This document is an English translation of the Annual Securities Report ("Yukashoken Hokokusho") submitted to the Director of the Kanto Local Finance Bureau via Electronic Disclosure for Investors' Network ("EDINET") on June 23, 2023, pursuant to the Financial Instruments and Exchange Act of Japan.
In this document, "fiscal 2023" refers to the year ended March 31, 2023. All information contained in this document is as of March 31, 2023 or for fiscal 2023, 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. In the case that there is any discrepancy between the Japanese original and this document, the Japanese original shall prevail.

Annual Securities Report

Fiscal Year (The 158th Business Term)	For the year ended March 31, 2023

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 23, 2023
[Fiscal Year]	The 158th Business Term (from April 1, 2022 to March 31, 2023)
[Company Name]	Nitto Denko Kabushiki Kaisha
[Company Name in English]	NITTO DENKO CORPORATION
[Title and Name of Representative]	Hideo Takasaki, President-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
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Part I. Company Information

I. Overview of Company

1. Key Financial Data

(1) Consolidated financial data

Fiscal Year		International Financial Reporting Standards				
		154th Term	155th Term	156th Term	157th Term	158th Term
Year ended		March 2019	March 2020	March 2021	March 2022	March 2023
Revenue	(Millions of yen)	806,495	741,018	761,321	853,448	929,036
Profit before income taxes	(Millions of yen)	91,910	69,013	93,320	132,378	146,840
Net profit attributable to owners of the parent company	(Millions of yen)	66,560	47,156	70,235	97,132	109,173
Comprehensive income attributable to owners of the parent company	(Millions of yen)	62,009	35,290	89,714	136,207	137,078
Equity attributable to owners of the parent company	(Millions of yen)	700,443	689,446	715,868	821,192	902,211
Total assets	(Millions of yen)	913,418	921,900	965,901	1,094,469	1,153,647
Equity attributable to owners of the parent company per share	(Yen)	4,465.70	4,479.29	4,838.07	5,548.09	6,183.01
Basic earnings per share	(Yen)	423.50	301.32	472.71	656.31	738.77
Diluted earnings per share	(Yen)	423.14	301.08	472.39	656.00	738.48
Ratio of equity attributable to owners of the parent company to total assets	(%)	76.7	74.8	74.1	75.0	78.2
Return on equity attributable to owners of the parent company	(%)	9.6	6.8	10.0	12.6	12.7
Price-earnings ratio	(Times)	13.7	16.0	20.0	13.4	11.6
Cash flows from operating activities	(Millions of yen)	98,569	123,641	116,309	144,489	181,702
Cash flows from investing activities	(Millions of yen)	(49,955)	(59,991)	(57,538)	(57,594)	(159,906)
Cash flows from financing activities	(Millions of yen)	(58,419)	(51,637)	(68,297)	(36,639)	(57,627)
Cash and cash equivalents at the end of the period	(Millions of yen)	297,682	304,922	300,888	362,046	329,966
Number of employees (Separately, average number of temporary workers)	(Persons)	26,001 (3,045)	25,793 (2,812)	25,424 (2,700)	25,961 (2,425)	26,070 (2,123)

(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		154th Term	155th Term	156th Term	157th Term	158th Term
Year ended		March 2019	March 2020	March 2021	March 2022	March 2023
Net sales	(Millions of yen)	490,626	470,701	481,473	517,458	544,158
Ordinary income	(Millions of yen)	86,621	59,356	69,522	85,963	113,735
Net profit	(Millions of yen)	71,894	46,093	51,855	65,815	91,368
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	158,758	149,758	149,758	149,758
Net assets	(Millions of yen)	466,075	464,800	454,160	487,646	523,833
Total assets	(Millions of yen)	663,139	679,932	681,499	729,581	760,758
Net assets per share	(Yen)	2,966.81	3,015.27	3,066.03	3,292.16	3,587.59
Dividends per share (Interim dividends per share included in the figure above)	(Yen)	180.00 (90.00)	200.00 (100.00)	200.00 (100.00)	220.00 (110.00)	240.00 (120.00)
Net profit per share-Basic	(Yen)	457.45	294.52	349.01	444.71	618.29
Net profit per share-Diluted	(Yen)	457.05	294.29	348.77	444.50	618.04
Ratio of shareholders' equity to total assets	(%)	70.2	68.3	66.6	66.8	68.8
Return on equity	(%)	15.7	9.9	11.3	14.0	18.1
Price-earnings ratio	(Times)	12.7	16.4	27.1	19.8	13.8
Dividend payout ratio	(%)	39.3	67.9	57.3	49.5	38.8
Number of employees (Separately, average number of temporary workers)	(Persons)	5,423 (750)	5,592 (699)	5,870 (604)	6,091 (479)	6,285 (399)
Total shareholder return (Benchmark: TOPIX Total Return Index)	(%) (%)	75.1 (95.0)	65.2 (85.9)	125.8 (122.1)	120.6 (124.6)	120.2 (131.8)
Highest share price	(Yen)	9,154	6,500	10,170	9,940	9,920
Lowest share price	(Yen)	5,109	4,115	4,390	7,390	7,500

(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 term 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 CS System 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).

3. Description of Business

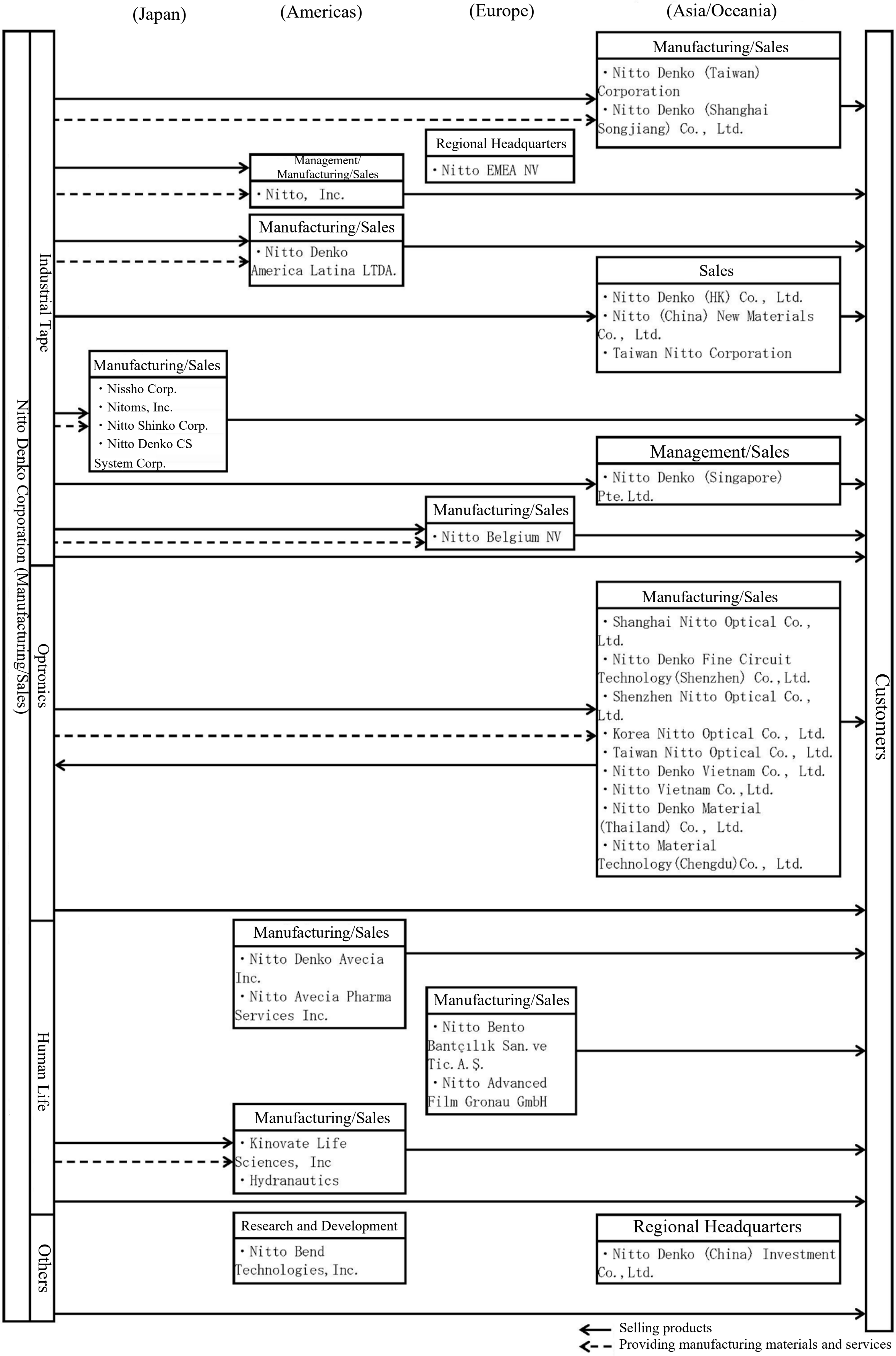
The Company and its subsidiaries and affiliates (comprising the Company, 98 subsidiaries, and four affiliates as of March 31, 2023) conduct businesses mainly related to four segments of Industrial Tape, Optronics, Human Life, and Others with a broad range of products. Positions of the Company and its 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.), Flexible Printed Circuits (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 follow.



(A box with multiple companies means one or more companies in the box are related in the process indicated by an arrow.)

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	94.7	–	(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 Parnaibay, 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.
Nitto EMEA NV	Leuven, 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.

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 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	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 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) 13,826	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 (24.5)	—	(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.
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 subsidiary has not borrowed funds from the Company. (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.

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 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) 42,750	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 China.
Nitto Denko Vietnam Co., Ltd.	Binh Duong, Vietnam	(1,000 USD) 34,280	Optronics	100.0 (80.8)	―	(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 (Singapore) Pte. Ltd.	Queenstown, Singapore	(1,000 USD) 81,088	Industrial Tape 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 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.	Hanoi, Vietnam	(1,000 USD) 8,500	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 66 companies						
Affiliates accounted for using the equity method: 3 companies						

(Notes) 1. The “Description of major 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 Denko Vietnam Co., Ltd. and Nitto Denko (Singapore) Pte. Ltd. apply to specified subsidiary companies.

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	159,074 million yen
(2) Net profit	9,097 million yen
(3) Total equity	42,764 million yen
(4) Total assets	64,191 million yen

5. Employees

(1) Status of consolidated companies

As of March 31, 2023

	Industrial Tape	Optronics	Human Life	Others	Corporate (Common)	Total
Number of employees (Persons)	9,558 [863]	12,178 [742]	3,267 [144]	256 [78]	811 [296]	26,070 [2,123]

(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, 2023

Number of employees (Persons)	Average age (Years old)	Average length of service (Years)	Average annual salary (Thousands of yen)
6,285 [399]	40.7	12.9	8,226

	Industrial Tape	Optronics	Human Life	Others	Total
Number of employees (Persons)	2,143 [41]	3,343 [190]	599 [91]	200 [77]	6,285 [399]

(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

As of the year ended March 31, 2023					
Female workers in management positions (%) (Note 1)	Male workers taking childcare leave (%)		Ratio of female wages to male wages (%) (Notes 1, 3, 4)		
	(Note 2)	(Note 3)	All workers	Full-time workers	Part-time/Temporary workers
6.2	29.8	91.8	75.8 [90.9]	80.5 [*]	60.7 [*]

(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

As of the year ended March 31, 2023							
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	6.8	100.0	100.0	*	60.0	69.0	49.4
Nitoms, Inc.	3.0	33.3	33.3	*	62.5	67.2	59.9
Nitto Shinko Corporation	5.6	58.3	58.3	*	55.4	56.2	72.4
Nitto Business Expert Corporation	10.0	20.0	0.0	50.0	75.0	83.2	77.2

(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 19.0%. 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 the year ended March 31, 2023. 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 derives its strengths from multiple sources: the core technologies built over its many years in business, diverse business domains, competitive intellectual property rights, and a customer base that covers a broad range of industrial sectors. By combining these strengths, we will accelerate innovation and create products and solutions that contribute to the global environment and society through our Sanshin (literally "three new" in Japanese; finding new products, developing new applications, and creating new demands) activity, which are marketing approaches unique to the Group, and our Niche Top Strategy—a strategy to find niche areas in growing markets where there are no existing competitors and aim for the No. 1 market share with our unique technologies.

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

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

(2) Medium- to Long-term Management Strategy

<u>Review of the Previous Mid-Term Management Plan "Nitto Beyond 2023"</u>

In the previous fiscal year, the Group formulated its Mid-Term Management Plan "Nitto Beyond 2023," which covers the period from the fiscal year 2021 to the fiscal year 2023. Under Nitto Beyond 2023, we have endeavored to focus on three key factors: Promoting ESG Management, Speeding up Innovation, and Strengthening Management Infrastructure. The aim is to build a resilient corporate structure immune to external environments. In the current fiscal year (the fiscal year 2022), the business environment was extremely challenging due to soaring prices of energy and primary commodities triggered by Russia's military invasion of Ukraine, rapid depreciation of the yen due to the widening difference in interest rates between Japan and the U.S., and supply chain disruptions caused by quarantine measures such as urban lockdowns due to the spread of COVID-19. Despite this backdrop, the Group achieved its management targets of revenue of 920,000 million yen, operating profit of 140,000 million yen, 15% in the ratio to revenue, and ROE (return on equity attributable to owners of the parent company) of 12% at the end of the fiscal year 2023, one year ahead of schedule.

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

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

What We Aim to Be by 2030 and the New Mid-Term Management Plan, "Nitto for Everyone 2025"

In formulating the New Mid-Term Management Plan, we envisioned changes in the external environment toward 2030 from the perspectives of Politics, Economy, Society, and Technology. With "the changes we do not want are the ones that happen faster than expected" in mind, we aim to be an "irreplaceable top ESG company that continually brings amazement and inspiration as a Niche Top creator" by 2030. Based on the Nitto's unique corporate culture of enjoying taking on challenges, which is the Nitto character, we 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 irrepaceable company in a sustainable global environment and human society.

The Group drew up a new mid-term management plan, "Nitto for Everyone 2025", which covers the period from the fiscal year 2023 to the fiscal year 2025 as an action plan that we hope will guide us to attain the 2030 Ideal State, i.e., an "Irreplaceable top ESG company". Under "Nitto for Everyone 2025," in order to respond to recent changes in society such as decarbonization, circular economy, and digitalization, the Group has revised its focus domains from "Information Interface" to "Digital Interface" and from "Next-Generation Mobility" to "Power & Mobility." In the three key focus domains of "Digital Interface," "Power & Mobility," and "Human Life" and the areas where they intersect, we aim to become an irrepaceable company by leveraging the Group's strengths in technology, customer base, etc.

"Nitto for Everyone 2025" Focus Items

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

While we will make focused investments in "things that will growth" that we have identified in terms of both economic value and social value, we will pursue structural reforms, including withdrawal and sale, for "things that should not be kept," 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. 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 new areas.

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

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

(iii) Reformation of Organizational Culture to Accelerate Challenges

The Group considers human resources our most valuable assets. To create new innovations necessary for sustainable growth, we will expand opportunities to take on challenges and reform our human resources and training systems. In addition, to accelerate diverse business development and the establishment of new ways to win, we will develop and acquire human resources skilled in business development and different industries, and work on inclusion measures to support their activities.

We will promote our unique human capital management , aiming to be a company where all employees work with vitality and enthusiasm.

(iv) Transformation of Management Infrastructure to Anticipates Change

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

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

Under “Nitto for Everyone 2025,” 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 “irreplaceable top ESG company,” “Nitto for Everyone 2025” has established six new future-financial indicators. These are in addition to the three future-financial targets continued from the previous Mid-Term Management Plan of “Nitto Beyond 2023,” in which “future financials” refers to elements that are not yet financial at this time, but could become financial in the future, or that will be converted to financials. We will accelerate our transformation and enhance our corporate value by promoting activities to achieve these future-financial goals.

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

Future-financial Goals			Fiscal year 2022 Results	Fiscal year 2025 Target	Fiscal year 2030 Target
Products	Continued	New products ratio (1)	41%	**Over 35%**	**Over 35%**
	New	Niche Top sales ratio (2)	47%	**50%**	**Over 50%**
	New	PlanetFlags/HumanFlags category sales ratio (3)	17% *Flags certified products	**40%**	**Over 50%**
Environment	Continued	CO2 emissions (4)	571 kton/year	**550 kton/year**	**470 kton/year**
	New	Waste plastic recycling ratio (5)	46%	**50%**	**60%**
	New	Sustainable materials procurement ratio (6)	17% *In Japan	**20%**	**30%**
HR	Continued	Female leaders ratio (7)	19%	**24%**	**30%**
	New	Engagement scores (8)	74 (Fiscal year 2021)	**78**	**85**
	New	Challenge ratio (9)	42%	**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 Nitto’s core 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

(4) Strategies and initiatives by segment

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

・ Industrial tape

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

・ Optronics

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

・ Human life

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

We expect the membrane market to grow in the medium to long term against the backdrop of water shortages and tightening environmental regulations in various countries. We will develop products for carbon-free market and work to transform our product portfolio contributing to the environment and/or Human Life.

In Personal Care Materials, we aim to expand our business by introducing new products to hygiene materials for diapers. Looking ahead, we will leverage the strengths of our core materials, such as high-performance films and nonwoven fabrics, to create environmentally friendly products and expand our sales areas.

・ Others

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

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, 2023.

(1) Overall sustainability

(i) Governance

The Group has established a corporate governance system aiming at a corporation dedicated wholeheartedly to addressing social challenges. In particular, to ensure the effectiveness of ESG management promotion, the Company 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 proposal, ensuring the effectiveness of ESG management promotion.

And as for the corporate governance structure, please refer to "IV. Information about Reporting Company, 4. Corporate Governance, (1) Overview of corporate governance, (ii) Summary of corporate governance structure."

(ii) Strategy

The Group aims to become an "Irreplaceable top ESG company" by 2030. In order to realize this Ideal State, we have identified material issues for sustainability based on the Basic Policy on Sustainability. Two criteria were used for selection: "co-creating value through innovation," issues to be addressed through the supply of products and services, and "enhancing management process for co-creating value," issues to be addressed by reinforcing business foundations. In addressing these, we recognize the risks and opportunities associated with each issue and reflect on them in our business plans.

