted</td><td>The Company’s Directors and Vice Presidents
23</td><td>The Company’s Directors and Vice Presidents
23</td><td>The Company’s Directors and Vice Presidents
20</td></tr>
<tr><td>Number of stock options (shares) (Note 1)</td><td>Common stock 33,300</td><td>Common stock 53,000</td><td>Common stock 67,300</td></tr>
<tr><td>Grant date</td><td>July 30, 2007</td><td>August 1, 2008</td><td>August 3, 2009</td></tr>
<tr><td>Vesting conditions (Note 2)</td><td>To maintain positions of Directors or Vice Presidents from the date of grant (July 30, 2007) to the vesting date (June 1, 2008)</td><td>To maintain positions of Directors or Vice Presidents from the date of grant (August 1, 2008) to the vesting date (June 1, 2009)</td><td>To maintain positions of Directors or Vice Presidents from the date of grant (August 3, 2009) to the vesting date (June 1, 2010)</td></tr>
<tr><td>Requisite service period</td><td>July 30, 2007 through June 1, 2008</td><td>August 1, 2008 through June 1, 2009</td><td>August 3, 2009 through June 1, 2010</td></tr>
<tr><td>Exercise period (Note 3)</td><td>July 31, 2007 through July 30, 2037</td><td>August 2, 2008 through August 1, 2038</td><td>August 4, 2009 through August 3, 2039</td></tr>
<tr><td>Number of stock acquisition rights (units) (Notes 4 and 6)</td><td>10</td><td>19</td><td>26</td></tr>
<tr><td>Class, details and number of shares to be acquired upon exercise of stock acquisition rights (Note 6)</td><td>Common stock
1,000 shares</td><td>Common stock
1,900 shares</td><td>Common stock
2,600 shares</td></tr>
<tr><td>Subscription amount to be paid upon exercise of stock acquisition (yen) (Note 6)</td><td colspan="3">1 per share</td></tr>
<tr><td>Issue price and amount to be capitalized when issuing shares upon exercise of stock acquisition rights (Note 6)</td><td colspan="3">(i) The amount of common stock to be increased when shares are issued by the exercise of warrants shall be calculated by multiplying the maximum amount of increase in common stock, etc., calculated in accordance with Article 17, Paragraph 1 of the Regulations on Corporate Accounting, by 0.5. If there is a fractional amount of less than one yen resulting from such calculation, the fractional amount of shall be rounded up.
(ii) The amount of legal capital surplus to be increased when shares are issued by the exercise of warrants shall be the amount obtained by deducting the amount of common stock to be increased described in (i) above from the maximum amount of increase in common stock, etc. defined in (i) above.</td></tr>
</table>

	2007 Equity-based remuneration stock options	2008 Equity-based remuneration stock options	2009 Equity-based remuneration stock options
Conditions for exercise of warrants (Note 6)	(i) A holder of warrants may exercise the warrants only when, during the "Exercise period" above, a Director of the Company loses his/her position as a Director of the Company or a Vice President of the Company loses his/her position as a Vice President of the Company. In this case, a holder of warrants may exercise the warrants only within ten days from the day following the day he/she loses his/her position (hereinafter referred to as "Starting Date of Exercise"). However, when a holder of warrants is a Vice President of the Company and has an employment contract with the Company, the later of the day following the day he/she loses his/her position as a Vice President of the Company or the day following the day the relevant employment contract expires shall be the Starting Date of Exercise. (ii) When a holder of warrants is deceased, his/her heirs may exercise the warrants. However, in this case, related heirs may exercise the warrants only within ten months from the day following the day the holder of warrants becomes deceased. (iii) In each case of (i) and (ii) above, upon the expiration of the relevant periods as specified in (i) and (ii) respectively, a holder of warrants cannot exercise the warrants from the day following the expiry date.		
Matters concerning the transfer of warrants (Note 6)	The acquisition of warrants by transfer shall require approval by a resolution of the Board of Directors of the Company.		
Matters concerning the delivery of warrants in connection with acts of organizational restructuring (Note 6)	(Note 5)		

	2010 Equity-based remuneration stock options	2011 Equity-based remuneration stock options	2012 Equity-based remuneration stock options
Resolution date	June 18, 2010	June 17, 2011	June 22, 2012
Category and number of persons granted	The Company's Directors and Vice Presidents 19	The Company's Directors and Vice Presidents 18	The Company's Directors and Vice Presidents 18
Number of stock options (shares) (Note 1)	Common stock 52,700	Common stock 46,100	Common stock 46,300
Grant date	August 2, 2010	August 1, 2011	August 1, 2012
Vesting conditions (Note 2)	To maintain positions of Directors or Vice Presidents from the date of grant (August 2, 2010) to the vesting date (June 1, 2011)	To maintain positions of Directors or Vice Presidents from the date of grant (August 1, 2011) to the vesting date (June 1, 2012)	To maintain positions of Directors or Vice Presidents from the date of grant (August 1, 2012) to the vesting date (June 1, 2013)
Requisite service period	August 2, 2010 through June 1, 2011	August 1, 2011 through June 1, 2012	August 1, 2012 through June 1, 2013
Exercise period (Note 3)	August 3, 2010 through August 2, 2040	August 2, 2011 through August 1, 2041	August 2, 2012 through August 1, 2042
Number of stock acquisition rights (units) (Notes 4 and 6)	24	34	54
Class, details and number of shares to be acquired upon exercise of stock acquisition rights (Note 6)	Common stock 2,400 shares	Common stock 3,400 shares	Common stock 5,400 shares
Subscription amount to be paid upon exercise of stock acquisition (yen) (Note 6)	1 per share		
Issue price and amount to be capitalized when issuing shares upon exercise of stock acquisition rights (Note 6)	(i) The amount of common stock to be increased when shares are issued by the exercise of warrants shall be calculated by multiplying the maximum amount of increase in common stock, etc., calculated in accordance with Article 17, Paragraph 1 of the Regulations on Corporate Accounting, by 0.5. If there is a fractional amount of less than one yen resulting from such calculation, the fractional amount shall be rounded up. (ii) The amount of legal capital surplus to be increased when shares are issued by the exercise of warrants shall be the amount obtained by deducting the amount of common stock to be increased described in (i) above from the maximum amount of increase in common stock, etc. defined in (i) above.		

	2010 Equity-based remuneration stock options	2011 Equity-based remuneration stock options	2012 Equity-based remuneration stock options
Conditions for exercise of warrants (Note 6)	(i) A holder of warrants may exercise the warrants only when, during the “Exercise period” above, a Director of the Company loses his/her position as a Director of the Company or a Vice President of the Company loses his/her position as a Vice President of the Company. In this case, a holder of warrants may exercise the warrants only within ten days from the day following the day he/she loses his/her position (hereinafter referred to as “Starting Date of Exercise”). However, when a holder of warrants is a Vice President of the Company and has an employment contract with the Company, the later of the day following the day he/she loses his/her position as a Vice President of the Company or the day following the day the relevant employment contract expires shall be the Starting Date of Exercise. (ii) When a holder of warrants is deceased, his/her heirs may exercise the warrants. However, in this case, related heirs may exercise the warrants only within ten months from the day following the day the holder of warrants becomes deceased. (iii) In each case of (i) and (ii) above, upon the expiration of the relevant periods as specified in (i) and (ii) respectively, a holder of warrants cannot exercise the warrants from the day following the expiry date.		
Matters concerning the transfer of warrants (Note 6)	The acquisition of warrants by transfer shall require approval by a resolution of the Board of Directors of the Company.		
Matters concerning the delivery of warrants in connection with acts of organizational restructuring (Note 6)	(Note 5)		

	2013 Equity-based remuneration stock options	2014 Equity-based remuneration stock options	2015 Equity-based remuneration stock options
Resolution date	June 21, 2013	June 20, 2014	June 19, 2015
Category and number of persons granted	The Company's Directors and Vice Presidents 18	The Company's Directors and Vice Presidents 18	The Company's Directors and Vice Presidents 19
Number of stock options (shares) (Note 1)	Common stock 33,500	Common stock 40,600	Common stock 24,800
Grant date	August 1, 2013	August 1, 2014	August 3, 2015
Vesting conditions (Note 2)	To maintain positions of Directors or Vice Presidents from the date of grant (August 1, 2013) to the vesting date (June 1, 2014)	To maintain positions of Directors or Vice Presidents from the date of grant (August 1, 2014) to the vesting date (June 1, 2015)	To maintain positions of Directors or Vice Presidents from the date of grant (August 3, 2015) to the vesting date (June 1, 2016)
Requisite service period	August 1, 2013 through June 1, 2014	August 1, 2014 through June 1, 2015	August 3, 2015 through June 1, 2016
Exercise period (Note 3)	August 2, 2013 through August 1, 2043	August 2, 2014 through August 1, 2044	August 4, 2015 through August 3, 2045
Number of stock acquisition rights (units) (Notes 4 and 6)	38	73	45
Class, details and number of shares to be acquired upon exercise of stock acquisition rights (Note 6)	Common stock 3,800 shares	Common stock 7,300 shares	Common stock 4,500 shares
Subscription amount to be paid upon exercise of stock acquisition (yen) (Note 6)	1 per share		
Issue price and amount to be capitalized when issuing shares upon exercise of stock acquisition rights (Note 6)	(i) The amount of common stock to be increased when shares are issued by the exercise of warrants shall be calculated by multiplying the maximum amount of increase in common stock, etc., calculated in accordance with Article 17, Paragraph 1 of the Regulations on Corporate Accounting, by 0.5. If there is a fractional amount of less than one yen resulting from such calculation, the fractional amount shall be rounded up. (ii) The amount of legal capital surplus to be increased when shares are issued by the exercise of warrants shall be the amount obtained by deducting the amount of common stock to be increased described in (i) above from the maximum amount of increase in common stock, etc. defined in (i) above.		

