

Summary of Consolidated Financial Statements for the Third Quarter Ended December 31, 2022 (IFRS Basis)

Listed company name: **Nitto Denko Corporation**
 Stock exchange listing: Tokyo Stock Exchange, Prime Market
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Filing date of quarterly financial statements: January 30, 2023
 Estimated starting date of dividend paying: -
 Preparation of supplementary explanatory materials: Yes
 Holding of quarterly earnings release conference: Yes (for investment analysts and institutional investors)

(All monetary values noted herein are rounded down to the nearest million yen)

1. Consolidated financial results of the third quarter ended December 31, 2022 (April 1, 2022 through December 31, 2022)

(1) Operating results (% of change from same period in the previous year)

	Revenue		Operating income		Income before income taxes		Net income		Net income attributable to owners of the parent company		Total comprehensive income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Third quarter ended December 31, 2022	738,979	14.3	137,718	27.1	137,397	26.4	95,838	22.9	95,766	22.9	113,405	26.2
Third quarter ended December 31, 2021	646,271	14.1	108,334	42.7	108,669	44.1	77,976	41.4	77,898	41.4	89,827	64.1

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Third quarter ended December 31, 2022	646.94	646.69
Third quarter ended December 31, 2021	526.37	526.10

(2) Financial position

	Total assets	Total equity	Equity attributable to owners of the parent company	Ratio of equity attributable to owners of the parent company to total assets
	Millions of yen	Millions of yen	Millions of yen	%
December 31, 2022	1,167,864	897,379	896,424	76.8
March 31, 2022	1,094,469	822,105	821,192	75.0

2. Dividends

	Dividends per share				
	1Q	2Q	3Q	Year-end	Annual
	Yen	Yen	Yen	Yen	Yen
March, 2022	-	110.00	-	110.00	220.00
March, 2023	-	120.00	-	-	-
March, 2023 (Forecast)	-	-	-	120.00	240.00

(Note) Revision of dividend forecast in the current quarter: No

3. Forecast for fiscal year ending March 31, 2023 (April 1, 2022 through March 31, 2023)

(% of change from same period in the previous year)

	Revenue		Operating income		Income before income taxes		Net income		Net income attributable to owners of the parent company		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Annual	940,000	10.1	145,000	9.6	145,000	9.5	100,000	2.8	100,000	3.0	675.54

(Note) Revision of consolidated forecast in the current quarter: Yes

- Others

(1) Changes in significant subsidiaries during the third quarter ended December 31, 2022: No

(2) Changes in accounting policies applied and changes in accounting estimates

1. Changes in accounting policies required by IFRS: No
2. Changes in accounting policies other than the above: No
3. Changes in accounting estimates: No

(3) Number of shares outstanding (Common stock)

1. Number of shares outstanding at the end of the period (including treasury stock)
December 31, 2022: 149,758,428 March 31, 2022: 149,758,428
2. Number of treasury stock at the end of the period
December 31, 2022: 1,718,662 March 31, 2022: 1,744,778
3. Average number of outstanding shares during the period (cumulative from the beginning of the period)
April-December 2022: 148,030,323 April-December 2021: 147,991,538

- These quarterly financial results are not subject to quarterly review procedures by Certified Public Accountants or audit firm.

- Explanations for adequate utilization of the forecast and other special matters

The forward-looking statements shown in this report, including the forecast, are prepared based on information available to the Company and on certain assumptions deemed reasonable as of the issuing date of the report. Consequently, the statements herein do not constitute promises regarding actual results by the Company. Actual results may differ materially from forecasted figures due to various unknown factors. For conditions regarding this forecast and precaution for use, please refer to "1. Qualitative Information Regarding Quarterly Settlement of Accounts (3) Explanation of forecasts and other projections" on page 7 of the Attachment to this summary of consolidated financial results.

