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Business Report for the 146th Fiscal Term

—For Fiscal Year of 2010 (April 1, 2010 to March 31, 2011)—

NITTO DENKO CORPORATION

Business Report for the 146th Fiscal Term

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1. Overview of business operations of the Nitto Denko Group

(1) Operating progress and results

The economic situation in this fiscal year was on a recovery trend in the first half of the year supported by strong economic growth in China and other emerging economies. However, from the second half of the year, the pace of recovery slowed, mainly reflecting the declining impact of economic stimulus measures in advanced economies, the credit uncertainty in Europe, and growing instability in the political situation in the Middle East. The Japanese economy also maintained a recovery trend in the first half of the year owing to expanding exports, supported by growing demand from emerging economies, and the effects of the government's economic stimulus measures. However, in the second half of the year, the economy was affected by the end of these economic stimulus measures, a slowdown in the global economy, and the impact of the strong yen. The Great East Japan Earthquake on March 11, 2011 also resulted in an extremely uncertain outlook for the economy.

Against this backdrop, the Nitto Denko Group (“the Group”) shifted from the previous year's “Year of Perseverance,” into the “Year of Offensive,” achieving sales expansion by efficiently supplying resource materials to new growth product fields such as flat TVs, smart phones (multi-functional cellular phones), and tablet PCs.

The Group also continued to promote its efforts in the reform of the cost structure called the “Mu (eliminate), Gen (reduce), Dai (substitute)” plan with the aim of enhancing product quality and productivity while reducing costs.

As a result, consolidated net sales increased 6.1% from the previous year (changes hereafter are in comparison to the previous year) to 638,556 million yen. Operating income increased 52.0 % to 85,245 million yen. Ordinary income increased 44.7% to 85,143 million yen and net income increased 48.4 % to 55,743 million yen.

It should be noted that, although there was damage from the effects of the Great East Japan Earthquake to the production base for medical related products in Osaki City, Miyagi Prefecture, and two processing sites of a Group Company for adhesive tape-related products (Osaki City, Miyagi Prefecture, and Iwaki City, Fukushima Prefecture), the direct effect of this on results for the fiscal year is minor. Furthermore, the production bases mentioned above have already recovered and have resumed production.

(2) Summary of operations by segment

Sales by business segment were as follows:

(Unit: millions of yen)

Business segment	FY2010 (146th term)	FY2009 (145th term)
	Sales (year-on-year change)	Sales
Industrial Tape	238,290 (up 7.1%)	222,486
Optronics	365,779 (up 6.9%)	342,282
Medical & Membrane	34,486 (down 7.0%)	37,090
Total	638,556 (up 6.1%)	601,859

[Industrial Tape]

Sales to the automobile industry were solid owing to a gradual recovery in automobile production volume, but there was an effect from the suspension of operations at customers owing to the impact of the earthquake. In products supplied to the electronics industry, protection film for optical applications, transparent adhesive tape, sealing products and other materials fared well owing to rising demand for flat TVs, as well as growing demand for smart phones. Housing construction materials and products related to infrastructure and capital investment recovered, with protection products used for a broad range of industry applications, conventional double-coated adhesive tape and fluoroplastics products faring well.

As a result of the above, net sales were 238,290 million yen (up 7.1%) and operating income was 26,420 million yen (up 50.8%).

[Optronics]

Sales of LCD related materials fared well due to solid demand for parts used in flat TVs, as well as due to the start of supplies of components for use in smart phones and tablet PCs. Sales of transparent electro-conductive films grew steadily accompanied by expanding demand for electronic products such as smart phones with touch panels. Sales of semiconductor related materials and processing materials were steady owing to a recovery in the semiconductor market. Flexible printed circuits were generally solid overall, despite weaker-than-expected production of HDDs (hard disk drives).

As a result of the above, net sales were 365,779 million yen (up 6.9%) and operating income was 60,415 million yen (up 67.5 %).

[Medical & Membrane]

In medical related products, the Group was forced to suspend production activities at its manufacturing base in Osaki City, Miyagi Prefecture, which makes transdermal therapeutic patches, owing to the impact of the earthquake in Japan; however, production has already

been restarted. Overseas, a US Group company voluntarily halted production in order to focus on enhancing quality assurance. As a result, medical related products performed very weakly overall. In order to further develop its business in medical related products, the Group acquired Avecia Biotechnology, Inc., a contract manufacturer of therapeutic nucleic acid drugs, in February 2011. Production of membrane products recovered owing to solid demand for use in general industrial applications in China and North America and for use in seawater desalination projects in Australia.

As a result of the above, net sales were 34,486 million yen (down 7.0%) and operating loss was 1,590 million yen.

(3) Trends in operating results and assets

Item	FY2006 (142nd term)	FY2007 (143rd term)	FY2008 (144th term)	FY2009 (145th term)	FY2010 (under review)
Net sales (million yen)	679,822	745,259	577,922	601,859	638,556
Operating income (million yen)	69,037	77,954	13,838	56,086	85,245
Ordinary income (million yen)	67,319	74,468	14,807	58,833	85,143
Net income (million yen)	41,201	46,634	267	37,570	55,743
Net income per share (yen)	248.33	280.07	1.61	225.52	337.36
Total assets (million yen)	604,208	595,972	558,258	624,992	653,961
Net assets (million yen)	367,610	385,593	361,130	388,724	419,673
Net assets per share (yen)	2,192.29	2,297.12	2,148.15	2,320.86	2,540.30

(4) Capital investment

The Group invested a total of 26,882 million yen in plant and equipment during the business year under review. Of this total, 20,853 million yen was invested on a domestic basis for capital investment to improve production facilities for LCD-related products at the Onomichi Plant and to improve production facilities for industrial tape at the Toyohashi Plant. For overseas group companies, a total of 6,029 million yen was invested in production facilities for industrial tape in China, North America, and Europe.

(5) Financing

During the fiscal year under review, there was a moderate economic recovery due to factors such as the effects of economic stimulus measures by countries around the world. On the other hand, owing to the economic effects of the ongoing strength of the yen, deflationary conditions and other factors, there continued to be a sense of uncertainty about the future. In these conditions, we made use of internal Group finance sourced from the first unsecured bonds, which we issued in the previous fiscal year, to reduce our interest-bearing debts by 8,329 million yen (decrease by 12 million yen in short-term debts and decrease by 8,316 million yen in long-term debts).

(6) Key issues to be addressed

In terms of the global economic outlook for the fiscal year ending March 31, 2012, the Group anticipates moderate growth owing to factors such as the declining benefit of economic stimulus measures in advanced economies and the impact of higher crude oil prices. However, the Group forecasts continued growth in demand from China and other emerging economies.

In Japan, although the Group expected a pickup in the economy owing to an expansion in exports driven by growth in emerging economies, the outlook for the domestic economy is increasingly uncertain due to damage from the Great East Japan Earthquake and the impact of power shortages owing to the shutdown of the Fukushima nuclear power plants.

Under these economic circumstances, the Group will aim to aggressively expand sales of products such as LCD related materials (optical film and components for touch panels) and industrial tape (protection film for optical applications and transparent adhesive tape) to industries with expanding markets, such as LCD TVs, smart phones, and tablet PCs.

In Industrial Tape, the Group will seek to further reinforce its global business development by building an operating framework to tap into domestic demand in emerging economies such as China and India. In addition, the Group will work to rapidly respond to reconstruction demand in order to contribute to Japan's industrial recovery.

In the Medical Products, the Group plans to develop its presence in the therapeutic nucleic acid drug field through its newly acquired Avecia Biotechnology, Inc. In the Membrane Products, the Group aims to begin full-scale production of new products for which it secured orders during the fiscal year ended March 31, 2011.

- Industrial Tape

In the Tape materials/Custom processing materials, the Group will further promote aggressive globalization initiatives, including manufacturing its products in emerging markets with high growth rates. In addition, it will focus on the development of products that help to reduce

environmental impact.

- Optronics

In LCD related materials, the Group will consistently focus on boosting productivity. In addition, it will work to increase production capacity for products used in touch panels, demand for which is projected to expand. In Semiconductor related materials, Flexible printed circuits and Processing materials, the Group will focus on increasing profitability by raising production capacity while strengthening cost reduction efforts.

- Medical & Membrane

In Medical related products, the Group will pursue synergies with Avecia Biotechnology, Inc., acquired in February 2011, in the therapeutic nucleic acid drug field, and work to increase profitability over the long term. In addition, it will focus on fully bringing the Tohoku plant that was damaged by the Great East Japan Earthquake back on stream, and on rebuilding the generic pharmaceuticals business in the U.S. In Membrane products, the Group will strengthen its efforts to win orders for major projects and to respond to demands from emerging economies. It will also increase production capacity while stepping up efforts to cut costs in order to boost profitability.

(7) Main business of the Group (as of March 31, 2011)

Business segment	Major products
Industrial Tape	Bonding and joining products, surface protection products, sealing products, packaging products and equipments, engineering plastics
Optronics	LCD related materials, semiconductor related materials, flexible printed circuits, processing materials
Medical & Membrane	Medical related products, membrane products

(8) Status of major subsidiaries (as of March 31, 2011)

Corporate name	Capital	Company's stake	Main business
Nissho Corporation	in million yen 500	% 100.0	Production, processing and sales of industrial tapes
Nitto Europe NV	in thousand euro 6,198	100.0	Production, processing and sales of industrial tapes
Nitto Americas, Inc.	in thousand dollars 1,024	100.0	Administration of the Group companies in the U.S.
Nitto Denko (China) Investment Co., Ltd.	in thousand RMB 253,435	100.0	Administration of the Group companies in China
Nitto Denko (Suzhou) Co., Ltd.	in thousand RMB 370,902	100.0 (65.8)	Production, processing and sales of optronics
Taiwan Nitto Optical Co., Ltd.	in thousand NT\$ 568,003	100.0 (3.6)	Production, processing and sales of optronics
Korea Nitto Optical Co., Ltd.	in million won 29,768	97.5	Production, processing and sales of optronics
Nitto Denko (HK) Co., Ltd.	in thousand HK\$ 13,826	100.0	Sales of industrial tapes, optronics
Shanghai Nitto Optical Co., Ltd.	in thousand RMB 26,486	100.0 (24.5)	Production, processing and sales of optronics
Nitto Denko Material (Thailand) Co., Ltd.	in thousand Thai Baht 460,000	100.0 (39.4)	Production, processing and sales of industrial tapes, optronics

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

(9) Principal offices of the Group (as of March 31, 2011)