Co-creating Value through Innovation

Material Issues for Sustainability	Risks	Opportunities	Our Initiatives
Support for health and longevity (lifestyle-related diseases, non-infectious diseases) Providing healthcare and long-term care services to all Control of infectious diseases on a global scale	●Increase in the company's cost and risk in case of extended period and/or greater expenses of developing pharmaceutical products ●Lowering of the company's competitive edge and growth potential in case of failure to meet unmet medical needs ●Increase in social responsibilities, such as prevention of harm to patients due to quality problems, adverse reactions, etc.	●Increase in demand for products and services that realize good health and longevity ●Increase in demand for pharmaceuticals, medical materials, and nursing care products ●Increase in business opportunities by providing products/services that improve QOL and prevent disease progression	●R&D in line with the Basic Policy on R&D, "Solving social issues through innovation - we aim to enhance corporate value through technological development for the global environment, humanity, and society" ●Development and spread of PlanetFlags/HumanFlags that contribute to the environment and/or human life ●Strategic business approaches to the three focus domains of Digital Interface, Power & Mobility, and Human Life ●Promotion of *Sanshin* Activities and the Niche Top Strategy that meet customer needs
Development of infrastructure for intelligent society Reduction in traffic jams/accidents Providing public transportation services for vulnerable road users	●Lowering of products' competitive edge as alternative technologies emerge and the company's technologies become commoditized ●Increase in responsibilities as a result of the company's products, etc. playing key roles in ensuring safety of traffic systems	●Increase in demand for components, devices, and materials as IoT and digitalization advance ●Increase in demand for products that improve traffic flow and the safety level of automobiles ●Increase in business opportunities by providing products/services that facilitate self-driving	
Promotion and spread of renewable energy and energy conservation Promotion of cyclic use of plastics, metals, water, carbon, and other materials Prevention of air, water, and soil pollution	●Increase in difficulty in sales of existing products as environmental regulations are tightened ●Decrease in order volume in case of falling behind in addressing environmental need ●Lowering of trust in the company over the long term due to failure to meet expectations of the market/customers concerning environmental measures	●Increase in business opportunities by providing products with a low carbon footprint ●Increase in business opportunities by providing products/services that facilitate energy conservation by EVs and low-powered-mobility ●Increase in demand for technologies/products for cyclic use of various resources/materials ●Increase in demand for technologies/products that contribute to separation, removal, purification or otherwise, of hazardous substances	

Enhancing Management Process for Co-creating Value

Material Issues for Sustainability	Risks	Opportunities	Our Initiatives
Recruitment/Development of employees Diversity, equity & inclusion	●Increase in difficulty in maintaining stable business operations due to shortages of human resources ●Decrease in competitive edge due to inability to respond to rapid changes in the business environment	●Increase in productivity by way of workstyle reform and human resource development ●Organizational growth and creation of new values made possible by innovative human resources ●Hiring human resources that meet our needs by providing diverse people with an environment that empowers them	●Enhancement of job satisfaction and recruitment /retention of human resources ●Promotion of diverse workstyles ●Development of global leaders and persons who can bring about reform ●Enhancement of engagement and motivation by organizational culture reform
Enhancement of safety and quality of products Improvement of workplace environment Respect for human rights in supply chains	●Occurrence of recalls, lawsuits, etc. due to quality problems ●Personal damage and shut-downs due to work-related accidents ●Damage to the company's reputation as seen by customers, society at large, and shareholders due to occurrence of human rights issues and other scandals	●Acquisition of customer trust and support by providing them with safe and quality products ●Increase in productivity and acquisition of trust from customers by providing a safe and secure workplace environment ●Secure and stable product supply and acquisition of trust by respecting human rights throughout the supply chain	●Quality control in anticipation of social/market trends ●Reduction in risks of accidents/injuries and fostering of a safety culture ●Provision of a healthy and sound workplace environment ●Assessment and practice of CSR throughout the supply chain ●Increased efficiency in logistics through digitalization
Reduction in CO_2 emissions Efficient use of energy, raw materials, water, and other resources Emissions-reduction of pollutants and hazardous substances	●Difficulty in continuing business activities due to delay in responding to the decarbonized society ●Shut-downs due to increased cost and difficulty in procurement ●Increase in the cost for compliance and difficulty in obtaining operational licenses due to delay in taking environmental measures	●Increase in productivity due to a shift to eco-friendly production lines that meet the demand for GHG reduction ●Expansion of resource recycling business by establishing recycling technology ●Acquisition of trust from local communities and customers by properly managing pollutants and hazardous substances	●Non-use of solvents in manufacturing processes ●Promoting of energy conservation and use of renewable energy ●Efficiently use of resources ●Development of waste plastic recycling technology ●Recovery/reuse of solvents ●Curb on release of hazardous substances into the environment

*GHG: Greenhouse Gas

(iii) Risk management

As for risk management, please refer to "II. Overview of Business, 3. Business Risks, (3) Management of respective risks."

(iv) Indicators and targets

The Group has set indicators and targets related to our material issues for sustainability in order to achieve our 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 Issues to be Addressed, (3) Objective indicators for assessing the achievement of management goals, etc."

(2) Climate change

(i) Strategies

The Group lists "Promotion of energy conservation/renewable energy" and "CO_2 emission reduction" as material issues associated with climate change.

In declaring the Nitto Group Carbon Neutral 2050 in 2022, we conducted a scenario analysis in line with the TCFD recommendations to examine how the opportunities and risks of climate change could affect the Nitto Group.

Based on five medium- to long-term possible changes in the external environment (policy and regulations, technologies, markets, acute changes, and resource efficiency), we have identified opportunities and risks that could have a financial impact beyond a certain level on operating profit and promoted initiatives described in the common strategy for sustainability.

Changes in the external environment	Opportunity/Risk	Details in opportunities and risks
Policy and regulation (Strengthening of government regulations)	**Risk**	・Rise in emission prices due to expansion and tightening of GHG emission regulations ・Increase in tax burden due to the expansion of the scope of carbon tax
	Risk	・Increase in procurement costs due to stricter renewable energy/recycling regulations
Technology (Increased customer awareness)	**Risk**	・Costs to switch to alternatives for discontinued high-GHG raw materials
	Opportunity	・Reduction of power costs associated with the transition to environmentally friendly production lines that meet GHG reduction requirements
	Risk	・Increase in environmental investment costs due to the transition to environmentally friendly production lines that meet GHG reduction requirements
	Risk	・Increase in procurement costs due to growing demand for biomass materials
Market (Rise in crude oil prices)	**Risk**	・Fluctuations in raw material procurement costs due to changes in crude oil demand
Acute physical (Intensification of flood damage)	**Risk**	・Impact on production and sales due to damage to overseas subsidiaries and suppliers ・Increase in costs associated with BCP compliance
Resource efficiency (Products with low environmental impact)	**Opportunity**	・Increase in sales due to increased demand for PlanetFlags products

(ii) Indicators and targets

Indicators and targets associated with climate change are incorporated into indicators and targets associated with sustainability. For details, please refer to the table set forth in “II. Overview of Business, 1. Management Policies, Business Environment, and Issues to be Addressed, (3) Objective indicators for assessing the achievement of management goals, etc.”

(3) Recruitment and development of employees

(i) Strategies

The Group considers human resources as our most valuable assets and globally develops the “Nitto Person” who can carry out the Nitto Way.

Therefore, for the realization of Corporate Philosophy in terms of human resources, we have established “Basic Policy on Human Resource Management” to define the goals of Nitto Person and strongly promote individual measures.

●We employ and develop human resources who understand diversity and respect people of all nationalities, genders, ages, careers, 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 implemented consistent talent management on a global scale.

(ii) Indicators and targets

The Group believes that it is important to foster organizational culture of challenging spirit of each and every employee and provide them with job satisfaction. Therefore, we have set the following indicators as our 2030 Management Targets.

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

3. Business Risks

(1) Basic policy

On matters such as 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, 2023.

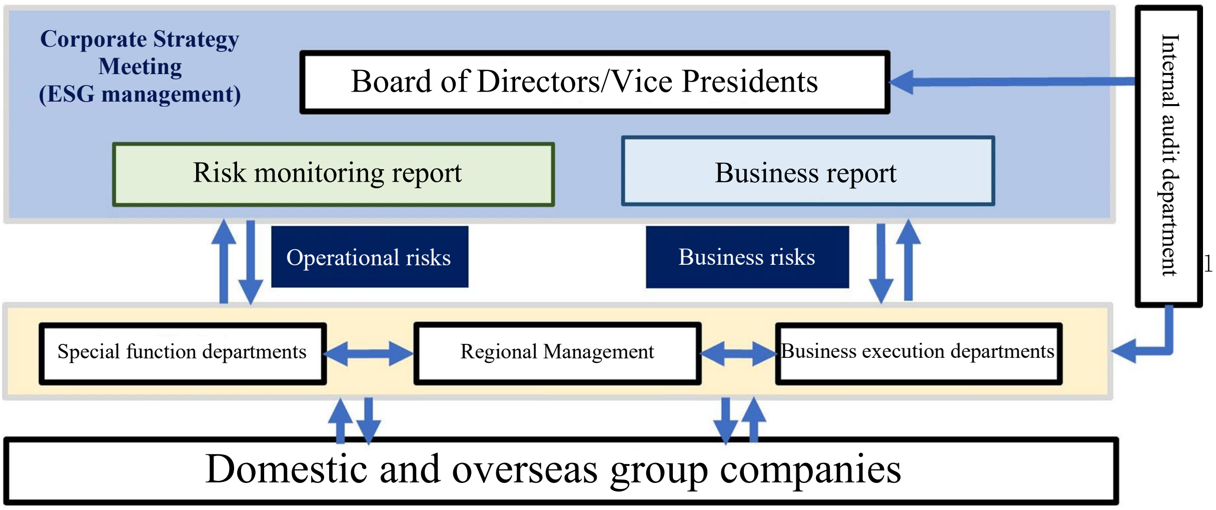
(2) Risk management system

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, and reports.

Risk Management System Chart

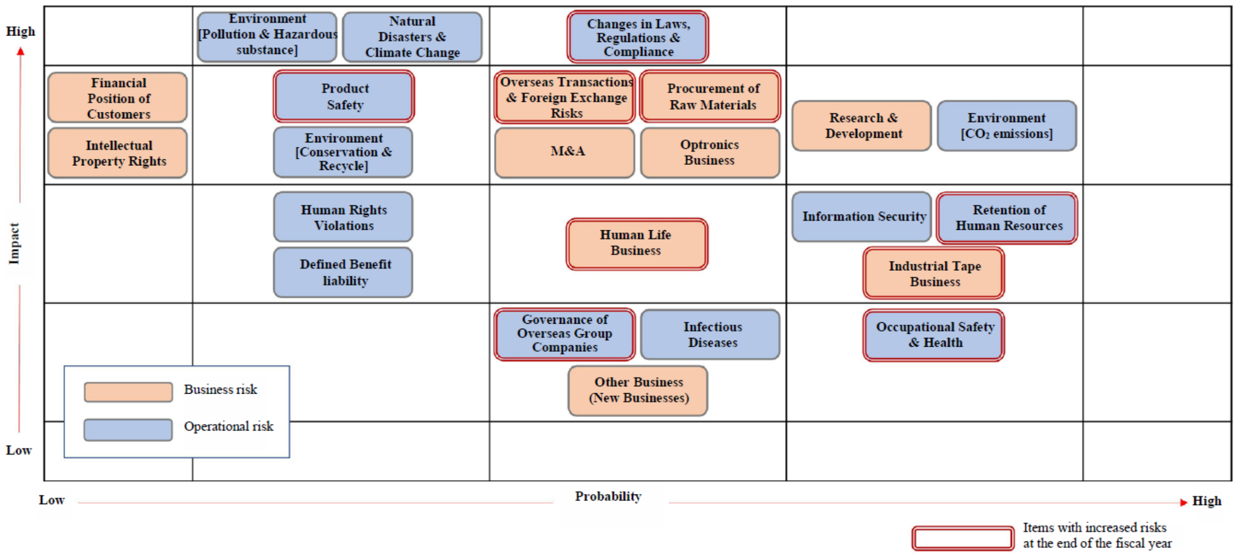


(3) Management of respective risks

The major risks in the current fiscal year, in addition to the remaining risks since the previous fiscal year, were managed and subject to be reported 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, etc., 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 significance of respective risks by categorizing the significance of these risks 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."

Risk map of the fiscal year 2022



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

The assessment result below indicates a change in risk from the beginning to the end of the current 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
			Customs clearance incidents
			Russia-Ukraine conflict
	Financial Position of Customers	→	Irrecoverable receivables
	Procurement of Raw Materials	↗	Bankruptcy of supplier
			Difficult procurement
	Research & Development	→	Delayed/Obsolete R&D
	Intellectual Property Rights	→	Intellectual property infringement
	Industrial Tape Business	↗	Changes in semiconductor market
			Changes in automobile market
	Optronics Business	→	Product or tech obsolescence
			Changes in the external environment
			Difficult procurement
	Human Life Solutions Business	↗	Changes in the external environment
			Difficult procurement
	Other Business	→	Failure of new business
	M&A	→	Failed M&A and partnerships

	Major risks	Direction	Assessed items
Operational risks	Product Safety	↗	Product defect
	Environment (CO_2 Emissions)	→	Response to environmental regulations
	Environment (Conservation & Recycle)	→	Resource saving/recycling
	Environment (Pollution & Hazardous Substance)	→	Pollution/Emission of harmful substances
	Information Security	→	Information leakage/illegal use
			IT system destruction/failure
	Changes in Laws, Regulations & Compliance	↗	Revision of laws and regulations
			Violation of laws
			Breach of compliance
	Governance of Overseas Group Companies	↗	Poor governance of overseas group companies
	Natural Disasters & Climate Change	→	Earthquake
			Typhoon
	Infectious Disease	↘	Infectious disease
	Retention of Human Resources	↗	Loss of human resources
	Occupational safety & Health	↗	Occupational safety and health
	Human Rights	→	Human rights violations
	Defined Benefit Liability	→	Defined benefit liability

*The arrow indicates the change in risk from the beginning of the fiscal year (↗: Increased →: No Change, ↘: Decreased)

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

(1) Business risks

a. Overseas transactions and foreign exchange risks

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, there are risks in the various countries in which we operate, such as interruption of electric power supply or transportation services, rising labor costs, and deterioration of employment relationships or labor disputes. 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 unforeseeably large forex fluctuations, 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. 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.

(Additional item) Russia-Ukraine conflict

The Group has a local subsidiary in Moscow, Russia, which is engaged in local sale of the Company's products exported from Japan and Europe.

After the outbreak of the Russia-Ukraine conflict in February 2022, this local subsidiary's business was affected throughout the fiscal year due to export restrictions in each country, but the impact on the performance was minimal. Other wide ranges of indirect impacts resulting from the conflict are described in the sections of each risk.

The Group continues to monitor the developments not only with direct impacts, such as countries' export restrictions, but also indirect impacts affected by the prolonged conflict.

b. Financial position of customers

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.

c. Procurement of raw materials

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. We launched the Supply Chain Committee the current fiscal year, aiming for sustainable procurement in the supply chain. In recent years, we have seen more risks involved in the upstream supply chain, such as geopolitical risks and risks related to chemical substance regulations forming a cross-sectional team to address these risks. While dealing with existing risks, we are working to improve our ability to anticipate and respond to potential risks.

d. Research and development

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. We also practice rigorous intellectual property management to create barriers to entry.

e. Intellectual property rights

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:

f. Industrial Tape business

The Group globally supplies a diverse range of Functional Base Products to a broad range of industries, including its three focus domains of Digital Interface, Power & Mobility, and Human Life. In each domain, customers are increasingly seeking products with high added value.

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.

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 Human Life, we are developing solutions to improve people’s lives. Specifically, we have developed functional films and porous materials from precision-processed special engineering plastics with dustproof and chemical resistance features.

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 products with lower environmental impact, while participating in supply chain initiatives and other measures to support our customers’ environmental efforts.

g. Optronics business

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 and diversifying our production locations.

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. Rising geopolitical risks and economic stagnation in major markets such as the U.S. may temporarily affect our financial results. However, if market growth is sustained over the long term, the risk of our responsibilities for stable product supply may affect our financial results. In response, we are planning and implementing proactive capital investments to secure production capacity, including creating a BCP for our production operations and procurement of materials via a backup system across our sites, implementing productivity innovations to reduce reliance on manual labor, and constructing new plants in Japan and other countries.

h. Human Life business

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 customers' research and development and clinical trials. Accordingly, suspension or discontinuation of customers' clinical trials based on scientific evidence may affect our performance.

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, as for drug discovery of oligonucleotide therapeutics, which the Group undertakes in the Life Science business, we provide technologies to customers in the pharmaceutical industry after conducting in-house research and development. Performance may therefore be affected by the progress of the Group's research and development efforts.

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 customers' 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 concern in this business is changes in the external environment, such as rising energy costs and price increases due to inflation.

The Group aims to further improve profitability by creating new products and developing eco-friendly products through efforts to improve cost competitiveness and anticipate customer needs while maintaining strong customer relationships.

i. Other business

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

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

a. Product safety

The Group manufactures and supplies products, primarily intermediate materials, to our customers in accordance with strict quality control standards as quality requirements in the industry grow increasingly diverse and sophisticated.

In the event that a defect in product or service occurs, the Group may be held liable for compensation for such defects, which may affect the Group's performance.

The Group strives to make continuous improvements by obtaining certification of strict international quality management systems in line with those required by each 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.

b. Environment (CO_2 emissions)

The Group is working to reduce CO_2 emissions in its manufacturing operations as climate change and natural disasters grow increasingly severe.

A sharp rise in renewable energy prices, carbon taxes, or 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 customers' CO_2 emissions through our products and solutions by reducing energy consumption and introducing renewable energy in our manufacturing processes to meet societal demands for lower CO_2 emissions.

b. Environment (conservation and recycling)

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.

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.

b. Environment (pollution and hazardous substance)

The Group is striving to reduce emissions of pollutants and hazardous substances used in its manufacturing processes in order to minimize the loss of biodiversity, which can lead to the destruction of ecosystems and the reduction of natural resources.

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.

c. Information security

Information systems play a crucial role in every aspect of the Group’s business activities. At the same time, sophisticated cyberterrorism attacks and other forms of human-caused risk are growing.

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 cyberterrorism 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 annual training on the importance of information security and targeted e-mail attack preparedness drills to increase awareness.

d. Changes in laws, regulations and compliance

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 customers’ procurement and consumption, its suppliers’ production, and the livelihood of local residents.

We have translated the “Nitto Group Business Conduct Guidelines,” which underpin our commitment to compliance, into 17 languages and thoroughly communicated them to all officers and employees of the Group. In addition, we have established and operate a whistle-blowing system, which allows employees to report any violation of the Guidelines not only to the Group, but also to independent organizations. In the fiscal year 2022, following the revision of the Whistleblower Protection Act, we established a system with dedicated staff in Japan.

e. Governance of overseas group companies

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 98 subsidiaries and four 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 a failure of governance and internal control functions, which could incur losses to the Group and affect its performance.

The Group operates a matrix-based management approach, in which three axes complement and support each other: the business axis, which consists of five business execution departments (from the current fiscal year, Functional Base Products, Information Fine Materials, Information and Communication Technology, Human Life Solutions, and Advanced Film Solutions), 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. 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.

f. Natural disasters and climate change

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 these sites and their facilities. 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 and ensure its effective implementation.

g. Infectious disease

The spread of the COVID-19 pandemic has had a major impact on the countries in which the Group operates.