(Reference) Consolidated financial results of the third quarter (three months) of the fiscal year ending March 31, 2023
(October 1, 2022 through December 31, 2022)

(All monetary values noted herein are rounded down to the nearest million yen)

(% of change from same period in the previous year)

	Revenue		Operating income		Income before income taxes		Net income		Net income attributable to owners of the parent company		Total comprehensive income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Third quarter ended Dec. 31, 2022	254,070	15.3	45,439	27.9	45,362	25.9	32,396	25.6	32,367	25.7	3,054	-91.1
Third quarter ended Dec. 31, 2021	220,319	5.7	35,525	5.9	36,020	7.3	25,786	4.9	25,759	4.9	34,242	29.6

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Third quarter ended Dec. 31, 2022	218.64	218.56
Third quarter ended Dec. 31, 2021	174.05	173.97

(Attached Documents)

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1. Qualitative Information Regarding Quarterly Settlement of Accounts

(1) Explanation of operating results

During the third quarter of the fiscal year ending March 31, 2023 (April 1, 2022 through December 31, 2022), the economic environment saw a sharp rise in prices due to rising crude oil prices triggered by the military invasion of Ukraine by Russia. Concerns about an economic slowdown increased due to monetary tightening aimed at curbing inflation in Europe and the U.S. On the other hand, in China, the Zero-COVID policy was revised, and the restrained consumption is expected to recover. In addition, in the foreign exchange market, the Bank of Japan raised its cap on the long-term yield, which resulted in a change in the rapidly progressing trend of yen depreciation.

In the key markets of Nitto Group (the "Group") under this economic environment, there was a marked reactionary decline in demand of staying at home for electronics products in the third quarter of the fiscal year. Demand for products for semiconductors and data centers, which had been strong, decreased as customers moved to optimize inventory levels. On the other hand, demand for products for high-end smartphones and laptops, on which the Group is focusing, grew. Demand for automotive materials recovered moderately as the impact of COVID-19 and other factors eased.

In response to COVID-19, the Group is working to continue supplying to customers while prioritizing everyone's health and safety and preventing the spread of infection. The Group will continue to make our utmost efforts to prevent any disruption in the provision of products and services to our customers.

The yen's exchange rate against the U.S. dollar for the third quarter ended December 31, 2022, was 135.3 yen to the dollar, a 22.0% depreciation of the yen compared with the same period of the previous year, and the effect of the weaker yen increased operating income by 59.5 billion yen.

As a result of the above, revenue increased by 14.3% from the same period of the previous year (changes hereafter are given in comparison with the same period of the previous year) to 738,979 million yen. Operating income increased by 27.1% to 137,718 million yen, income before income taxes increased by 26.4% to 137,397 million yen, net income increased by 22.9% to 95,838 million yen, and net income attributable to owners of the parent company increased by 22.9% to 95,766 million yen.

Summary of results by segment

① Industrial Tape

For Functional Base Products, revenue increased from the same period of the previous year. Demand for assembly materials for high-end smartphones increased, and automotive materials recovered from sluggish demand due to the impact of COVID-19 and semiconductor shortages in the previous fiscal year. On the other hand, demand for semiconductors and ceramic capacitors used in electronic equipment declined due to deteriorating market conditions. In addition, the Group was affected by rising raw material prices and transportation costs due to the increase in crude oil prices. In the automotive materials business, the Group agreed to transfer a portion of NVH (Noise, Vibration, Harshness) business to Parker Corporation and recorded an impairment loss on a portion of the related assets.

As a result of the above, revenue increased by 8.8% to 262,265 million yen and operating income decreased by 18.0% to 24,518 million yen.

② Optronics

In Information Fine Materials, revenue increased from the same period of the previous year. In addition to optical films for high-end laptops, demand for optical films used on automotive applications, which is positioned as the next growth point, increased. For products for TVs, the Group received royalty payment under the licensing agreements with our business partners. The Group recorded expenses related to a fire at its consolidated subsidiary Korea Optical Hight Tech Co., Ltd., occurred on October 4, 2022.

In Flexible Printed Circuits, revenue increased from the same period of the previous year. Revenue of high-precision circuits for high-end smartphones grew significantly due to an increase in the number of models in which they are adopted. Meanwhile, demand in CIS (Circuit Integrated Suspension) decreased due to adjustments in HDD (hard disk drives) market, such as for data-center applications.

As a result of the above, revenue increased by 12.9% to 393,984 million yen and operating income increased by 54.6% to 114,508 million yen.

③ Human Life

In Life Science, revenue increased from the same period of the previous year. Along with the expansion of nucleic acid drugs market, demand for oligonucleotide contract manufacturing and polymer beads for nucleic acid synthesis (NittoPhase™) increased. On the other hand, immunologic adjuvants for COVID-19 vaccines have been expanding with the rapid increase in the number of COVID-19 infected patients, new orders stopped from the second quarter of the current fiscal year due to the global decline in vaccination rates. In Medical Products, demand for transdermal absorbents and surgical tapes recovered from sluggish demand caused by COVID-19. In development of nucleic acid drugs, the Group continues to engage in clinical trials of idiopathic pulmonary fibrosis and intractable cancer drugs.