	2013 Equity-based remuneration stock options	2014 Equity-based remuneration stock options	2015 Equity-based remuneration stock options
Conditions for exercise of warrants (Note 6)	(i) A holder of warrants may exercise the warrants only when, during the "Exercise period" above, a Director of the Company loses his/her position as a Director of the Company or a Vice President of the Company loses his/her position as a Vice President of the Company. In this case, a holder of warrants may exercise the warrants only within ten days from the day following the day he/she loses his/her position (hereinafter referred to as "Starting Date of Exercise"). However, when a holder of warrants is a Vice President of the Company and has an employment contract with the Company, the later of the day following the day he/she loses his/her position as a Vice President of the Company or the day following the day the relevant employment contract expires shall be the Starting Date of Exercise. (ii) When a holder of warrants is deceased, his/her heirs may exercise the warrants. However, in this case, related heirs may exercise the warrants only within ten months from the day following the day the holder of warrants becomes deceased. (iii) In each case of (i) and (ii) above, upon the expiration of the relevant periods as specified in (i) and (ii) respectively, a holder of warrants cannot exercise the warrants from the day following the expiry date.		
Matters concerning the transfer of warrants (Note 6)	The acquisition of warrants by transfer shall require approval by a resolution of the Board of Directors of the Company.		
Matters concerning the delivery of warrants in connection with acts of organizational restructuring (Note 6)	(Note 5)		

	2016 Equity-based remuneration stock options	2017 Equity-based remuneration stock options
Resolution date	June 24, 2016	June 16, 2017
Category and number of persons granted	The Company's Directors and Vice Presidents 20	The Company's Directors and Vice Presidents 17
Number of stock options (shares) (Note 1)	Common stock 34,900	Common stock 20,600
Grant date	August 1, 2016	August 1, 2017
Vesting conditions (Note 2)	To maintain positions of Directors or Vice Presidents from the date of grant (August 1, 2016) to the vesting date (June 1, 2017)	To maintain positions of Directors or Vice Presidents from the date of grant (August 1, 2017) to the vesting date (June 1, 2018)
Requisite service period	August 1, 2016 through June 1, 2017	August 1, 2017 through June 1, 2018
Exercise period (Note 3)	August 2, 2016 through August 1, 2046	August 2, 2017 through August 1, 2047
Number of stock acquisition rights (units) (Notes 4 and 6)	93	85
Class, details and number of shares to be acquired upon exercise of stock acquisition rights (Note 6)	Common stock 9,300 shares	Common stock 8,500 shares
Subscription amount to be paid upon exercise of stock acquisition (yen) (Note 6)	1 per share	
Issue price and amount to be capitalized when issuing shares upon exercise of stock acquisition rights (Note 6)	(i) The amount of common stock to be increased when shares are issued by the exercise of warrants shall be calculated by multiplying the maximum amount of increase in common stock, etc., calculated in accordance with Article 17, Paragraph 1 of the Regulations on Corporate Accounting, by 0.5. If there is a fractional amount of less than one yen resulting from such calculation, the fractional amount shall be rounded up. (ii) The amount of legal capital surplus to be increased when shares are issued by the exercise of warrants shall be the amount obtained by deducting the amount of common stock to be increased described in (i) above from the maximum amount of increase in common stock, etc. defined in (i) above.	
Conditions for exercise of warrants (Note 6)	(i) A holder of warrants may exercise the warrants only when, during the "Exercise period" above, a Director of the Company loses his/her position as a Director of the Company or a Vice President of the Company loses his/her position as a Vice President of the Company. In this case, a holder of warrants may exercise the warrants only within ten days from the day following the day he/she loses his/her position (hereinafter referred to as "Starting Date of Exercise"). However, when a holder of warrants is a Vice President of the Company and has an employment contract with the Company, the later of the day following the day he/she loses his/her position as a Vice President of the Company or the day following the day the relevant employment contract expires shall be the Starting Date of Exercise. (ii) When a holder of warrants is deceased, his/her heirs may exercise the warrants. However, in this case, related heirs may exercise the warrants only within ten months from the day following the day the holder of warrants becomes deceased. (iii) In each case of (i) and (ii) above, upon the expiration of the relevant periods as specified in (i) and (ii) respectively, a holder of warrants cannot exercise the warrants from the day following the expiry date.	

	2016 Equity-based remuneration stock options	2017 Equity-based remuneration stock options
Matters concerning the transfer of warrants (Note 6)	The acquisition of warrants by transfer shall require approval by a resolution of the Board of Directors of the Company.	
Matters concerning the delivery of warrants in connection with acts of organizational restructuring (Note 6)	(Note 5)	

(Note 1) Converted and stated as number of shares.

(Note 2) When a holder of warrants loses his/her position as Director or Vice President during the period between the date of grant and the vesting date, he/she shall lose part or all of the related stock options.

(Note 3) As a rule, only when a Director of the Company loses his/her position as a Director of the Company or a Vice President of the Company loses his/her position as a Vice President of the Company during the Exercise Period may the relevant stock options be exercised.

(Note 4) The number of underlying shares subject to one warrant is 100 shares.

(Note 5) When an agenda as described in (i) or (ii) below is approved at the general meeting of shareholders of the Company (if the approval of the general meeting of shareholders is not required, resolved by the Board of Directors), the Company may acquire warrants free of charge on the date separately determined by the Board of Directors.

(i) Agenda to approve a corporate split agreement or a corporate split plan that makes the Company a split company

(ii) Agenda to approve a share exchange agreement or a share transfer plan that makes the Company a wholly-owned subsidiary of another company

(Note 6) Information is presented as of March 31, 2024 (March 31, 2024). As of the end of the month immediately prior to the filing date (May 31, 2024), there are no changes to the information to be presented from the information as of the end of the current fiscal year. Information as of the end of month immediately prior to the filing date is omitted.

The “Share-based remuneration” in the Notes section describes the information to be listed in “IV. Information about Reporting Company, 1. Company’s Shares, etc., (2) Share acquisition rights, (i) Stock option plans.”

The changes in the number of unexercised stock options and their weighted average exercise prices are as follows.

Compensatory stock options	For the year ended March 31, 2023		For the year ended March 31, 2024	
	Number of shares (Shares)	Weighted average exercise price (Yen)	Number of shares (Shares)	Weighted average exercise price (Yen)
Beginning of the period	59,200	1	56,600	1
Granted	-	-	-	-
Exercised	(2,600)	1	(6,500)	1
Revocation/Expiration	-	-	-	-
End of the period	56,600	1	50,100	1
Exercisable options at the end of the period	56,600	1	50,100	1

The weighted-average remaining contractual life of unexercised stock options at the end of the fiscal year was 20.9 years in the previous fiscal year and 19.7 years in the current fiscal year.

The weighted-average share price as of the exercise date was 8,616 yen in the previous fiscal year and 9,586 yen in the current fiscal year.

Expenses concerning stock options were not applicable for the consolidated statements for the previous and current fiscal years.

(2) Restricted share remuneration plan

(a) Overview of restricted share remuneration plan

The Company has adopted a restricted share remuneration plan for Directors (excluding Outside Directors) and Vice Presidents (hereinafter collectively “Eligible Directors, etc.”) to further motivate them to contribute to the improvement of the Company’s medium- and long-term performance and the sustainable improvement of the Company’s corporate value.

Under this plan, Eligible Directors, etc., shall, in principle, pay monetary compensation claims provided by the Company each fiscal year in the form of in-kind contributions and receive the Company’s common stock.

The grant of the Company’s common stock under this plan is subject to entering into a contract between the Company and the Eligible Directors, etc., that includes restrictions on (1) the transfer, pledge, granting of security interests to a third parties, lifetime gifts, bequests and other dispositions of any kind during the transfer restriction period (30 years) and (2) the Company’s acquisition of the shares without consideration if a certain event occurs.

If an Eligible Director, etc., dies or resigns or retires from any of the positions of Director, Vice President, or employee of the Company before the expiration of the transfer restriction period and if the Company’s Board of Directors recognizes a justifiable reason, the Company shall reasonably adjust the number of the allotted shares to be released and adjust the timing of lifting any transfer restrictions as necessary.

(b) Number of shares granted during the period and the fair value

Restricted share remuneration plan	For the year ended March 31, 2023	For the year ended March 31, 2024
Date granted	July 14, 2022	July 13, 2023
Shares granted	24,900 shares	20,000 shares
Fair value on the date granted	8,490 yen	9,953 yen

Expenses related to the restricted share remuneration plan are as follows.

(Millions of yen)

	For the year ended March 31, 2023	For the year ended March 31, 2024
Selling, general and administrative expenses	201	197

(3) Performance-linked share-based remuneration plan

(a) Overview of performance-linked share-based remuneration plan

The Company has adopted a performance-linked share-based remuneration plan for Directors (excluding Outside Directors) primarily to provide incentives to increase corporate value over the medium term.

Under this plan, on the condition of continuing to serve as Directors of the Company for a certain period and achieving the performance indicators predetermined by the Company’s Board of Directors, Directors shall pay monetary compensation claims provided by the Company in the form of in-kind contributions and shall receive the Company’s common stock.

The number of shares to be granted under this plan shall be determined by adjusting the base number of shares to be granted based on the position of the Eligible Directors in the range of 0% to 150% depending on the achievement level of performance indicators during three consecutive fiscal years of the evaluation period.

(b) Number of shares granted during the period and the fair value

There were no recorded expenses related to the Company’s shares granted or the performance-linked share-based remuneration plan during current the fiscal year.

20. Other comprehensive income

Reclassification adjustments and tax effects related to other comprehensive income are as follows.