The Group temporarily suspended operations due to a sharp increase in COVID-19 cases and a government directive during

the fiscal year 2022. Nonetheless, we responded with preventive measures and alternative production based on the BCP, minimizing the impact on production.
As COVID-19 restrictions are being lifted in each country, the Group will ease some preventive measures. Meanwhile, as preventive measures for highly infectious variants and emerging infectious diseases, we continue to strive to prevent the spread of infection by establishing procedures to control and prevent further spread of infection and formulating the BCP.

h. Retention of human resources
In order to promote the business activities of the Group, it is necessary 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 take 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. In addition, as hiring necessary personnel becomes increasingly competitive in the global market, reviewing personnel systems and compensation levels is an ongoing challenge. Failure to continually hire necessary personnel or to prevent the drain of talent could negatively affect the performance of the Group.
In addition to conducting initiatives to increase employee engagement, the Group is working to create an environment that allows employees to take on challenges in a variety of fields, and recruit and develop diverse human resources by enhancing its internship initiatives, conducting a trainee program (open-participation training programs) in which trainees are sent from Japan to other country's sites, and putting out job postings (open-participation job transfer programs). We are also providing wage increases and other benefits to ensure competitive compensation.

i. Occupational safety and health
Aiming to achieve "zero accidents and injuries," the Group places safety before everything else in its manufacturing.
The occurrence of an injury or illness resulting in death or permanent disability or a similar injury or illness, 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 performance.
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.

j. Human rights
Stakeholders focus on companies' human rights initiatives has 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 Japanese, English, Chinese, Korean, Portuguese, Spanish, French, Italian, Russian, and Turkish. Also, the Human Rights Promotion Committee has been reorganized into the Human Rights, Labor Relations, and Corporate Ethics Council to work on promotion and risk reduction activities.
Meanwhile, we conduct an annual CSR Procurement Survey with suppliers under the CSR-Based Procurement Guidelines, which describe rules we expect our suppliers to follow, including respect for the human rights of workers. Based on the survey findings, we assess their risk, suggest improvements to those whose risk is deemed high, and follow up on their improvement efforts. 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.

k. Defined benefit liability
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 the year ended March 31, 2023 (hereinafter "the end of the current fiscal year") increased by 59,178 million yen to 1,153,647 million yen from the end of the previous year ended March 31, 2022 (hereinafter "the end of the previous fiscal year"). Current assets decreased by 45,548 million yen to 677,189 million yen, and non-current assets increased by 104,726 million yen to 476,457 million yen.

The decrease in current assets was mainly due to a 32,079 million yen decrease in cash and cash equivalents, a 27,695 million yen decrease in trade and other receivables, a 12,783 million yen increase in inventories, a 2,798 million yen decrease in other financial assets, and a 5,232 million yen increase in assets held for sale.

The increase in noncurrent assets was mainly due to a 46,153 million yen increase in property, plant and equipment, a 54,012 million yen increase in goodwill, a 7,762 million yen increase in intangible assets, a 1,592 million yen increase in investments accounted for using the equity method, a 3,271 million yen decrease in financial assets, and other factors.

Total liabilities at the end of the current fiscal year decreased by 21,910 million yen from the end of the previous fiscal year to 250,452 million yen. Current liabilities decreased by 20,241 million yen to 188,248 million yen, and non-current liabilities decreased by 1,669 million yen to 62,204 million yen.

The decrease in current liabilities was mainly due to a 10,964 million yen decrease in trade and other payables, a 2,183 million yen increase in other financial liabilities, a 13,277 million yen decrease in other current liabilities, a 1,436 million yen increase in liabilities directly associated with assets classified as held for sale, and other factors.

The decrease in noncurrent liabilities was mainly due to a 1,212 million yen decrease in other financial liabilities, a 4,109 million yen decrease in defined benefit liabilities, a 3,847 million yen increase in deferred tax liabilities, and other factors.

Total equity at the end of the current fiscal year increased by 81,088 million yen from the end of the previous fiscal year to 903,194 million yen.

This was mainly due to an 80,359 million yen increase in retained earnings from the end of fiscal year 2021 caused by net profit attributable to owners of the parent company and dividends, etc., and an 18,464 million yen increase in other components of equity.

(2) Operating Results

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

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

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

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

Operating Results by segment

(Industrial Tape)

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

As a result of the above, revenue increased by 6.3% to 339,433 million yen and operating profit decreased by 27.1% to 27,553 million yen.

(Optronics)

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

In Flexible Printed Circuits, revenue increased from the previous fiscal year. In high-precision circuits for high-end smartphones, the result was driven by an increase in the number of models installed, while demand for CIS (Circuit Integrated Suspension) for data centers decreased due to an adjustment in the HDD (Hard Disk Drives) market.

As a result of the above, revenue increased by 5.0% to 482,432 million yen and operating profit increased by 34.4% to 129,867 million yen.

(Human Life)

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

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

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

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

(Others)

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

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

Since “Human Life” has been newly established in the reportable segments from the current fiscal year, partial changes have been made to reportable segments.

1. “Human Life” includes “Life Science” and “Membrane” which was previously included in “Others.” In addition, the Personal Care Components business of Mondi, acquired in the current fiscal year, has been newly established as “Personal Care Materials” in “Human Life.” Certain related business have been transferred from “Industrial Tape” to “Personal Care Materials.”
2. “Others” includes “New Business.”

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 329,966 million yen as of the year ended March 31, 2023, a decrease of 32,079 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 181,702 million yen as a result of operating activities (an increase of 144,489 million yen at the end of the previous fiscal year). The main factors responsible for the increase were profit before income taxes of 146,840 million yen, depreciation and amortization of 57,362 million yen and impairment losses of 4,036 million yen, and increase (decrease) in defined benefit liabilities of 1,270 million yen and decrease (increase) in trade and other receivables of 44,492 million yen and interest and dividend income of 1,283 million yen, while the main offsetting factor was decrease (increase) in inventories of 2,230 million yen and increase (decrease) in trade and other payables of 15,779 million yen and increase (decrease) in advances received of 17,420 million yen and income taxes (paid) refunded of 38,748 million yen.

(Cash flow from investing activities)

Cash decreased by 159,906 million yen as a result of investing activities (a decrease of 57,594 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 65,921 million yen, purchase of shares of subsidiaries and affiliates of 1,703 million yen, purchase of shares of subsidiaries resulting in change in scope of consolidation of 95,263 million yen, while the main offsetting factor was proceeds from sale of investment securities of 2,675 million yen.

(Cash flow from financing activities)

Cash decreased by 57,627 million yen as a result of financing activities (a decrease of 36,639 million yen at the end of the previous fiscal year). The main factors responsible for the decrease were re 1 of finance lease obligations of 5,567 million yen, decrease (increase) in treasury shares of 18,008 million yen, and cash dividends paid of 34,046 million yen.

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

	March 2020	March 2021	March 2022	March 2023
Ratio of equity attributable to owners of the parent company to total assets (%)	74.8	74.1	75.0	78.2
Ratio of equity attributable to owners of the parent company on a market value basis (%)	80.6	144.9	119.3	108.1
Ratio of liabilities with interest to cash flow (year)	0.2	0.2	0.2	0.1
Interest coverage ratio (times)	190.1	188.3	269.8	337.4

(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. 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	207,176	98.7
Optronics	508,872	120.3
Human Life	119,482	140.2
Others	7	-
Total	835,540	116.4

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

2. Since "Human Life" has been newly established in the reportable segments from the current fiscal year, partial changes have been made to reportable segments. 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	334,456	105.9
Optronics	469,330	103.8
Human Life	123,974	147.6
Others	1,275	105.7
Total	929,036	108.9

(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. Since "Human Life" has been newly established in the reportable segments from the current fiscal year, partial changes have been made to reportable segments. 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 increased 8.9% to 929,036 million yen for the year ended March 31, 2023 (hereinafter "the current fiscal year") from the year ended March 31, 2022 (hereinafter "the previous fiscal year"). This was mainly due to increased sales of Functional Base Products, Flexible Printed Circuits and other products.

Cost of sales increased by 7.4% year-on-year to 591,592 million yen. The cost of sales to revenue ratio decreased by 0.9 percentage points year-on-year to 63.7%.

Selling, general and administrative expenses increased by 12.2% year-on-year to 145,436 million yen. The ratio of selling, general and administrative expenses to revenue increased by 0.5 percentage points year-on-year to 15.7%. Research and development expenses increased by 7.8% year-on-year to 40,175 million yen. The ratio of research and development expenses to revenue decreased by 0.1 percentage points year-on-year to 4.3%.

As a result, operating profit increased by 11.3% year-on-year to 147,173 million yen.

Profit before income taxes increased by 10.9% year-on-year to 146,840 million yen.

Income tax expenses were 37,576 million yen in the current fiscal year, compared to 35,143 million yen in the previous fiscal year, and the effective tax rate after the application of deferred tax accounting was 25.6% (26.5% in the previous fiscal year).

Net profit attributable to owners of the parent company increased by 12.4% year-on-year to 109,173 million yen. Basic earnings per share increased by 12.6% year-on-year to 738.77 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 31 million yen from the end of the previous fiscal year to 272 million yen. The cash and cash equivalents balance was 329,966 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 significant accounting policies, 4. Significant accounting estimates and judgments."

5. Material Contracts, etc.

At the meeting of the Board of Directors held on December 26, 2022, the Company resolved to execute absorption-type merger of a consolidated subsidiary, Mie Nitto Denko Corporation (hereinafter “Mie Nitto”) effective April 1, 2023.

(1) Purpose of the merger

Mie Nitto is a wholly owned subsidiary of the Company, producing materials for the Nitto Group products. The purpose of the merger is to improve business efficiency concentrating management resources.

(2) Summary of the merger

(i) Schedule of the merger

Date of resolution at the meeting of the Board of Directors: December 26, 2022

Date of execution of the absorption-type merger agreement: January 10, 2023

Merger date (effective date): April 1, 2023

(Note) Because, for the Company, the merger is a simplified absorption-type merger in Article 796, Paragraph 2 of the Companies Act of Japan and, for Mie Nitto, it is a short-form absorption-type merger under Article 784, Paragraph 1 of the Companies Act of Japan, the merger is being executed without obtaining approval by resolution of a general meeting of shareholders of both the Company and Mie Nitto.

(ii) Method of the merger

The merger will be conducted through an absorption-type merger method in which the Company will be the surviving company and Mie Nitto will be dissolved as the absorbed company.

(iii) Allotment upon the merger

Since the merger is an absorption-type merger with the Company’s wholly-owned subsidiary, no allotment of new shares, monies or other properties will be performed upon the merger.

(iv) Assets and liabilities to be assumed (As of March 31, 2023)

Total assets: 1,342 million yen

Total liabilities: 448 million yen

(v) Overview of the surviving company (As of March 31, 2023)

Company name: Nitto Denko Corporation

Capital: 26,783 million yen

Description of business: Sales and manufacturing of industrial/electric/functional materials

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, thin layer formation, optical design, circuit formation, separation, porous formation, drug delivery systems, and oligonucleotide synthesis.

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: Corporate Research and Development Division, New Business Development Division, and 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.

The Group actively engages in open innovation to develop various new technologies and products. In the current fiscal year, Bend Labs, Inc. was integrated into the Group, operating as Nitto Bend Technologies, Inc. in Farmington in the U.S. The Group will combine the sensor device technologies developed by Bend Labs, Inc. with the Group's strengths to develop new products and create new businesses that utilize data acquired from the sensors.

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 2023" 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, influence of patents, success rate, global performance, and rarity. Starting in 2012, Nitto was awarded ten times.

The number of employees in the research and development division was 1,720 for the Group, of which 1,063 were for the Company, in the current fiscal year. The Group's total research and development expenses were 40,175 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 9,128 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 for the realization of 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. We have also begun to use biomass adhesives and recycled materials through the recycling of resources to reduce CO_2 emissions throughout the supply chain.

We are developing new products to meet the needs of our customers and expanding the product lines, focusing on three key areas of new product development: Power & Mobility, Digital Interface, and Human Life.

In Power & Mobility, we are working in response to the accelerating expansion of the electric vehicle market and technology changes. In addition to developing new products related to improving the safety and performance of lithium-ion batteries, we are expanding our product lines of insulating materials for fuel cells and motors/alternators, vent filters for electric/electronic components, and thermal management materials for automotive devices.

In Digital Interface, we are developing process tape used in the manufacturing processes of semiconductors, electronic components, and next-generation displays. We help improve the productivity in the manufacturing processes of our customers who continue to look for high quality.

We are also working on adding a repeelability feature to bonding materials for high-end smartphones in addition to adhesiveness and shock absorption features. We will also contribute to improving sustainability by promoting repair and recycling products with the digital interface.

In Human Life, we will develop solutions to improve people's lives through medical packaging films and porous materials from precision-processed special engineering plastics.

Research and development expenses for this segment were 7,430 million yen in the current fiscal year.

(2) Optronics

In Information Fine Materials, while accelerating the shift from liquid crystal displays (LCD) to organic light emitting displays (OLED) for smartphones and other displays, we focus on optical films such as polarizing films and retardation film as well as on developing process materials and functional films used in the OLED panel production. In addition to polarizing films, we offer our customers total solutions, including displays and their peripheral materials, to provide various values.

In the automotive industry, entertainment and comfort in the car are highlighted due to the development of self-driving technology, and the number of in-vehicle displays has increased with larger display sizes. Along with this trend, we are developing products according to the demands, including the larger size of polarizing films used, with better heat resistance, ultraviolet (UV) resistance, and low shrinkage compared to previous products.

We are also developing products for VR devices, which are gaining popularity as a new device. 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 automotive dimming sunroofs and various sensors by utilizing the sputtering technology used for ITO film production.

In these future developments, we are accelerating the development of solvent-free products and new products using recycled and bio-based materials, considering the environmental impact.

In the circuit materials business, we have increased demand for circuits for hard disk drives (HDDs) used in data centers. We continue developing fine wiring and new plating technologies to enhance HDD recording density. We are also developing high-precision substrates for smartphones by applying circuits for HDDs, and are expanding our production capacity in printed circuit boards.

In the new market endeavor, we are developing low-dielectric substrate materials using the Group's proprietary porous technology and are presenting them to our customers.

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

Research and development expenses for this segment were 11,548 million yen in the current fiscal year.

(3) Human Life

In Life Science, we are working to reduce the amount of solvents used and develop processes necessary to increase manufacturing capacity, preparing for the growing demand for oligonucleotide process materials. To reduce solvents, we have initiated medium- and long-term technology development to reduce, replace, and eliminate environmentally hazardous substances in the manufacturing process of oligonucleotide process materials and bulk oligonucleotide therapeutics.

In medical materials, we are working to reduce environmentally hazardous substances in our products and packaging and promoting efforts to develop technologies that enable prevention and early treatment, looking ahead to turning points in the medical field.

In Membrane, the Shiga Plant achieved the target recycling rate of 90% at the end of the fiscal year 2022, as a five-year plan started in 2018 to recycle wastewater generated in the reverse osmosis membrane manufacturing process. Some of the products developed in these efforts were launched as the PRO Series, contributing to zero liquid discharge (ZLD) for factories in China, India, and other regions with strict wastewater regulations.

We will continue to develop products that meet social needs and contribute to water resource recycling, energy saving in customers' production processes, and CO_2 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. Using 100% solvent-free adhesive and lamination and processing technologies that can contribute to the global environment, we will strive at the forefront of the market to provide innovative hygiene materials that are comfortable and safe for consumers.

In addition, we will actively promote business expansion to the area 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 7,224 million yen in the current fiscal year.

(4) Others

In new businesses in Others, we developed plastic optical fiber cables that revolutionize high-speed, large-capacity communications in the information and telecommunications sectors. We established a mass production system and shipped them for VR headset applications in the current fiscal year.

In the digital health field, we developed disposable Holter ECG devices and began pilot sales in the current fiscal year jointly with Astellas Pharma Inc. and M.Heart Co. Ltd.

Research and development expenses for this segment were 4,842 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 50,789 million yen.

In Industrial Tape, 14,763 million yen was invested, such as in the production capacity increase of adhesive tapes.

In Optronics, 24,372 million yen was invested in increasing the production capacity of optical films for VR and other applications and building a production system for CIS (Circuit Integrated Suspension) in Flexible Printed Circuits.

In Human Life, 6,197 million yen was invested in improving the production system for oligonucleotide therapeutics, etc.

In Others, 850 million yen was invested, such as in installing prototype equipment for new business development.

Capital expenditure that has no direct association with any of the operating segments was 4,604 million yen.

2. Major Facilities

The Group's major facilities are as follows.

(1) Reporting company

As of March 31, 2023

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	3,431	800	1,104 (383,973)	2	390	5,730	174 [37]
Kanto Plant (Fukaya, Saitama)	Industrial Tape	Tape-related products manufacturing facility	4,574	4,398	1,155 (69,920)	77	428	10,633	324 [5]
Toyohashi Plant (Toyohashi, Aichi)	Industrial Tape Optronics	Tape-related products manufacturing facility Information Fine Materials manufacturing facility	16,908	16,146	6,040 (336,812)	71	1,274	40,441	1,610 [32]
Kameyama Plant (Kameyama, Mie)	Optronics	Flexible Printed Circuits manufacturing facility Information Fine Materials manufacturing facility	16,339	20,296	79 (133,119)	34	1,272	38,022	1,187 [161]
Shiga Plant (Kusatsu, Shiga)	Human Life Optronics	Membrane module manufacturing facility Information Fine Materials manufacturing facility	2,974	1,906	1,580 (74,303)	52	132	6,645	281 [84]
Onomichi Plant (Onomichi, Hiroshima)	Optronics	Information Fine Materials manufacturing facility	19,955	13,142	3,575 (182,528)	4	399	37,077	1,581 [44]
Ibaraki Office (Ibaraki, Osaka)	Industrial Tape Optronics Human Life Others	Research and development facility	10,332	2,367	239 (24,777)	1	957	13,898	597 [17]

(2) Subsidiaries

As of March 31, 2023

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	1,743	1,140	282 (43,232)	104 (-)	438	3,710	269 [133]
Nissho Corporation (Osaki, Miyagi and Ritto, Shiga)	Industrial Tape	Tape-related products manufacturing facility	1,600	656	569 (12,169)	364 (-)	354	3,544	336 [93]
(Overseas subsidiaries)									
Nitto, Inc. (Teaneck, the U.S.)	Industrial Tape	Tape-related products manufacturing facility	1,489	1,628	190 (135,789)	1,289 (-)	244	4,842	604 [46]
Nitto Denko Avecia Inc. (Milford, the U.S.)	Human Life	Medical products manufacturing facility	8,500	4,500	596 (107,241)	70 (-)	226	13,893	631 [1]
Nitto Belgium NV (Genk, Belgium)	Industrial Tape	Tape-related products manufacturing facility	775	4,937	155 (202,644)	312 (-)	118	6,299	526 [3]
Nitto Advanced Film Gronau GmbH (Gronau, Germany)	Human Life	Personal Care Materials manufacturing facility	6,493	7,368	751 (104,498)	219 (-)	1,378	16,210	625 [-]
Nitto Advanced Nonwoven Ascania (Aschersleben, Germany)	Human Life	Personal Care Materials manufacturing facility	3,089	2,530	122 (71,489)	11 (-)	57	5,811	152 [2]
Nitto Denko (Taiwan) Corporation (Kaohsiung City, Taiwan)	Industrial Tape	Tape-related products manufacturing facility	2,062	1,369	- (-)	86 (33,522)	108	3,626	329 [9]
Nitto Denko (Shanghai Songjiang) Co., Ltd. (Shanghai, China)	Industrial Tape Human Life	Tape-related products manufacturing facility Membrane module manufacturing facility	3,143	3,780	- (-)	202 (100,516)	96	7,222	480 [-]
Korea Nitto Optical Co., Ltd. (Pyeongtaek, Korea)	Optronics	Information Fine Materials manufacturing facility	6,919	1,596	208 (86,745)	53 (-)	876	9,653	947 [-]
Taiwan Nitto Optical Co., Ltd. (Taichung City, Taiwan)	Optronics	Information Fine Materials manufacturing facility	1,934	1,047	- (-)	93 (52,589)	234	3,309	999 [4]
Shenzhen Nitto Optical Co., Ltd. (Shenzhen, China)	Optronics	Information Fine Materials manufacturing facility	7,116	3,229	- (-)	384 (52,301)	183	10,914	1,540 [-]
Nitto Denko Vietnam Co., Ltd. (Binh Duong, Vietnam)	Optronics	Flexible Printed Circuits manufacturing facility	5,508	16,251	- (-)	143 (38,153)	435	22,339	1,693 [-]
Nitto Vietnam Co., Ltd. (Hanoi, Vietnam)	Optronics	Information Fine Materials manufacturing facility	1,161	1,265	- (-)	569 (3,672)	208	3,206	438 [-]