Membrane saw increased demand compared to the same period of the previous year. Demand for high-polymer separation membrane increased in various industrial applications.

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

As a result of the above, revenue increased by 47.2% to 102,772 million yen and operating income decreased by 38.6% to 6,544 million yen.

④ Others

Please note that this segment includes new products that have not generated sufficient revenue yet. Major business themes are the development of optical plastic fiber and disposable holter ECG device, EG Holter™, aiming for early mass production.

As a result of the above, revenue amounted to 4 million yen (no revenue was reported in the same period of the previous year), and operating loss amounted to 4,232 million yen. (operating loss of 4,746 million yen was reported in the same period of the previous year)

(Reference) Segment Information (nine months)

(Yen in Millions)

		Third quarter ended December 31, 2021 (April 1, 2021 through December 31, 2021)	Third quarter ended December 31, 2022 (April 1, 2022 through December 31, 2022)	
		Revenue	Revenue	Y-o-Y (%)
Industrial Tape	Revenue	241,079	262,265	108.8
	Operating income	29,895	24,518	82.0
Optronics	Information Fine Materials	276,200	301,473	109.2
	Flexible Printed Circuits	72,872	92,510	126.9
	Total	349,072	393,984	112.9
	Operating income	74,076	114,508	154.6
Human Life	Life Science	39,729	43,303	109.0
	Membrane	21,067	25,896	122.9
	Personal Care Materials	9,038	33,572	371.5
	Total	69,834	102,772	147.2
	Operating income	10,663	6,544	61.4
Others	Revenue	-	4	-
	Operating income	-4,746	-4,232	-
Corporate/Elimination	Revenue	-13,715	-20,047	-
	Operating income	-1,555	-3,621	-
Total	Revenue	646,271	738,979	114.3
	Operating income	108,334	137,718	127.1

(Note) Since “Human Life” has been newly established in the reporting segments from FY2022, partial changes have been made to reporting segments. “Human Life” includes “Life Science” and “Membrane” which was previously included in “Others”. In addition, The personal care components business of Mondi, acquired in the first quarter of FY2022, has been newly established as “Personal Care Materials” in the “Human Life”. Certain related businesses has been transferred from “Industrial Tape” to “Personal Care Materials”. Such changes have also been reflected in the figures for the third quarter ended December 31, 2021.

(Reference) Segment Information (three months)

(Yen in Millions)

		Third quarter ended December 31, 2021 (October 1, 2021 through December 31, 2021)	Third quarter ended December 31, 2022 (October 1, 2022 through December 31, 2022)	
		Revenue	Revenue	Y-o-Y (%)
Industrial Tape	Revenue	81,282	91,404	112.5
	Operating income	9,548	7,841	82.1
Optronics	Information Fine Materials	91,124	104,959	115.2
	Flexible Printed Circuits	27,974	30,631	109.5
	Total	119,099	135,591	113.8
	Operating income	25,989	41,904	161.2
Human Life	Life Science	14,284	13,231	92.6
	Membrane	7,068	8,989	127.2
	Personal Care Materials	3,151	14,496	460.0
	Total	24,504	36,716	149.8
	Operating income	3,063	1,124	36.7
Others	Revenue	-	2	-
	Operating income	-2,011	-1,509	-
Corporate/Elimination	Revenue	-4,566	-9,645	-
	Operating income	-1,064	-3,922	-
Total	Revenue	220,319	254,070	115.3
	Operating income	35,525	45,439	127.9

(Note) Since “Human Life” has been newly established in the reporting segments from FY2022, partial changes have been made to reporting segments. “Human Life” includes “Life Science” and “Membrane” which was previously included in “Others”. In addition, The personal care components business of Mondi, acquired in the first quarter of FY2022, has been newly established as “Personal Care Materials” in the “Human Life”. Certain related businesses has been transferred from “Industrial Tape” to “Personal Care Materials”. Such changes have also been reflected in the figures for the third quarter ended December 31, 2021.