For the year ended March 31, 2023

(Millions of yen)

	Gains (losses) arising during the year	Reclassification adjustments	Amount before income tax effect	Income tax effect	Amount after income tax effect
Items that will not be reclassified to profit or loss					
Net changes on financial assets measured at fair value through other comprehensive income	(90)	-	(90)	27	(63)
Reevaluation of defined benefit liability	5,613	-	5,613	(1,650)	3,962
Total of items that will not be reclassified to profit or loss	5,522	-	5,522	(1,623)	3,899
Items that may be reclassified to profit or loss					
Exchange differences on translation of foreign operations	23,033	-	23,033	(1,225)	21,807
Net changes in fair value of cash flow hedges	3,171	(0)	3,170	(959)	2,210
Share of other comprehensive income of affiliates accounted for using the equity method	(4)	-	(4)	-	(4)
Total of items that may be reclassified to profit or loss	26,200	(0)	26,199	(2,185)	24,013
Total	31,722	(0)	31,722	(3,808)	27,913

For the year ended March 31, 2024

(Millions of yen)

	Gains (losses) arising during the year	Reclassification adjustments	Amount before income tax effect	Income tax effect	Amount after income tax effect
Items that will not be reclassified to profit or loss					
Net changes on financial assets measured at fair value through other comprehensive income	122	-	122	(36)	85
Reevaluation of defined benefit liability	8,600	-	8,600	(2,601)	5,999
Total of items that will not be reclassified to profit or loss	8,723	-	8,723	(2,637)	6,085
Items that may be reclassified to profit or loss					
Exchange differences on translation of foreign operations	56,939	(244)	56,695	(709)	55,986
Net changes in fair value of cash flow hedges	5	(2)	2	(0)	1
Share of other comprehensive income of affiliates accounted for using the equity method	81	-	81	-	81
Total of items that may be reclassified to profit or loss	57,026	(247)	56,779	(710)	56,069
Total	65,750	(247)	65,502	(3,347)	62,154

21. Revenue

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

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

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

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

(1) Disaggregation of revenue

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

For the year ended March 31, 2023

(Millions of yen)

Segment name	Major products or business	Japan	Americas	Europe	Asia/ Oceania	Total
Industrial Tape	Functional Base Products	114,207	39,612	32,128	152,176	338,124
Optronics	Information Fine Materials	23,828	-	-	332,678	356,506
	Circuits Materials	54,377	-	-	58,447	112,824
	Total	78,205	-	-	391,125	469,331
Human Life	Life Science	4,379	44,783	2	-	49,166
	Membrane	2,576	12,901	5,526	8,680	29,684
	Personal Care Materials	0	3,422	37,531	501	41,455
	Total	6,957	61,107	43,060	9,181	120,306
Others	New Business, Other Products	3	10	-	-	13
Adjustment		1,260	-	-	-	1,260
	Total	200,634	100,730	75,188	552,483	929,036

Some changes have been made to reporting segments from the current fiscal year. The name of Flexible Printed Circuits has been changed to Circuit Materials and the plastic optical cable business has been transferred from Others to Circuit Materials of Optronics. In addition, Certain related businesses have been transferred from Personal Care Materials of Human Life to Industrial Tape and Certain business included in Adjustment has been transferred to Others. Such changes have also been reflected in the figures for the year ended March 31, 2023.

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

Americas: United States, Mexico, Brazil

Europe: Belgium, France, Germany, Sweden, Turkey

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

For the year ended March 31, 2024

(Millions of yen)

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

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

Americas: United States, Mexico, Brazil

Europe: Belgium, France, Germany, Sweden, Turkey

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

(2) Contract balances

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

(Millions of yen)

	As of March 31, 2023	As of March 31, 2024
Receivables	175,307	206,724
Contract assets	3,081	2,616
Contract liabilities	10,375	12,455

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

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

The amounts of revenue recognized in the previous fiscal year and the current fiscal year that were included in the contract liability balance at the beginning of the period were 21,384 million yen and 4,746 million yen, respectively. The amount of revenue recognized from performance obligations that were satisfied or partially satisfied in prior periods was not significant in the current fiscal year.

(3) Transaction price allocated to remaining performance obligations

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

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

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

22. Classification of income and expenses by nature

The classification by nature of income and expenses related to operating profit is as follows.

(Millions of yen)

	For the year ended March 31, 2023	For the year ended March 31, 2024
Income		
Revenue	929,036	915,139
Scrap income	1,315	1,349
Gain on sales of noncurrent assets	173	332
Subsidy	1,507	1,766
Insurance income	658	3,293
Compensation income	3,494	230
Other	953	2,941
Total income	937,139	925,053
Expenses		
Purchases of raw materials, supplies and merchandises	302,955	302,204
Increase(decrease) in inventories	(12,783)	4,296
Employee benefit expenses	204,465	209,722
Depreciation and amortization	57,362	60,811
Loss on disposal of fixed assets	1,903	1,340
Foreign exchange losses	2,788	4,321
Impairment losses	4,036	1,651
Other	229,237	201,572
Total expenses	789,966	785,921
Operating profit	147,173	139,132

(Note) Insurance income which was included in Other for the year ended March 31, 2023, is presented as separate line items because their materiality has increased for the year ended March 31, 2024. In order to reflect these changes in presentation, Other of 1,612 million yen for the year ended March 31, 2023 has been reclassified as Insurance income of 658 million yen and Other of 953 million yen.

23. Employee benefit expenses

A breakdown of employee benefit expenses is as follows.

(Millions of yen)

	For the year ended March 31, 2023	For the year ended March 31, 2024
Wages and salaries (including bonuses)	147,306	151,587
Legal welfare expenses	21,983	21,966
Retirement benefit expenses	9,241	8,970
Special retirement allowances	1,104	1,085
Other employee benefit expenses	24,829	26,113
Total	204,465	209,722

24. Finance income and finance expenses

A breakdown of finance income and finance expenses is as follows.

(Millions of yen)

	For the year ended March 31, 2023	For the year ended March 31, 2024
Finance income		
Interest income	1,193	2,128
Dividend income	120	23
Foreign exchange gains	85	-
Other	175	44
Total finance income	1,574	2,195
Finance expenses		
Interest expenses	712	938
Foreign exchange losses	-	1,288
Losses on financial assets measured at fair value through profit or loss	1,105	11
Other	118	222
Total finance expenses	1,936	2,460

25. Income tax

(1) Deferred tax assets and liabilities

A breakdown of the balances of recognized deferred tax assets and liabilities and changes is as follows.

For the year ended March 31, 2023

(Millions of yen)

	Balance as of April 1, 2022	Recognized through profit or loss (Note)	Recognized in other comprehensive income	Balance as of March 31, 2023
Deferred tax assets				
Inventories	4,171	383	-	4,554
Property, plant and equipment and intangible assets	11,435	(2,132)	-	9,302
Accrued expenses	6,643	(146)	-	6,496
Defined benefit liability	10,867	351	(1,650)	9,569
Tax loss carryforwards	113	714	-	827
Other	12,611	1,326	0	13,938
Total deferred tax assets	45,843	496	(1,649)	44,689
Deferred tax liabilities				
Financial assets measured at fair value through other comprehensive income	(1,583)	-	1,448	(135)
Undistributed profit of subsidiaries	(11,779)	(101)	-	(11,880)
Other	(8,675)	(3,525)	(1,225)	(13,426)
Total deferred tax liabilities	(22,038)	(3,626)	222	(25,442)
Net deferred tax assets	23,804	(3,130)	(1,427)	19,247

(Note.1) Foreign currency translation adjustments are included in the amount recognized through profit or loss.

(Note.2) Tax loss carryforwards which were included in Other as of March 31, 2023, are presented as separate line items because their materiality has increased during the year ended March 31, 2024. In order to reflect these changes in the presentation, the information as of and for the year ended March 31, 2023 has been reclassified to conform to the presentation as of March 31, 2024.

(Note.3) As stated in “2. Basis of preparation (5) Changes in accounting policies,” the amendments to IAS 12 have been adopted retrospectively, and, accordingly, amounts of the previous fiscal year have been restated.

For the year ended March 31, 2024

(Millions of yen)

	Balance as of April 1, 2023	Recognized through profit or loss (Note)	Recognized in other comprehensive income	Balance as of March 31, 2024
Deferred tax assets				
Inventories	4,554	2,239	-	6,794
Property, plant and equipment and intangible assets	9,302	(1,803)	-	7,499
Accrued expenses	6,496	(629)	-	5,866
Defined benefit liability	9,569	135	(2,601)	7,103
Tax loss carryforwards	827	3,823	-	4,650
Other	13,938	(1,817)	(0)	12,120
Total deferred tax assets	44,689	1,948	(2,601)	44,036
Deferred tax liabilities				
Financial assets measured at fair value through other comprehensive income	(135)	-	113	(21)
Undistributed profit of subsidiaries	(11,880)	(4,261)	-	(16,142)
Other	(13,426)	3,821	(709)	(10,314)
Total deferred tax liabilities	(25,442)	(440)	(595)	(26,478)
Net deferred tax assets	19,247	1,507	(3,197)	17,557

(Note.1) Foreign currency translation adjustments are included in the amount recognized through profit or loss.

(Note.2) As stated in “2. Basis of preparation (5) Changes in accounting policies,” the amendments to IAS 12 have been adopted retrospectively, and, accordingly, amounts of the previous fiscal year have been restated.

The Group evaluates the recoverability of deferred tax assets each reporting period and recognizes deferred tax assets taking into account material uncertainty concerning the recoverability of the deferred tax assets.
The amounts with tax effect concerning tax loss carryforwards and deductible temporary differences for which deferred tax assets have not been recognized are as follows.

(Millions of yen)

	As of March 31, 2023	As of March 31, 2024
Tax loss carryforwards (Note 1)	1,305	821
Deductible temporary differences	1,139	1,273
Total	2,445	2,095

(Note 1) The amounts with tax effect and carryforward periods of tax loss carryforwards for which deferred tax assets are not recognized are as follows.

(Millions of yen)

	As of March 31, 2023	As of March 31, 2024
1 year or less	-	120
365 days to 5 years (inclusive)	410	391
More than 5 years	894	309
Total	1,305	821

(Note 2) Total temporary differences related to undistributed earnings of subsidiaries and affiliates that have not been recognized as deferred tax liabilities are as follows.