(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, 2023, 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	9,038	1,163	Equity Loan	April 2020	May 2025
The Company Kanto Plant	Fukaya, Saitama	Industrial Tape	Tape-related products manufacturing facility	7,829	2,242	Equity Loan	April 2020	September 2025
The Company Toyohashi Plant	Toyohashi, Aichi	Industrial Tape Optronics	Tape-related products manufacturing facility Information Fine Materials manufacturing facility	21,120	6,857	Equity Loan	April 2020	December 2025
The Company Kameyama Plant	Kameyama, Mie	Optronics	Flexible Printed Circuits manufacturing facility Information Fine Materials manufacturing facility	20,329	5,159	Equity Loan	April 2020	May 2025
The Company Shiga Plant	Kusatsu, Shiga	Human Life Optronics	Membrane module manufacturing facility Information Fine Materials manufacturing facility	9,820	534	Equity Loan	April 2021	December 2025
The Company Onomichi Plant	Onomichi, Hiroshima	Optronics	Information Fine Materials manufacturing facility	17,511	6,722	Equity Loan	April 2020	April 2025
The Company Ibaraki Office	Ibaraki, Osaka	Industrial Tape Optronics Human Life Others	Research and development facility	4,446	1,325	Equity Loan	April 2020	March 2026
Kinovate Life Sciences, Inc.	Oceanside the U.S.	Human Life	Nucleic acid synthesis materials manufacturing facility	12,018	1,295	Loan	February 2022	September 2024

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 Avecia Inc.	Milford the U.S.	Human Life	Oligonucleotide contract manufacturing facility	28,328	17,542	Equity	July 2020	June 2025
Nitto Material Technology (Chengdu) Co., Ltd.	Chengdu, China	Optronics	Information Fine Materials manufacturing facility	13,932	-	Equity Loan	February 2023	February 2025
Nitto Denko Vietnam Co., Ltd.	Binh Duong Vietnam	Optronics	Flexible Printed Circuits manufacturing facility	17,704	7,769	Equity Loan	June 2019	March 2024
Nitto Vietnam Co., Ltd.	Hanoi Vietnam	Optronics	Information Fine Materials manufacturing facility	17,214	-	Equity Loan	April 2023	February 2026

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, 2023)	Number of issued shares as of the filing date (Shares) (June 23, 2023)	Stock exchange on which the Company is listed/Authorized financial instruments firms associations to which the Company is affiliated	Description
Common stock	149,758,428	149,758,428	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	149,758,428	149,758,428	-	-

(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, 20. 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, 2019	(15,000,000)	158,758,428	-	26,783	-	50,482
March 15, 2021	(9,000,000)	149,758,428	-	26,783	-	50,482

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

(5) Shareholding by shareholder category

As of March 31, 2023

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)	-	80	35	354	790	17	25,535	26,811	-
Number of shares held (Units)	-	645,647	61,280	47,444	581,751	156	160,567	1,496,845	73,928
Ratio of shares held (%)	-	43.13	4.09	3.17	38.87	0.01	10.73	100.00	-

(Notes) 1. 3,840,554 shares of treasury shares include 38,405 units in "Individuals and others" and 54 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, 2023

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)	2-11-3 Hamamatsucho, Minato-ku, Tokyo	40,683	27.88
Custody Bank of Japan, Ltd. (Trust Account)	1-8-12 Harumi, Chuo-ku, Tokyo	15,667	10.74
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)	5,008	3.43
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)	2,554	1.75
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 (2-11-3 Hamamatsucho, Minato-ku, Tokyo)	2,082	1.43
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)	1,960	1.34
SSBTC CLIENT OMNIBUS ACCOUNT (Standing proxy: The Hongkong and Shanghai Banking Corporation Limited, Tokyo Branch)	ONE LINCOLN STREET, BOSTON MA USA 02111 (3-11-1 Nihombashi, Chuo-ku, Tokyo)	1,831	1.26
STATE STREET BANK AND TRUST COMPANY 505103 (Standing proxy: The Hongkong and Shanghai Banking Corporation Limited, Tokyo Branch)	ONE LINCOLN STREET, BOSTON MA USA 02111 (3-11-1 Nihombashi, Chuo-ku, Tokyo)	1,747	1.20
STATE STREET BANK AND TRUST COMPANY 505103 (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)	1,598	1.10
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)	1,582	1.08
Total	-	74,716	51.20

(Note) 1. The eighth and ninth major shareholders are listed under the same shareholder name in the shareholder registry, but they are under different names with different standing proxies.

2. 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, 2023.

(1) A total of three shareholders comprising Nomura Securities Co., Ltd. and its joint holders
16,288 thousand shares (as of July 1, 2020)

(2) 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)

(3) A total of four shareholders comprising MUFG Bank, Ltd. and its joint holders
9,387 thousand shares (as of August 22, 2022)

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

(5) A total of two shareholders comprising MFS Investment Management K.K. and its joint holder
9,708 thousand shares (as of May 31, 2023)

(7) Voting rights

(i) Issued shares

As of March 31, 2023

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 3,840,500	-	The Company's standard stock whose rights are not subject to any restrictions.
Shares with full voting rights (others)	Common shares 145,844,000	1,458,440	Same as above
Shares below one unit	Common shares 73,928	-	-
Total number of issued shares	149,758,428	-	-
Total voting rights held by all shareholders	-	1,458,440	-

(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, 2023

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	3,840,500	-	3,840,500	2.56
Total	-	3,840,500	-	3,840,500	2.56

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	-	-
Acquired treasury shares during the current fiscal year	2,121,800	17,998,779,000
Total number and value of remaining resolution shares	4,878,200	32,001,221,000
Unexercised percentage as of March 31, 2023 (%)	69.7	64.0
Acquired treasury shares during the current term	2,235,400	19,999,339,981
Unexercised percentage as of the filing date (%)	37.8	24.0

(Note) “Acquired treasury shares during the current term” does not include the number of shares acquired from June 1, 2023 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	426	3,560,980
Acquired treasury shares during the current term	-	-

(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, 2023 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	-	-	-	-
Acquired treasury shares transferred due to merger, share exchange, share delivery or company split	-	-	-	-
Others (Note 2)	27,500	154,007,521	-	-
Number of treasury shares held	3,840,554	-	3,840,554	-

(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, 2023 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, 2023 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: 2,600, total amount disposed: 14,561,794 yen) and disposal due to restricted share remuneration (number of shares: 24,900, total amount disposed: 139,445,727 yen).

3. Dividend Policy

The Company's dividend policy is to ensure stable and fair returns to its shareholders. At the same time, it is essential to make proactive prior investments in research and development and production from internal reserves in order to catch up with rapid technological innovation and meet customer demands in a timely manner.

Dividends to shareholders are determined by taking into account various factors, including the investment opportunities in the future, financial position, capital efficiency, profit levels and payout ratio. And uses of internal reserves are also determined by taking into account various factors with regularly checking the level.

In accordance with the basic policy outlined above, the Company has planned to pay 120 yen per share for the year-end dividend of the fiscal year 2022, which is unchanged from the interim dividend, therefore the full-year total of 240 yen per share.

The Company has planned to pay the full-year total of 260 yen per share as the dividend amount for the following fiscal year, taking into account various factors, including profit and capital investment.

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, 2022 Board of Directors	17,764	120
June 23, 2023 Ordinary General Meeting of Shareholders	17,510	120

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 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 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, each business execution department shall provide reports to the Board of Directors and Corporate Strategy Meeting of Nitto Denko Corporation (hereinafter “Nitto”) as needed. In respect of Operational Risks, an officer in charge of risk management shall be appointed and a department in charge of risk management shall be established to create a system for Nitto’s Board of Directors and Corporate Strategy Meeting to receive reports on Operational Risks.

(5) Development of a crisis management system

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

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 in general

- 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

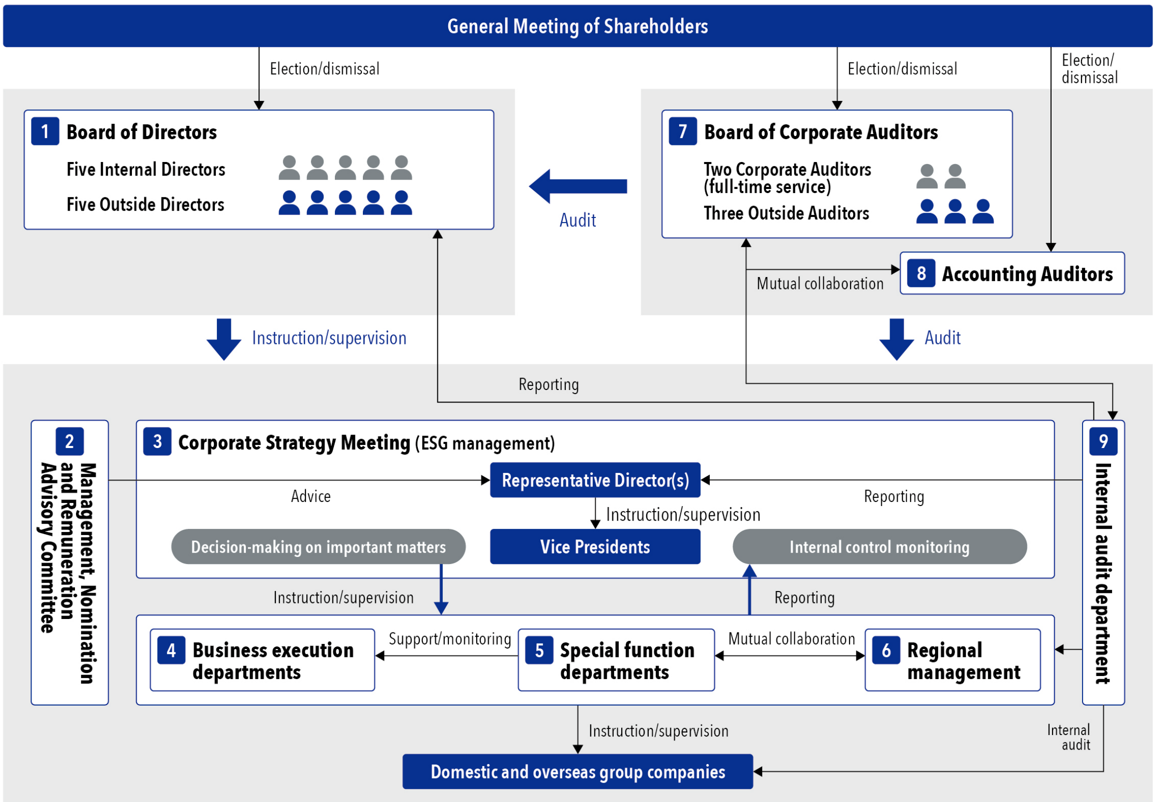
- When Nitto's Corporate Auditors demand from Nitto any advance payment or reimbursement of expenses that are incurred in the execution of their duties, such expenses or liabilities shall be processed promptly after deliberations by the division in charge, unless it is proven that the expenses or liabilities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

Corporate governance structure



Institution	Roles, etc.
1 **Board of Directors** [Chairperson] Hideo Takasaki, President-Director	**[Composition] Five (5) Internal Directors and five (5) Outside Directors (ten (10) in total)** · 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, five (5) Outside Directors, three (3) Outside Corporate Auditors (nine (9) 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-six (26) Directors and Vice Presidents (including those concurrently serving as Directors; twenty-seven (27) 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) Auditors 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.

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

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

(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 are 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%
Nobuhiro Todokoro	9	8	89%
Yosuke Miki	12	12	100%
Yasuhiro Iseyama	12	12	100%
Yoichiro Furuse	12	12	100%
Takashi Hatchoji	12	11	92%
Tamio Fukuda	12	12	100%
Wong Lai Yong	12	12	100%
Michitaka Sawada	12	12	100%
Yasuhiro Yamada	10	10	100%
Masami Kanzaki	12	12	100%
Shin Tokuyasu	12	12	100%
Masashi Teranishi	12	12	100%
Masakazu Toyoda	12	12	100%
Mitsuhide Shiraki	12	12	100%

(Notes) 1. The attendance of Representative Director Nobuhiro Todokoro is before his resignation on December 28, 2022.

2. Outside Director Takashi Hatchoji, Corporate Auditor (full-time service) Masami Kanzaki, and Outside Corporate Auditor Masakazu Toyoda retired at the close of the 158th Ordinary General Meeting of Shareholders held on June 23, 2023.

<Topics discussed at Board of Directors meetings in the fiscal year 2022>

Management

- Revision in The Nitto Way
- Drawing up of the mid-term management plan
- Development of a succession plan for officers
- Measures against climate change
- Individual M&A deals

Monitoring

- Verification of the implementation status of internal control

Others

- Cross-shareholdings
- Dialogue with investors

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

The Committee met three 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	3	3	100%
Nobuhiro Todokoro	2	1	50%
Yoichiro Furuse	3	3	100%
Takashi Hatchoji	3	2	67%
Tamio Fukuda	3	3	100%
Wong Lai Yong	3	3	100%
Michitaka Sawada	3	3	100%
Yasuhiro Yamada	3	3	100%
Masashi Teranishi	3	3	100%
Masakazu Toyoda	3	3	100%
Mitsuhide Shiraki	3	3	100%

(Notes) 1. The attendance of Representative Director Nobuhiro Todokoro is before his resignation on December 28, 2022.

2. Outside Director Takashi Hatchoji and Outside Corporate Auditor Masakazu Toyoda retired at the close of the 158th Ordinary General Meeting of Shareholders held on June 23, 2023.

<Major consultations and deliberations during the current fiscal year>

Management

- Management framework and changes in the external environment
- Human resources strategy and human capital disclosures

Nomination

- Director appointment standards

Remuneration

- Revision of the standards for granting performance-linked share-based remuneration
- Confirmation of consistency between the executive remuneration policy and this fiscal year’s director remuneration

(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)	48
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)	8
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)	7
Director Senior Executive Vice President	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	Joined Nitto Denko Corporation General Manager of Printed Circuits Department, Industrial Business Division General Manager of Planning & Management Division, Information and Communication Technology Division General Manager of Planning & Management Division, Tape Products Sector and General Manager of Planning & Management Division, 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 of 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 (present)	(Note 4)	10

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) Director (part-time service) (present)	(Note 4)	2
Director	Tamio Fukuda	June 19, 1948	April 1989 October 1999 April 2013 June 2018	Design Advisor of Samsung Electronics Co., Ltd., South Korea (retired in September 1999) Professor, Graduate School of Science and Technology, Kyoto Institute of Technology Professor Emeritus, Kyoto Institute of Technology (present) Outside Director, Nitto Denko Corporation (present)	(Note 4)	1
Director	Wong Lai Yong	January 10, 1972	September 2013 July 2018 October 2019 June 2020 November 2022	Founder, Principal Trainer and Consultant, First Penguin Sdn. Bhd. (present) Director, Penang Women's Development Corporation (present) Adjunct Associate Professor, Graduate School of Leadership & Innovation, Shizenkan University Deputy Center Leader, Center for Sustainability and Innovation (present) Outside Director, Nitto Denko Corporation (present) Outside Director, Farmnote Holdings, Inc. (present)	(Note 4)	-
Director	Michitaka Sawada	December 20, 1955	April 1981 June 2008 June 2012 June 2020 January 2021 June 2021 June 2022	Joined Kao Soap Co., Ltd. Director, Executive Officer, Kao Corporation Representative Director, President and CEO, Kao Corporation Outside Director, Panasonic Corporation (Now called Panasonic Holdings Corporation) (present) Director and Chair of the Board of Directors, Kao Corporation (present) Outside Director, Nitto Denko Corporation (present) Outside Director, Komatsu Ltd. (present)	(Note 4)	-
Director	Yasuhiro Yamada	June 28, 1963	April 1987 May 2018 June 2022 September 2022	Joined Bank of Japan Executive Director of Bank of Japan (retired in May 2022) Outside Director, Nitto Denko Corporation (present) Outside Director, SUSMED, Inc. (present)	(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 2022 June 2023	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 Director, Starzen Co., Ltd. (present) Outside Director, Nitto Denko Corporation (present)	(Note 4)	-

Title and position	Name	Date of birth	Career summary		Term	Number of shares held (Thousand shares)
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)	6
Corporate Auditor (part-time service)	Masashi Teranishi	February 6, 1947	April 1969 January 2002 June 2002 May 2004 July 2004 January 2006 June 2008 June 2011	Joined The Sanwa Bank, Ltd. President and Representative Director of UFJ Bank Limited Director of UFJ Holdings, Inc. (retired in June 2004) Representative Director of UFJ Bank Limited (retired in May 2004) Honorary Adviser of UFJ Bank Limited Honorary Advisor of The Bank of Tokyo-Mitsubishi UFJ, Ltd. (Now called MUFG Bank, Ltd.) (present) Outside Corporate Auditor of Nitto Denko Corporation (present) Outside Director of Tsukishima Kikai Co., Ltd. (Now called Tsukishima Holdings Co., Ltd.) (retired in June 2018)	(Note 6)	-
Corporate Auditor (part-time service)	Mitsuhide Shiraki	May 6, 1951	April 1990 April 1999 April 2005 October 2009 June 2012 October 2012 August 2013 October 2015 October 2021 April 2022 April 2022	Professor, Faculty of Political Science and Economics, Kokushikan University Professor, School of Political Science and Economics, Waseda University Professor, Faculty of Political Science and Economics, Waseda University Vice President of Japan Academy of International Business Studies Outside Corporate Auditor of Nitto Denko Corporation (present) Permanent Director of Japan Academy of International Business Studies President of Japan Society of Human Resource Management (retired in August 2015) Chairperson of Japan Academy of International Business Studies Permanent Director of Japan Academy of International Business Studies (present) Professor Emeritus, Waseda University (present) Visiting Professor, Kokushikan University (present)	(Note 6)	-
Corporate Auditor (part-time service)	Yasuko Kobashikawa	July 9, 1965	February 2001 June 2006 June 2015 December 2017 June 2023	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 of Nitto Denko Corporation (present)	(Note 5)	-
Total						89