Nitto Denko Corporation	Head office	2-5-25 Umeda, Kita-ku, Osaka
	Offices (Plants)	Tohoku Plant (Osaki, Miyagi), Kanto Plant (Fukaya, Saitama), Toyohashi Plant (Toyohashi, Aichi), Kameyama Plant (Kameyama, Mie), Shiga Plant (Kusatsu, Shiga), Onomichi Plant (Onomichi, Hiroshima)
	Branches	Tokyo Sales Branch (Shinagawa-ku, Tokyo), Nagoya Sales Branch (Naka-ku, Nagoya), Osaka Sales Branch (Kita-ku, Osaka), Kyushu Sales Branch (Hakata-ku, Fukuoka)
	Laboratory	Core Technology Center (Ibaraki, Osaka)
Nissho Corporation	Head office: Kita-ku, Osaka	
Nitto Europe NV	Head office & plant: Genk, Belgium	
Nitto Denko (Suzhou) Co., Ltd.	Head office & plant: Suzhou, China	
Taiwan Nitto Optical Co., Ltd.	Head office & plant: Taichung, Taiwan	
Korea Nitto Optical Co., Ltd.	Head office & plant: Pyeongtaek, South Korea	
Nitto Denko (HK) Co., Ltd.	Head office: Hong Kong, China	
Shanghai Nitto Optical Co., Ltd.	Head office & plant: Shanghai, China	
Nitto Denko Material (Thailand) Co., Ltd.	Head office & plant: Ayutthaya, Thailand	

(10) Employees of the Group and the Company (as of March 31, 2011)

	Number of employees	(Changes from the end of the previous year)
Group	25,402	(+551)
Company	4,722	(+90)

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

(11) Major creditors (as of March 31, 2011)

(Unit: millions of yen)

Creditor	Balance at the end of the fiscal year
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	5,817
Nippon Life Insurance Company	3,000
Mitsubishi UFJ Trust and Banking Corporation	2,500

2. Shareholders' equity (as of March 31, 2011)

- | | |
|---|--------------------|
| (1) Number of shares authorized to be issued: | 400,000,000 shares |
| (2) Number of shares outstanding | 173,758,428 shares |
| (Number of treasury stock held) | 9,365,688 shares |
| (3) Number of shareholders | 59,059 |
| (4) Major shareholders (Top 10) | |

Name	Number of shares held	Ownership percentage
	Thousands of shares	%
JP MORGAN CHASE BANK 380055	9,476	5.76
Japan Trustee Services Bank, Ltd. (Trust Account)	9,377	5.70
STATE STREET BANK AND TRUST COMPANY	9,193	5.59
The Master Trust Bank of Japan, Ltd. (Trust Account)	7,628	4.64
SSBT OD05 OMNIBUS ACCOUNT - TREATY CLIENTS	3,841	2.34
STATE STREET BANK AND TRUST COMPANY 505225	2,923	1.78
Nippon Life Insurance Company	2,602	1.58
Sompo Japan Insurance Inc.	2,566	1.56
MELLON BANK, N.A. AS AGENT FOR ITS CLIENT MELLON OMNIBUS US PENSION	2,244	1.37
THE BANK OF NEW YORK MELLON AS DEPOSITARY BANK FOR DR HOLDERS	2,224	1.35

Notes:

- The Company holds treasury stock totaling 9,365,688 shares, but is not included in the above major shareholding parties.
- The ownership percentage has been calculated based on the number of shares outstanding excluding treasury stock.
- Although the reports on large scale shareholdings have been submitted as follows, the Company lists major shareholders above according to the shareholder register as of March 31, 2011.

Capital Research and Management Company

15,069,700 shares (as of March 15, 2011)

Also, the following report on large scale shareholders have been submitted since April 1, 2011.

Capital Research and Management Company

16,867,300 shares (as of April 15, 2011)

3. Matters concerning the Warrants

(1) Summary of Warrants issued as compensation for executing duties and responsibilities owned by Directors at the end of this business year

1) Warrants (general stock options)

- Number of Warrants issued: 1,040 units (100 shares of common stock per unit)
- Class and number of underlying shares that are the subject to Warrants: Company's common stock: 104,000 shares
- Classified total of Warrants held by Directors and other executives

Name	No. 7 Warrants	No. 8 Warrants	No. 9 Warrants
Exercise value (payment amount per unit at the time of exercise)	357,300 yen	304,800 yen	324,000 yen
Exercise period	January 1, 2009 through December 31, 2011	January 1, 2010 through December 31, 2012	January 1, 2011 through December 31, 2013
Number of owners and units by classification (Note 1)			
Directors	5 persons 325 units	4 persons 265units	7 persons 450 units

Note:

1. Outside Directors and Corporate Auditors are not eligible for the above-mentioned Warrants.

2) Warrants (stock options of equity-based compensation) (Note 2)

- Number of the Warrants issued: 1,221 units (100 shares of common stock per unit)
- Class and number of underlying shares that are the subject to the Warrants: Company's common stock: 122,100 shares
- Classified total of Warrant units held by Directors and other executives

Classification	Type 1 (Note 3)	Type 2 (Note 3)
Exercise value (payment amount per unit at the time of exercise)	100 yen	100 yen
Exercise period	<ul style="list-style-type: none"> • 20 years from the day following the issuing date • 6 years from the day following the day they no longer serve as Directors, Corporate Vice Presidents, Corporate Auditors, Advisers or specific staff members (in principle) 	<ul style="list-style-type: none"> • 30 years from the day following the issuing date • 10 days from the day following the day they no longer serve as Directors
Number of owners and units by classification (Note 4)		
Directors	5 persons 231 units	7 persons 959 units
Corporate Auditors (Note 5)	1 person 31 units	- -

Notes:

2. Following the discontinuation of traditional retirement benefit in cash approved at the 139th ordinary general meeting of shareholders, issue of the above Warrants was approved as its replacement at the 139th ordinary general meeting of shareholders and onward.
3. Type 1 was approved at the 139th and 140th ordinary general meetings of shareholders under the former Commercial Code. Type 2 was approved at the 141st ordinary general meeting of shareholders and onward.
4. Outside Directors and Corporate Auditors are not eligible for the above-mentioned Warrants.
5. The above Warrants held by Corporate Auditors were granted when they were employees prior to assuming office as Corporate Auditors.

- (2) Summary of Warrants issued as compensation for executing duties and responsibilities to the employees of the Company and the Directors and the employees of the subsidiaries during this business year

Name	No. 9 Warrants (general stock option)	Warrants issued in August 2010 (stock option of equity-based compensation) (Note 1)
Number of the Warrants issued	2,795 units (100 shares of common stock per unit)	250 units (100 shares of common stock per unit)
Class and number of underlying shares that are the subject to the Warrants	Company's common stock: 279,500 shares	Company's common stock: 25,000 shares
Exercise value (payment amount per unit at the time of exercise)	324,000 yen	100 yen
Exercise period	January 1, 2011 through December 31, 2013	August 3, 2010 through August 2, 2040 10 days from the day following the day when the Corporate Vice President of the Company no longer serves as Corporate Vice President ("Right Exercise Starting Day"). Provided, however, that if the Warrant owner is the Corporate Vice President of the Company and has an employment contract with the Company, the later of the day following the day the Warrant owner no longer serves as Corporate Vice President or the day following the said employment contract expires shall be the Right Exercise Starting Day.
Classified number of persons and units issued		
Employees of the Company (excluding those who also serve as Directors of the Company)	91 persons 2,191 units	12 persons 250 units
Directors and employees of the subsidiaries of the Company (excluding those who also serve as Directors or employees of the Company)	32 persons 604 units	

Note:

- The Warrants issued in August 2010 were approved by the Board of Directors of the Company to grant to the Directors and the Corporate Vice Presidents as a replacement of the traditional Directors' retirement benefit in cash, the discontinuation of which was approved at the 139th ordinary general meeting of shareholders.

4. Executives

(1) Directors and Corporate Auditors (as of March 31, 2011)

Position	Name	Duties and significant concurrent positions
Representative Director President	Yukio Nagira	CEO (Group Chief Executive Officer) COO (Group Chief Operating Officer) CTO (Group Chief Technology Officer)
Director	Tatsunosuke Fujiwara	Senior Executive Corporate Vice President CFO (Group Chief Financial Officer) General Manager of Corporate Sector
Director	Kaoru Aizawa	Senior Executive Corporate Vice President General Manager of Quality, Environment & Safety Management Sector in charge of environment management strategy
Director	Yasuo Ninomiya	Executive Corporate Vice President General Manager of Information and Communication Technology Sector in charge of GNT promotion
Director	Kenji Matsumoto	Senior Corporate Vice President in charge of medical related products and membrane products President of Nitto Denko Technical Corporation
Director	Hideo Takasaki	Senior Corporate Vice President in charge of optical business
Director	Yoichiro Sakuma	Corporate Vice President, General Manager of Tape Products Sector in charge of management of operations in America President of NITTO AMERICAS, INC
Director	Yoichiro Furuse	
Director	Kunio Ito	Professor of Graduate School of Commerce and Management of Hitotsubashi University
Corporate Auditor (full-time service)	Ryoichi Ota	
Corporate Auditor (full-time service)	Takashi Awazu	
Corporate Auditor (part-time service)	Hisashi Hosokawa	
Corporate Auditor (part-time service)	Norio Akai	
Corporate Auditor (part-time service)	Masashi Teranishi	

Notes:

- Both Yoichiro Furuse and Kunio Ito are the Outside Directors stipulated in Item 15, Article 2 of the Companies Act.
- Of the Corporate Auditors, Hisashi Hosokawa, Norio Akai and Masashi Teranishi are the Outside Corporate Auditors stipulated in Item 16, Article 2 of the Companies Act.
- Takashi Awazu, the full-time Corporate Auditor, has had experiences in the Company's accounting and auditing departments over the years, having a broad range of knowledge in finance and accounting.
- The Company designated all of the Outside Directors and Outside Corporate Auditors as Independent Directors/Auditors stipulated by Tokyo Stock Exchange and Osaka Securities Exchange and reported them to the Exchanges.
- The Company adopts the executive officer system. Addition to the Directors listed above, the following 13 persons take on the duties as indicated.

Position	Name	Duties
Executive Corporate Vice President	Koichi Nishikawa	Sales and Marketing
Senior Corporate Vice President	Hongin Kim	South Korea general management
Senior Corporate Vice President	Yoji Munakata	Sales management
Senior Corporate Vice President	Minoru Sano	Quality assurance & group training
Corporate Vice President	Takeshi Nasu	Manufacturing Engineering
Corporate Vice President	Toshihiko Omote	Corporate technology Technical information (Technical planning and intellectual property)
Corporate Vice President	Masami Kanzaki	IT Management
Corporate Vice President	Masahiko Arimoto	Corporate Strategy Management of operations in East Asia
Corporate Vice President	Kenji Ueki	Procurement
Corporate Vice President	Michio Yoshimoto	Corporate legal and export control
Corporate Vice President	Toshio Yamamoto	Personnel and general affairs
Corporate Vice President	Toshiyuki Umehara	Optical business management
Corporate Vice President	Toru Takeuchi	Accounting and finance

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

(Unit: millions of yen)

Category	Director (including Outside Director)		Outside Director		Corporate Auditor (including Outside Corporate Auditor)		Outside Corporate Auditor	
	Number of payees	Amount of payment	Number of payees	Amount of payment	Number of payees	Amount of payment	Number of payees	Amount of payment
Compensation in cash	11	275	2	21	5	95	3	26
Bonus paid to Directors	7	216	-	-	-	-	-	-
Stock Purchase/Subscription Warrants (General stock options)	7	24	-	-	-	-	-	-
Stock Purchase/Subscription Warrants (Equity-based compensation stock options)	7	93	-	-	-	-	-	-
Total		610		21		95		26

Notes:

1. The above includes 2 Directors who retired upon the closure of the 145th general meeting of shareholders held on June 18, 2010.
2. The amount of employee's salary (including bonus) for a Director who also holds an employee post is paid separately the above-mentioned compensation. Meanwhile, the amount of employee's salary (including bonus) was not paid for the current term.
3. The limit of compensation for Directors is 30 million yen per month (approved at the 143rd general meeting of shareholders) and that for Corporate Auditors is 12 million yen per month (approved at the 139th general meeting of shareholders).
4. Bonus for Directors is a tentative amount and its payment is subject to the approval of the Item 2 for the 146th general meeting of shareholders as proposed.
5. Matters related to the Warrant (stock option) were approved at the 145th ordinary general meeting of shareholders.
6. The Company also paid an amount of 130 million yen as Directors' retirement benefit in addition to the compensation mentioned in the table above. This was paid to the 2 directors who were eligible for the payment in accordance with the approval at the 139th ordinary general meeting of shareholders.