(Millions of yen)

	As of March 31, 2023	As of March 31, 2024
Amount of temporary differences for which deferred tax liabilities have not been recognized	114,935	140,702

The Group does not recognize deferred tax liabilities related to temporary differences that the timing of the reversal of the temporary differences can be controlled and if it is probable that the temporary differences will not reverse in the foreseeable future.

(2) Income tax expenses

A breakdown of income tax expenses is as follows.

(Millions of yen)

	For the year ended March 31, 2023	For the year ended March 31, 2024
Current tax expenses	38,412	35,631
Deferred tax expenses	(835)	514
Total income tax expenses	37,576	36,146

A reconciliation of the average effective tax rate to the statutory tax rate is as follows.

	For the year ended March 31, 2023	For the year ended March 31, 2024
Statutory tax rate	30.3%	30.3%
Permanently nondeductible items such as entertainment expenses	0.1	0.1
Special tax credits, such as tax credits for research expenses	(4.8)	(4.5)
Differences in tax rates of foreign subsidiaries	(1.5)	(4.0)
Elimination of dividend income from foreign subsidiaries	0.2	0.1
Retained earnings of foreign subsidiaries	0.1	3.1
Withholding tax on dividends, etc., from foreign subsidiaries	0.8	0.4
Impairment losses	0.6	-
Other (net amount)	(0.1)	0.6
Average effective tax rate	25.6	26.0

26. Earnings per share

Basic earnings per share, diluted earnings per share and basis for calculations are as follows.

	For the year ended March 31, 2023	For the year ended March 31, 2024
(1) Basic earnings per share	738.77 yen	719.57 yen
Basis for calculation		
Net profit attributable to owners of the parent company (Millions of yen)	109,173	102,679
Average number of common shares (Thousands of shares)	147,776	142,696
(2) Diluted earnings per share	738.48 yen	719.30 yen
Basis for calculation		
Increase in the number of common stock upon exercise of the stock options (Thousands of shares)	57	53

27. Dividends per share

Interim and year-end dividends to common shareholders are as follows.

For the year ended March 31, 2023

(1) Dividend payments

Resolution	Type of shares	Cash dividends (Millions of yen)	Dividends per share (Yen)	Record date	Effective date
June 17, 2022 Ordinary General Meeting of Shareholders	Common stock	16,281	110	March 31, 2022	June 20, 2022
October 26, 2022 Board of Directors Meeting	Common stock	17,764	120	September 30, 2022	November 25, 2022

(2) Of the dividends for which the record date falls during the current fiscal year, items for which the effective date is in the following fiscal year

Resolution	Type of shares	Source of dividends	Cash dividends (Millions of yen)	Dividends per share (Yen)	Record date	Effective date
June 23, 2023 Ordinary General Meeting of Shareholders	Common stock	Retained earnings	17,510	120	March 31, 2023	June 26, 2023

For the year ended March 31, 2024

(1) Dividend payments

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

(2) Of the dividends for which the record date falls during the current fiscal year, items for which the effective date is in the following fiscal year

Resolution	Type of shares	Source of dividends	Cash dividends (Millions of yen)	Dividends per share (Yen)	Record date	Effective date
June 21, 2024 Ordinary General Meeting of Shareholders	Common stock	Retained earnings	18,388	130	March 31, 2024	June 24, 2024

28. Contracts and contingencies

Contracts for capital investment for which the contracts do not take effect as of the end of the reporting period is as follows.

(Millions of yen)

	For the year ended March 31, 2023	For the year ended March 31, 2024
Contracts for future capital expenditures not disclosed in the consolidated financial statements (Note)	35,438	29,293

(Note) The Contracts include those related to property, plant and equipment and intangible assets.

There are no other significant contracts or contingencies to be noted.

29. Non-cash transaction

Major content for non-cash transaction is as follows.

(Millions of yen)

	For the year ended March 31, 2023	For the year ended March 31, 2024
Cancellation of treasury shares	-	51,286

30. Related party transactions

(1) Transactions with related parties

There are no notable related party transactions other than those eliminated from the consolidated financial statements.

(2) Remuneration for key management personal

Compensation for senior executives is as follows.

(Millions of yen)

	For the year ended March 31, 2023	For the year ended March 31, 2024
Basic remuneration	302	321
Bonuses	365	365
Share-based remuneration	77	77
Total	744	763

31. Significant subsidiaries

Significant subsidiaries are as follows.

Name	Description of major business	Location	Ratio of voting rights held (%)	
			As of March 31, 2023	As of March 31, 2024
Nissho Corporation	Production, processing, and sales; Industrial Tape business	Kita-ku, Osaka City	100.0	100.0
Nitto EMEA NV	Administration of Group companies in Europe	Genk, Belgium	100.0	100.0
Nitto Belgium NV	Production, processing, and sales; Industrial Tape business Sales; Human Life business	Genk, Belgium	100.0 (100.0)	100.0 (100.0)
Nitto, Inc.	Administration of Group companies in Americas Production, processing, sales, etc.; Industrial Tape business	Teaneck, U.S.A.	100.0	100.0
Nitto Denko Avecia Inc.	Production and sales; Human Life business	Milford, U.S.A.	100.0 (100.0)	100.0 (100.0)
Nitto Advanced Film Gronau GmbH	Production, processing, and sales; Human Life business	Gronau, Germany	100.0	100.0
Nitto Denko (China) Investment Co., Ltd.	Administration of the Group companies in China	Shanghai, China	100.0	100.0
Taiwan Nitto Optical Co., Ltd.	Production, processing, and sales; Optronics business	Taichung, Taiwan	100.0	100.0
Korea Nitto Optical Co., Ltd.	Production, processing, and sales; Optronics business	Pyeongtaek, Korea	100.0	100.0
Nitto Denko (HK) Co., Ltd.	Sales; Industrial Tape and Optronics business	Hong Kong	100.0	100.0
Shanghai Nitto Optical Co., Ltd.	Production, processing, and sales; Optronics	Shanghai, China	100.0 (24.5)	100.0 (35.0)
Shenzhen Nitto Optical Co., Ltd.	Production, processing, and sales; Optronics business	Shenzhen, China	100.0	100.0
Nitto (China) New Materials Co., Ltd.	Sales; Industrial Tape, Optronics, and Others business	Shanghai, China	100.0 (100.0)	100.0 (100.0)
Nitto Denko (Singapore) Pte. Ltd.	Administration of the Group companies in South Asia Sales; Industrial Tape business	Queenstown, Singapore	100.0	100.0
Nitto Denko Material (Thailand) Co., Ltd.	Production, processing, and sales; Optronics business	Ayutthaya, Thailand	100.0 (100.0)	100.0 (100.0)
Taiwan Nitto Corporation	Sales; Optronics and Industrial Tape business	Taipei, Taiwan	100.0	100.0

(Note) Figures in parentheses in the “Ratio of voting rights held” column indicate shares attributable to indirect ownership.

32. Approval of financial statements

The consolidated financial statements were approved by the Board of Directors on June 21, 2024.

33. Significant subsequent events

(Stock split, partial amendment of articles of incorporation)

The Company resolved at a meeting of its Board of Directors on May 24, 2024, the stock split and partial amendment to the articles of incorporation.

1. Stock split

(1) Purpose of the stock split

The purpose is to lower the stock price per investment unit through the stock split, thereby creating more accessible investment environment for investors, and to expand the investor base and improve the liquidity of the Company's stock.

(2) Overview of stock split

①Method of the stock split

Each share of common stock owned by shareholders listed or recorded in the closing shareholder register on the record date of September 30, 2024, will be split into five shares.

②Number of shares to be increased by the stock split

Total number of issued shares before the stock split	143,551,735 shares
Number of shares to be increased by the stock split	574,206,940 shares
Total number of issued shares after the stock split	717,758,675 shares
Total number of authorized shares after the stock split	2,000,000,000 shares

(Note) The above total number of issued shares and number of shares to be increased are based on the total number of issued shares and outstanding as of May 24, 2024, and may change due to the exercise of stock acquisition rights to shares and cancellation of treasury shares between the date of this board resolution and the record date for the stock split.

③Schedule for the stock split

Public notice of record date (scheduled)	September 10, 2024
Record date	September 30, 2024
Effective date	October 1, 2024

2. Impact on per share information

Per share information for the previous and current fiscal years, assuming that the stock split had been conducted at the beginning of the previous fiscal year, is as follows.

	For the year ended March 31, 2023	For the year ended March 31, 2024
Average number of issued shares during the period (excluding treasury shares) (Shares)	738,881,835	713,483,990
Basic earnings per share (Yen)	147.75	143.91
Diluted earnings per share (Yen)	147.70	143.86
Annual dividends per share (Yen)	48	52

	As of March 31, 2023	As of March 31, 2024
Issued shares at the end of the period (excluding treasury shares) (Shares)	729,589,370	707,237,315
Equity attributable to owners of the parent company per share (Yen)	1,236.60	1,391.36

3. Partial amendment to the articles of incorporation

(1) Reason for the amendment

In connection with the stock split, the Company will amend the total number of authorized shares described in Article 6 of the Company's articles of incorporation, effective as of October 1, 2024, pursuant to Article 184, Paragraph 2 of the Companies Act of Japan.

(2) Details of the amendment

Details of the amendment are as follows. (Underlined parts indicate the amendment.)

Current articles on incorporation	Articles on incorporation after the amendment
Article 6. (Total number of authorized shares) The total number of shares authorized to be issued by the Company shall be <u>400,000,000 shares</u>.	Article 6. (Total number of authorized shares) The total number of shares authorized to be issued by the Company shall be <u>2,000,000,000 shares</u>.

(3) Schedule for the amendment

Date of resolution of the Board of Directions	May 24, 2024
Effective date	October 1, 2024

4. Others

As the effective date of this stock split is October 1, 2024, the interim dividend for the fiscal year ending March 31, 2025, will be paid based on the number of shares before the stock split.

(Cancellation of treasury shares)

The Company resolved at the Board of Directors meeting held on June 21, 2024, to cancel a part of its treasury shares, in accordance with the basic policy on the holding and cancellation of its treasury shares, pursuant to the provisions of Article 178 of the Japanese Companies Act, as follows.