Forecasts of fiscal year ending March 31, 2023

		Revenue	Y-o-Y (%)
Industrial Tape	Revenue	340,000	106.5
	Operating income	30,000	79.3
Optronics	Information Fine Materials	372,500	102.4
	Flexible Printed Circuits	117,500	122.6
	Total	490,000	106.6
	Operating income	125,000	129.4
Human Life	Life Science	52,500	101.0
	Membrane	32,500	117.3
	Personal Care Materials	48,000	382.6
	Total	133,000	144.2
	Operating income	1,500	20.7
Others	Revenue	5	276.9
	Operating income	-6,500	-
Corporate/Elimination	Revenue	-23,005	-
	Operating income	-5,000	-
Total	Revenue	940,000	110.1
	Operating income	145,000	109.6

(2) Explanation of financial position

The Group's financial position at the end of the third quarter of the fiscal year ending March 31, 2023 was as follows.

Compared with the end of the fiscal year ended March 31, 2022, total assets increased by 73,395 million yen to 1,167,864 million yen and total liabilities decreased by 1,878 million yen to 270,485 million yen. Total equity increased by 75,273 million yen to 897,379 million yen. As a result, the ratio of equity attributable to owners of the parent company to total assets changed from 75.0% at the end of the fiscal year ended March 31, 2022 to 76.8% at the end of the third quarter of the fiscal year ending March 31, 2023.

The main changes in assets were a decrease in cash and cash equivalents of 44,909 million yen, an increase in trade and other receivables of 1,853 million yen, an increase in inventories of 18,542 million yen, an increase in other current assets of 1,209 million yen, an increase in assets held for sale of 4,182 million yen, an increase in property, plant and equipment of 35,977 million yen, an increase in goodwill of 60,440 million yen, a decrease in financial assets of 3,209 million yen. In terms of liabilities, trade and other payables increased by 4,680 million yen, income tax payables increased by 6,082 million yen, other current financial liabilities decreased by 1,125 million yen, other current liabilities decreased by 15,372 million yen, liabilities directly associated with assets classified as held for sale increased by 1,573 million yen, defined benefit liabilities increased by 1,289 million yen, deferred tax liabilities increased by 1,011 million yen.

(3) Explanation of forecasts and other projections

In the business environment surrounding the Group, market conditions rapidly deteriorated in products for electronics, with a reactionary decline in those demand from staying at home. This trend is expected to continue in the fourth quarter of the consolidated fiscal year. In this environment, we will continue to enhance our corporate value by identifying "things that will grow" "things that will recover" and "things that will not recover" properly, and simultaneously pursue the growth strategy and structural reforms.

Given the financial results of the period under review and the circumstances described above, the full-year forecasts of the fiscal year ending March 31, 2023 were revised. The exchange rate from the fourth quarter onward is assumed to be 1\$ = ¥133.3.

Revision of consolidated forecasts for the fiscal year ending March 31, 2023 (April 1, 2022 through March 31, 2023)

	Revenue	Operating income	Income before income taxes	Net income	Net income attributable to owners of the parent company	Basic earnings per share
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Yen
Previous forecast (A)	955,000	160,000	160,000	115,000	115,000	776.96
Revised forecast (B)	940,000	145,000	145,000	100,000	100,000	675.54
Difference (B) – (A)	-15,000	-15,000	-15,000	-15,000	-15,000	-
Rate of change (%)	-1.6	-9.4	-9.4	-13.0	-13.0	-
(Reference) Consolidated financial results for the fiscal year ended March 31, 2022	853,448	132,260	132,378	97,234	97,132	656.31

The above results and forecasts are forward-looking statements determined by the Company based on currently available information that may include risks and uncertainties. Please be aware that actual results may vary significantly due to various factors.

2. Quarterly Consolidated Financial Statements and Key Notes

(1) Quarterly consolidated statements of financial position

(Yen in Millions)

	March 31, 2022	December 31, 2022
(Assets)		
Current assets		
Cash and cash equivalents	362,046	317,137
Trade and other receivables	206,084	207,938
Inventories	128,318	146,860
Other financial assets	4,939	3,993
Other current assets	21,349	22,559
Subtotal	722,738	698,488
Assets held for sale	-	4,182
Total current assets	722,738	702,671
Non-current assets		
Property, plant and equipment	286,949	322,927
Right-of-use assets	13,681	13,487
Goodwill	4,809	65,250
Intangible assets	13,707	14,532
Investments accounted for using equity method	547	473
Financial assets	12,131	8,921
Deferred tax assets	24,131	24,432
Other non-current assets	15,772	15,166
Total non-current assets	371,730	465,193
Total assets	1,094,469	1,167,864