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

1) Compensation for Directors

Compensation in cash, bonus and compensation by the Warrant, of Directors, are determined by the Representative Director(s) in accordance with the duties, responsibilities and performances of each Director within the range of the total amount approved by the general meetings of shareholders.

2) Compensation for Corporate Auditors

Compensation for Corporate Auditors is determined by consultation among Corporate Auditors in accordance with the duties and responsibilities of each Corporate Auditor within the range of the total amount of compensation for Corporate Auditors approved by the general meetings of shareholders.

(4) Outside Directors and Outside Corporate Auditors (as of March 31, 2011)

1) Significant concurrent positions of Outside Directors and Outside Corporate Auditors

Kunio Ito concurrently serves as Professor of Graduate School of Commerce and Management of Hitotsubashi University, but the University and the Company have no significant business relationships.

2) Major activities of Outside Directors and Outside Corporate Auditors

Name	Major activities	
1. Outside Directors		
Yoichiro Furuse	Participation	Board of Directors: 100% (12 times out of 12 times)
	Major comments	He mainly makes comments from the viewpoint of experienced corporate executive.
Kunio Ito	Participation	Board of Directors: 83% (10 times out of 12 times)
	Major comments	He mainly makes comments based on his broad insight as a learned person and academic expert.
2. Outside Corporate Auditors		
Hisashi Hosokawa	Participation	Board of Directors: 100% (12 times out of 12 times) Board of Corporate Auditors: 100% (8 times out of 8 times)
	Major comments	He mainly makes comments based on his broad insight and knowledge for global economy and information.
Norio Akai	Participation	Board of Directors: 100% (12 times out of 12 times) Board of Corporate Auditors: 100% (8 times out of 8 times)
	Major comments	He mainly makes comments from the viewpoint of experienced corporate executive.
Masashi Teranishi	Participation	Board of Directors: 100% (12 times out of 12 times) Board of Corporate Auditors: 100% (8 times out of 8 times)
	Major comments	He mainly makes comments based on his experience at financial institutions over many years and deep financial knowledge.

3) Liability limitation agreement of Outside Directors and Outside Corporate Auditors

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

5. Accounting auditors

- (1) Name of accounting auditor: KPMG AZSA LLC

Note:

KPMG AZSA & Co. became KPMG AZSA LLC as of July 1, 2010.

- (2) Amount of compensation for accounting auditor

(Unit: millions of yen)

1)	Amount of compensation as an accounting auditor for this business year	112
2)	Total amount of money and other asset interests to be paid by the Company and the subsidiaries of the Company	130

Note:

The compensation for auditing as an accounting auditor under the Companies Act and the compensation for auditing under the Financial Instruments and Exchange Act have not been differentiated in the auditing agreement between the Accounting Auditor and the Company, and also cannot be materially differentiated, so the above figure is the total of these compensations.

- (3) Policy to determine dismissal or non-reelection of the accounting auditor

In addition to the dismissal of the Accounting Auditors by the Board of Corporate Auditors in accordance with the provision of Article 340 of the Companies Act, in principle, the Company does not reelect the Accounting Auditor, elects another relevant accounting auditor and brings the accounting auditor election agenda to the general meeting of shareholders upon consent or request of the Board of Corporate Auditors when the relevant execution of the business by the Accounting Auditor is deemed difficult or when problems are found for eligibility or creditworthiness of the Accounting Auditor based on the auditing standards. The Company also intends to determine election or non-election of the Accounting Auditor based on the number of years continued for auditing in addition to the factors mentioned above.

6. Internal Controls and Policies of the Company

- (1) Controls to ensure that the exercise of duties by Directors complies with legal provisions and the Articles of Incorporation, and controls to secure appropriateness of operations

The Company, in accordance with the provisions of Article 362 of the Companies Act and of Article 100 of the Enforcement Rules of the Companies Act, defined the Company's fundamental policies on a system to secure appropriateness of operations (hereafter referred to as "internal controls") at its Board of Directors meeting held on May 26, 2006. Since then the Company has regularly checked how our internal controls are working and revised them to the fundamental policies as needed. The policies as of the end of this fiscal year were defined as described below.

- 1) Internal controls to ensure that the exercise of duties by Directors and the employee complies with legal provisions and the Articles of Incorporation
 - i) As the basis of a compliance system, corporate vision and guiding principles and a code of business conducts aimed at ensuring compliance with legal and ethical standards as an action standard are defined, and the code is issued and enforced to the entire staff not only of the Company but also of the whole Group. Directors take the lead in complying with legal and ethical standards.
 - ii) In order to promote CSR activities, including the establishment of compliance and risk management system, a CSR Director is appointed and a CSR Committee chaired by the appointed Director is set up. In addition, an outside director system is adopted. By doing this, we will increase the transparency of the whole management system including the process of corporate decision-making. We will also establish a system to ensure the reasonableness, validity and effectiveness of the operational process and our businesses in general, including the internal control to maintain confidence in financial reporting.
 - iii) Audit department, as an internal audit division, is established for conducting internal audits on each division of the Company and the Group companies to measure reasonableness and other aspects of operational processes and operations in general. In addition, departments specializing in environment, safety, quality and export management are established for coordinating with the audit department when conducting audits.
 - iv) Under the internal reporting system for handling legal violations and ethical standards, a reporting channel is established in which to secure anonymity of informants, the direct recipient of information is an external institution. In addition, the Company establishes an in-house hotline window as well as a Corporate Ethics Committee including the CSR Director and Corporate Auditors, for handling non-compliance matters and preventing reoccurrence of any act of noncompliance.

- 2) Internal controls regarding retention and management of information associated with the exercise of Directors' duties

All documents associated with the exercise of Directors' duties such as the minutes of the general meeting of shareholders, the Board of Directors meeting and the management strategy meeting and the collective decision-making document, in accordance with the regulations on document management and retention, are properly and surely retained and managed in the form of paper or electronic means, and if necessary is made available for viewing.

- 3) Rules on managing the risk of loss and other internal controls

As the basis of the Company's risk management system, operational risks associated with business structuring or foreign business management, risks emerging from external factors such as exchange volatility and country risk, and risks associated with technological competitiveness including new technology development skills and intellectual property rights, are managed at all times and measured when necessary by the Board of Directors, Management Strategy Committee and each of the business executive organizations. With regard to risks associated with product quality/deficiency, environment, disaster and safety, correspondence to information security and antisocial forces, and risks related to compliance matters such as the Anti-trust Law, the Pharmaceutical Affairs Law and the Export Law, the designated responsible departments are empowered to periodically perform a thorough review of the key risks. These risks are monitored and measured respectively by departments and through various committee activities as well as projects organized as necessary. In the event of an unforeseen situation, the President, the CSR Director and Corporate Auditors are promptly notified, and the emergency headquarters is established under the President for preventing enlargement of damage, keeping any loss to a minimum, maintaining continuity of business and restoring operations as soon as possible.

- 4) Internal controls to ensure efficient execution of Directors' duties

- i) As the basis of a system to ensure that the duties of Directors are exercised efficiently, the Board of Directors meeting is normally held on a monthly basis, and an extraordinary meeting is held when necessary. Internal decision-making rules are defined so that important matters related to specific management policies and strategies of the Company are, in accordance with the level of importance, discussed and approved at the Board of Directors meeting, the management strategy meeting (normally held monthly) and/or meetings held by each business executive division or through the collective decision-making system. Also operation systems utilizing IT technologies are positively implemented for securing an environment that enables efficient operational executions.

- ii) Managers responsible for operational execution and the scope of their responsibilities as well as detailed operational procedures are provided respectively by the organization designated by the Board of Directors or under group decision-making rules.
- 5) Internal controls for ensuring appropriateness of operations in a corporate entity
- i) As the basis of controls to secure appropriateness of operations in the Nitto Denko Group as a corporate entity, a code of business conducts aimed at ensuring compliance with legal and ethical standards is defined, and issued and enforced to the entire staff of group companies.
 - ii) For securing appropriateness of group-wide operations: group decision-making regulations and standards are developed to ensure that domestic and overseas group companies properly carry out decision-making on management and preliminary discussions and reporting, etc. regarding important matters with the Company; as well as a system is established under which Directors and Corporate Vice Presidents of the Company receive reports from group companies engaged in businesses supervised by these officers, and if necessary, take part in relevant decision-making, based on these regulations and standards. With regard to technological and financial matters, chief officers in responsible for each matter are appointed from among Directors and a system is set up under which these matters are conducted appropriately and efficiently on a group-wide basis.
 - iii) Corporate Auditors coordinate with the audit department in performing audits of each group company in accordance with the audit plan, and when deemed necessary may request at any time reports from Corporate Auditors, Directors and executive managements of any group company.
- 6) Matters concerning a staff appointment of which has been requested by a Corporate Auditor for assisting the Auditor, and matters concerning independence of the staff from Directors
- i) An assistant to the Corporate Auditor is assigned in the audit department for assisting the duties of the Corporate Auditor. Election, transfer and evaluation of the assistant to the Corporate Auditor are determined based on concurrence from the full-time Corporate Auditor, and the assistant is independent from the Directors.
 - ii) The assistant to the Corporate Auditor does not hold concurrent responsibility for a position related to operational execution.
- 7) Internal controls on reporting to Corporate Auditors (or the board of Corporate Auditors), including reporting by Directors and the employees to Corporate Auditors (or the board of Corporate Auditors), and internal controls to ensure execution of effective audits by Corporate Auditors.

- i) Directors and the employees in accordance with the audit plan provided for by Corporate Auditors (or the Board of Corporate Auditors), report any critical matters that may be influential to the operations or to the business results of the Company, to the Corporate Auditors. Regardless of the aforementioned, Corporate Auditors may at any time demand, as necessary, reports from Directors and the employees, and may also request attendance to important meetings as well as call for disclosure of the minutes of such meetings and of collective decision-making documents and various reports.
- ii) Directors define an internal reporting system on compliance along with emergency/accident reporting system, and ensure that these systems are duly operated and maintained so that problems are promptly and properly reported to the Corporate Auditors.
- iii) Corporate Auditors collaborate with Accounting Auditors, the audit department and others as well as exchange opinions and information with the Corporate Auditors of group companies to secure an environment in which audits can be performed effectively. Directors acknowledge and understand the importance and the usefulness of audits performed by the Corporate Auditors, and then promote effectiveness of the audit department and the internal auditing system.