(Notes) 1. CEO: Chief Executive Officer
COO: Chief Operating Officer
CTO: Chief Technology Officer
CFT: Chief Financial Officer
CIO: Chief Information Officer
CPO: Chief Procurement Officer
2. Directors Tamio Fukuda, Wong Lai Yong, Michitaka Sawada, Yasuhiro Yamada, and Mariko Eto are Outside Directors.
3. Corporate Auditors Masashi Teranishi, Mitsuhide Shiraki, and Yasuko Kobashikawa are Outside Corporate Auditors.
4. One year from the close of the Ordinary General Meeting of Shareholders held on June 23, 2023
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 19, 2020
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
Senior Vice President	Atsushi Ukon
Senior Vice President	Bae-Won Lee
Senior Vice President	Norio Sato
Senior Vice President	Katsuyoshi Jo
Senior Vice President	Tatsuya Akagi
Senior Vice President	Yukihiro Horikawa
Senior Vice President	Nobuyuki Aoki
Senior Vice President	Kenjiro Asuma
Senior Vice President	Yasuhiro Hayashi
Vice President	Scott Shu
Vice President	Shingo Suita
Vice President	Yoshihiko Terada
Vice President	Hitoki Kanagawa
Vice President	Yoichiro Sugino
Vice President	Nao Murakami
Vice President	Hisataka Ishida
Vice President	Naoki Makino
Vice President	Michihiro Hagiwara
Vice President	Junichi Matsumoto
Vice President	Hiroyuki Katayama

(ii) Outside Directors and Corporate Auditors

Name	Important concurrent positions	Relationship with the Company and reason for appointment
Outside Director Tamio Fukuda	Kyoto Institute of Technology	(i) In the current fiscal year, Mr. Tamio Fukuda participated in all the Board of Directors meetings (12 times) and made useful comments based on his insights as a university professor specializing in design management and experience in business management as a corporate advisor. It is expected that he will continue to oversee the Board of Directors and provide opinions on the management of Nitto from the perspectives of brand building and innovation creation based on his insights and experience as an expert as detailed above. He will also continue working as a member of the Management, Nomination and Remuneration Advisory Committee. (ii) The Company stipulates "Criteria for Appointment of Independent Outside Directors and Outside Corporate Auditors" and selects candidates for Outside Directors based on the said criteria. The Company designated Mr. Fukuda as an Independent Director as stipulated by Tokyo Stock Exchange and reported such designation to the Exchange. Mr. Fukuda also currently serves as a professor emeritus of Kyoto Institute of Technology. Although the Company conducts joint research with the University, the annual amount is less than 0.0005% of Nitto's consolidated revenue. Thus, the Company's relationship with the University does not affect his independence.
Outside Director Wong Lai Yong	First Penguin Sdn.Bhd.	(i) Ms. Wong Lai Yong participated in all the Board of Directors meetings (12 times) during the current fiscal year and provided useful opinions on diversity and sustainability including the promotion of women and non-Japanese nationals based on her experience of studying and working in Japan for about 16 years and diverse experience and track records in her home country, Malaysia, and other Asian countries. 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. She will also continue working as a member of the Management, Nomination and Remuneration Advisory Committee. (ii) The Company stipulates "Criteria for Appointment of Independent Outside Directors and Outside Corporate Auditors" and selects candidates for Outside Directors based on the said criteria. The Company designated Ms. Wong as an Independent Director as stipulated by Tokyo Stock Exchange and reported such designation to the Exchange. Ms. Wong also currently serves as an important executing person of First Penguin Sdn. Bhd., with which the Company does not engage in transactions.

Name	Important concurrent positions	Relationship with the Company and reason for appointment
Outside Director Michitaka Sawada	Kao Corporation Panasonic Holdings Corporation Komatsu Ltd.	(i) Mr. Michitaka Sawada participated in all meetings (12 times) of the Board of Directors held during the current fiscal year and provided useful opinions based on his diverse experience and achievements as a leading corporate manager in ESG promotion. 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. He will also continue working as a member of the Management, Nomination and Remuneration Advisory Committee. (ii) The Company stipulates “Criteria for Appointment of Independent Outside Directors and Outside Corporate Auditors” and selects candidates for Outside Directors based on the said criteria. The Company designated Mr. Sawada as an Independent Director as stipulated by Tokyo Stock Exchange and reported such designation to the Exchange. Mr. Sawada also currently serves as an important executing person of Kao Corporation, with which the Company does not engage in transactions.
Outside Director Yasuhiro Yamada	SUSMED, Inc.	(i) Mr. Yasuhiro Yamada participated in all the Board of Directors meetings (10 times) held during the current fiscal year and provided useful opinions based on his diverse experience and achievements as an expert in financial economy. It is expected that he will continue to oversee the Board of Directors based on his insights and experience as an expert as detailed above and provide a wide range of opinions on the management of Nitto. He will also continue working as a member of the Management, Nomination and Remuneration Advisory Committee. (ii) The Company stipulates “Criteria for Appointment of Independent Outside Directors and Outside Corporate Auditors” and selects candidates for Outside Directors based on the said criteria. The Company designated Mr. Yamada as an Independent Director as stipulated by Tokyo Stock Exchange and reported such designation to the Exchange. In the past, he has also been an important Executive Officer of the Bank of Japan. The Company has no transactions with the Bank.

Name	Important concurrent positions	Relationship with the Company and reason for appointment
Outside Director Mariko Eto	TMI Associates Starzen Co., Ltd.	(i) It is expected that Ms. Mariko Eto will provide opinions based on her expert insights and diverse experience as a lawyer dealing in corporate legal affairs and labor issues. Although she has no direct experience of being involved in corporate management, for the reasons stated above, she is deemed to be able to perform her duties as an Outside Director of the Company appropriately. She will also become a member of the Management, Nomination and Remuneration Advisory Committee. (ii) The Company stipulates "Criteria for Appointment of Independent Outside Directors and Outside Corporate Auditors" and selects candidates for Outside Directors based on the said criteria. The Company designated Ms. Eto as an Independent Director as stipulated by Tokyo Stock Exchange and reported such designation to the Exchange. Furthermore, she is currently a partner of TMI Associates. Although the Company may receive advice on individual matters based on the expertise of TMI Associates, she is not in charge of the Company and the annual amount is less than 0.0005% of Nitto's consolidated revenue. The Company has not entered into a consultant agreement with TMI Associates. Thus, the Company's relationship with TMI Associates does not affect her independence.
Outside Corporate Auditor Masashi Teranishi	MUFG Bank, Ltd.	(i) In the current fiscal year , Mr. Teranishi participated in all the Board of Directors' meetings (12 times) and all the Board of Corporate Auditors' meetings (14 times), performed appropriate audits based on his insight and experience as a manager of a mega bank, and provided useful opinions on the business administration of the Company from the perspective of finance. The Company expects Mr. Teranishi to continue providing opinions on the business administration of the Company from the financial perspective, utilizing his insight and experience as an expert in finance in the auditing of the Company. He will also continue working as a member of the Management, Nomination and Remuneration Advisory Committee. He possesses a broad range of knowledge in finance and accounting. (ii) The Company stipulates "Criteria for Appointment of Independent Outside Directors and Outside Corporate Auditors" and selects candidates for Outside Corporate Auditors based on the said criteria. The Company designated Mr. Teranishi as an Independent Director as stipulated by Tokyo Stock Exchange and reported such designation to the Exchange. Mr. Teranishi also serves as Honorary Advisor of MUFG Bank, Ltd. He was an important executing person of the MUFG group in the past, but it has been ten years or more since then. Further, there is no borrowing from MUFG Bank, Ltd.

Name	Important concurrent positions	Relationship with the Company and reason for appointment
Outside Corporate Auditor Mitsuhide Shiraki	Waseda University Kokushikan University	(i) In the current fiscal year, Mr. Shiraki participated in all the Board of Directors' meetings (12 times) and all the Board of Corporate Auditors' meetings (14 times) and provided useful opinions based on his insight and experience as an expert on labor issues and global human resource development. The Company expects Mr. Shiraki to continue providing opinions on the business administration of the Company from the perspectives of labor and human resource development, utilizing his insight and experience in the auditing of the Company. Although he does not have experience of being directly involved in corporate management, the Company believes that he will be able to execute his duties as an Outside Corporate Auditor of the Company appropriately for the aforementioned reasons. He will also continue working as a member of the Management, Nomination and Remuneration Advisory Committee. (ii) The Company stipulates "Criteria for Appointment of Independent Outside Directors and Outside Corporate Auditors" and selects candidates for Outside Corporate Auditors based on the said criteria. The Company designated Mr. Shiraki as an Independent Director as stipulated by Tokyo Stock Exchange and reported such designation to the Exchange. Mr. Shiraki currently serves as a Professor Emeritus, Waseda University. While the Company has a transaction with the university, it relates to a joint research, and the annual transaction amount is less than 0.001% of consolidated revenue of the Company. The Company's relationship with the university therefore does not affect Mr. Shiraki's independence. Mr. Shiraki also currently serves as a Visiting Professor, Kokushikan University, with which the Company does not engage in transactions.
Outside Corporate Auditor Yasuko Kobashikawa	JK & CREW Tax Accountant's Corporation	(i) It is expected that Ms. Kobashikawa will provide opinions based on many years of experience in auditing companies as a certified public or tax accountant in addition to her perspective as an expert in accounting and finance. Although she has no direct experience of being involved in corporate management, for the reasons stated above, she is deemed to be able to perform her duties as an Outside Corporate Auditor of the Company appropriately. She will also become a member of the Management, Nomination and Remuneration Advisory Committee. She possesses a broad range of knowledge in finance and accounting. (ii) The Company stipulates "Criteria for Appointment of Independent Outside Directors and Outside Corporate Auditors" and selects candidates for Outside Corporate Auditors based on the said criteria. The Company designated Ms. Kobashikawa as an Independent Auditor as stipulated by Tokyo Stock Exchange and reported such designation to the Exchange. Also, she is currently an important executing person of JK & CREW Tax Accountant's Corporation. The Company has no transactions with this company.

(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 ten. 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 five. Furthermore, in order to make important policy decisions in an ever-changing business environment and to exercise a sustained supervisory function, we have identified five qualities, knowledge, experience, etc. (hereinafter collectively referred to as "skills") in "leadership," "technology," "finance," "governance," and "sustainability" for the Board of Directors and Board of Corporate Auditors and believe that a composition that ensures a good balance of such skills will contribute to management.

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 "safety in business management." For this reason, we have chosen insights into and board experience in areas such as legal matters, risk management, and labor as a skill we seek in our Board members.
Sustainability	For a company to keep growing, it needs to help build a sustainable society in addition to achieving its own growth. For this reason, we have chosen a background in areas, such as diversity, environmental contribution, and brand value, as a skill we seek in our Board members.

- 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 an abundant experience of execution within the Company and expertise and three Outside Corporate Auditors with a variety of backgrounds (financial institutions, public offices, universities) 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)	Masami Kanzaki	Mr. Kanzaki has assumed key positions at corporate planning, brands, IT and other administrative departments and sales departments of the Company and as the Representative Director of a Group company, thus having deep insight and extensive experience of business.
Corporate Auditor (full-time service)	Shin Tokuyasu	Mr. Tokuyasu has assumed key positions at accounting & finance and other administrative departments of the Company and as Representative Director of the Company's overseas subsidiary over many years, thus possessing a broad range of knowledge in finance and accounting.
Outside Corporate Auditor	Masashi Teranishi	Mr. Teranishi possesses significant insights into finance and accounting through his long years of involvement in the management of financial institution.
Outside Corporate Auditor	Masakazu Toyoda	Mr. Toyoda has deep insight and extensive experience as an economist involved in national politics in public offices.
Outside Corporate Auditor	Mitsuhide Shiraki	Mr. Shiraki is a specialist of labor issues and global human resource development as a university professor, and has deep insight and extensive experience.

(Notes) 1. Mr. Masami Kanzaki, Corporate Auditor (full-time service), retired at the close of the 158th Ordinary General Meeting of Shareholders held on June 23, 2023.

2. Mr. Masakazu Toyoda, Outside Corporate Auditor, retired at the close of the 158th Ordinary General Meeting of Shareholders held on June 23, 2023.

3. Mr. Toshihiko Takayanagi, Corporate Auditor (full-time service), has assumed office at the 158th Ordinary General Meeting of Shareholders held on June 23, 2023.

4. Ms. Yasuko Kobashikawa, Outside Corporate Auditor, has assumed office at the 158th Ordinary General Meeting of Shareholders held on June 23, 2023.

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	14	14	100%
Shin Tokuyasu	14	14	100%
Masashi Teranishi	14	14	100%
Masakazu Toyoda	14	14	100%
Mitsuhide Shiraki	14	14	100%

c. Status of audit activities

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. And, the Board has conducted audit activities, some of which were remotely for the prevention of COVID-19 infection, 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 and regional headquarters of overseas area, etc.
2. Status of the efforts against business risk issues
   The Board has conducted audits of the Company's sectors, plants, domestic and overseas group companies, and regional headquarters of overseas area with regard to their efforts against procurement of raw materials and geopolitical risks, and the status of solving issues associated with the Company's growth strategy and structural reforms.
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, plants, domestic and overseas group companies, and regional headquarters of overseas area with regard to the effectiveness of the internal control system (status of penetration in areas, appropriate measures taken by head office function departments), and enhancement of internal audit functions (increase in staff numbers, networking of human resources).
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 Outside 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 regional headquarters of overseas area, 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. They have attended the meetings of the Board of Directors and interviewed Representative Director and Directors and attended meetings to exchange opinions with Outside 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 needed.

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, Corporate Auditors share information with KPMG area partners located in the same areas as the Company's overseas six areas, and Accounting Auditors at the information exchange meetings held as needed.

(ii) Status of internal audit

The Company established the Internal Audit Department (12 personnel). Based on the results of regular risk assessment, Internal Audit Department formulates the internal audit plan (audit targets, audit timing) 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.

And as a new attempt, aiming for improvement of the level of internal controls and fraud prevention in the Group companies, it started 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.

- 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 eight 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 30 others

- Consecutive audit period: 38 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, 2022		For the year ended March 31, 2023	
	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	193	70	225	72
Consolidated subsidiaries	14	-	15	-
Total	208	70	241	72

(Note) Details of non-audit services rendered to the Reporting Company by auditing certified public accountants

(For the year ended March 31, 2022)

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, 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.

- 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, 2022		For the year ended March 31, 2023	
	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	-	93	-	134
Consolidated subsidiaries	256	99	315	107
Total	256	193	315	242

(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, 2022)

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, 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.

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

(For the year ended March 31, 2022)

Not applicable.

(For the year ended March 31, 2023)

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 shall be such that Directors are motivated to contribute to Nitto's sustainable growth and the enhancement of its corporate value over the mid- 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 Non-Executive Directors 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)	Bonus for Directors 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*1 over the period of one business term and by the progress made against the targets set for each Director's areas of responsibilities.
Medium-term performance-linked remuneration	Performance-linked share-based remuneration	This additional remuneration is designed to incentivize Directors to improve business performance over the mid-term, and share-based remuneration is granted once every three consecutive business terms. The number of shares to be granted to each Director will be determined based on consolidated operating profit, consolidated ROE, and ESG-related items (future-financial indicators which the Company have positioned as materiality issues)*2 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 10% 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.

*1 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.

*2 ESG-related items serve as a measure of sustainable corporate value improvement.
The Group also refers to elements that are not yet financial at this time, but could become financial in the future, or that will be converted to financial, as "future-financial" elements.

In light of their roles and independence, Non-Executive 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 = 40% : 40% : 20%. Performance-linked share-based remuneration is provided as additional remuneration when medium-term targets have been achieved, but not provided based on standard evaluation.

e. Policy related to the decision process

The policy related to the standard amount, calculation method, component ratio among different types of remunerations, timing or conditions of remuneration, 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 Non-Executive 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 Non-Executive Directors and Outside Directors; hereinafter referred to as "Eligible Directors") with three consecutive business terms (April 1, 2023 through March 31, 2026) 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, 2023 through March 31, 2026.

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 2026 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 2026 after the figures of performance indicators in fiscal year ending March 2026 become available.

6. Requirements for delivery of the Company's shares

(i) Eligible Director has continuously served as the Company's Director (excluding Non-Executive Directors and Outside Director) for the period from the date of the Company's 158th Ordinary General Meeting of Shareholders held on June 23, 2023 to March 31, 2026 (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 Non-Executive 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 Non-Executive 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)	641	198	365	-	77	4
Outside Director	103	103	-	-	-	6
Corporate Auditor (excluding Outside Corporate Auditors)	83	83	-	-	-	2
Outside Corporate Auditor	48	48	-	-	-	3

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

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

3. The above bonuses to Directors, excluding Outside Directors, are the amounts paid by resolution of the Board of Directors based on the resolution of the General Meeting of Shareholders as described in Note 2.

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

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

6. In accordance with the policy related to the determination process, the Board of Directors has delegated the determination of the specific details of remuneration in cash and bonuses for Directors to Hideo Takasaki, President

Director based on a resolution of the Board of Directors.

7. Consolidated operating profit and consolidated ROE are adopted as indicators based on which bonuses for Directors and performance-linked share-based remuneration are calculated. For the current fiscal year, the Company's consolidated operating profit was 147,173 million yen and consolidated ROE 12.7%. There will be no payment of performance-linked share-based remuneration as the Company did not achieve its targets. Restricted share remuneration is linked to the market price of the Company's shares. There is nothing that needs to be disclosed in relation to its performance.
8. Individual remuneration and so on granted to Directors and others for the current fiscal year are (or will be) paid in accordance with the policy related to the determination process. The Board of Directors considers that their details are in line with the Company's remuneration policy.
9. Salaries (including bonuses) of Directors concurrently serving as employees are separate from the above remuneration, etc., but no employee salaries were paid in the current 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	292	Director	Reporting Company	96	157	-	39
Yosuke Miki	131	Director	Reporting Company	37	80	-	13
Yasuhiro Iseyama	118	Director	Reporting Company	33	72	-	12

(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

- Shareholding policy and the method for verifying the rationality of the holding

The Company makes it a policy to hold shares only when the holdings are deemed to lead to the enhancement of corporate value in the long term.

The Company considers the status of business relationships with the Company and whether the returns of the holdings are commensurate with capital cost.

- The contents of the verification of the propriety of holding individual shares at the Board of Directors meeting and others

The Board of Directors verified the propriety of holding each stock name and decided to sell two stock names and continue holding of three stock names with regard to the shares other than unlisted shares.

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	60
Shares other than unlisted shares	3	503

(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	2	2,675

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, 2023 Number of shares (Thousands of shares) Balance sheet amount (Millions of yen)	As of March 31, 2022 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
Mitsubishi UFJ Financial Group, Inc.	- -	3,320 2,524	Because the support through the comprehensive financial transactions mainly provided by MUFG Bank, Ltd. which is an affiliate of the company above contributes to the development and expansion of the Group's global business activities.	No
Murata Manufacturing Co., Ltd.	48 386	48 390	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
Toyota Motor Corporation	26 50	26 59	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
Nomura Micro Science Co., Ltd.	- -	50 212	Because the company's knowledge and technology related to water treatment contribute to the further development and expansion of the Group's Membrane business.	No
Taiyo Yuden Co., Ltd.	15 66	15 83	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

*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 for the consolidated fiscal year (from April 1, 2022 to March 31, 2023) and non-consolidated financial statements for the fiscal year (from April 1, 2022 to March 31, 2023) were audited by KPMG AZSA LLC."