1. Details on the cancellation of the treasury shares

(1) Class of shares to be cancelled: Common shares of the Company

(2) Number of shares to be cancelled: 2,199,585 shares

(Ratio to the number of issued shares before cancellation: 1.5%)

(3) Scheduled cancellation date: July 16, 2024

2. Basic Policy on the Holding and Cancellation of Treasury Shares

The number of treasury shares held by the Company increased due to the repurchase under the provisions of the Article 165 of the Japanese Companies Act conducted from February to May 2024. Therefore, we will cancel a part of the treasury shares based on our basic policy regarding holding and cancellation of treasury shares: “The Company’s treasury shares that have been repurchased will continue to be held on the condition that their specific uses have been clearly defined (e.g., remuneration for Directors), and cancellation will be considered for any shares exceeding the required amount.”

Independent auditor's report

To the Board of Directors of Nitto Denko Corporation:

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of Nitto Denko Corporation ("the Company") and its consolidated subsidiaries (collectively referred to as "the Group"), which comprise the consolidated statement of financial position as at March 31, 2024, and the consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the year then ended, and notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2024, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board prescribed in Article 93 of "the Regulation on Terminology, Forms, and Preparation Methods of Consolidated Financial Statements" (IFRS Accounting Standards).

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Appropriateness of the valuation of goodwill allocated to Nitto Advanced Film Gronau GmbH

The key audit matter	**How the matter was addressed in our audit**
In the consolidated statement of financial position as of March 31, 2024, the Company recognized goodwill of ¥66,056 million. As	The primary procedures we performed to assess the appropriateness of the valuation of goodwill allocated to Nitto Advanced Film Gronau GmbH included the following:

described in Note 13, "Impairment of nonfinancial assets" to the consolidated financial statements, included therein was ¥50,483 million of goodwill allocated to Nitto Advanced Film Gronau GmbH (hereinafter "AFG"). As described in Note 3, "Summary of material accounting policies - (9) Impairment of nonfinancial assets" to the consolidated financial statements, a cash-generating unit (CGU) to which goodwill is allocated is tested for impairment at least annually. In the impairment testing, the recoverable amount of the CGU is estimated and compared with the carrying amount. The recoverable amount of the CGU comprising of AFG was estimated using the fair value less costs of disposal, and the fair value was measured based on the discounted cash flow method. The future cash flows were estimated using the projected increase in sales volume, as management's key assumptions, based on the projected future demand for the personal care market and the prospect of obtaining new orders, included in AFG's mid-term business plan, as well as the perpetual growth rate after the period covered by the business plan. Accordingly, management's judgment thereon had a significant effect on the estimate of future cash flows. In addition, selecting appropriate models and input data for estimating the discount rate used to calculate the fair value requires a high degree of expertise in valuation. We, therefore, determined that our assessment of the appropriateness of the valuation of goodwill allocated to Nitto Advanced Film Gronau GmbH was of most significance in our audit of the consolidated financial statements for the current fiscal year, and accordingly, a key audit matter.	**(1) Internal control testing** We tested the design and operating effectiveness of certain internal controls relevant to measuring impairment loss on nonfinancial assets related to the CGU to which goodwill is allocated. **(2) Assessment of the reasonableness of the estimated fair value less cost of disposal** To assess the appropriateness of key assumptions included in the future cash flows and the discount rate, which formed the basis for estimating the fair value less cost of disposal of AFG, we: ● inquired of the personnel responsible for the Advanced Film Solutions Division about the projected increase in sales volume included in the mid-term business plan, and compared it with information from customers, including prospective orders, and market forecast data published by external organizations; ● compared the perpetual growth rate with forecast data published by external organization; and ● involved valuation specialists within our network firms who assisted in our assessment of the discount rate through the comparison with the discount rate that they independently estimated based on external information.

Other Information

The other information comprises the information included in the Annual Securities Report, but does not include the consolidated financial statements and our auditor's reports thereon. Management is responsible for the preparation and presentation of the other information. Corporate auditors and the board of corporate auditors are responsible for overseeing the directors' performance of their duties with regard to the design, implementation and maintenance of the reporting process for the other information.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of Management and Corporate Auditors and the Board of Corporate Auditors for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern in accordance with IFRS Accounting Standards and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Corporate auditors and the board of corporate auditors are responsible for overseeing the directors' performance of their duties with regard to the design, implementation and maintenance of the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in Japan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of our audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

・Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

・Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, while the objective of the audit is not to express an opinion on the effectiveness of the Group's internal control.

・Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate whether the presentation and disclosures in the consolidated financial statements are in accordance with IFRS Accounting Standards, the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with corporate auditors and the board of corporate auditors regarding, among other matters, the planned scope and timing of the audit, significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide corporate auditors and the board of corporate auditors with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with corporate auditors and the board of corporate auditors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Fee-related Information

Fees paid or payable to our firm and to other firms within the same network as our firm for audit and non-audit services provided to the Group are described in "4. Corporate Governance (3) Audits" included in "IV. Information about Reporting Company" of the Annual Securities Report.

Interest required to be disclosed by the Certified Public Accountants Act of Japan

We do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Sung-Jung Hong

Designated Engagement Partner

Certified Public Accountant

Satoshi Uchida

Designated Engagement Partner

Certified Public Accountant

Junichi Morimoto

Designated Engagement Partner

Certified Public Accountant

KPMG AZSA LLC

Osaka Office, Japan

July 05, 2024

<u>Notes to the Reader of Independent Auditor's Report:</u>
This is a copy of the Independent Auditor's Report and the original copies are kept separately by the Company and KPMG AZSA LLC.

(2) Other

Quarterly information for the fiscal year ended March 31, 2024

(Cumulative period)	Q1 (Three months ended June 30, 2023)	Q2 (Six months ended September 30, 2023)	Q3 (Nine months ended December 31, 2023)	Fiscal year ended March 31, 2024
Revenue (Millions of yen)	208,455	449,344	693,900	915,139
Profit before income taxes (Millions of yen)	22,176	64,240	112,025	138,901
Net profit attributable to owners of the parent company (Millions of yen)	15,168	44,216	81,600	102,679
Basic earnings per share (Yen)	105.52	308.88	570.83	719.57

(Each quarter)	Q1 (From April 1,2023 to June 30, 2023)	Q2 (From July 1, 2023 to September 30, 2023)	Q3 (From October 1, 2023 to December 31, 2023)	Q4 (From January 1, 2024 to March 31, 2024)
Basic earnings per share (Yen)	105.52	203.77	262.25	148.20

2. Nonconsolidated Financial Statements and Notes

(1) Nonconsolidated financial statements

(i) Nonconsolidated balance sheet

(Millions of yen)

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

(Millions of yen)

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

(ii) Nonconsolidated statement of income

(Millions of yen)

	For the year ended March 31, 2023	For the year ended March 31, 2024
Net sales	*1 544,158	*1 518,626
Cost of sales	*1 341,752	*1 322,064
Gross profit	202,406	196,561
Selling, general and administrative expenses	*2 105,202	*2 108,158
Operating profit	97,204	88,403
Non-operating income		
Interest and dividend income	*1 20,423	*1 12,802
Miscellaneous income	*1 2,013	*1 1,654
Total non-operating income	22,436	14,457
Non-operating expenses		
Interest expenses	*1 1,549	*1 3,055
Foreign exchange losses	1,385	4,173
Miscellaneous losses	*1 2,971	*1 1,369
Total non-operating expenses	5,906	8,599
Ordinary profit	113,735	94,261
Extraordinary profit		
Gain on sales of noncurrent assets	*1 3	*1 5
Gain on sales of investment securities	1,832	497
Gain on sales of stocks of subsidiaries and affiliates	-	39
Gain on extinguishment of tie-in shares	-	843
Other	-	29
Total extraordinary profit	1,836	1,415
Extraordinary losses		
Loss on sales and retirement of noncurrent assets	*1 1,026	*1 935
Loss on valuation of shares of subsidiaries and affiliates	29	-
Impairment losses	*3 680	*3 641
Loss on valuation of investment securities	-	41
Total extraordinary losses	1,737	1,617
Profit before income taxes	113,834	94,059
Income taxes - current	22,862	18,796
Income taxes - deferred	(396)	388
Total income taxes	22,466	19,184
Net profit	91,368	74,874

(iii) Nonconsolidated statement of changes in equity

For the year ended March 31, 2023

(Millions of yen)

	Shareholders' equity									
		Capital surplus			Retained earnings					
						Other retained earnings				
	Capital stock	Legal capital surplus	Other capital surplus	Total capital surplus	Legal retained earnings	Reserve for special depreciation	Reserve for tax purpose reduction entry of noncurrent assets	General reserve	Retained earnings brought forward	Total retained earnings
Balance at the beginning of the period	26,783	50,482	-	50,482	4,095	7	2,072	185,000	224,956	416,132
Changes during period										
Dividends from surplus									(34,046)	(34,046)
Reversal of reserve for special depreciation						(5)			5	-
Reserve for tax purpose reduction entry of noncurrent assets							(74)		74	-
Net profit									91,368	91,368
Purchase of treasury shares										
Disposal of treasury shares			75	75						
Net change in items other than shareholders' equity during the period										
Total changes in items during the period	-	-	75	75	-	(5)	(74)	-	57,401	57,322
Balance at the end of the period	26,783	50,482	75	50,557	4,095	2	1,998	185,000	282,358	473,454

	Shareholders' equity		Valuation and translation adjustments			Share acquisition rights	Total net assets
	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Total valuation and translation adjustments		
Balance at the beginning of the period	(9,760)	483,637	1,652	1,994	3,647	361	487,646
Changes during period							
Dividends from surplus		(34,046)					(34,046)
Reversal of reserve for special depreciation		-					-
Reserve for tax purpose reduction entry of noncurrent assets		-					-
Net profit		91,368					91,368
Purchase of treasury shares	(18,002)	(18,002)					(18,002)
Disposal of treasury shares	148	223				(21)	202
Net change in items other than shareholders' equity during the period			(1,341)	(1,994)	(3,335)		(3,335)
Total changes in items during the period	(17,854)	39,543	(1,341)	(1,994)	(3,335)	(21)	36,186
Balance at the end of the period	(27,615)	523,181	311	-	311	340	523,833