(2) Basic Policy on Corporate Dominance

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

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

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

In the amounts of money and the number of shares in the Business Report, fractions below the shown figures are omitted. Percentages (%) are rounded to the nearest decimal point.

Consolidated Balance Sheets

(Unit: millions of yen)

	Amount	
	As of March 31, 2011	As of March 31, 2010 (Reference)
(Assets)		
Current assets	423,340	381,554
Cash and deposits	211,044	171,921
Notes and accounts receivable-trade	132,725	135,727
Merchandise and finished goods	20,795	19,776
Work in process	28,911	27,031
Raw materials and supplies	12,693	11,120
Deferred tax assets	9,128	8,444
Other	8,750	8,364
Allowance for doubtful accounts	(708)	(831)
Noncurrent assets	230,620	243,438
Property, plant and equipment	195,152	208,405
Buildings and structures	91,597	99,069
Machinery, equipment and vehicles	65,382	73,921
Tools, furniture and fixtures	6,707	7,972
Land	19,077	19,119
Construction in progress	12,388	8,323
Intangible assets	8,100	7,273
Goodwill	1,610	56
Software	4,195	4,030
Other	2,293	3,186
Investments and other assets	27,367	27,758
Investments securities	8,583	8,890
Deferred tax assets	9,546	9,703
Prepaid pension cost	6,286	5,642
Other	3,197	3,771
Allowance for doubtful accounts	(245)	(248)
Total assets	653,961	624,992

Consolidated Balance Sheets

(Unit: millions of yen)

	Amount	
	As of March 31, 2011	As of March 31, 2010 (Reference)
(Liabilities)		
Current liabilities	157,046	149,688
Notes and accounts payable-trade	80,876	79,531
Short-term loans payable	10,654	10,667
Accrued expenses	19,107	18,590
Income taxes payable	18,709	15,746
Other	27,699	25,153
Noncurrent liabilities	77,242	86,579
Bonds payable	50,000	50,000
Long-term loans payable	6,000	14,316
Provision for retirement benefits	18,688	19,219
Provision for directors' retirement benefits	393	514
Deferred tax liabilities	365	181
Other	1,795	2,347
Total liabilities	234,288	236,268
(Net assets)		
Shareholders' equity	447,163	406,969
Capital stock	26,783	26,783
Capital surplus	56,171	56,153
Retained earnings	398,161	352,316
Treasury stock	(33,953)	(28,284)
Accumulated other comprehensive income	(29,557)	(20,304)
Valuation difference on available-for-sale securities	1,250	1,755
Deferred gains or losses on hedges	123	(284)
Foreign currency translation adjustment	(30,931)	(21,775)
Subscription rights to shares	847	1,067
Minority interests	1,219	992
Total net assets	419,673	388,724
Total liabilities and net assets	653,961	624,992

Consolidated Statements of Income

(Unit: millions of yen)

	Amount	
	April 1, 2010 – March 31, 2011	April 1, 2009 – March 31, 2010 (Reference)
Net sales	638,556	601,859
Cost of sales	444,037	440,714
Gross profit	194,518	161,144
Selling, general and administrative expenses	109,273	105,058
Operating income	85,245	56,086
Non-operating income	3,727	6,297
Interest and dividends income	458	394
Foreign exchange gains	–	304
Miscellaneous income	3,269	5,597
Non-operating expenses	3,828	3,550
Interest expenses	1,031	1,348
Equity in losses of affiliates	18	84
Foreign exchange loss	1,281	–
Miscellaneous loss	1,497	2,116
Ordinary income	85,143	58,833
Extraordinary income	574	967
Gain on sales of noncurrent assets	219	227
Other	355	739
Extraordinary loss	2,768	6,103
Loss on sales and retirement of noncurrent assets	1,587	3,299
Impairment loss	172	256
Special retirement expenses	66	226
Loss on disaster	654	–
Other	288	2,320
Income before income taxes	82,950	53,698
Income taxes-current	27,478	18,669
Income taxes-deferred	(585)	(2,695)
Income before minority interests	56,056	37,723
Minority interests in income	313	153
Net income	55,743	37,570

Consolidated Statements of Cash Flows (Reference)

(Unit: millions of yen)

	April 1, 2010 – March 31, 2011	April 1, 2009 – March 31, 2010
I Net cash provided by (used in) operating activities		
Income before income taxes	82,950	53,698
Depreciation and amortization	39,940	44,810
Decrease (increase) in notes and accounts receivable-trade	(1,629)	(41,992)
Increase (decrease) in inventories	(6,273)	2,892
Increase (decrease) in notes and accounts payable-trade	6,189	26,358
Interest expenses paid	(1,073)	(1,520)
Income taxes paid	(24,392)	1,418
Other, net	1,349	16,832
Net cash provided by (used in) operating activities	97,060	102,498
II Net cash provided by (used in) investing activities		
Net decrease (increase) in time deposits	(1,486)	(61,013)
Purchase of noncurrent assets	(28,033)	(33,955)
Proceeds from sales of noncurrent assets	984	729
Other, net	(3,506)	(2,348)
Net cash provided by (used in) investing activities	(32,041)	(96,588)
III Net cash provided by (used in) financing activities		
Increase (decrease) in short-term loans payable	(1,096)	(23,838)
Proceeds from issuance of bonds	–	50,000
Increase (decrease) in commercial papers	–	(25,000)
Repayment of long-term loans payable	(6,358)	(420)
Increase (decrease) in treasury stock	(5,982)	20
Cash dividends paid	(9,898)	(9,995)
Other, net	(23)	103
Net cash provided by (used in) financing activities	(23,359)	(9,129)
IV Effect of exchange rate change on cash and cash equivalents	(3,998)	124
V Net increase (decrease) in cash and cash equivalents	37,661	(3,095)
VI Cash and cash equivalents at the beginning of period	110,627	113,722
VII Cash and cash equivalent at the end of period	148,289	110,627

Consolidated Statement of Changes in Net Assets

April 1, 2010 – March 31, 2011

(Unit: millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance as of March 31, 2010	26,783	56,153	352,316	(28,284)	406,969
Changes of items during the period					
Dividends from surplus			(9,898)		(9,898)
Net income			55,743		55,743
Purchase of treasury stock				(6,741)	(6,741)
Disposal of treasury stock		18		1,071	1,090
Net changes of items other than shareholders' equity					
Total changes of items during the period	-	18	45,844	(5,669)	40,194
Balance as of March 31, 2011	26,783	56,171	398,161	(33,953)	447,163

	Accumulated other comprehensive income				Subscription rights to shares	Minority interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Total accumulated other comprehensive income			
Balance as of March 31, 2010	1,755	(284)	(21,775)	(20,304)	1,067	992	388,724
Changes of items during the period							
Dividends from surplus							(9,898)
Net income							55,743
Purchase of treasury stock							(6,741)
Disposal of treasury stock							1,090
Net changes of items other than shareholders' equity	(504)	408	(9,156)	(9,252)	(219)	226	(9,245)
Total changes of items during the period	(504)	408	(9,156)	(9,252)	(219)	226	30,949
Balance as of March 31, 2011	1,250	123	(30,931)	(29,557)	847	1,219	419,673

Notes to consolidated financial statements

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

(1) Scope of consolidation

1) Number of consolidated subsidiaries: 100

Major companies: Nissho Corporation, Nitto Europe NV, Nitto Americas, Inc., Nitto Denko (China) Investment Co., Ltd., Nitto Denko (Suzhou) Co., Ltd., Taiwan Nitto Optical Co., Ltd., Korea Nitto Optical Co., Ltd., Nitto Denko (HK) Co., Ltd., Shanghai Nitto Optical Co., Ltd., Nitto Denko Material (Thailand) Co., Ltd.

Newly consolidated subsidiaries:

Established: Nitto Denko Turkey Tape Materials Industry and Trade Limited

Acquired: Avecia Biotechnology, Inc.

Companies whose status as a consolidated subsidiary ceased:

Liquidated, etc.: Kyoshin (M) Sdn, Bhd.

Nitto Matex (Shanghai) International Trading Co., Ltd.

Shinko Services, Co., Ltd.

Merged with the Company: Nistem Korea Co., Ltd.

2) Number of non-consolidated subsidiaries: 6

Major company: Nitto Denko Technical Corporation

All of the non-consolidated subsidiaries are small, and their total assets, net sales, net income or loss, and retained earnings, etc., which correspond to holdings under the equity method have little effect on the consolidated financial statements. Hence, these companies are excluded from the scope of consolidation.

(2) Application of equity method

1) Number of non-consolidated subsidiaries subject to equity method: 6

Major company: Nitto Denko Technical Corporation

2) Number of affiliates subject to equity method: 1

Affiliates which newly become subject to equity method:

Share acquisition: Algotochip Corporation

Affiliates to which application of the equity method ceased:

Liquidation, etc.: Kathyd Technology, LLC

- (3) Fiscal year of the consolidated subsidiaries
Number of companies whose fiscal year is the same as that of the company: 80
Number of companies whose fiscal year is different from that of the company: 20
*For the 20 companies above, a provisional settlement of accounts based on March 31, 2011 was used.
- (4) Accounting policies
- 1) Valuation basis and methods for principal assets
- i) Securities
Other securities:
Securities with available fair value:
Carried at fair value, as of the consolidated balance sheet date. (Valuation adjustments were reported in the net assets section, and selling costs were calculated using the moving average method.)
Securities with no available fair value:
Stated at cost based on the moving average method
- ii) Derivatives: Stated at fair value
- iii) Inventories: Mainly 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).
- 2) Depreciation method of major depreciable assets
- i) Property, plant and equipment (excluding lease assets):
Mainly the declining-balance method
- ii) 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)
- iii) Amortization method and period of goodwill:
Goodwill is amortized using the straight-line method over 5 years. In cases that the amount is immaterial the goodwill is amortized in full during the year in which it occurs.
- iv) Lease assets:
Lease assets, determined to be finance leases not involving the transfer of ownership of the leased property to the lessee are accounted for using the straight-line method, with the useful life set as the period of the lease contract, with no residual value.

3) Accounting criteria for major allowances

i) Allowance for doubtful accounts

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

ii) Provision for directors' bonuses

The Company and its domestic consolidated subsidiaries make provisions for the amount of bonuses for directors deemed to accrue during the fiscal year, based on the Company's estimated payment obligation for the current consolidated accounting fiscal year.

iii) Provision for retirement benefits

The Company makes provisions for the necessary amount of allowance for employees' severance and retirement benefits deemed to accrue during the term based on the Company's estimated payment obligation and the balance of the pension fund at the end of the consolidated accounting fiscal year.