(Yen in Millions)

	March 31, 2022	December 31, 2022
Liabilities and equity		
(Liabilities)		
Current liabilities		
Trade and other payables	102,798	107,479
Bonds and borrowings	241	284
Income tax payables	18,138	24,220
Other financial liabilities	19,979	18,853
Other current liabilities	67,330	51,958
Subtotal	208,489	202,797
Liabilities directly associated with assets classified as held for sale	-	1,573
Total current liabilities	208,489	204,370
Non-current liabilities		
Other financial liabilities	16,941	16,408
Defined benefit liabilities	44,125	45,414
Deferred tax liabilities	326	1,338
Other non-current liabilities	2,480	2,953
Total non-current liabilities	63,873	66,114
Total liabilities	272,363	270,485
(Equity)		
Equity attributable to owners of the parent company		
Share capital	26,783	26,783
Capital surplus	49,992	50,047
Retained earnings	705,910	768,837
Treasury stock	-9,771	-9,625
Other components of equity	48,276	60,381
Total equity attributable to owners of the parent company	821,192	896,424
Non-controlling interests	913	955
Total equity	822,105	897,379
Total liabilities and equity	1,094,469	1,167,864

(2) Quarterly consolidated statements of income and quarterly consolidated statements of comprehensive income
 (Quarterly consolidated statements of income)

(Yen in Millions)

	Third quarter ended December 31, 2021 (April 1, 2021 through December 31, 2021)	Third quarter ended December 31, 2022 (April 1, 2022 through December 31, 2022)
Revenue	646,271	738,979
Cost of sales	414,670	454,360
Gross profit	231,600	284,619
Selling, general and administrative expenses	96,578	110,485
Research and development expenses	27,498	30,718
Other income	4,753	4,206
Other expenses	3,942	9,903
Operating income	108,334	137,718
Financial income	1,413	1,070
Financial expenses	1,132	1,433
Equity in profits (losses) of affiliates	54	42
Income before income taxes	108,669	137,397
Income tax expenses	30,692	41,559
Net income	77,976	95,838
Net income attributable to:		
Owners of the parent company	77,898	95,766
Non-controlling interests	78	72
Total	77,976	95,838
Earnings per share attributable to owners of the parent company		
Basic earnings per share (Yen)	526.37	646.94
Diluted earnings per share (Yen)	526.10	646.69

(Quarterly consolidated statements of comprehensive income)

(Yen in Millions)

	Third quarter ended December 31, 2021 (April 1, 2021 through December 31, 2021)	Third quarter ended December 31, 2022 (April 1, 2022 through December 31, 2022)
Net income	77,976	95,838
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Net gain (loss) on financial assets measured at fair value through other comprehensive income	124	-123
Items that will be reclassified to profit or loss		
Exchange differences on translating foreign operations	11,723	15,478
Net gain (loss) in fair value of cash flow hedges	-0	2,212
Share of other comprehensive income of associates accounted for using equity method	2	-0
Total other comprehensive income	11,850	17,566
Total comprehensive income	89,827	113,405
Total comprehensive income attributable to:		
Owners of the parent company	89,746	113,334
Non-controlling interests	81	71
Total	89,827	113,405

(3) Quarterly consolidated statements of changes in equity

For the third quarter ended December 31, 2021 (April 1, 2021 through December 31, 2021)

(Yen in Millions)

	Equity attributable to owners of the parent company						Non-controlling interests	Total equity
	Share capital	Capital surplus	Retained earnings	Treasury stock	Other components of equity	Total		
Balance as of April 1, 2021	26,783	50,070	635,916	-10,039	13,136	715,868	817	716,686
Net income	-	-	77,898	-	-	77,898	78	77,976
Other comprehensive income	-	-	-	-	11,847	11,847	3	11,850
Total comprehensive income	-	-	77,898	-	11,847	89,746	81	89,827
Share-based payment transactions	-	-69	-	-	-44	-113	-	-113
Dividends	-	-	-31,076	-	-	-31,076	-20	-31,097
Changes in treasury stock	-	55	-	204	-	259	-	259
Transfer from other components of equity to retained earnings	-	-	813	-	-813	-	-	-
Total transactions with owners	-	-14	-30,263	204	-857	-30,931	-20	-30,951
Balance as of December 31, 2021	26,783	50,056	683,551	-9,834	24,126	774,683	879	775,562