For the year ended March 31, 2024

(Millions of yen)

	Shareholders' equity									
		Capital surplus			Retained earnings					
						Other retained earnings				
	Capital stock	Legal capital surplus	Other capital surplus	Total capital surplus	Legal retained earnings	Reserve for special depreciation	Reserve for tax purpose reduction entry of noncurrent assets	General reserve	Retained earnings brought forward	Total retained earnings
Balance at the beginning of the period	26,783	50,482	75	50,557	4,095	2	1,998	185,000	282,358	473,454
Changes during period										
Dividends from surplus									(36,041)	(36,041)
Reversal of reserve for special depreciation						(1)			1	-
Reserve for tax purpose reduction entry of noncurrent assets							(74)		74	-
Net profit									74,874	74,874
Purchase of treasury shares										
Disposal of treasury shares			32	32						
Cancellation of treasury shares			(51,160)	(51,160)						
Transfer from retained earnings to capital surplus			51,052	51,052					(51,052)	(51,052)
Net change in items other than shareholder's equity during the period										
Total changes in items during the period	-	-	(75)	(75)	-	(1)	(74)	-	(12,143)	(12,219)
Balance at the end of the period	26,783	50,482	-	50,482	4,095	0	1,924	185,000	270,214	461,235

	Shareholders' equity		Valuation and translation adjustments		Share acquisition rights	Total net assets
	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Total valuation and translation adjustments		
Balance at the beginning of the period	(27,615)	523,181	311	311	340	523,833
Changes during period						
Dividends from surplus		(36,041)				(36,041)
Reversal of reserve for special depreciation		-				-
Reserve for tax purpose reduction entry of noncurrent assets		-				-
Net profit		74,874				74,874
Purchase of treasury shares	(47,005)	(47,005)				(47,005)
Disposal of treasury shares	214	246			(47)	199
Cancellation of treasury shares	51,160	-				-
Transfer from retained earnings to capital surplus		-				-
Net change in items other than shareholder's equity during the period			(347)	(347)		(347)
Total changes in items during the period	4,368	(7,926)	(347)	(347)	(47)	(8,321)
Balance at the end of the period	(23,246)	515,254	(35)	(35)	292	515,511

[Notes]

(Significant accounting policies)

1. Basis and method for valuation of securities

(1) Available-for-sale securities

Securities other than shares that do not have a market value

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

Shares that do not have a market value

Moving average cost method.

(2) Shares of subsidiaries and affiliates

Moving average cost method.

2. Valuation basis and method for derivatives

Stated at fair value.

3. Valuation basis and method for inventories

Merchandises 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 noncurrent 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

Leased 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

(1) Allowance for doubtful accounts

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

(2) Allowance for investment loss

An allowance for potential investment loss is stated by taking into account a Company's financial conditions, etc., in accordance with a Company's policy, to prepare for losses related to investments in subsidiaries and affiliates.

(3) Provision for directors' bonuses

The Company makes provision for the amount of Directors' bonuses deemed to accrue during the current fiscal year based on the Company's estimated payment obligation for the current fiscal year.

(4) Provision for retirement benefits

To make allowances for the payment of retirement benefits to employees, this is recorded based on the amount of projected retirement benefit liabilities and pension assets as of the end of the current fiscal year.

Past service costs are recorded as expenses using the straight-line method over a fixed number of years (in 12 years) that is within the average number of years of remaining service for employees at the time the expense is incurred.

Actuarial gains and losses are treated as expenses in the fiscal year following the fiscal year in which they arise, in an amount proportionally divided using the straight-line method over a fixed number of years (in 12 years) that is within the average number of years of remaining service of employees at the time the differences emerge each fiscal year.

6. Standards for recognizing revenue and expenses

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

Step 1: Identify the contract with a customer.

Step 2: Identify performance obligations in the contract.

Step 3: Determine the transaction price.

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

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

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

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

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

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

7. Hedge accounting

(1) Method of hedge accounting

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

(2) Hedging instruments and hedged items

Hedging instruments: forward exchange contracts, currency swaps, interest rate swaps

Hedged items: foreign currency denominated receivables and payables, etc.

(3) Hedging policy

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

(4) Assessing hedge effectiveness

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

8. Other significant accounting policies for preparation of nonconsolidated financial statements

Accounting for retirement benefits

The method for accounting for unrecognized actuarial gain or loss and unrecognized past service costs related to retirement benefits is different from that applied for the consolidated financial statements.

Significant accounting estimates

The figures for the following items are recorded on the nonconsolidated financial statements for the current fiscal year using accounting estimates and may have a material impact on the non-consolidated financial statements for the following fiscal year. For information on significant accounting estimates in this section, matters that are identical to the content of the Notes to Consolidated Financial Statements are omitted.

1. Evaluation of recoverability of property, plant and equipment, and intangible assets

Amounts recorded on nonconsolidated financial statements as of March 31, 2023 and 2024.

(Millions of yen)

	As of March 31, 2023	As of March 31, 2024
Property, plant and equipment	157,961	178,803
Intangible assets	9,780	9,457

2. Evaluation of recoverability of deferred tax assets

Amounts recorded on non-consolidated financial statements as of March 31, 2023 and 2024.

(Millions of yen)

	As of March 31, 2023	As of March 31, 2024
Deferred tax assets	24,747	24,608

3. Evaluation of recoverability of shares of subsidiaries and affiliates

(1) Amounts recorded on nonconsolidated financial statements as of March 31, 2023 and 2024.

(Millions of yen)

	As of March 31, 2023	As of March 31, 2024
Shares of subsidiaries and affiliates	174,256	175,535

(2) Significant accounting estimates for identified items

Significant accounting estimates includes 56,590 million yen in shares of Nitto Advanced Film Gronau GmbH.

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

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

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

4. Provision for retirement benefits

(1) Amounts recorded on nonconsolidated financial statements as of March 31, 2023 and 2024.

(Millions of yen)

	As of March 31, 2023	As of March 31, 2024
Defined benefit asset	7,570	7,554
Provision for retirement benefits	39,195	40,738

(2) Significant accounting estimates for identified items

Refer to "Significant accounting policies, 5. Accounting policy for allowances and provisions, (4) Provision for retirement benefits."

Nonconsolidated balance sheet

*1 Receivables and payables related to subsidiaries and affiliates (excluding those separately presented)

	As of March 31, 2023	As of March 31, 2024
Short-term receivables	77,018 million yen	92,366 million yen
Long-term receivables	25,018	26,244
Short-term payables	99,055	114,123

Nonconsolidated statement of income

*1 Transactions with subsidiaries and affiliates

	For the year ended March 31, 2023	For the year ended March 31, 2024
Amount from operating transactions		
Sales	424,273 million yen	411,257 million yen
Purchases	42,612	38,598
Amount from transactions other than operating transactions	27,128	16,318

*2 Selling, general and administrative expenses

Components of selling, general and administrative expenses mainly comprise the followings.

The ratio of expenses pertaining to selling expenses for the year ended March 31, 2023 and 2024 is approximately 20% and 20%, respectively.

	For the year ended March 31, 2023	For the year ended March 31, 2024
Freight expenses	11,321 million yen	9,272 million yen
Employees' salaries and bonuses	21,670	23,030
Retirement benefit expenses	3,013	2,715
Outsourcing expenses	12,231	12,862
Material costs for prototypes	7,273	7,477
Various fees	8,388	8,620
Investigation and research outsourcing expenses	9,992	10,368
Depreciation	6,973	7,542

*3. Impairment losses

For the year ended March 31, 2023

Since there is no important matter for the year ended March 31, 2023, a description is omitted.

For the year ended March 31, 2024

Since there is no important matter for the year ended March 31, 2024, a description is omitted.

Securities

As of March 31, 2023

Shares of subsidiaries and affiliates in the balance sheet amount of 174,256 million yen are not stated because they represent stocks and other securities with no market price.

As of March 31, 2024

Shares of subsidiaries and affiliates in the balance sheet amount of 175,535 million yen are not stated because they represent stocks and other securities with no market price.

Tax effect accounting

1. Main causes of recognizing deferred tax assets and deferred tax liabilities

	As of March 31, 2023	As of March 31, 2024
Tax effect accounting		
Accrued bonuses	2,453 million yen	2,519 million yen
Inventory valuation loss	713	454
Accounts payable - other	308	325
Enterprise tax payable	960	601
Accrued expenses	499	337
Provision for retirement benefits	9,573	10,046
Over depreciation	7,037	7,276
Noncurrent assets impairment losses	1,246	964
Loss on valuation of shares of subsidiaries and affiliates	7,867	7,844
Valuation difference on available-for-sale securities	-	47
Others	2,842	2,758
Subtotal of deferred tax assets	33,503	33,176
Valuation allowance	(7,751)	(7,731)
Total deferred tax assets	25,751	25,444
Deferred tax liabilities		
Valuation difference on available-for-sale securities	135	-
Reserve for special depreciation	1	0
Reserve for advanced depreciation of noncurrent assets	867	835
Total deferred tax liabilities	1,004	836
Net deferred tax assets	24,747	24,608

2. Breakdown of items that caused major differences between the statutory effective tax rate and the actual effective tax rate after application of tax effect accounting

	As of March 31, 2023	As of March 31, 2024
Statutory effective tax rate	30.3%	30.3%
Adjustments		
Entertainment expenses and other expenses not permanently deductible for tax purposes	1.1	0.7
Dividend income and other income not permanently deductible for tax purposes	(1.5)	(1.6)
Foreign tax credit	(0.3)	(0.4)
Foreign dividend income not permanently deductible for tax purposes	(3.6)	(2.2)
Tax credits on research and development costs	(5.9)	(6.3)
Valuation allowance	(0.5)	0.0
Others	0.1	(0.1)
Actual effective tax rate after application of deferred tax accounting	19.7	20.4

Revenue recognition

Regarding information that forms the basis for understanding revenue from contracts with customers, notes have been omitted as the same information is presented in Notes to Consolidated Financial Statements, Note 21, “Revenue” and Notes to Nonconsolidated Financial Statements (Significant accounting policies), Note 6, “Standards for recording revenues and expenses.”