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

Actuarial gain or loss is amortized from the consolidated accounting fiscal year following the consolidated accounting fiscal year in which the gain or loss is recognized by the straight-line method for a given number of years (12 years) within employees' average remaining years of service.

iv) Provision for directors' and corporate auditors' retirement benefits

The domestic consolidated subsidiaries calculate the required amount based on internal regulations in preparation for the payment of retirement allowances to Directors and Corporate Auditors.

4) Conversion criteria of major assets or liabilities in foreign currencies into Japanese yen

Monetary credits and debts in foreign currencies are converted into Japanese yen by using the spot exchange rates on the day of consolidated account settlement, and the difference arising from such conversion is stated as gain or loss. Assets and liabilities of overseas subsidiaries and others are converted into yen based on the spot exchange rate on the day of consolidated settlement of accounts, and revenue and expenses are converted into yen by using the average exchange rate during the fiscal year, while the difference arising from the conversion is shown as foreign currency translation adjustment and minority interests.

- 5) Methods of hedge accounting
 - i) Method of hedge accounting

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

Hedge instruments: Forward exchange contracts, Currency swaps, Interest rate swaps
Hedge targets: Foreign currency-denominated receivables and payables, etc.
 - iii) Hedge policy

The Company adopts a policy aimed at averting the risks associated with exchange fluctuations and interest rate fluctuations.
 - iv) Method of assessing the effectiveness of the hedges

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

- 6) Other important items for compiling consolidated financial statements

Consumption tax and similar taxes are excluded from the transaction amounts.

- 7) Changes in significant accounting policies for the preparation of the consolidated financial statements
 - i) Adoption of accounting standard for asset retirement obligations

From this consolidated accounting fiscal year the “Accounting Standard for Asset Retirement Obligations” (ASBJ Statement No. 18, March 31, 2008) and the “Guidance on Accounting Standard for Asset Retirement Obligations” (ASBJ Guidance No. 21, March 31, 2008) have been adopted.
This change has no impact on operating income, ordinary income and income before income taxes.
 - ii) Adoption of accounting standards for business combinations, etc.

From this consolidated accounting fiscal year, the “Accounting Standard for Business Combinations” (ASBJ Statement No. 21, December 26, 2008), the “Accounting Standard for Consolidated Financial Statements” (ASBJ Statement No. 22, December 26, 2008), the

“Partial Amendments to ‘Accounting Standard for Research and Development Costs’” (ASBJ Statement No. 23, December 26, 2008), the “Accounting Standard for Business Divestitures” (ASBJ Statement No. 7, December 26, 2008), the “Accounting Standard for Equity Method of Accounting for Investments” (ASBJ Statement No. 16, released on December 26, 2008), and the “Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures” (ASBJ Guidance No. 10, December 26, 2008) have been adopted.

There is no impact on the consolidated financial statements during this consolidated accounting fiscal year due to a change in the method of valuing the assets and liabilities of the consolidated subsidiaries from the partial marked-to-market method to the full marked-to-market method.

iii) Changes in presentation method

(Consolidated statements of income)

As a result of the adoption of the “Ministerial Ordinance for Partial Revision of the Ordinance for Enforcement of the Companies Act, the Corporate Accounting Rules, etc.” (Ordinance of the Ministry of Justice No. 7 of March 27, 2009) in accordance with the “Accounting Standard for Consolidated Financial Statements” (ASBJ Statement No. 22, December 26, 2008), “income before minority interests” was included in account items for this consolidated accounting fiscal year.

2. Notes to consolidated balance sheets

(1) Accumulated depreciation of property, plant and equipment 398,409 million yen

(2) Pledged assets and secured liabilities

Pledged assets:

Investment in securities 17 million yen

Secured liabilities:

Accounts payable 10 million yen

(3) Guarantees on liabilities and contracts for future guarantees on liabilities (including notes on management guidance, etc.)

The Company extends guarantees on liabilities for its employees’ bank loans.

Employees’ housing loans 4 million yen

3. Notes to consolidated statement of changes in net assets

(1) Type and total number of outstanding shares as of the end of the current consolidated accounting fiscal year.

Common stock

173,758 thousand shares

(2) Dividends

1) Dividend payments

Resolution	Type of shares	Total dividends (in millions of yen)	Dividend per share (in yen)	Record date	Effective date
General meeting of shareholders held on June 18, 2010	Common stock	3,332	20	March 31, 2010	June 21, 2010
Board of Directors meeting held on October 29, 2010	Common stock	6,566	40	September 30, 2010	November 26, 2010
Total	-	9,898	-	-	-

- 2) Of the dividends for which the record date falls during the current consolidated accounting fiscal year and items for which the effective date arrives during the following consolidated accounting fiscal year

The following proposal on dividends for common stock will be presented for resolution at the General Meeting of Shareholders scheduled on June 17, 2011.

Total dividends	8,219 million yen
Dividend per share	50 yen
Record date	March 31, 2011
Effective date	June 20, 2011

Dividends are to be paid out of retained earnings.

- 3) Type and number of shares for the target of warrant (excluding items for which the initial date of the rights exercise period has not arrived) as of the end of the current consolidated accounting fiscal year

Common stock	998,300 shares
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4. Notes to financial instruments

1. Matters relating to the status of financial instruments

(1) Policies in engaging in transactions of financial instruments

The Company Group has policies to restrict the investment activities of its fund to short-term deposits, etc. and use bank borrowings for its financing purpose. It uses derivatives to hedge risks described in the below and does not engage in speculative transactions.

(2) Details of and risks associated with financial instruments

Notes and accounts receivables, which are trade receivables, are exposed to the credit risk of customers. Foreign currency-denominated trade receivables, which are generated by our global business operations, are also exposed to changes in foreign exchange rates. However, the Company in principle hedges such exposures by using FX forward transactions for the net positions of foreign currency-denominated trade receivables. Investment securities mostly represent shares of companies with which we have business relationships and are exposed to changes in their market prices.

Accounts payable, which are trade obligations, have maturity dates of 1 year or less. Some of them are related to the import of raw materials, etc. and denominated in foreign currencies. Thus, they are exposed to changes in foreign exchange rates, but they are constantly within the balance of accounts receivables of the same foreign currency. Among loans payable, short-term loans payable primarily represent the funding relating to operating transactions and long-term loans payable mainly concern the funding relating to capital expenditure. Corporate bonds are primarily sought to secure long-term stable funds and procure the funds necessary for capital expenditure, and reach maturity 3 years and 3 months after the day of account settlement.

Derivative transactions include FX forward transactions, currency swaps and interest rate swaps which seek to provide hedges for the risks of changes in foreign exchange rates and interest rates associated with foreign currency-denominated trade receivables and payables, etc. For hedge instruments and targets, hedging policy, the method of assessing the effectiveness of the hedges, and other details in relation to hedge accounting, please refer to the ‘Methods of hedge accounting’ described in the above “Accounting policies.”

(3) Risk management system relating to financial instruments

(i) Management of credit risk (risk relating to non-performance of a contract obligation by a counterparty, etc.)

The Company adheres to the credit management rules for its trade receivables by having the Sales Management Division monitor the status of major counterparties regularly and managing due dates and balances by counterparty, while working to detect early and mitigate any concerns about collection due to the deterioration in their financial positions and other reasons. Our consolidated subsidiaries also conform to the Company’s credit management rules and conduct similar management activities.

In terms of using derivative transactions, the Company engages in transactions only with highly rated financial institutions in order to mitigate counterparty risk.

The maximum credit risk amount as of the day of consolidated account settlement for this accounting year is shown in the value on the balance sheet of financial assets which

are subject to credit risk.

- (ii) Management of market risk (risk of changes in foreign exchange rates and interest rates, etc.)

The Company and some of its consolidated subsidiaries hedge away the risk of changes in foreign exchange rates as captured by currency and month in relation to foreign currency-denominated trade receivables and payables, primarily through the use of FX forward transactions. Also, depending on the condition of foreign exchange markets, FX forward transactions may be executed for foreign currency-denominated trade receivables and payables which are forecasted reliably to be generated by scheduled export and import transactions. Further, the Company and some of its consolidated subsidiaries use currency swaps and interest rate swaps to control the risk of changes in foreign exchange rates and interest rates in relation to other foreign currency-denominated claims and debts, etc.

With regard to investments securities, we keep track of their fair values and the financial status of the issuers (counterparties) and review the holdings continuously with the relationships with the counterparties taken into account.

As for derivative transactions, in accordance with the derivative transaction management rules that provide transaction authority, limit amounts, and others, the Accounting & Finance Department is responsible for executing and booking transactions and reconciling the balances with counterparties. Transaction records for each month are submitted to the CFO. Consolidated subsidiaries also adhere to the Company's derivative transaction management rules to manage derivative transaction activities.

- (iii) Management of liquidity risk in relation to funding (risk of being unable to make payment on due dates)

The Company manages liquidity risk by having the Accounting & Finance Department prepare and update a cash flow management plan as appropriate based on the reports by respective departments, maintaining cash at hand to above a certain level and taking other measures.

- (4) Supplementary explanation for the matters relating to the fair values, etc. of financial instruments

Fair values of financial instruments are determined by market prices. If no market prices are available, fair values are based on values as calculated in a reasonable manner.

Determination of such values contains variable factors and the adoption of different presumptions may cause the values to change.

Further, with regard to the contract amounts, etc. of derivative transactions in "2. Matters relating to the fair values, etc. of financial instruments," such amounts themselves do not indicate the size of market risks associated with the derivative transactions.

2. Matters relating to the fair values, etc. of financial instruments

Amounts on the consolidated balance sheet, fair values and the differences between the two on March 31, 2011 are as shown below. Those for which fair values are considered extremely difficult to determine are not included in the below. (Please refer to (Note 2).)

(Unit: millions of yen)

	Amount on the consolidated balance sheet	Fair value	Difference
(1) Cash and deposits	211,044	211,044	—
(2) Notes and accounts receivable-trade	132,725	132,725	—
(3) Investments securities			
Other securities	5,292	5,292	—
(4) Notes and accounts payable-trade	(80,876)	(80,876)	—
(5) Short-term loans payable	(10,654)	(10,654)	—
(6) Unpaid amounts	(23,988)	(23,988)	—
(7) Bonds payable	(50,000)	(51,135)	(1,135)
(8) Long-term loans payable	(6,000)	(6,077)	(77)
(9) Derivative transactions	(137)	(137)	—

(*1) Those on the liabilities side are shown in parenthesis.

(*2) Net receivables and payables arising from derivative transactions are shown as a net amount, and items for which aggregated results lead to net payables are shown in parenthesis.

(Note 1) Matters relating to the method of determining the fair values of financial instruments as well as securities and derivative transactions

(1) Cash and deposits, and (2) notes and accounts receivable-trade

Since they are settled in a short time and thus their fair values approximate the book values, the respective book values are used.

(3) Investments securities

Their fair values are based on market prices, etc. on the day of consolidated account settlement.

(4) Notes and accounts payable-trade, (5) short-term loans payable, and (6) Unpaid amounts

Since they are settled in a short time and thus their fair values approximate the book values, the respective book values are used.