For the third quarter ended December 31, 2022 (April 1, 2022 through December 31, 2022)

(Yen in Millions)

	Equity attributable to owners of the parent company						Non-controlling interests	Total equity
	Share capital	Capital surplus	Retained earnings	Treasury stock	Other components of equity	Total		
Balance as of April 1, 2022	26,783	49,992	705,910	-9,771	48,276	821,192	913	822,105
Net income	-	-	95,766	-	-	95,766	72	95,838
Other comprehensive income	-	-	-	-	17,567	17,567	-0	17,566
Total comprehensive income	-	-	95,766	-	17,567	113,334	71	113,405
Share-based payment transactions	-	-21	-	-	-49	-70	-	-70
Dividends	-	-	-34,046	-	-	-34,046	-29	-34,075
Changes in treasury stock	-	75	-	145	-	220	-	220
Transfer from other components of equity to retained earnings	-	-	1,207	-	-1,207	-	-	-
Transfer from other components of equity to non-financial assets	-	-	-	-	-4,206	-4,206	-	-4,206
Total transactions with owners	-	54	-32,838	145	-5,463	-38,102	-29	-38,131
Balance as of December 31, 2022	26,783	50,047	768,837	-9,625	60,381	896,424	955	897,379

(4) Quarterly consolidated statements of cash flows

(Yen in Millions)

	Third quarter ended December 31, 2021 (April 1, 2021 through December 31, 2021)	Third quarter ended December 31, 2022 (April 1, 2022 through December 31, 2022)
Cash flows from operating activities		
Income before income taxes	108,669	137,397
Depreciation and amortization	37,320	42,231
Impairment losses	1,198	3,447
Increase (decrease) in defined benefit liabilities	1,656	1,621
Decrease (increase) in trade and other receivables	-9,682	12,777
Decrease (increase) in inventories	-11,013	-9,762
Increase (decrease) in trade and other payables	-452	-402
Increase (decrease) in advances received	8,991	-15,342
Interest and dividend income	441	736
Interest expenses paid	-383	-443
Income taxes (paid) refunded	-26,633	-35,394
Others	-6,770	-3,650
Net cash provided by (used in) operating activities	103,341	133,216
Cash flows from investing activities		
Purchase of property, plant and equipment and intangible assets	-43,274	-50,653
Proceeds from sale of property, plant and equipment and intangible assets	753	331
Decrease (increase) in time deposits	232	633
Purchase of investment securities	-594	-48
Proceeds from sale of investment securities	764	2,566
Purchase of shares of subsidiaries and associates	-269	-
Purchase of shares of subsidiaries resulting in change in scope of consolidation	-	-95,411
Others	981	51
Net cash provided by (used in) investing activities	-41,406	-142,529
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	-305	41
Repayment of finance lease obligations	-4,143	-4,324
Decrease (increase) in treasury stock	-0	-2
Cash dividends paid	-31,076	-34,046
Others	-23	-36
Net cash provided by (used in) financing activities	-35,550	-38,368
Effect of exchange rate changes on cash and cash equivalents	4,133	3,802
Cash and cash equivalents included in assets held for sale	-	-1,030
Net increase (decrease) in cash and cash equivalents	30,517	-44,909
Cash and cash equivalents at the beginning of the period	300,888	362,046
Cash and cash equivalents at the end of the period	331,406	317,137

(5) Notes on quarterly consolidated financial statements

(Notes on going concern assumption)

Not applicable.

(Segment information)

Information regarding revenue, income or loss by segments

Third quarter ended December 31, 2021 (April 1, 2021 through December 31, 2021)

(Yen in Millions)

	Industrial Tape	Optronics	Human Life	Others	Total	Adjustment	Quarterly consolidated statements of income
Revenue from outside customers	238,562	343,344	63,527	-	645,435	835	646,271
Inter-segment revenue	2,516	5,728	6,306	-	14,551	-14,551	-
Total segment revenue	241,079	349,072	69,834	-	659,987	-13,715	646,271
Operating income (loss)	29,895	74,076	10,663	-4,746	109,889	-1,555	108,334
Financial income							1,413
Financial expenses							-1,132
Equity in profits (losses) of affiliates							54
Income before income taxes							108,669

(Note) Since “Human Life” has been newly established in the reporting segments from FY2022, partial changes have been made to reporting segments. “Human Life” includes “Life Science” and “Membrane” which was previously included in “Others”. In addition, The personal care components business of Mondi, acquired in the first quarter of FY2022, has been newly established as “Personal Care Materials” in the “Human Life”. Certain related businesses has been transferred from “Industrial Tape” to “Personal Care Materials”. Such changes have also been reflected in the figures for the third quarter ended December 31, 2021.