Significant subsequent events

(Stock split, partial amendment of articles of incorporation)

Notes have been omitted as the same information is presented in Notes to Consolidated Financial Statements, Note 33, “Significant subsequent events - (Stock split, partial amendment of articles of incorporation).”

(Cancellation of treasury shares)

Notes have been omitted as the same information is presented in Notes to Consolidated Financial Statements, Note 33, “Significant subsequent events - (Cancellation of treasury shares).”

(iv) Supplementary schedules

[Details of Property, Plant and Equipment and Intangible Assets]

(Millions of yen)

Category	Type of asset	Balance at the beginning of current year	Increase during current year	Decrease during current year	Depreciation during current year	Balance at the end of current year	Accumulated depreciation
Property, plant and equipment	Buildings	71,348	11,893	185 (182)	6,133	76,922	133,187
	Structures	4,025	1,152	28 (28)	539	4,609	11,818
	Machinery and equipment	59,714	19,758	317 (274)	16,151	63,004	313,282
	Vehicles	376	248	1 (0)	153	470	1,664
	Tools, furniture and fixtures	5,657	2,230	124 (54)	1,612	6,151	19,326
	Land	13,772	-	-	-	13,772	-
	Construction in progress	3,067	46,420	35,615 (93)	-	13,873	-
	Total	157,961	81,704	36,273 (633)	24,589	178,803	479,279
Intangible assets	Software	8,602	2,258	7 (7)	3,229	7,624	28,007
	Others	1,178	2,982	2,258 (-)	68	1,832	2,627
	Total	9,780	5,240	2,266 (7)	3,298	9,457	30,635

(Notes) 1. Major factors in “Increase during current year” are as follows.

Buildings	・・・・・	Kameyama Plant	8,303 million yen	Toyohashi Plant	1,319 million yen
		Onomichi Plant	925 million yen	Kanto Plant	706 million yen
		Ibaraki Office	235 million yen		
Machinery and equipment	・・・・・	Kameyama Plant	6,401 million yen	Toyohashi Plant	4,420 million yen
		Kanto Plant	3,660 million yen	Onomichi Plant	3,368 million yen
		Ibaraki Office	1,012 million yen		
Construction in progress	・・・・・	Kameyama Plant	15,249 million yen	Toyohashi Plant	6,998 million yen
		Onomichi Plant	6,914 million yen	Tohoku Plant	6,453 million yen
		Kanto Plant	4,674 million yen		

2. Major factors of “Decrease during current year” are as follows.

Construction in progress	・・・・・	Kameyama Plant	15,443 million yen	Toyohashi Plant	6,476 million yen
		Kanto Plant	4,766 million yen	Onomichi Plant	4,751 million yen
		Ibaraki Office	1,654 million yen		

3. Figures in parentheses ( ) in “Decrease during current year” indicate impairment losses recorded in the current year included in the total.

[Details of Provisions]

(Millions of yen)

Item	Balance at the beginning of current year	Increase during current year	Decrease during current year	Balance at the end of current year
Allowance for doubtful accounts	299	128	5	421

(2) Components of major assets and liabilities

A description is omitted as the Company prepares the consolidated financial statements.

(3) Others

Not applicable.

VI. Outline of Share-related Administration of Reporting Company

Fiscal year	From April 1 through March 31
Ordinary General Meeting of Shareholders	June
Record date	March 31
Record date for dividends of surplus	March 31 (year-end dividend) and September 30 (interim dividend)
Number of shares per unit	100 shares
Purchase and sale of shares below one unit	
Handling office	3-6-3 Fushimi-machi, Chuo-ku, Osaka Osaka Stock Transfer Agency Department, Mitsubishi UFJ Trust and Banking Corporation
Shareholder registry administrator	1-4-5 Marunouchi, Chiyoda-ku, Tokyo Mitsubishi UFJ Trust and Banking Corporation
Handling locations	―――
Purchasing / selling fee	No fees
Method of public notice	Nihon Keizai Shimbun, published in Osaka City
Shareholder benefits	Not applicable

(Note) In accordance with the provisions of the Company's articles of incorporation, the shareholders with shares below one unit are not entitled to other than the following rights: the rights stipulated in each item of Article 189, Paragraph 2 of the Companies Act of Japan; the right to demand what is stipulated under Article 166, Paragraph 1 of the Companies Act of Japan; the right to receive an allotment of offered shares and offered share acquisition rights in proportion to the number of shares held; and the right to demand the Company should sell shares below one unit.

VII. Reference Information of Reporting Company

1. Information about Parent of Reporting Company

The Company does not have a parent company, etc., as provided in Article 24-7, Paragraph 1 of the Financial Instruments and Exchange Act.

2. Other Reference Information

The following publications were issued by the Company between the start of the current fiscal year and the filing date of the Annual Securities Report.

(1)	Annual Securities Report and documents attached thereto, and Confirmation Letter thereof	Fiscal Year (158th term)	April 1, 2022 through March 31, 2023	June 23, 2023 Filed with the Director-General of the Kanto Local Finance Bureau
(2)	Internal Control Report and documents attached thereto			June 23, 2023 Filed with the Director-General of the Kanto Local Finance Bureau
(3)	Securities Registration Statement and documents attached thereto			June 23, 2023 Filed with the Director-General of the Kanto Local Finance Bureau
(4)	Extraordinary Report			June 28, 2023 Filed with the Director-General of the Kanto Local Finance Bureau

The Extraordinary Report is pursuant to Article 19, Paragraph 2, Item 9 of the Cabinet Office Order on Disclosure of Corporate Affairs.

(5)	Amendment Statement for the Securities Registration Statement			June 28, 2023 Filed with the Director-General of the Kanto Local Finance Bureau

Amendment Statement for the Securities Registration Statement submitted on June 23, 2023.

(6)	Share Buyback Report		June 1, 2023 through June 30, 2023	July 13, 2023 Filed with the Director-General of the Kanto Local Finance Bureau
(7)	Quarterly Securities Report and Confirmation Letter thereof	(1st quarter of 159th term)	April 1, 2023 through June 30, 2023	July 28, 2023 Filed with the Director-General of the Kanto Local Finance Bureau
(8)	Share Buyback Report		July 1, 2023 through July 31, 2023	August 10, 2023 Filed with the Director-General of the Kanto Local Finance Bureau

(9)	Quarterly Securities Report and Confirmation Letter thereof	(2nd quarter of 159th term)	July 1, 2023 through September 30, 2023	October 30, 2023 Filed with the Director-General of the Kanto Local Finance Bureau
(10)	Quarterly Securities Report and Confirmation Letter thereof	(3rd quarter of 159th term)	October 1, 2023 through December 31, 2023	January 30, 2024 Filed with the Director-General of the Kanto Local Finance Bureau
(11)	Share Buyback Report		January 1, 2024 through January 31, 2024	February 13, 2024 Filed with the Director-General of the Kanto Local Finance Bureau
(12)	Share Buyback Report		February 1, 2024 through February 29, 2024	March 13, 2024 Filed with the Director-General of the Kanto Local Finance Bureau
(13)	Share Buyback Report		March 1, 2024 through March 31, 2024	April 12, 2024 Filed with the Director-General of the Kanto Local Finance Bureau
(14)	Share Buyback Report		April 1, 2024 through April 30, 2024	May 13, 2024 Filed with the Director-General of the Kanto Local Finance Bureau
(15)	Share Buyback Report		May 1, 2024 through May 31, 2024	June 13, 2024 Filed with the Director-General of the Kanto Local Finance Bureau

Part II. Information about Reporting Company's Guarantor, etc.

Not applicable.

TRANSLATION
Following is an English translation of the Independent Auditor's Report filed under the Financial Instruments and Exchange Act of Japan. This report is presented merely as supplemental information. In an audit of internal control over financial reporting under the Financial Instruments and Exchange Act, the auditors express an opinion on management's report on internal control over financial reporting, and do not express an opinion on the Company's internal control over financial reporting taken as a whole.

Independent Auditor's Report on the Financial Statements and Internal Control Over Financial Reporting

June 21, 2024

To the Board of Directors of Nitto Denko Corporation:

KPMG AZSA LLC
Osaka Office

Sung-Jung Hong
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

Satoshi Uchida
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

Junichi Morimoto
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of Nitto Denko Corporation ("the Company") and its consolidated subsidiaries (collectively referred to as "the Group") provided in the "V. Financial Information" section in the company's Annual Securities Report, which comprise the consolidated statement of financial position as at March 31, 2024, and the consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the year then ended, and notes to the consolidated financial statements, in accordance with Article 193-2(1) of the Financial Instruments and Exchange Act of Japan.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2024, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board prescribed in Article 93 of "the Regulation on Terminology, Forms, and Preparation Methods of Consolidated Financial Statements" (IFRS Accounting Standards).