(7) Bonds payable

The fair values of corporate bonds issued by the Company are based on market prices.

(8) Long-term loans payable

The fair values of long-term loans payable are calculated by discounting the sum of the principal and interest at a yield which is assumed to be used in a new similar borrowing. Also, because interest rate swaps for long-term loans payable with variable coupons can qualify for hedge accounting, the sum of the principal and interest when combined with cash flows from the relevant interest rate swaps are discounted at a yield which is assumed reasonably to be applied in a similar borrowing.

(9) Derivative transactions

The fair values are calculated based on forward exchange rate markets, prices quoted by financial institutions with which we transacted, and others. Further, with regard to interest rate swaps to which hedge accounting is applied, they are accounted for as a package with hedge targets of long-term loans payable, and thus their fair values are included in the fair values of the relevant long-term loans payable.

(Note 2) Since unlisted shares, etc. (with an amount on the consolidated balance sheet of 3,290 million yen) do not have market prices and it is not possible to estimate their future cash flows, making it extremely difficult to determine the fair values, they are not included in “(3) Investments securities, other securities.”

5. Notes on information per share

Net asset per share	2,540.30 yen
Net income per share	337.36 yen

6. Other Notes

Current consolidated accounting fiscal year (April 1, 2010 - March 31, 2011)

(Business combination due to acquisition)

1. Summary of business combination

(1) Name of acquired company and its businesses

Name of acquired company Avecia Biotechnology, Inc.

Business Contract manufacturing of therapeutic nucleic acid drugs

(2) Reason for executing business combination

To enhance the business platform in the area of therapeutic nucleic acid drugs

(3) Date of business combination

February 2, 2011

(4) Legal form of business combination

Share acquisition in exchange for cash

(5) Name of company after combination

Avecia Biotechnology, Inc.

(6) Share of voting rights acquired

i) Before acquisition 0%

ii) Acquired 100.0%

iii) After acquisition 100.0%

(7) Rational behind determining the company to be acquired

It is as a result of our consolidated subsidiary Nitto Americas, Inc. acquiring 100.0% of its voting rights through the share acquisition in exchange for cash.

2. Period during which business results of the acquired company are included in the consolidated financial statements

The consolidated balance sheet date is the deemed acquisition date, and its business results are not included.

3. Acquisition cost of acquired company and reconciliation thereof

Consideration for acquisition 40 million US dollars

Direct expense paid for acquisition 0 million US dollars

Acquisition cost 40 million US dollars

4. Amount of and reason for recognition of goodwill, as well as method and period of amortization thereof
- (1) Amount of goodwill recognized
17 million US dollars
 - (2) Reason for recognition of goodwill
Future excess profitability due to the enhancement of the business platform in the area of therapeutic nucleic acid drugs
 - (3) Method and period of amortization
Equal amortization over a period of 5 years
5. Amounts of assets acquired and liabilities assumed as of the date of business combination, together with their breakdowns
- | | |
|------------------------|-----------------------|
| Current assets | 21 million US dollars |
| Noncurrent assets | 32 million US dollars |
| Total assets | 53 million US dollars |
| Current liabilities | 11 million US dollars |
| Noncurrent liabilities | 2 million US dollars |
| Total liabilities | 14 million US dollars |

In consolidated balance sheets, consolidated statements of income and consolidated statement of changes in net assets, figures less than 1 million yen are omitted.

Non-Consolidated Balance Sheets

(Unit: millions of yen)

	Amount	
	As of March 31, 2011	As of March 31, 2010 (Reference)
(Assets)		
Current assets	297,925	261,889
Cash and deposits	146,879	113,877
Notes receivable-trade	2,924	3,007
Accounts receivable-trade	100,440	101,538
Merchandise and finished goods	5,526	5,284
Work in process	15,286	14,249
Raw materials and supplies	6,831	5,734
Short-term loans receivable	6,925	5,040
Deferred tax assets	5,718	5,360
Other	7,406	7,807
Allowance for doubtful accounts	(13)	(13)
Noncurrent assets	225,648	230,455
Property, plant and equipment	128,813	140,206
Buildings	59,306	63,397
Structures	3,642	3,784
Machinery and equipment	43,848	48,672
Vehicles	165	164
Tools, furniture and fixtures	3,706	4,728
Land	14,053	14,101
Construction in progress	4,090	5,357
Intangible assets	4,297	4,793
Software	3,283	2,925
Right of using facilities	86	96
Other	927	1,770
Investments and other assets	92,537	85,455
Investments securities	4,860	5,960
Stocks of subsidiaries and affiliates	68,449	62,202
Long-term loans receivable	6,515	5,118
Deferred tax assets	7,908	7,762
Prepaid pension cost	3,493	3,120
Other	1,387	1,387
Allowance for doubtful accounts	(47)	(43)
Allowance for investment loss	(29)	(52)
Total assets	523,574	492,344

Non-Consolidated Balance Sheets

(Unit: millions of yen)

	Amount	
	As of March 31, 2011	As of March 31, 2010 (Reference)
(Liabilities)		
Current liabilities	140,630	126,277
Accounts payable-trade	67,141	66,848
Short-term loans payable	7,895	-
Accounts payable-other	17,977	16,669
Accrued expenses	9,859	8,651
Income taxes payable	15,278	12,076
Deposits received	21,733	20,344
Other	743	1,687
Noncurrent liabilities	69,153	78,189
Bonds payable	50,000	50,000
Long-term loans payable	6,000	14,121
Provision for retirement benefits	12,609	13,247
Guarantee deposits received	311	286
Other	231	534
Total liabilities	209,783	204,466
(Net assets)		
Shareholders' equity	311,874	285,476
Capital stock	26,783	26,783
Capital surplus	56,171	56,153
Legal capital surplus	50,482	50,482
Other capital surplus	5,689	5,670
Retained earnings	262,872	230,823
Legal retained earnings	4,095	4,095
Other retained earnings	258,777	226,728
Reserve for special depreciation	55	65
Reserve for advanced depreciation of noncurrent assets	318	279
General reserve	185,000	185,000
Retained earnings brought forward	73,403	41,383
Treasury stock	(33,953)	(28,284)
Valuation and translation adjustments	1,068	1,333
Valuation difference on available-for-sale securities	1,172	1,611
Deferred gains or losses on hedges	(103)	(277)
Subscription rights to shares	847	1,067
Total net assets	313,790	287,877
Total liabilities and net assets	523,574	492,344

Non-Consolidated Statements of Income

(Unit: millions of yen)

	Amount	
	April 1, 2010 – March 31, 2011	April 1, 2009 – March 31, 2010 (Reference)
Net sales	454,090	420,954
Cost of sales	328,951	328,149
Gross profit	125,138	92,804
Selling, general and administrative expenses	67,847	63,710
Operating income	57,291	29,094
Non-operating income	9,525	11,807
Interest and dividends income	5,096	4,445
Foreign exchange gains	156	839
Miscellaneous income	4,272	6,522
Non-operating expenses	2,544	3,181
Interest expenses	316	491
Interest on bonds	616	508
Miscellaneous loss	1,611	2,182
Ordinary income	64,272	37,720
Extraordinary income	316	624
Gain on sales of noncurrent assets	52	52
Other	263	571
Extraordinary loss	2,269	4,579
Loss on valuation of stocks of subsidiaries and affiliates	305	414
Loss on sales and retirement of noncurrent assets	1,198	2,758
Loss on disaster	589	–
Other	176	1,406
Income before income taxes	62,318	33,764
Income taxes-current	20,695	12,393
Income taxes-deferred	(323)	(1,350)
Net income	41,947	22,721

Non-Consolidated Statement of Changes in Net Assets

April 1, 2010 – March 31, 2011

(Unit: millions of yen)

	Shareholders' equity											
	Capital stock	Capital surplus			Retained earnings						Treasury stock	Total shareholders' equity
		Legal capital surplus	Other capital surplus	Total capital surplus	Legal retained earnings	Other earned surplus				Total retained earnings		
						Reserve for special depreciation	Reserve for advanced depreciation of noncurrent assets	General reserve	Retained earnings brought forward			
Balance as of March 31, 2010	26,783	50,482	5,670	56,153	4,095	65	279	185,000	41,383	230,823	(28,284)	285,476
Net changes of items during the fiscal year												
Dividends from surplus				-					(9,898)	(9,898)		(9,898)
Provision of reserve for special depreciation				-		16			(16)	-		-
Reversal of reserve for special depreciation				-		(27)			27	-		-
Provision of reserve for advanced depreciation of noncurrent assets				-			80		(80)	-		-
Reversal of reserve for advanced depreciation of noncurrent assets				-			(40)		40	-		-
Net income				-					41,947	41,947		41,947
Purchase of treasury stock				-						-	(6,741)	(6,741)
Disposal of treasury stock			18	18						-	1,071	1,090
Net change of items other than shareholders' equity during the fiscal year				-						-		-
Total changes of items during the fiscal year	-	-	18	18	-	(10)	39	-	32,019	32,048	(5,669)	26,398
Balance as of March 31, 2011	26,783	50,482	5,689	56,171	4,095	55	318	185,000	73,403	262,872	(33,953)	311,874

	Valuation and translation adjustments			Subscription rights to shares	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Total valuation and translation adjustments		
Balance as of March 31, 2010	1,611	(277)	1,333	1,067	287,877
Net changes of items during the fiscal year					
Dividends from surplus			-		(9,898)
Provision of reserve for special depreciation			-		-
Reversal of reserve for special depreciation			-		-
Provision of reserve for advanced depreciation of noncurrent assets			-		-
Reversal of reserve for advanced depreciation of noncurrent assets			-		-
Net income			-		41,947
Purchase of treasury stock			-		(6,741)
Disposal of treasury stock			-		1,090
Net change of items other than shareholders' equity during the fiscal year	(439)	174	(265)	(219)	(485)
Total changes of items during the fiscal year	(439)	174	(265)	(219)	25,913
Balance as of March 31, 2011	1,172	(103)	1,068	847	313,790

Notes to Non-Consolidated Financial Statements

1. Significant accounting policies

(1) Valuation basis and method for securities

Other securities:

Securities with available fair value:

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

Securities with no available fair value:

Stated at cost based on the moving average method

Stocks issued by subsidiaries and affiliate companies:

Stated at cost based on the moving average method

(2) Valuation basis and method for derivatives

Stated at fair value

(3) Inventory valuation basis and method

Products and merchandise, raw materials, and work in process:

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)

Stored goods: Stated at cost using the most recent purchasing price

(4) Depreciation method of major depreciable assets

Property, plant and equipment (excluding lease assets):

Declining-balance method

Intangible assets (excluding lease assets):

Straight-line method (for software used internally, the straight-line depreciation method over the internal useful life (5 years) is adopted)

Lease assets:

Lease assets, determined to be finance leases not involving the transfer of ownership of the leased property to the lessee are accounted for using the straight-line method, with the useful life set as the period of the lease contract, with no residual value.

(5) Accounting criteria for allowances

Allowance for doubtful accounts

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

Allowance for investment loss

An amount for potential loss is stated by taking into account the company's financial condition, etc., in accordance with the Company's criteria, in preparation for losses related to investments in subsidiaries.