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 the year ended March 31, 2022	As of the year ended March 31, 2023
Assets			
Current assets			
Cash and cash equivalents	7,15	362,046	329,966
Trade and other receivables	8,15,22	206,084	178,388
Inventories	9	128,318	141,101
Other financial assets	15	4,939	2,141
Other current assets		21,349	20,358
Subtotal		722,738	671,956
Assets held for sale	10	—	5,232
Total current assets		722,738	677,189
Noncurrent assets			
Property, plant and equipment	11	286,949	333,103
Right-of-use assets	12	13,681	12,959
Goodwill	13	4,809	58,822
Intangible assets	13	13,707	21,469
Investments accounted for using equity method		547	2,140
Financial assets	15	12,131	8,860
Deferred tax assets	26	24,131	23,420
Other noncurrent assets	18	15,772	15,682
Total noncurrent assets		371,730	476,457
Total assets		1,094,469	1,153,647

(Millions of yen)

	Notes	As of the year ended March 31, 2022	As of the year ended March 31, 2023
Liabilities and Equity			
Liabilities			
Current liabilities			
Trade and other payables	15,16	102,798	91,834
Bonds and borrowings	15,17	241	272
Income tax payables		18,138	18,488
Other financial liabilities	15	19,979	22,162
Other current liabilities	22	67,330	54,053
Subtotal		208,489	186,811
Liabilities directly associated with assets held for sale	10	–	1,436
Total current liabilities		208,489	188,248
Noncurrent liabilities			
Other financial liabilities	15	16,941	15,729
Defined benefit liabilities	18	44,125	40,015
Deferred tax liabilities	26	326	4,173
Other noncurrent liabilities		2,480	2,286
Total noncurrent liabilities		63,873	62,204
Total liabilities		272,363	250,452
Equity			
Equity attributable to owners of the parent company			
Share capital	19	26,783	26,783
Capital surplus	19,20	49,992	50,047
Retained earnings	19	705,910	786,269
Treasury shares	19	(9,771)	(27,631)
Other components of equity	19,21	48,276	66,741
Total equity attributable to owners of the parent company		821,192	902,211
Noncontrolling interests		913	983
Total equity		822,105	903,194
Total liabilities and equity		1,094,469	1,153,647

(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, 2022	For the year ended March 31, 2023
Revenue	22,23	853,448	929,036
Cost of sales	9,11,12,13,18, 23,24	551,059	591,592
Gross profit		302,388	337,443
Selling, general and administrative expenses	6,11,12,13,18, 20,23,24	129,625	145,436
Research and development expenses	11,13,18,23,24	37,271	40,175
Other income	23	6,707	8,103
Other expenses	11,14,23,24	9,938	12,761
Operating profit		132,260	147,173
Finance income	6,25	1,459	1,574
Finance expenses	12,25	1,384	1,936
Share of profit of investments accounted for using the equity method		42	29
Profit before income taxes		132,378	146,840
Income tax expenses	26	35,143	37,576
Net profit		97,234	109,264
Net profit attributable to:			
Owners of the parent company		97,132	109,173
Noncontrolling interests		102	91
Total		97,234	109,264
Earnings per share attributable to owners of the parent company			
Basic earnings per share (Yen)	27	656.31	738.77
Diluted earnings per share (Yen)	27	656.00	738.48

Consolidated statement of comprehensive income

(Millions of yen)

	Notes	For the year ended March 31, 2022	For the year ended March 31, 2023
Net profit		97,234	109,264
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	21	339	(63)
Remeasurement of defined benefit liability	21	3,131	3,962
Items that may be reclassified to profit or loss			
Exchange differences on translation of foreign operations	21	33,613	21,807
Net changes in fair value of cash flow hedges	21	1,998	2,210
Share of other comprehensive income of investments accounted for using equity method	21	5	(4)
Total other comprehensive income		39,088	27,913
Total comprehensive income		136,323	137,177
Total comprehensive income attributable to:			
Owners of the parent company		136,207	137,078
Noncontrolling interests		115	99
Total		136,323	137,177

(3) Consolidated statement of changes in equity

For the year ended March 31, 2022

(Millions of yen)

		Equity attributable to owners of the parent company						Non-controlling interests	Total equity
	Notes	Share capital	Capital surplus	Retained earnings	Treasury shares	Other components of equity	Total		
Balance as of April 1, 2021		26,783	50,070	635,916	(10,039)	13,136	715,868	817	716,686
Net profit		—	—	97,132	—	—	97,132	102	97,234
	21	—	—	—	—	39,075	39,075	12	39,088
Total comprehensive income		—	—	97,132	—	39,075	136,207	115	136,323
Share based remuneration transactions	19,20	—	(132)	—	—	3	(128)	—	(128)
Dividends	28	—	—	(31,076)	—	—	(31,076)	(20)	(31,097)
Changes in treasury shares	19,20	—	54	—	267	—	322	—	322
Transfers from other components of equity to retained earnings	19	—	—	3,937	—	(3,937)	—	—	—
Total transactions with owners		—	(77)	(27,138)	267	(3,934)	(30,883)	(20)	(30,903)
Balance as of March 31, 2022		26,783	49,992	705,910	(9,771)	48,276	821,192	913	822,105

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	21	—	—	—	—	27,905	27,905	8	27,913
Total comprehensive income		—	—	109,173	—	27,905	137,078	99	137,177
Share based remuneration transactions	19,20	—	(21)	—	—	(0)	(21)	—	(21)
Dividends	28	—	—	(34,046)	—	—	(34,046)	(29)	(34,075)
Changes in treasury shares	19,20	—	75	—	(17,860)	—	(17,784)	—	(17,784)
Transfers from other components of equity to retained earnings	19	—	—	5,232	—	(5,232)	—	—	—
Transfers from other components of equity to non-financial assets	19	—	—	—	—	(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

(4) Consolidated statement of cash flows

(Millions of yen)

	Notes	For the year ended March 31, 2022	For the year ended March 31, 2023
Cash flows from operating activities			
Profit before income taxes		132,378	146,840
Depreciation and amortization	11,12,13	50,211	57,362
Impairment losses	14	5,986	4,036
Increase (decrease) in defined benefit liabilities		691	1,270
Decrease (increase) in trade and other receivables		(10,118)	44,492
Decrease (increase) in inventories		(14,000)	(2,230)
Increase (decrease) in trade and other payables		440	(15,779)
Increase (decrease) in advances received		13,897	(17,420)
Interest and dividend income		569	1,283
Interest expenses paid		(535)	(538)
Income taxes (paid) refunded		(30,445)	(38,748)
Others		(4,587)	1,133
Net cash provided by (used in) operating activities		144,489	181,702
Cash flows from investing activities			
Purchase of property, plant and equipment and intangible assets		(58,958)	(65,921)
Proceeds from sale of property, plant and equipment and intangible assets		881	350
Decrease (increase) in time deposits		(398)	81
Purchase of investment securities		(596)	(177)
Proceeds from sale of investment securities		764	2,675
Purchase of shares of subsidiaries and affiliates		(269)	(1,703)
Purchase of shares of subsidiaries resulting in change in scope of consolidation	6	—	(95,263)
Others		982	51
Net cash provided by (used in) investing activities		(57,594)	(159,906)
Cash flows from financing activities			
Net increase (decrease) in short-term borrowings		(315)	29
Repayment of lease liabilities	12	(5,228)	(5,567)
Decrease (increase) in treasury shares		(0)	(18,008)
Cash dividends paid	28	(31,076)	(34,046)
Others		(18)	(35)
Net cash provided by (used in) financing activities		(36,639)	(57,627)
Effect of exchange rate changes on cash and cash equivalents		10,901	5,671
Cash and cash equivalents included in assets held for sale	10	—	(1,920)
Net increase (decrease) in cash and cash equivalents		61,157	(32,079)
Cash and cash equivalents at the beginning of the period		300,888	362,046
Cash and cash equivalents at the end of the period	7	362,046	329,966

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 significant 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.

3. Summary of significant accounting policies

Significant 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 significant 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 significant 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) Bonds and borrowings

Bonds and 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 period up to redemption or 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 does not affect accounting profit or loss or taxable profit (tax losses).
- 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 shares outstanding 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 11, “Property, plant and equipment” and Note 14, “Impairment of nonfinancial assets”).
- Evaluation of recoverability of goodwill and intangible assets (See Note 13, “Goodwill and intangible assets” and Note 14, “Impairment of nonfinancial assets”).
- Evaluation of recoverability of deferred tax assets (See Note 26, ”Income tax”).
- Measurement of defined benefit liabilities (See Note 18, “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.), Flexible Printed Circuits (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, 2022

(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	315,940	452,332	83,970	852,242	1	852,244	1,204	853,448
Intersegment revenue	3,361	7,220	8,232	18,813	-	18,813	(18,813)	-
Total segment revenue	319,301	459,552	92,202	871,055	1	871,057	(17,609)	853,448
Operating profit (loss)	37,809	96,599	7,233	141,641	(5,932)	135,709	(3,449)	132,260
Finance income								1,459
Finance expenses								(1,384)
Share of profit of investments accounted for using the equity method								42
Profit before income taxes								132,378
Segment assets	276,393	551,768	92,619	920,781	3,481	924,262	170,206	1,094,469
Other items:								
Depreciation and amortization	15,650	22,370	4,375	42,397	670	43,067	7,143	50,211
Impairment losses	180	523	4,462	5,166	735	5,901	84	5,986
Increase in Property, plant and equipment and Intangible assets	14,002	25,212	7,339	46,555	944	47,499	8,997	56,496

(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 (3,449) million yen includes other incomes (losses) not allocated to each segment.

3. Adjustment of segment assets in the amount of 170,206 million yen includes Cash and cash equivalents, Property, plant and equipment and others not belonging to each operating segment.

4. Since the Human Life segment has been newly established in the reportable segments from the current fiscal year, partial changes have been made to reportable segments. The Human Life segment includes the Life Science business and Membrane business, which were previously included in Others. In addition, the Personal Care Components business of Mondi acquired in the current fiscal year has been newly established as Personal Care Materials business in the Human Life segment. Certain related businesses have been transferred from the Industrial Tape segment to the Personal Care Materials business. These changes have also been reflected in the figures for the year ended March 31, 2022.

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	334,456	469,330	123,974	927,761	4	927,765	1,270	929,036
Inter-segment revenue	4,976	13,102	9,403	27,481	-	27,481	(27,481)	-
Total segment revenue	339,433	482,432	133,377	955,243	4	955,247	(26,211)	929,036
Operating profit (loss)	27,553	129,867	840	158,260	(5,655)	152,605	(5,432)	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	282,267	588,380	206,671	1,077,320	4,288	1,081,608	72,038	1,153,647
Other items:								
Depreciation and amortization	16,683	25,249	7,062	48,995	591	49,587	7,775	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	24,372	6,197	45,333	850	46,184	4,604	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 (5,432) million yen includes other incomes (losses) not allocated to each segment.
3. Adjustment of segment assets in the amount of 72,038 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, 2022	For the year ended March 31, 2023
Japan	169,822	164,350
Americas	72,075	93,779
Europe	47,969	76,478
Asia/Oceania (Note)	561,971	590,657
Others	1,610	3,770
Total	853,448	929,036

(Note) Of the revenue from the Asia/Oceania region, revenue from China was 304,511 million yen for the year ended March 31, 2022 and 328,003 million yen for the year ended March 31, 2023.

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 the year ended March 31, 2023	As of the year ended March 31, 2023
Japan	189,799	187,906
Americas	41,910	69,264
Europe	12,578	87,848
Asia/Oceania	80,726	86,939
Total	325,015	431,959

(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, 2022 and the year ended March 31, 2023.

6. Business combinations

For the year ended March 31, 2022

Not applicable.

For the year ended March 31, 2023

Acquisition of 4 subsidiaries of Mondi plc

(1) Outline of the business combination

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

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

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

(Millions of yen)

	Amount
Fair value of consideration for the acquisition	63,098
Amount of acquired assets and assumed liabilities	
Current assets	27,210
Noncurrent assets	33,450
Current liabilities	(11,268)
Noncurrent liabilities	(31,272)
Net amount of acquired assets and assumed liabilities	18,120
Goodwill	44,978
Total consideration for the acquisition	63,098

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

Acquisitionrelated costs for this business combination amounted to 444 million yen, all of which was expensed under "Selling, general and administrative expenses" on the consolidated statement of profit or loss.

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

(3) Adjustments to provisional amounts

As the allocation of the acquisition consideration had not been completed in the first quarter of the current fiscal year, it was reported as a provisional amount. However, in the fourth quarter of the current fiscal year, the allocation of the acquisition consideration was completed. The details and amounts of the adjustments recognized during the measurement period were as follows.

(Millions of yen)

	Amount
Goodwill (before revision)	50,683
Changes in noncurrent assets	(8,032)
Changes in noncurrent liabilities	2,568
Others	(241)
Goodwill (after revision)	44,978

(4) Expenditures for the acquisition of subsidiaries

(Millions of yen)

	Amount
Cash paid	88,264
Cash and cash equivalents in the acquired subsidiaries	(2,181)
Expenditures for the acquisition of subsidiaries	86,083

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

(5) Impact on the Group's financial results

Had the business combination taken place at the beginning of the fiscal year, the amounts of revenue and net profit would have been 941,126 million yen and 107,754 million yen, respectively. These estimates are not under audit.

Acquisition of Bend Labs, Inc.

(1) Outline of the business combination

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

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

(Millions of yen)

	Amount
Fair value of consideration for the acquisition	8,989
Amount of acquired assets and assumed liabilities	
Current assets	415
Noncurrent assets	2,942
Current liabilities	(899)
Noncurrent liabilities	(707)
Net amount of acquired assets and assumed liabilities	1,750
Goodwill	7,239
Total consideration for the acquisition	8,989

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

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

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

(3) Gain on step acquisition of the business

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

(4) Adjustments to provisional amounts

As the allocation of the acquisition consideration had not been completed in the first quarter of the current fiscal year, it was reported as a provisional amount. However, in the fourth quarter of the current fiscal year, the allocation of the acquisition consideration was completed. The details and amounts of the adjustments recognized during the measurement period were as follows.

(Millions of yen)

	Amount
Goodwill (before revision)	9,365
Changes in noncurrent assets	(2,833)
Changes in noncurrent liabilities	707
Goodwill (after revision)	7,239

(5) Expenditures for the acquisition of subsidiaries

(Millions of yen)

	Amount
Cash paid	9,595
Cash and cash equivalents in the acquired subsidiaries	(415)
Expenditures for the acquisition of subsidiaries	9,179

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

(6) Impact on the Group’s financial results

The impact of the business combination on the consolidated statement of profit or loss and on profit or loss assumed that the business combination was completed at the beginning of the fiscal year and was not significant. Therefore, the description is omitted.

7. Cash and cash equivalents

The breakdown of cash and cash equivalents is as follows.

(Millions of yen)

	As of the year ended March 31, 2022	As of the year ended March 31, 2023
Cash and deposits	364,001	331,926
Time deposit with a maturity of more than three months	(1,955)	(1,959)
Total	362,046	329,966

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 the year ended March 31, 2022	As of the year ended March 31, 2023
Trade receivables		
Notes and accounts receivable - trade	200,271	171,891
Other receivables	6,663	6,744
Less: Allowance for doubtful accounts (Note 15. Financial instruments)	(850)	(246)
Total	206,084	178,388

9. Inventories

The breakdown of inventories is as follows.

(Millions of yen)

	As of the year ended March 31, 2022	As of the year ended March 31, 2023
Merchandises and finished goods	42,574	48,338
Work in process	51,794	54,902
Raw materials and supplies	33,949	37,860
Total	128,318	141,101

Loss on the valuation of inventories recorded as expense amounted to 1,107 million yen and 11,108 million yen in the previous and current fiscal years, respectively.

10. Assets held for sale and directly related liabilities

The breakdown of asset held for sale and directly related liabilities is as follows.

(Millions of yen)

	As of the year ended March 31, 2022	As of the year ended March 31, 2023
Assets held for sale		
Cash and cash equivalents	—	1,920
Trade and other receivables	—	1,176
Inventories	—	1,316
Others	—	818
Total	—	5,232
Liabilities directly associated with assets held for sale		
Trade and other payables	—	852
Others	—	583
Total	—	1,436

As part of its restructuring, the Group made a decision to transfer a portion of the Transportation business belonging to the Industrial Tape operating segment to Parker Corporation. At the end of the second quarter of the current fiscal year, the disposal groups belonging to this business was classified accordingly as held for sale. The equity transfer agreement was entered into on October 24, 2022. The sale of the disposal groups belonging to this business was completed on April 3, 2023. Disposal groups held for sale was measured at the lower of carrying amount or fair value less cost to sell. During the current fiscal year, the Group recognized impairment losses in Other expenses as the disposal groups was classified as held for sale.

11. 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, 2021	312,793	560,415	45,493	18,288	10,780	947,771
Acquisition	9,880	33,933	4,198	62	6,689	54,763
Disposal	(2,861)	(23,603)	(2,354)	-	(7)	(28,826)
Foreign currency translation differences, etc.	9,078	16,086	1,887	306	132	27,491
Balance as of March 31, 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

(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, 2021	185,561	456,770	34,459	167	-	676,958
Depreciation	9,954	28,089	3,147	-	-	41,191
Impairment losses	841	4,625	164	-	215	5,847
Disposal	(2,591)	(23,606)	(2,207)	-	-	(28,405)
Foreign currency translation differences, etc.	4,712	12,435	1,463	27	19	18,658
Balance as of March 31, 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

(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, 2021	127,232	103,644	11,034	18,120	10,780	270,813
Balance as of March 31, 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

(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.

12. 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, 2022	For the year ended March 31, 2023
Depreciation of right-of-use assets (Note 1)		
Buildings and structures	4,141	4,506
Machinery and vehicles	988	853
Tools, furniture and fixtures	59	64
Land	198	207
Total	5,388	5,632
Interest expenses on lease liabilities (Note 2)	429	408
Expenses relating to short-term leases (Note 3)	1,559	1,893
Expenses relating to leases which the underlying asset is of low value (Note 3)	23	125
Total cash outflows related to leases	7,240	7,995

(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 the year ended March 31, 2022	As of the year ended March 31, 2023
Right-of-use assets		
Buildings and structures	10,492	9,751
Machinery and vehicles	1,307	1,511
Tools, furniture and fixtures	113	99
Land	1,767	1,596
Total	13,681	12,959

An increase in right-of-use assets in the previous and current fiscal years was 4,357 million yen and 4,936 million yen, respectively.

A maturity analysis of lease liabilities is described in Note 15(3)(c), “Financial Instruments - Financial risks - Liquidity risk.”