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

<table>
<tr><td colspan="2">Appropriateness of the valuation of goodwill allocated to Nitto Advanced Film Gronau GmbH</td></tr>
<tr><th>The key audit matter</th><th>How the matter was addressed in our audit</th></tr>
<tr><td>In the consolidated statement of financial position as of March 31, 2024, the Company recognized goodwill of ¥66,056 million. As described in Note 13, “Impairment of nonfinancial assets” to the consolidated financial statements, included therein was ¥50,483 million of goodwill allocated to Nitto Advanced Film Gronau GmbH (hereinafter “AFG”).
As described in Note 3, “Summary of material accounting policies - (9) Impairment of nonfinancial assets” to the consolidated financial statements, a cash-generating unit (CGU) to which goodwill is allocated is tested for impairment at least annually. In the impairment testing, the recoverable amount of the CGU is estimated and compared with the carrying amount.
The recoverable amount of the CGU comprising of AFG was estimated using the fair value less costs of disposal, and the fair value was measured based on the discounted cash flow method. The future cash flows were estimated using the projected increase in sales volume, as management's key assumptions, based on the projected future demand for the personal care market and the prospect of obtaining new orders, included in AFG's mid-term business plan, as well as the perpetual growth rate after the period covered by the business plan. Accordingly, management's judgment thereon had a significant effect on the estimate of future cash flows. In addition, selecting appropriate models and input data for estimating the discount rate used to calculate the fair value requires a high degree of expertise in valuation.
We, therefore, determined that our assessment of the appropriateness of the valuation of goodwill allocated to Nitto Advanced Film Gronau GmbH was of most significance in our audit of the consolidated financial statements for the current fiscal year, and accordingly, a key audit matter.</td><td>The primary procedures we performed to assess the appropriateness of the valuation of goodwill allocated to Nitto Advanced Film Gronau GmbH included the following:

(1) Internal control testing

We tested the design and operating effectiveness of certain internal controls relevant to measuring impairment loss on nonfinancial assets related to the CGU to which goodwill is allocated.

(2) Assessment of the reasonableness of the estimated fair value less cost of disposal

To assess the appropriateness of key assumptions included in the future cash flows and the discount rate, which formed the basis for estimating the fair value less cost of disposal of AFG, we:

● inquired of the personnel responsible for the Advanced Film Solutions division about the projected increase in sales volume included in the mid-term business plan, and compared it with information from customers, including prospective orders, and market forecast data published by external organizations;

● compared the perpetual growth rate with forecast data published by external organization; and

● involved valuation specialists within our network firms who assisted in our assessment of the discount rate through the comparison with the discount rate that they independently estimated based on external information.</td></tr>
</table>

Other Information

The other information comprises the information included in the Annual Securities Report, but does not include the consolidated financial statements, the financial statements, and our auditor's reports thereon. Management is responsible for the preparation and presentation of the other information. Corporate auditors and the board of corporate auditors are responsible for overseeing the directors' performance of their duties with regard to the design, implementation and maintenance of the reporting process for the other information.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of Management and Corporate Auditors and the Board of Corporate Auditors for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern in accordance with IFRS Accounting Standards.

Corporate auditors and the board of corporate auditors are responsible for overseeing the directors' performance of their duties with regard to the design, implementation and maintenance of the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of our audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

・Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The selection and application of audit procedures depends on the auditor's judgment.

・Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, while the objective of the audit is not to express an opinion on the effectiveness of the Group's internal control.

・Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

・Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion.

Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

・Evaluate whether the presentation and disclosures in the consolidated financial statements are in accordance with IFRS Accounting Standards, the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

・Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with corporate auditors and the board of corporate auditors regarding, among other matters, the planned scope and timing of the audit, significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide corporate auditors and the board of corporate auditors with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with corporate auditors and the board of corporate auditors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Audit of the Internal Control Report

Opinion

We also have audited the accompanying internal control report of Nitto Denko Corporation ("the Company") and its consolidated subsidiaries (collectively referred to as "the Group") as at March 31, 2024, in accordance with Article 193-2(2) of the Financial Instruments and Exchange Act of Japan.

In our opinion, the accompanying internal control report, which states that the internal control over financial reporting was effective as at March 31, 2024, presents fairly, in all material respects, the results of the assessments of internal control over financial reporting in accordance with assessment standards for internal control over financial reporting generally accepted in Japan.

Basis for Opinion

We conducted our audit of the Internal Control Report in accordance with auditing standards for internal control over financial reporting generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Internal Control Report section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the internal control report in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Corporate Auditors and the Board of Corporate Auditors for the Internal Control Report

Management is responsible for the design and operation of internal control over financial reporting and the preparation and fair presentation of the internal control report in accordance with assessment standards for internal control over financial reporting generally accepted in Japan.

Corporate auditors and the board of corporate auditors are responsible for overseeing and examining the design and operation of internal control over financial reporting.

Internal control over financial reporting may not completely prevent or detect financial statement misstatements.

Auditor's Responsibilities for the Audit of the Internal Control Report

Our objectives are to obtain reasonable assurance about whether the internal control report is free from material misstatement based on our audit of the internal control report and to issue an auditor's report that includes our opinion.

As part of our audit in accordance with auditing standards for internal control over financial reporting generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Perform procedures to obtain audit evidence about the results of the assessments of internal control over financial reporting in the internal control report. The procedures for the audit of the internal control report are selected and performed, depending on the auditor's judgment, based on significance of effect on the reliability of financial reporting.

- Evaluate the overall presentation of the internal control report, including the appropriateness of the scope, procedures and results of the assessments that management presents.

- Obtain sufficient appropriate audit evidence about the results of the assessments of internal control over financial reporting in the internal control report. We are responsible for the direction, supervision and performance of the audit of the internal control report. We remain solely responsible for our audit opinion.

We communicate with corporate auditors and the board of corporate auditors regarding, among other matters, the planned scope and timing of our audit of the internal control report, the results thereof, material weaknesses in internal control identified during our audit of internal control report, and those that were remediated.

We also provide corporate auditors and the board of corporate auditors with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

Fee-related Information

Fees paid or payable to our firm and to other firms within the same network as our firm for audit and non-audit services provided to the Company and its subsidiaries are described in "Corporate Governance, (3) Audits" included in "Information about Reporting Company" of the Annual Securities Report.

Interest required to be disclosed by the Certified Public Accountants Act of Japan

We do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Notes to the Reader of Audit Report:

The Independent Auditor's Report herein is the English translation of the Independent Auditor's Report as required by the Financial Instruments and Exchange Act of Japan.

[Cover]

[Document Title]	Internal Control Report
[Clause of Stipulation]	Article 24-4-4, Paragraph 1 of the Financial Instruments and Exchange Act
[Filed to]	Director-General of the Kanto Local Finance Bureau
[Filing Date]	June 21, 2024
[Company Name]	Nitto Denko Kabushiki Kaisha
[Company Name in English]	NITTO DENKO CORPORATION
[Title and Name of Representative]	Hideo Takasaki, President-Director
[Title and Name of CFO]	Yasuhiro Iseyama, CFO, Director
[Address of Registered Head office]	1-1-2, Shimohozumi, Ibaraki, Osaka (The above is the registered address of head office, and business is actually conducted at the location below.) Grand Front Osaka Tower A, 4-20, Ofuka-cho, Kita-ku, Osaka
[Place for Public Inspection]	Tokyo Sales Branch, Nitto Denko Corporation Shinagawa Season Terrace, 1-2-70, Konan, Minato-ku, Tokyo Nagoya Sales Branch, Nitto Denko Corporation Nagoya Hirokoji Bldg., 2-3-1, Sakae, Naka-ku, Nagoya Tokyo Stock Exchange, Inc. 2-1, Nihombashi Kabutocho, Chuo-ku, Tokyo

1. Matters Related to Basic Framework of Internal Control over Financial Reporting

Mr. Hideo Takasaki, President-Director, and Mr. Yasuhiro Iseyama, CFO, Director are responsible for establishing and maintaining internal control over financial reporting of NITTO DENKO CORPORATION (the "Company") and have established and maintained internal control over financial reporting in accordance with the basic framework for internal control set forth in the "On the Setting of the Standards and Practice Standards for Management Assessment and Audit concerning Internal Control Over Financial Reporting (Council Opinions)" published by the Business Accounting Council.

The internal control over financial reporting is designed to achieve its objectives to the extent reasonable through the effective function and combination of its basic elements. Therefore, there is a possibility that internal control over financial reporting may not completely prevent or detect misstatements.

2. Matters Related to Scope of Assessment, Record Date, and Assessment Procedure

We assessed the effectiveness of our internal control over financial reporting on the record date as of March 31, 2024. We made this assessment in accordance with assessment standards for internal control over financial reporting generally accepted in Japan.

In making this assessment, we evaluated internal control which may have a material effect on the entire financial reporting on a consolidated basis ("company-level controls") and based on the result of this assessment, we appropriately selected business processes to be evaluated, analyzed these selected business processes, identified key controls that may have a material impact on the reliability of our financial reporting, and assessed the design and operation of these key controls. These procedures have allowed us to evaluate the effectiveness of our internal controls.

We determined the required scope of assessment of internal control over financial reporting for the Company, as well as its consolidated subsidiaries and equity-method affiliates, from the perspective of the materiality that may affect the reliability of our financial reporting. The materiality that may affect the reliability of our financial reporting is determined taking into account the materiality of quantitative and qualitative impacts. We confirmed that we had reasonably determined the scope of assessment of internal controls over business processes in light of the results of assessment of company-level controls conducted for the Company and its 30 consolidated subsidiaries. We did not include those consolidated subsidiaries and equity-method affiliates which do not have any quantitatively or qualitatively material impact on the consolidated financial statements in the scope of assessment of company-level controls.

Regarding the scope of assessment of internal control over business processes, we accumulated business units in descending order of total revenues of budget (after elimination of intercompany transactions) for the current fiscal year, and those business units whose combined amount of revenues reaches approximately two-thirds of total revenues on a consolidated basis were selected as significant business units. For the selected significant business units, we included, in the scope of assessment those business processes leading to revenues, accounts receivables and inventories. Further, not only for selected significant business units, but also for other business units, we added to the scope of assessment, those business processes having greater materiality considering their impact on the financial reporting, those business processes relating to greater likelihood of material misstatements in significant accounts involving estimates or forecasts as these significant accounts that may have a material impact on our business objectives; or those business processes relating to businesses or operations dealing with high-risk transactions.

3. Matters Related to Results of Assessment

As a result of the assessment above, we concluded that our internal control over financial reporting was effective as of March 31, 2024.

4. Supplementary Matters

Not applicable.

5. Special Notes

Not applicable.