

Date: January 27, 2020

Listed company name: Nitto Denko Corporation

Stock exchange listing: Tokyo, First Section

Code number: 6988

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Notice of Act of Misconduct by Members of a Nitto Subsidiary

An in-house investigation has found that some domestic employees of the purchasing department of Shanghai Nitto Optical Co., Ltd. (Head Office: Shanghai, People's Republic of China; hereinafter, "Shanghai Nitto Optical"), a consolidated subsidiary of Nitto Denko Corporation (hereinafter, "Nitto"), were involved in inappropriate transactions.

While launching the team to internally investigate said transactions, Shanghai Nitto Optical consulted with local legal professionals and investigatory authorities. Subsequently, two local employees who were found to have engaged in the act of misconduct were arrested for embezzlement in the course of business and other charges on January 13, 2020.

Such an irregularity is an extremely regrettable occurrence to have had at one of our subsidiaries, and we would like to offer our sincere apologies to all of our stakeholders for the inconvenience that this has caused.

At Nitto, we take this incident with the utmost gravity and will do everything in our power to prevent the recurrence of such actions and reinforce the internal control system.

1. Brief account of the incident

It came to the attention of Shanghai Nitto Optical that purchase prices of supplementary materials were increasing, which led to an in-house investigation that revealed some members of their purchasing department had purchased the supplementary materials at unreasonably high prices from companies run by their relatives or acquaintances, in an attempt to transfer some of the profits of the Nitto Group to external parties.

2. Impact on the Nitto Group's consolidated financial results

As of this writing, we have been conducting the investigation that covers the current and preceding five fiscal years. We believe that the impact of the irregularity on operating income/loss and net income/loss on the Group's consolidated financial statements (IFRS basis) for each business term is immaterial, since the expenses incurred, including the loss, have been reported as cost of materials involved in manufacturing under cost of sales on our consolidated statements of income. Hence, we have decided not to correct any numbers in our consolidated financial statements for the past and current business terms. This incident does not have any impact on our earlier financial forecasts for the fiscal year ending March 31, 2020, either. At this time, it is uncertain whether we can recover the loss amount.

3. Future course of action by Nitto

Going forward, we will fully cooperate with the investigatory authorities in an effort to gain a clear picture of the incident and recover the loss. We will also establish an in-house investigation committee that includes outside experts to conduct a thorough investigation, thereby analyzing root causes and reinforcing the internal control system for recurrence prevention.

Should any material impact on Nitto's consolidated business results be uncovered as the investigation by local authorities progresses or otherwise, we will promptly announce the details once they are known to us.