Provision for directors' bonuses

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

Provision for retirement benefits

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

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

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

(6) Method of hedge accounting

1) Method of hedge accounting

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

2) Hedge instruments and targets

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

Hedge targets: Foreign currency-denominated receivables and payables, etc.

3) Hedge policy

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

4) Method of assessing the effectiveness of the hedges

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

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

(8) Changes in accounting policies

1) Adoption of accounting standard for asset retirement obligations

From this fiscal year, the “Accounting Standard for Asset Retirement Obligations” (ASBJ Statement No. 18, March 31, 2008) and the “Guidance on Accounting Standard for Asset Retirement Obligations” (ASBJ Guidance No. 21, March 31, 2008) have been adopted.

This has no impact on operating income, ordinary income and income before income taxes.

2) Adoption of accounting standards for business combinations, etc.

From this fiscal year, the “Accounting Standard for Business Combinations” (ASBJ Statement No. 21, December 26, 2008), the “Partial Amendments to the ‘Accounting Standard for Research and Development Costs’” (ASBJ Statement No. 23, December 26, 2008), the “Accounting Standard for Business Divestitures” (ASBJ Statement No. 7, December 26, 2008), and the “Guidance on Accounting Standard for Business Combinations and Business Divestitures” (ASBJ Guidance No. 10, December 26, 2008) have been adopted.

2. Notes to non-consolidated balance sheet

(1) Accumulated depreciation of property, plant and equipment	296,732 million yen
(2) Short-term receivables from affiliates	66,312 million yen
Long-term receivables from affiliates	6,513 million yen

Short-term payables to affiliates 27,383 million yen

(3) Guarantees on liabilities

The Company offers guarantees on liabilities for loans from banks as follows:

Nitto Denko (Suzhou) Co., Ltd.	166 million yen (2,000 thousand US dollars)
Nitto Americas, Inc.	286 million yen (3,443 thousand US dollars)
Nitto Denko Fine Circuit Technology (Shenzhen) Co., Ltd.	249 million yen (3,000 thousand US dollars)
Shanghai Nitto Optical Co., Ltd.	1,695 million yen (8,627 thousand US dollars) (977 million yen)
Shenzhen Nitto Optical Co., Ltd.	415 million yen (5,000 thousand US dollar)
Nitto Matex (Thailand) Co., Ltd.	165 million yen (60,000 thousand Thai baht)

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

Hydranautics	709 million yen (7,171 thousand US dollars) (960 thousand euro)
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3. Notes to non-consolidated statements of income

Sales to affiliates	300,807 million yen
Purchases from affiliates	45,995 million yen
Transactions other than business deals with affiliates	7,914 million yen

4. Notes to non-consolidated statement of changes in net assets

Type and number of treasury stock as of the end of the current fiscal year

Common stock	9,365 thousand shares
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5. Notes on deferred tax accounting

The primary reasons why deferred tax assets arise are exceeding the limit of inclusion in depreciation expenses and disallowed provision for retirement benefits, while deferred tax liabilities are mainly caused by valuation differences on available-for-sale securities.

6. Notes on noncurrent assets used under a lease contract

In addition to noncurrent assets that are included in the balance sheet, some of the buildings, vehicles, office equipment and other items are used under financial lease contracts that do not transfer ownership rights.

7. Notes on transactions with affiliated parties

Relationship	Name of company	Location	Capital	Business	Holding ratio of voting rights (holders)	Details of relationship		Transaction type	Transaction amount	Category	Balance as of fiscal year-end
						Concurrent responsibility as Director, etc.	Actual role				
Subsidiary	NITTO AMERICAS, INC.	Wisconsin U.S.A.	US\$ 1,024,000	Holding company	Direct 100%	Applicable	Supervisory function in the U.S.	Loan out of funds	4,386 million yen	Long-term loan	4,398 million yen
								Receiving interest	18 million yen		

Note: The interest rate applied on the loan to Nitto Americas, Inc. has been determined rationally with consideration for the prevailing market rates. No collateral is involved.

8. Notes on information per share

Net asset per share	1,903.63 yen
Net income per share	253.86 yen

In non-consolidated balance sheets and non-consolidated statements of income, and non-consolidated statement of changes in net assets, figures less than 1 million yen are omitted.

Reference Materials for the General Meeting of Shareholders

Agenda items and reference information

Item 1: Approval of the proposed dividends from surplus

The Company places the stable profit return to shareholders as one of the most important management issues, and before providing dividends, we comprehensively assess the profit conditions and the dividend payout ratio, and also consider the improvement of the financial conditions, prior investment for technical innovation and business development, and retained earnings. Proposed dividends for the 146th term is as shown below. Since we have paid interim dividends of 40 yen per share, the amount of dividends per year shall be 90 yen per share, up 50 yen compared with the previous term.

Matters concerning year-end dividends

(1) Type of dividends assets

Money

(2) Matters concerning distribution of dividends assets and the total amount

50 yen per share of our common stock: total amount of 8,219,637,000 yen

(3) Effective date of distribution of dividends

June 20, 2011

Item 2: Approval of the payment of bonus for Directors

The Company proposes to provide the total amount of 217 million yen as bonus based on the results of this business year for seven Directors of nine Directors excluding two Outside Directors as of the end of this business year. The Company would like to ask the shareholders to leave the specific amount for each person and payment date and method to the Board of Directors.

Item 3: Election of ten Directors

At the close of this Ordinary General Meeting of Shareholders, the tenures of all nine present members of the Board of Directors will expire and Mr. Tatsunosuke Fujiwara and Mr. Kunio Ito will retire. Hence, we propose the appointment of ten Directors, resulting in the addition of one Director. Out of the ten candidates, seven are candidates for reappointment and three are candidates for new appointment (marked with an asterisk). The candidates for the positions are as follows:

Candidate number	Name (Date of birth)	Brief profile, position, areas of responsibility and other important posts concurrently held	Number of Company's shares owned
1	Yukio Nagira (January 28, 1948)	<p>April 1971 Joined Nitto Denko Corporation</p> <p>June 1998 Director, General Manager of Optical Division</p> <p>June 2001 Executive Managing Director In charge of Management & Planning, Personnel, and General Affairs</p> <p>June 2003 Director, Executive Corporate Vice President and General Manager of Corporate Sector</p> <p>June 2004 Director, Deputy COO</p> <p>June 2007 Director, Senior Executive Corporate Vice President and General Manager of Optical Business Headquarters</p> <p>April 2008 President, COO</p> <p>April 2009 President, CEO & COO & CTO (present)</p>	23,500
2	Kaoru Aizawa (August 25, 1952)	<p>April 1977 Joined Nitto Denko Corporation</p> <p>April 2003 Corporate Vice President, General Manager of R&D Sector</p> <p>June 2004 Senior Corporate Vice President, General Manager of Core Technology Center</p> <p>June 2006 Executive Corporate Vice President, General Manager of Industrial Business Headquarters</p> <p>June 2007 Director, Executive Corporate Vice President and General Manager of Industrial Business Headquarters</p> <p>April 2009 Director, Executive Corporate Vice President in charge of tape business and environment management strategy</p> <p>April 2010 Director, Executive Corporate Vice President and General Manager of Quality, Environment and Safety Management Sector, in charge of environment management strategy</p> <p>June 2010 Director, Senior Executive Corporate Vice President and General Manager of Quality, Environment and Safety Management Sector, in charge of environment management strategy (present)</p>	6,100
3	Yasuo Ninomiya (January 30, 1949)	<p>April 1976 Joined Nitto Denko Corporation</p> <p>June 2001 Director, General Manager of Specialty Products Business Sector</p> <p>June 2003 Stood down as Director Corporate Vice President and General Manager of Specialty Products Business Sector</p> <p>June 2004 Director, CTO</p> <p>June 2007 Director, Executive Corporate Vice President, CTO and General Manager of Corporate Technology Sector</p> <p>April 2009 Director, Executive Corporate Vice President in charge of semiconductor related products, printed circuits, medical related products, membrane and GNT promotion</p> <p>April 2010 Director, Executive Corporate Vice President and the head of ICT Business, in charge of GNT promotion (present)</p>	13,600

Candidate number	Name (Date of birth)	Brief profile, position, areas of responsibility and other important posts concurrently held	Number of Company's shares owned
4	Kenji Matsumoto (October 30, 1950)	<p>July 1983 Joined Nitto Denko Corporation</p> <p>June 2003 President of Nitto Denko Technical Corporation (present)</p> <p>June 2004 Corporate Vice President and the head of Technical Information Center</p> <p>June 2008 Senior Corporate Vice President and Deputy General Manager of Corporate Technology Sector</p> <p>April 2009 Senior Corporate Vice President and General Manager of Technical Information Center, Corporate Technology Sector</p> <p>June 2009 Director, Senior Corporate Vice President in charge of medical related products and membrane business (present)</p>	11,200
5	Hideo Takasaki (August 11, 1953)	<p>April 1978 Joined Nitto Denko Corporation</p> <p>June 2007 Corporate Vice President, Deputy General Manager of Optical Business Headquarters</p> <p>April 2008 Corporate Vice President, General Manager of Optical Business Headquarters</p> <p>June 2008 Director, Corporate Vice President, General Manager of Optical Business Headquarters</p> <p>June 2010 Director, Senior Corporate Vice President, In charge of Optical Division (present)</p>	7,200
6	Yoichiro Sakuma (September 4, 1955)	<p>April 1980 Joined Nitto Denko Corporation</p> <p>June 2006 Corporate Vice President, Vice General Manager of Industrial Business Headquarters</p> <p>Oct. 2006 President of NITTO AMERICAS, INC (present)</p> <p>June 2007 Corporate Vice President, In charge of Industrial Business Management and America area Business Management</p> <p>April 2009 Corporate Vice President, Management of operations in America (present)</p> <p>April 2010 Corporate Vice President, General Manager of Tape Products Sector</p> <p>June 2010 Director, Corporate Vice President, General Manager of Tape Products Sector (present)</p>	2,500
7	* Toshihiko Omote (December 3, 1958)	<p>April 1983 Joined Nitto Denko Corporation</p> <p>April 2003 General Manager of Printed Circuits Division</p> <p>June 2007 Corporate Vice President, General Manager of Core Technology Center, Corporate Technology Sector</p> <p>April 2009 Corporate Vice President, Deputy CTO General Manager of Corporate Technology Sector</p> <p>June 2009 Corporate Vice President, Deputy CTO General Manager of Corporate Technology Sector, in charge of Technical information (Technical planning and intellectual property) (present)</p>	1,200