13. 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, 2021	7,368	33,693	6,174	10,077	57,312
Acquisition	-	8,422	(5,225)	949	4,146
Disposal	-	(725)	-	(5,717)	(6,443)
Foreign currency translation differences, etc.	500	557	(41)	93	1,109
Balance as of March 31, 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

(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, 2021	2,774	27,331	104	8,887	39,098
Amortization	-	3,375	-	256	3,631
Impairment losses	-	139	-	-	139
Disposal	-	(679)	-	(5,405)	(6,084)
Foreign currency translation differences, etc.	284	416	11	111	823
Balance as of March 31, 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

(Millions of yen)

Carrying amount	Goodwill	Software	Software in progress	Other intangible assets (Note 1)	Total
Balance as of April 1, 2021	4,593	6,361	6,069	1,190	18,214
Balance as of March 31, 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

(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.

14. Impairment of nonfinancial assets

(1) Impairment losses

For the year ended March 31, 2022

During the current fiscal year, impairment losses were 5,986 million yen, and included in “Other expenses.”

The major factors are as follows.

Impairment losses were recorded for the book balances of property, plant and equipment, intangible assets, etc. related to certain cash generating units in Japan and the U.S. in Membranes (polymer separation membrane business) in the Others segment. Impairment loss was recorded as it was deemed to be unrecoverable due to proactive restructuring, including a review of the product portfolio, in order to focus on the decarbonization market, which is expected to grow in the Membranes business. The recoverable amounts were measured by the value in use based on the discounted cash flow method with a discount rate of 8.8% for Japan and 11.0% for the U.S. by region.

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 were 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.) was less than 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.

(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.

There was no individually significant goodwill among the goodwill allocated to each cash-generating unit at the end of the previous fiscal year.

At the end of the current fiscal year, 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 was 45,065 million yen.

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% was applied in consideration of the long-term growth rate of markets and countries, etc., to which the relevant cash-generating unit belongs. A discount rate of 7.6% (before tax) was applied based on the weighted average cost of capital of the relevant cash-generating unit. 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 4,809 million yen and 13,756 million yen, respectively.

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

15. 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 15(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 the year ended March 31, 2022	As of the year ended March 31, 2023
Cash and cash equivalents (Note 7)	362,046	329,966
Financial assets measured at fair value through profit or loss		
Investments in debt instruments	3,069	1,930
Derivative	2,931	103
Subtotal	6,000	2,034
Financial assets measured at fair value through other comprehensive income		
Investments in equity instruments	3,457	705
Subtotal	3,457	705
Financial assets measured at amortised cost		
Trade and other receivables (Note 8)	206,084	178,388
Investments in debt instruments	17	14
Others	7,595	8,247
Subtotal	213,697	186,650
Total	585,201	519,357

Carrying amounts of financial liabilities by classification are as follows.

(Millions of yen)

Financial liabilities	As of the year ended March 31, 2022	As of the year ended March 31, 2023
Financial liabilities measured at fair value through profit or loss		
Derivative	1,065	592
Subtotal	1,065	592
Other financial liabilities measured at amortised cost		
Trade and other payables (Note 16)	102,798	91,834
Bonds and borrowings (Note 17)	241	272
Others	35,855	37,298
Subtotal	138,896	129,406
Total	139,961	129,999

(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 market risk (including foreign exchange risk, price risk, and interest rate risk), credit risk, and 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 the year ended March 31, 2022			As of the year ended March 31, 2023		
	Contract amount	Due after 1 year	Fair value	Contract amount	Due after 1 year	Fair value
Forward exchange contracts						
Selling						
U.S. dollars	80,868	-	(947)	64,904	-	(126)
Euro	82	-	(3)	24,950	-	(6)
Others	3,038	-	(64)	6,595	-	(273)
Buying						
U.S. dollars	485	-	21	564	-	(0)
Others	301	-	0	417	-	(1)
Total	84,775	-	(993)	97,433	-	(409)

(Note) Amounts in Euro, which were included in Others in the previous fiscal year have been separately presented from the current fiscal year because of the increased materiality of its amount. To reflect this change in presentation, 3,120 million yen, which was presented as the Contract amount of Others of Selling in the previous fiscal year, have been reclassified as 82 million yen in Euro and as 3,038 million yen in Others, and (68) million yen, which was presented in Fair value of Others of Selling, has been reclassified as (3) million yen in Euro and (64) million yen in Others.

Details of the hedging instruments designated as cash flow hedges

As of the year ended March 31, 2022

(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	97	-	121.8 yen	0	0	Other financial assets Other financial liabilities
(Euro)	Forecast transactions	28	-	134.5 yen	-	0	Other financial liabilities
(RMB)	Forecast transactions	207	-	19.0 yen	0	0	Other financial assets Other financial liabilities
Buying							
(Euro)	Forecast transactions (Note 1)	71,664	-	132.8 yen	2,860	-	Other financial assets
Total		71,997	-		2,861	1	

(Note 1) Forward exchange contracts for the acquisition of shares and repayment of loans related to the Personal Care Components business of Mondi plc.

(Note 2) There is no ineffective portion recognized in net profit or loss.

As of the year ended March 31, 2023

(Millions of yen)

	Hedged items	Contract amounts	Due after 1 year	Average exchange rates	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.

Details of the hedged items designated as cash flow hedges

As of the year ended March 31, 2022

(Millions of yen)

	Cash flow hedge reserve related to ongoing hedges
Foreign exchange risk	1,994

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

As of the year ended 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.

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

For the year ended March 31, 2022

(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)	(0)	-	-
(Euro)	0	(0)	Finance expenses
(RMB)	10	(5)	Finance expenses
Buying			
(Euro)	2,860	-	-
Total	2,871	(5)	

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

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			
Foreign 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.

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 (282) million yen and (517) 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 bonds 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 the year ended March 31, 2022

(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	197,093	3,690	-	-	200,783
Less than three months	5,216	-	-	-	5,216
Three to six months	133	-	-	-	133
More than six months	801	-	-	-	801
Total	203,244	3,690	-	-	206,934

As of the year ended 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

(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, 2022	For the year ended March 31, 2023
Balance at the beginning of the period	746	850
Increase during the period	103	103
Decrease during the period (intended use)	(27)	(57)
Others	28	(649)
Balance at the end of the period	850	246

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 and bonds payable for funding capital investments. Those liabilities together with trade notes and accounts payables are exposed to the liquidity risk that the Group will encounter difficulties in meeting 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 the year ended March 31, 2022	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	242	-	-	-	-	-	242
Lease liabilities	7,553	6,199	3,814	3,415	1,632	2,572	25,187
Total	7,795	6,199	3,814	3,415	1,632	2,572	25,429

(Millions of yen)

As of the year ended 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

As of the year ended March 31, 2023, the Group holds 329,966 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 determined based on forward exchange markets, prices quoted by contracting financial institutions, etc.

The specific valuation techniques used in measuring the fair values of financial instruments include 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 the year ended March 31, 2022	Level 1	Level 2	Level 3	Total
Financial assets				
Financial assets measured at fair value through profit or loss				
Investments in debt instruments	-	-	3,069	3,069
Derivatives	-	2,931	-	2,931
Financial assets measured at fair value through other comprehensive income				
Investments in equity instruments	3,231	-	225	3,457
Total financial assets	3,231	2,931	3,294	9,457
Financial liabilities				
Financial liabilities measured at fair value through profit or loss				
Derivatives	-	(1,065)	-	(1,065)
Total financial liabilities	-	(1,065)	-	(1,065)

(Millions of yen)

As of the year ended 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)

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 are as follows.

(Millions of yen)

	As of the year ended March 31, 2022	As of the year ended March 31, 2023
Mitsubishi UFJ Financial Group, Inc.	2,524	-
Others	932	705
Total	3,457	705

Dividend income recognized from equity instruments are as follows.

(Millions of yen)

For the year ended March 31, 2022		For the year ended March 31, 2023	
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
21	97	106	13

16. Trade and other payables

The breakdown of trade and other payables is as follows.

(Millions of yen)

	As of the year ended March 31, 2022	As of the year ended March 31, 2023
Trade payables		
Trade notes and accounts payables	78,261	64,836
Other payables	24,537	26,997
Total	102,798	91,834

17. Bonds and borrowings

The breakdown of bonds and borrowings is as follows.

(Millions of yen)

	As of the year ended March 31, 2022	As of the year ended March 31, 2023	Average interest rate (%) (Note)
Current liabilities			
Short-term borrowings	241	272	0.1
Total	241	272	

(Note) The average interest rate is the weighted average interest rate for the balance of borrowings, etc., at the end of the fiscal year.

18. 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 the year ended March 31, 2022	As of the year ended March 31, 2023
Present value of defined benefit obligations	141,552	134,258
Fair value of plan assets	107,333	104,319
Defined benefit liability	44,125	40,015
Defined benefit asset (Note)	9,905	10,077
Net assets and liabilities in the Consolidated Statement of Financial Position	34,219	29,938

(Note) Defined benefit asset 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, 2022	For the year ended March 31, 2023
Balance at the beginning of the period	141,113	141,552
Service cost	6,544	6,842
Interest cost	840	1,059
Remeasurement of defined benefit obligations		
Actuarial gains and losses arising from changes in demographic assumptions	281	(63)
Actuarial gains and losses arising from changes in financial assumptions	(2,335)	(8,979)
Actuarial gains and losses arising from experience adjustment	2,074	1,835
Benefits payment	(7,171)	(7,754)
Others	206	(234)
Balance at the end of the period	141,552	134,258

(c) Changes in the fair value of plan assets are as follows.

(Millions of yen)

	For the year ended March 31, 2022	For the year ended March 31, 2023
Balance at the beginning of the period	103,147	107,333
Interest income on plan assets	614	848
Remeasurement of fair value of plan assets		
Return on plan assets	4,495	(1,595)
Employer contributions	3,970	2,988
Benefits payment	(5,241)	(5,374)
Others	347	119
Balance at the end of the period	107,333	104,319

(d) The fair value of plan assets consists of the following items.

(Millions of yen)

	As of the year ended March 31, 2022		As of the year ended March 31, 2023	
	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	7,534	-	9,664	-
Life insurance general account	-	19,389	-	18,185
Bonds	6,038	6,526	7,447	6,778
Shares	6,025	4,996	3,605	5,024
Others (Note)	-	56,822	-	53,614
Total plan assets	19,597	87,735	20,717	83,601

(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, 2022	For the year ended March 31, 2023
Discount rate	0.67%	1.14%

(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, 2022

(Millions of yen)

	Impact on defined benefit obligations		
	Changes in assumptions	Increased assumptions	Decreased assumptions
Discount rate	0.5%	(9,415)	10,222

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

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 2,988 million yen.

(iii) The weighted average duration of the defined benefit obligations is 15.03 years.

(2) Defined contribution plans

Expenses related to required contributions to defined contribution plans were 2,103 million yen in the previous fiscal year and 2,398 million yen in the current fiscal year.

19. 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, 2021	400,000	149,758
Changes	-	-
Balance as of March 31, 2022	400,000	149,758
Changes (Note)	-	-
Balance as of March 31, 2023	400,000	149,758

(Note) There are no changes in the total number of authorized shares or issued shares. Changes in treasury shares are as follows.

	Number of treasury shares (Thousands of shares)	Amount (Millions of yen)
Balance as of April 1, 2021	1,792	10,039
Changes (Note 1)	(47)	(267)
Balance as of March 31, 2022	1,744	9,771
Changes (Note 2)	2,095	17,860
Balance as of March 31, 2023	3,840	27,631

(Note 1) The increase is due to the demand 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 18, 2021.

(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 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.

(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, 2022

(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, 2021	11,065	2,125	(3)	-	(50)	13,136
Other comprehensive income	33,613	339	1,998	3,124	-	39,075
Total comprehensive income	33,613	339	1,998	3,124	-	39,075
Share-based remuneration transactions	-	-	-	-	3	3
Transfer to retained earnings	-	(813)	-	(3,124)	-	(3,937)
Balance as of March 31, 2022	44,678	1,651	1,994	-	(47)	48,276

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 to retained earnings	-	(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

(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 20, “Share-based remuneration.”

20. 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.

	2007 Equity-based remuneration stock options	2008 Equity-based remuneration stock options	2009 Equity-based remuneration stock options
Resolution date	June 22, 2007	June 20, 2008	June 19, 2009
Category and number of persons granted	The Company's Directors and Vice Presidents 23	The Company's Directors and Vice Presidents 23	The Company's Directors and Vice Presidents 20
Number of stock options (shares) (Note 1)	Common stock 33,300	Common stock 53,000	Common stock 67,300
Grant date	July 30, 2007	August 1, 2008	August 3, 2009
Vesting conditions (Note 2)	To maintain positions of Directors or Vice Presidents from the date of grant (July 30, 2007) to the vesting date (June 1, 2008)	To maintain positions of Directors or Vice Presidents from the date of grant (August 1, 2008) to the vesting date (June 1, 2009)	To maintain positions of Directors or Vice Presidents from the date of grant (August 3, 2009) to the vesting date (June 1, 2010)
Requisite service period	July 30, 2007 through June 1, 2008	August 1, 2008 through June 1, 2009	August 3, 2009 through June 1, 2010
Exercise period (Note 3)	July 31, 2007 through July 30, 2037	August 2, 2008 through August 1, 2038	August 4, 2009 through August 3, 2039
Number of stock acquisition rights (units) (Notes 4 and 6)	10	19	26
Class, details and number of shares to be acquired upon exercise of stock acquisition rights (Note 6)	Common stock 1,000 shares	Common stock 1,900 shares	Common stock 2,600 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 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.		

	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.		
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.		

	2010 Equity-based remuneration stock options	2011 Equity-based remuneration stock options	2012 Equity-based remuneration stock options
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	87	60
Class, details and number of shares to be acquired upon exercise of stock acquisition rights (Note 6)	Common stock 3,800 shares	Common stock 8,700 shares	Common stock 6,000 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.		
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.		

	2013 Equity-based remuneration stock options	2014 Equity-based remuneration stock options	2015 Equity-based remuneration stock options
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)	114	100
Class, details and number of shares to be acquired upon exercise of stock acquisition rights (Note 6)	Common stock 11,400 shares	Common stock 10,000 shares
Subscription amount to be paid upon exercise of stock acquisition (yen) (Note 6)	1 per share	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.	(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.	(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.	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 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 the year ended March 31, 2023 (March 31, 2023). As of the end of the month immediately prior to the filing date (May 31, 2023), 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, 2022		For the year ended March 31, 2023	
	Number of shares (Shares)	Weighted average exercise price (Yen)	Number of shares (Shares)	Weighted average exercise price (Yen)
Beginning of the period	83,500	1	59,200	1
Granted	-	-	-	-
Exercised	(24,300)	1	(2,600)	1
Revocation/Expiration	-	-	-	-
End of the period	59,200	1	56,600	1
Exercisable options at the end of the period	59,200	1	56,600	1

The weighted-average remaining contractual life of unexercised stock options at the end of the fiscal year was 22.0 years in the previous fiscal year and 20.9 years in the current fiscal year.

The weighted-average share price as of the exercise date was 8,711 yen in the previous fiscal year and 8,616 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, 2022	For the year ended March 31, 2023
Date granted	July 8, 2021	July 14, 2022
Shares granted	23,700 shares	24,900 shares
Fair value on the date granted	8,050 yen	8,490 yen

Expenses related to the restricted share remuneration plan are as follows.

(Millions of yen)

	For the year ended March 31, 2022	For the year ended March 31, 2023
Selling, general and administrative expenses	193	201

(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.

21. Other comprehensive income

Reclassification adjustments and tax effects related to other comprehensive income are as follows.

For the year ended March 31, 2022

(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	486	-	486	(147)	339
Reevaluation of defined benefit liability	4,475	-	4,475	(1,344)	3,131
Total of items that will not be reclassified to profit or loss	4,962	-	4,962	(1,491)	3,470
Items that may be reclassified to profit or loss					
Exchange differences on translation of foreign operations	33,846	-	33,846	(232)	33,613
Net changes in fair value of cash flow hedges	2,871	(5)	2,865	(867)	1,998
Share of other comprehensive income of affiliates accounted for using the equity method	5	-	5	-	5
Total of items that may be reclassified to profit or loss	36,723	(5)	36,717	(1,100)	35,617
Total	41,685	(5)	41,680	(2,591)	39,088

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

22. 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, 2022

(Millions of yen)

Segment name	Major products or business	Japan	Americas	Europe	Asia/ Oceania	Total
Industrial Tape	Functional Base Products	116,390	30,674	26,346	142,528	315,940
Optronics	Information Fine Materials	28,811	-	-	330,004	358,815
	Flexible Printed Circuits	40,552	-	-	52,964	93,516
	Total	69,363	-	-	382,968	452,332
Human Life	Life Science	6,472	41,227	-	-	47,699
	Membrane	2,209	11,432	4,103	6,847	24,592
	Personal Care Materials	-	-	11,677	-	11,677
	Total	8,681	52,659	15,781	6,847	83,970
Others	New Business, Other Products	1	-	-	-	1
Adjustment		1,204	-	-	-	1,204
	Total	195,642	83,334	42,127	532,344	853,448

Because the Human Life segment was newly established in the reportable segments for the current fiscal year, partial changes have been made to the reportable segments. The Human Life segment includes the Life Science and Membrane business, which was previously included in Others. In addition, the Personal Care Components business of Mondi, acquired in the current fiscal year, has been newly established as Personal Care Materials in the Human Life segment. Certain related businesses have been transferred from the Industrial Tape segment to the Personal Care Materials business. These changes have also been reflected in the figures for the year ended March 31, 2022.

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, 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	28,460	152,176	334,456
Optronics	Information Fine Materials	23,828	-	-	332,678	356,506
	Flexible Printed Circuits	54,376	-	-	58,447	112,823
	Total	78,204	-	-	391,125	469,330
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	-	3,422	41,199	501	45,123
	Total	6,957	61,107	46,728	9,181	123,974
Others	New Business, Other Products	4	-	-	-	4
Adjustment		1,260	10	-	-	1,270
Total		200,634	100,730	75,188	552,483	929,036

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

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 the year ended March 31, 2022	As of the year ended March 31, 2023
Receivables	203,111	175,307
Contract assets	2,973	3,081
Contract liabilities	24,138	10,375

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 5,802 million yen and 21,384 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 6,300 million yen and 4,800 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.

23. 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, 2022	For the year ended March 31, 2023
Income		
Revenue	853,448	929,036
Scrap income	1,140	1,315
Foreign exchange gain	2,142	-
Gain on sales of noncurrent assets	456	173
Subsidy	1,535	1,507
Compensation income	-	3,494
Other	1,433	1,612
Total income	860,156	937,139
Expenses		
Purchases of raw materials, supplies and merchandises	309,902	302,955
Increase(decrease) in inventories	(20,649)	(12,783)
Employee benefit expenses	182,286	204,465
Depreciation and amortization	50,211	57,362
Loss on disposal of fixed assets	1,531	1,903
Foreign exchange losses	-	2,788
Impairment losses	5,986	4,036
Other	198,627	229,237
Total expenses	727,895	789,966
Operating profit	132,260	147,173

24. Employee benefit expenses

A breakdown of employee benefit expenses is as follows.

(Millions of yen)

	For the year ended March 31, 2022	For the year ended March 31, 2023
Wages and salaries (including bonuses)	131,928	147,306
Legal welfare expenses	18,359	21,983
Retirement benefit expenses	8,647	9,241
Special retirement allowances	317	1,104
Other employee benefit expenses	23,034	24,829
Total	182,286	204,465

25. 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, 2022	For the year ended March 31, 2023
Finance income		
Interest income	429	1,193
Dividend income	118	120
Gains on financial assets measured at fair value through profit or loss	871	-
Other	40	261
Total finance income	1,459	1,574
Finance expenses		
Interest expenses	700	712
Foreign exchange losses	651	-
Losses on financial assets measured at fair value through profit or loss	-	1,105
Other	32	118
Total finance expenses	1,384	1,936

26. 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, 2022

(Millions of yen)

	Balance as of April 1, 2021	Recognized through profit or loss (Note)	Recognized in other comprehensive income	Balance as of March 31, 2022
Deferred tax assets				
Inventories	3,061	1,110	-	4,171
Property, plant and equipment and intangible assets	10,203	1,231	-	11,435
Accrued expenses	5,888	754	-	6,643
Defined benefit liability	11,485	726	(1,344)	10,867
Other	5,363	877	(1)	6,239
Total deferred tax assets	36,002	4,700	(1,345)	39,357
Deferred tax liabilities				
Financial assets measured at fair value through other comprehensive income	(982)	-	(601)	(1,583)
Undistributed profit of subsidiaries	(8,367)	(3,411)	-	(11,779)
Other	(1,049)	(908)	(232)	(2,190)
Total deferred tax liabilities	(10,398)	(4,320)	(834)	(15,553)
Net deferred tax assets	25,603	380	(2,180)	23,804

(Note) Foreign currency translation adjustments are included in the amount recognized through profit or loss.

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
Other	6,239	2,154	0	8,395
Total deferred tax assets	39,357	610	(1,649)	38,318
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	(2,190)	(3,639)	(1,225)	(7,055)
Total deferred tax liabilities	(15,553)	(3,740)	222	(19,071)
Net deferred tax assets	23,804	(3,130)	(1,427)	19,247

(Note) Foreign currency translation adjustments are included in the amount recognized through profit or loss.

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 the year ended March 31, 2022	As of the year ended March 31, 2023
Tax loss carryforwards (Note 1)	1,306	1,305
Deductible temporary differences	615	1,139
Total	1,921	2,445

(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 the year ended March 31, 2022	As of the year ended March 31, 2023
1 year or less	-	-
365 days to 5 years (inclusive)	407	410
More than 5 years	898	894
Total	1,306	1,305

(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 the year ended March 31, 2022	As of the year ended March 31, 2023
Amount of temporary differences for which deferred tax liabilities have not been recognized	109,324	114,935

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, 2022	For the year ended March 31, 2023
Current tax expenses	35,094	38,412
Deferred tax expenses	49	(835)
Total income tax expenses	35,143	37,576

A reconciliation of the average effective tax rate to the statutory tax rate is as follows.

	For the year ended March 31, 2022	For the year ended March 31, 2023
Statutory tax rate	30.3%	30.3%
Permanently nondeductible items such as entertainment expenses	0.2	0.1
Special tax credits, such as tax credits for research expenses	(4.2)	(4.8)
Differences in tax rates of foreign subsidiaries	(3.4)	(1.5)
Elimination of dividend income from foreign subsidiaries	0.2	0.2
Retained earnings of foreign subsidiaries	2.6	0.1
Withholding tax on dividends, etc., from foreign subsidiaries	0.8	0.8
Impairment losses	0.2	0.6
Other (net amount)	(0.2)	(0.1)
Average effective tax rate	26.5	25.6

27. Earnings per share

Basic earnings per share, diluted earnings per share and basis for calculations are as follows.

	For the year ended March 31, 2022	For the year ended March 31, 2023
(1) Basic earnings per share	656.31 yen	738.77 yen
Basis for calculation		
Net profit attributable to owners of the parent company (Millions of yen)	97,132	109,173
Average number of common shares (Thousands of shares)	147,996	147,776
(2) Diluted earnings per share	656.00 yen	738.48 yen
Basis for calculation		
Increase in the number of common stock upon exercise of the stock option (Thousands of shares)	71	57

28. Dividends per share

Interim and year-end dividends to common shareholders are as follows.

For the year ended March 31, 2022

(1) Dividend payments

Resolution	Type of shares	Cash dividends (Millions of yen)	Dividends per share (Yen)	Record date	Effective date
June 18, 2021 Ordinary General Meeting of Shareholders	Common stock	14,796	100	March 31, 2021	June 21, 2021
October 26, 2021 Board of Directors Meeting	Common stock	16,280	110	September 30, 2021	November 26, 2021

(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 17, 2022 Ordinary General Meeting of Shareholders	Common stock	Retained earnings	16,281	110	March 31, 2022	June 20, 2022

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

29. 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, 2022	For the year ended March 31, 2023
Contracts for future capital expenditures not disclosed in the consolidated financial statements (Note)	8,209	35,438

(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.

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, 2022	For the year ended March 31, 2023
Basic remuneration	278	302
Bonuses	330	365
Share-based remuneration	80	77
Total	688	744

31. Significant subsidiaries

Significant subsidiaries are as follows.

Name	Description of major business	Location	Ratio of voting rights held (%)	
			As of the year ended March 31, 2022	As of the year ended March 31, 2023
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	Leuven, 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
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 (24.5)
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 23, 2023.

33. Significant subsequent events

Transfer of NVH business

On April 3, 2023, the Company completed a transfer of shares for a portion of the Transportation business belonging to the Industrial Tape operating segment to Parker Corporation. As a result, the Company no longer has control of this business. For the current fiscal year, the Company classified the assets and liabilities of the business as disposal groups held for sale. We are currently examining the impact of this transfer on the Group.

(2) Other

Quarterly information for the fiscal year ended March 31, 2023

Cumulative period	Q1 (Three months ended June 30, 2022)	Q2 (Six months ended September 30, 2022)	Q3 (Nine months ended December 31, 2022)	Fiscal year ended March 31, 2023
Revenue (Millions of yen)	216,368	484,909	738,979	929,036
Profit before income taxes (Millions of yen)	38,674	92,035	137,397	146,840
Net profit attributable to owners of the parent company (Millions of yen)	26,439	63,398	95,766	109,173
Basic earnings per share (Yen)	178.63	428.29	646.94	738.77

(Each quarter)	Q1 (From April 1, 2022 to June 30, 2022)	Q2 (From July 1, 2022 to September 30, 2022)	Q3 (From October 1, 2022 to December 31, 2022)	Q4 (From January 1, 2023 to March 31, 2023)
Basic earnings per share (Yen)	178.63	249.66	218.64	91.19

2. Nonconsolidated Financial Statements and Notes

(1) Nonconsolidated financial statements

(i) Nonconsolidated balance sheet

(Millions of yen)

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

(Millions of yen)

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

(ii) Nonconsolidated statement of income

(Millions of yen)

	For the year ended March 31, 2022	For the year ended March 31, 2023
Net sales	*1 517,458	*1 544,158
Cost of sales	*1 348,595	*1 341,752
Gross profit	168,862	202,406
Selling, general and administrative expenses	*2 100,994	*2 105,202
Operating profit	67,868	97,204
Non-operating income		
Interest and dividend income	*1 17,039	*1 20,423
Foreign exchange gains	310	-
Miscellaneous income	*1 2,662	*1 2,013
Total non-operating income	20,012	22,436
Non-operating expenses		
Interest expenses	*1 178	*1 1,549
Foreign exchange losses	-	1,385
Miscellaneous losses	*1 1,738	*1 2,971
Total non-operating expenses	1,917	5,906
Ordinary profit	85,963	113,735
Extraordinary profit		
Gain on sales of noncurrent assets	*1 23	*1 3
Gain on sales of investment securities	553	1,832
Total extraordinary profit	577	1,836
Extraordinary losses		
Loss on sales and retirement of noncurrent assets	*1 1,294	*1 1,026
Loss on valuation of shares of subsidiaries and affiliates	80	29
Impairment losses	*3 3,565	680
Total extraordinary losses	4,939	1,737
Profit before income taxes	81,601	113,834
Income taxes - current	18,156	22,862
Income taxes - deferred	(2,370)	(396)
Total income taxes	15,785	22,466
Net profit	65,815	91,368

(iii) Nonconsolidated statement of changes in equity

For the year ended March 31, 2022

(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	16	2,148	185,000	193,470	384,730
Changes during period										
Dividends from surplus									(31,076)	(31,076)
Reversal of reserve for special depreciation						(8)			8	-
Reserve for tax purpose reduction entry of noncurrent assets							(75)		75	-
Net profit									65,815	65,815
Purchase of treasury shares										
Disposal of treasury shares			54	54						
Decrease by corporate split-off			(3,390)	(3,390)						
Transfer from retained earnings to capital surplus			3,336	3,336					(3,336)	(3,336)
Net change in items other than shareholders' equity during the period										
Total changes in items during the period	-	-	-	-	-	(8)	(75)	-	31,486	31,401
Balance at the end of the period	26,783	50,482	-	50,482	4,095	7	2,072	185,000	224,956	416,132

	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	(10,028)	451,967	1,699	-	1,699	493	454,160
Changes during period							
Dividends from surplus		(31,076)					(31,076)
Reversal of reserve for special depreciation		-					-
Reserve for tax purpose reduction entry of noncurrent assets		-					-
Net profit		65,815					65,815
Purchase of treasury shares	(0)	(0)					(0)
Disposal of treasury shares	268	322				(132)	190
Decrease by corporate split-off		(3,390)					(3,390)
Transfer from retained earnings to capital surplus		-					-
Net change in items other than shareholders' equity during the period			(46)	1,994	1,948		1,948
Total changes in items during the period	267	31,669	(46)	1,994	1,948	(132)	33,485
Balance at the end of the period	(9,760)	483,637	1,652	1,994	3,647	361	487,646

For the year ended March 31, 2023

(Millions of yen)

	Shareholders' equity									
	Capital stock	Capital surplus			Retained earnings					
		Legal capital surplus	Other capital surplus	Total capital surplus	Legal retained earnings	Other retained earnings				Total retained earnings
						Reserve for special depreciation	Reserve for tax purpose reduction entry of noncurrent assets	General reserve	Retained earnings brought forward	
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

[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

(1) Amounts recorded on nonconsolidated financial statements as of the year ended March 31, 2022 and 2023.

(Millions of yen)

	As of the year ended March 31, 2022	As of the year ended March 31, 2023
Property, plant and equipment	159,479	157,961
Intangible assets	9,642	9,780

2. Evaluation of recoverability of deferred tax assets

(1) Amounts recorded on non-consolidated financial statements as of the year ended March 31, 2022 and 2023.

(Millions of yen)

	As of the year ended March 31, 2022	As of the year ended March 31, 2023
Deferred tax assets	22,902	24,747

(2) Information on the details of significant accounting estimates for identified items

Please refer to "(Nonconsolidated statement of income), *3. Impairment losses."

3. Evaluation of recoverability of shares of subsidiaries and affiliates

(1) Amounts recorded on nonconsolidated financial statements as of the year ended March 31, 2022 and 2023.

(Millions of yen)

	As of the year ended March 31, 2022	As of the year ended March 31, 2023
Shares of subsidiaries and affiliates	100,981	174,256

(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 the year ended March 31, 2022 and 2023.

(Millions of yen)

	As of the year ended March 31, 2022	As of the year ended March 31, 2023
Defined benefit asset	7,593	7,570
Provision for retirement benefits	37,188	39,195

(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 the year ended March 31, 2022	As of the year ended March 31, 2023
Short-term receivables	93,048 million yen	77,018 million yen
Long-term receivables	-	25,018
Short-term payables	93,133	99,055

Nonconsolidated statement of income

*1 Transactions with subsidiaries and affiliates

	For the year ended March 31, 2022	For the year ended March 31, 2023
Amount from operating transactions		
Sales	400,647 million yen	424,273 million yen
Purchases	37,599	42,612
Amount from transactions other than operating transactions	23,476	27,128

*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, 2022 and 2023 is approximately 30% and 20%, respectively.

	For the year ended March 31, 2022	For the year ended March 31, 2023
Freight expenses	12,087 million yen	11,321 million yen
Employees' salaries and bonuses	21,978	21,670
Retirement benefit expenses	2,833	3,013
Outsourcing expenses	11,238	12,231
Material costs for prototypes	7,313	7,273
Various fees	8,142	8,388
Investigation and research outsourcing expenses	8,816	9,992
Depreciation	6,596	6,973

*3. Impairment losses

For the year ended March 31, 2022

Extraordinary losses include impairment losses of 3,565 million yen.

The major factors are as follows.

Impairment losses were recorded for the book balances of property, plant and equipment, and intangible assets related to the certain asset group in Japan of the Membrane business (polymer separation membrane business) in the Others segment. The loss is determined to be largely unrecoverable due to proactive restructuring, including a review of the product portfolio, in order to focus on the decarbonization market, which is expected to grow in the Membrane business. The recoverable amounts are measured by the value in use based on the discounted cash flow method and a discount rate of 8.8%.

For the year ended March 31, 2023

Since there is no important matter for the year ended March 31, 2023, a description is omitted.

Securities

As of the year ended March 31, 2022

Shares of subsidiaries and affiliates in the balance sheet amount of 100,981 million yen are not stated because they represent stocks and other securities with no market price.

As of the year ended 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.

Tax effect accounting

1. Main causes of recognizing deferred tax assets and deferred tax liabilities

	As of the year ended March 31, 2022	As of the year ended March 31, 2023
Tax effect accounting		
Accrued bonuses	3,070 million yen	2,453 million yen
Inventory valuation loss	221	713
Accounts payable - other	346	308
Enterprise tax payable	770	960
Accrued expenses	671	499
Provision for retirement benefits	8,959	9,573
Over depreciation	6,715	7,037
Noncurrent assets impairment losses	1,799	1,246
Loss on valuation of shares of subsidiaries and affiliates	7,817	7,867
Others	3,366	2,842
Subtotal of deferred tax assets	33,738	33,503
Valuation allowance	(8,348)	(7,751)
Total deferred tax assets	25,389	25,751
Deferred tax liabilities		
Valuation difference on available-for-sale securities	717	135
Reserve for special depreciation	3	1
Reserve for advanced depreciation of noncurrent assets	899	867
Deferred gains or losses on hedges	866	-
Total deferred tax liabilities	2,486	1,004
Net deferred tax assets	22,902	24,747

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 the year ended March 31, 2022	As of the year ended March 31, 2023
Statutory effective tax rate	30.3%	30.3%
Adjustments		
Entertainment expenses and other expenses not permanently deductible for tax purposes	1.6	1.1
Dividend income and other income not permanently deductible for tax purposes	(1.5)	(1.5)
Foreign tax credit	(0.9)	(0.3)
Foreign dividend income not permanently deductible for tax purposes	(4.7)	(3.6)
Tax credits on research and development costs	(5.8)	(5.9)
Valuation allowance	0.3	(0.5)
Others	0.1	0.1
Actual effective tax rate after application of deferred tax accounting	19.4	19.7

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 22, “Revenue” and Notes to Nonconsolidated Financial Statements (Significant accounting policies), Note 6, “Standards for recording revenues and expenses.”

Significant subsequent events

Not applicable.

4) 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	71,437	6,049	164 (163)	5,973	71,348	128,264
	Structures	4,253	305	18 (15)	514	4,025	11,345
	Machinery and equipment	62,544	13,889	830 (388)	15,889	59,714	302,242
	Vehicles	405	128	8 (0)	149	376	1,681
	Tools, furniture and fixtures	5,406	1,857	45 (29)	1,560	5,657	19,042
	Land	13,771	1	—	—	13,772	—
	Construction in progress	1,661	24,242	22,835 (87)	—	3,067	—
	Total	159,479	46,472	23,903 (677)	24,087	157,961	462,576
Intangible assets	Software	8,862	2,775	50 (2)	2,985	8,602	25,049
	Others	779	3,248	2,786 (—)	63	1,178	2,558
	Total	9,642	6,023	2,836 (2)	3,048	9,780	27,608

(Notes) 1. Major factors in “Increase during current year” are as follows.

Buildings	・・・・・	Toyohashi Plant	3,119 million yen	Onomichi Plant	1,299 million yen
		Kameyama Plant	537 million yen	Kanto Plant	471 million yen
		Shiga Plant	217 million yen		
Machinery and equipment	・・・・・	Onomichi Plant	4,941 million yen	Kameyama Plant	3,315 million yen
		Toyohashi Plant	2,874 million yen	Kanto Plant	1,443 million yen
		Ibaraki Office	825 million yen		
Construction in progress	・・・・・	Toyohashi Plant	6,841 million yen	Onomichi Plant	6,478 million yen
		Kameyama Plant	4,901 million yen	Kanto Plant	2,243 million yen
		Ibaraki Office	1,296 million yen		

2. Major factors of “Decrease during current year” are as follows.

Construction in progress	・・・・・	Toyohashi Plant	6,570 million yen	Onomichi Plant	6,453 million yen
		Kameyama Plant	4,322 million yen	Kanto Plant	2,148 million yen
		Ibaraki Office	1,248 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	578	20	299	299

(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 (157th term)	April 1, 2021 through March 31, 2022	June 17, 2022 Filed with the Director-General of the Kanto Local Finance Bureau
(2)	Internal Control Report and documents attached thereto			June 17, 2022 Filed with the Director-General of the Kanto Local Finance Bureau
(3)	Amendment Report for Annual Securities Report and Confirmation Letter thereof			July 13, 2022 Filed with the Director-General of the Kanto Local Finance Bureau

Amendment Report for the Annual Securities Report submitted on June 17, 2022.

(4)	Quarterly Securities Report and Confirmation Letter thereof	(1st quarter of 158th term)	April 1, 2022 through June 30, 2022	July 28, 2022 Filed with the Director-General of the Kanto Local Finance Bureau
(5)	Quarterly Securities Report and Confirmation Letter thereof	(2nd quarter of 158th term)	July 1, 2022 through September 30, 2022	October 28, 2022 Filed with the Director-General of the Kanto Local Finance Bureau
(6)	Extraordinary Report			December 28, 2022 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.

(7)	Quarterly Securities Report and Confirmation Letter thereof	(3rd quarter of 158th term)	October 1, 2022 through December 31, 2022	January 30, 2023 Filed with the Director-General of the Kanto Local Finance Bureau
(8)	Share Buyback Report		January 1, 2023 through January 31, 2023	February 13, 2023 Filed with the Director-General of the Kanto Local Finance Bureau
(9)	Share Buyback Report		February 1, 2023 through February 28, 2023	March 13, 2023 Filed with the Director-General of the Kanto Local Finance Bureau

(10) Share Buyback Report	March 1, 2023 through March 31, 2023	April 13, 2023 Filed with the Director-General of the Kanto Local Finance Bureau
(11) Share Buyback Report	April 1, 2023 through April 30, 2023	May 12, 2023 Filed with the Director-General of the Kanto Local Finance Bureau
(12) Share Buyback Report	May 1, 2023 through May 31, 2023	June 13, 2023 Filed with the Director-General of the Kanto Local Finance Bureau

Part II. Information about Reporting Company's Guarantor, etc.

Not applicable.