Candidate number	Name (Date of birth)	Brief profile, position, areas of responsibility and other important posts concurrently held	Number of Company's shares owned
8	*Toru Takeuchi (January 1, 1959)	April 1981 Joined Nitto Denko Corporation June 2004 General Manager of Corporate Planning Department June 2006 General Manager of Accounting & Finance Department July 2009 General Manager of Corporate Accounting Division June 2010 Corporate Vice President, General Manger of Corporate Accounting Division (present)	4,000
9	Yoichiro Furuse (November 4, 1941)	April 1964 Joined Sumitomo Bank, Ltd. June 1989 Director of Sumitomo Bank, Ltd. Oct. 1993 Executive Director of Sumitomo Bank, Ltd. (retired in June 1996) June 1996 Senior Managing Director of Mazda Motor Corporation (retired in June 2000) June 2001 Director of Sanyo Electric Co., Ltd. June 2002 Representative Director and Vice President of Sanyo Electric Co., Ltd. (retired in October 2005) Jan. 2006 Representative Director of Evanston Corporation (present) June 2007 Director (present)	2,000
10	*Koshi Mizukoshi (September 1, 1938)	April 1961 Joined Kobe Steel, Ltd. June 1989 Director of Kobe Steel, Ltd. April 1999 President of Kobe Steel, Ltd. April 2004 Chairman of Kobe Steel, Ltd. Nov. 2004 Chairman of the Kobe Chamber of Commerce and Industry (retired in November 2010) May 2005 Vice Chairman of Kansai Economic Federation (retired in May 2010) June 2009 Senior Adviser of Kobe Steel, Ltd. April 2011 Honorary Adviser of Kobe Steel, Ltd. (present)	0

Notes:

1. There is no conflict of interest between the Company and the above candidates.
2. Both Mr. Yoichiro Furuse and Mr. Koshi Mizukoshi are the candidates for the Outside Directors stipulated in Item 15, Article 2 of the Companies Act.
3. Notes for the candidates for the Outside Directors are as follows.
 - (1)The reason for the proposed election of Mr. Yoichiro Furuse is that his deep insights about management, which were cultivated through his service as director and representative director in the stock listed companies, and extensive experiences have been reflected to the management of the Company, and the same can be expected in the future.
The reason for the proposed election of Mr. Koshi Mizukoshi is that his deep insights and extensive experience in management, which were cultivated through his service as representative director in the stock listed company and Chairman of the Kobe Chamber of Commerce and Industry can be reflected in the management of the Company.
 - (2)The tenure of Mr. Yoichiro Furuse as Outside Director of the Company will be 4 years at the close of this Ordinary General Meeting of Shareholders.
 - (3)The Company has designated Mr. Yoichiro Furuse as Independent Director under the provisions of the Tokyo and Osaka stock exchanges and filed notices with those exchanges accordingly. Further, the Company intends to designate Mr. Koshi Mizukoshi as Independent Director and file notices with those exchanges accordingly.
 - (4)The Company has executed an agreement with Mr. Yoichiro Furuse to limit his liability to the limit stipulated in laws and regulations, and the Company intends to extend the agreement when he is reappointed. Further, if Mr. Koushi Mizukoshi is elected as Outside Director, the Company intends to execute the same an agreement with him to limit his liability to the limit stipulated in laws and regulations.

Item 4: Election of one Corporate Auditor

At the close of this Ordinary General Meeting of Shareholders, Corporate Auditor Hisashi Hosokawa will retire due to the expiration of his tenure as Corporate Auditor. Hence, we propose the appointment of one Corporate Auditor. Further, consent of the Board of Corporate Auditors has been obtained for the submission of this item. The candidate for the position is as follows.

Name (Date of birth)	Brief profile, position and other important posts concurrently held	Number of Company's shares owned
Masakazu Toyoda (June 28, 1949)	April 1973	0
	Joined the Ministry of International Trade and Industry (Currently the Ministry of Economy, Trade and Industry)	
	Aug. 2003	
	Director-General, Commerce and Information Policy Bureau, METI	
	July 2006	
	Director-General, Trade Policy Bureau, METI	
	July 2007	
	Vice-Minister for International Affairs, METI	
	July 2008	
Retired from METI		
Aug. 2008		
Secretary General of the Cabinet Secretariat's Strategic Headquarters for Space Policy (retired in August 2010)		
Nov. 2008		
Special Advisor to the Cabinet (retired in August 2010)		
June 2010		
Outside Statutory Auditor of Murata Manufacturing Co., Ltd. (present)		
July 2010		
Chairman & CEO of The Institute of Energy Economics, Japan (present)		

Notes:

1. There is no conflict of interest between the Company and the above candidate.
2. The above candidate is the candidate for the Outside Corporate Auditor stipulated in Item 16, Article 2 of the Companies Act.
3. Notes for the candidate for the Outside Corporate Auditor are as follows.
 - (1)The reason for the proposed election of Mr. Masakazu Toyoda is that his deep insights and extensive experience in the fields of the economy and international trade is expected to be reflected to the auditing of the Company.
 - (2)The Company intends to designate Mr. Masakazu Toyoda as Independent Auditor under the provisions of the Tokyo and Osaka stock exchanges and file notices with those exchanges accordingly.
 - (3)If Mr. Masakazu Toyoda is elected as Outside Corporate Auditor, the Company intends to execute an agreement with him to limit his liability to the limit stipulated in laws and regulations.

Item 5: Determination of the amount of compensation provided as stock options to Directors and related details

The Company has granted two kinds of stock options: (i) general stock options and (ii) stock options of equity-based compensation.

General stock options are granted to Directors and members of the management, with the aim of enhancing their commitment to the business, its financial growth, and the increase in value of the Company, and since a recipient can acquire stock at a value equivalent to that at the time of the grant (multiplied by 1.05) upon the exercise of the stock option, any difference due to an increase in the stock price will be a profit to the recipient. The general stock options have been in use since fiscal 2002.

The stock options of equity-based compensation have been used as a way to effectively grant stocks in kind in place of retirement benefits paid in cash to Directors and Corporate Vice Presidents which were abolished in fiscal 2004. Those who are qualified can set aside an amount equal to the grant during a year while they are in service and acquire the stock by exercising their right after retirement.

The Stock Purchase/Subscription Warrants (the “Warrants”) to be issued as stock options to the Directors is considered as a part of the “Compensation etc. for directors.” Therefore, with respect to two kinds of stock options to be granted in the current fiscal year, it is proposed that the amount of stock option compensation and the related details be approved. Further, those who are granted the Warrants will not include the Outside Directors.

1. Amount of compensation provided as stock options

The compensation for Directors is “up to 30 million yen per month (out of which up to 2 million yen is allocated to Outside Directors),” as determined at the 143rd Ordinary General Meeting of Shareholders held in 2008. Separate from this maximum compensation amount, Warrants up to 159 million yen (this will be the amount calculated by the fair value at the time of issuing the Warrants, and the same will apply hereinafter) will be issued as stock option compensation for a period of 1 year from the date of this Ordinary General Meeting of Shareholders, which will consist of up to 34 million yen of general stock options and up to 125 million yen of stock options of equity-based compensation. The number of Directors eligible to receive the Warrants will be 8, excluding the number of Outside Directors, on condition that Item 3 is approved.

2. Details of Warrants as stock option compensation

The details of the Warrants to be issued as stock options within the extent of the above amount shall be as follows, and the specific matters concerning the issuance shall be determined by a resolution of the Board of Directors regarding the issuance of Warrants.

(1) General stock options

- 1) Total number of the Warrants and class and number of underlying shares that are subject to the Warrants

Total number of the Warrants: Up to 500 units

The number of shares that are subject to the Warrants is up to 50,000 shares of common stock and the number of shares per Warrant is 100 shares. In the event that the Company merges, undergoes corporate separation, or splits or consolidates its common stock and it becomes appropriate to change the number of shares, the Company shall make any

adjustment deemed necessary.

2) Amount to be paid upon exercise of the Warrants

The amount to be paid for one underlying share of the Warrants (exercise value) shall be determined as follows.

The exercise value is calculated by multiplying the average of each day's closing price for the common stock of the Company on the Tokyo Stock Exchange during the month prior to that in which the Warrants are issued (excluding non-trading days) by 1.05, and amounts less than 1 yen shall be rounded up to the next yen; provided, however, that in the event that the exercise value is less than the closing price at the issue date of the Warrants (if that day falls on a non-trading day, then the closing price on the most recent trading day before the issue date), such closing price shall then be used as a substitute for the above average.

Further, if the payment amount needs to be changed because of merger, corporate separation, split of its common stock or consolidation of its common stock, etc. of the Company, the Company shall make adjustments deemed required.

3) Period during which the Warrants can be exercised

From January 1, 2012 to December 31, 2014

(2) Equity-based compensation stock options

1) Total number of the Warrants and class and number of underlying shares that are subject to the Warrants

Total number of the Warrants: Up to 277 units

The number of shares that are subject to the Warrants is up to 27,700 shares of common stock and the number of shares per Warrant is 100 shares. In the event that the Company merges, undergoes corporate separation, or splits or consolidates its common stock and it becomes appropriate to change the number of shares, the Company shall make any adjustment deemed necessary.

2) Amount to be paid upon exercise of the Warrants

The amount to be paid for one underlying share of the Warrants (exercise value) shall be 1 yen.

3) Period during which the Warrants can be exercised

The Company shall separately determine the period of 30 years or less from the day following the issue date of the Warrants.

4) Conditions for the exercise of the Warrants

Regardless of the provisions described in 3) above, in principle, a holder of the Warrants shall be able to exercise these Warrants only for a period separately determined from the day following the holder's retirement from the position as Director of the Company.

Instructions Concerning the Exercise of Voting Rights

- When attending, you must present the enclosed Voting Rights Exercise Form to the receptionist at the meeting.
- **If you are unable to attend, you may exercise your voting rights by using either of the following methods:**

[Voting by mailing of the Voting Rights Exercise Form]

Please return the enclosed Voting Rights Exercise Form indicating your approval or disapproval.

[Voting by electronic means (Internet)]

- (1) Please access the following Site for the Exercise of Shareholders Meeting Voting Rights, and exercise your voting rights, following the instructions displayed on the screen, by entry of the assigned identification number and password provided in the enclosed Voting Rights Exercise Form.

URL of the Site for the Exercise of Shareholders Meeting Voting Rights:

<https://www.tosyodai54.net/> (Japanese only)

- (2) Please note that any costs arising from using the Site for the Exercise of Shareholders Meeting Voting Rights, including dialup fees charged by Internet Service Providers and telecom rates charged by telecommunications carriers, will be the burden of the shareholder.

If you have any questions regarding the exercise of voting rights via the Internet, please ask the custodian of register of shareholders below.

Custodian of register of shareholders: Tokyo Securities Transfer Agent Co., Ltd.

Tel: 0120-88-0768 (toll-free)

Office hours: 9:00 a.m. to 9:00 p.m. (except Saturdays, Sundays and public holidays)

To institutional investors:

The Company participates in the voting right electric exercise platform operated by ICJ Co., Ltd. If a nominal owner including a management trust bank (including a standing proxy) previously applies for the use of this platform, this platform may also be used in addition to the exercise of voting rights via above-mentioned Internet as a method to exercise voting rights by electric means for the general meeting of shareholders of the Company.

*This English translation of the “Notice of the 146th Ordinary General Meeting of Shareholders” can be referred on our IR Information website (English version) at [<http://www.nitto.com/ir/index.html>].