Major products for each segment

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

Third quarter ended December 31, 2022 (April 1, 2022 through December 31, 2022)

(Yen in Millions)

	Industrial Tape	Optronics	Human Life	Others	Total	Adjustment	Quarterly consolidated statements of income
Revenue from outside customers	258,584	384,066	95,456	4	738,112	867	738,979
Inter-segment revenue	3,681	9,917	7,316	-	20,914	-20,914	-
Total segment revenue	262,265	393,984	102,772	4	759,027	-20,047	738,979
Operating income (loss)	24,518	114,508	6,544	-4,232	141,339	-3,621	137,718
Financial income							1,070
Financial expenses							-1,433
Equity in profits (losses) of affiliates							42
Income before income taxes							137,397

Major products for each segment

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

(Business combination)

Third quarter ended December 31, 2021 (April 1, 2021 through December 31, 2021)

Not applicable.

Third quarter ended December 31, 2022 (April 1, 2022 through December 31, 2022)

(Acquisition of 4 subsidiaries of Mondi plc)

(1) Outline of the business combination

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

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

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

The amount of acquired assets and assumed liabilities are provisionally calculated based on rational information currently available to the Group, since the consideration had not been allocated yet at the end of the third quarter ended December 31, 2022.

	(Yen in Millions)
	Amount
Fair value of consideration for acquisition	63,246
Amount of acquired assets and assumed liabilities	
Current assets	26,831
Non-current assets	25,418
Current liabilities	-10,982
Non-current liabilities	-28,704
Net amount of acquired assets and assumed liabilities	12,562
Goodwill	50,683
Total consideration for acquisition	63,246

Consideration for acquisition has not been finalized yet because the post-acquisition consideration adjustment has not been completed.

In addition to paying 63,246 million yen in cash as consideration for the acquisition, the Group provided a cash loan of 25,165 million yen to the acquired company. The acquired company uses this loan as a source to repay debt.

Acquisition-related costs for this business combination amounted to 444 million yen, all of which was expensed under “Selling, general and administrative expenses” on the consolidated statements of income.

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

(3) Expenditures for the acquisition of a subsidiary

	(Yen in Millions)
	Amount
Cash paid	88,412
Cash and cash equivalents in the acquired subsidiary	-2,181
Expenditures for the acquisition of a subsidiary	86,231

Cash paid includes 63,246 million yen of consideration for acquisition and 25,165 million yen of cash loan to the acquired company.

(4) Impact on the Group's financial results

Had the business combination taken place at the beginning of the fiscal year, the amounts of revenue and net income would have been 751,070 million yen and 94,329 million yen, respectively. These estimates have yet to be certified by an audit.

(Acquisition of Bend Labs, Inc.)

(1) Outline of the business combination

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

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

The amount of acquired assets and assumed liabilities are provisionally calculated based on rational information currently available to the Group, since the consideration had not been allocated yet at the end of the third quarter ended December 31, 2022.

	(Yen in Millions)
	Amount
Fair value of consideration for acquisition	8,989
Amount of acquired assets and assumed liabilities	
Current assets	415
Non-current assets	108
Current liabilities	-899
Net amount of acquired assets and assumed liabilities	-376
Goodwill	9,365
Total consideration for acquisition	8,989

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

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

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

(3) Gain on step acquisition of the business

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

(4) Expenditures for the acquisition of a subsidiary

	(Yen in Millions)
	Amount
Cash paid	9,595
Cash and cash equivalents in the acquired subsidiary	-415
Expenditures for the acquisition of a subsidiary	9,179

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

(5) Impact on the Group's financial results

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

(Assets held for sale and directly related liabilities)

Assets held for sale and directly related liabilities consist of the following.

	(Yen in Millions)	
	March 31, 2022	December 31, 2022
Assets held for sale		
Cash and cash equivalents	-	1,030
Trade and other receivables	-	868
Inventories	-	1,574
Others	-	708
Total	-	4,182
Liabilities directly associated with assets classified as held for sale		
Trade and other payables	-	546
Others	-	1,026
Total	-	1,573

As part of its restructuring, the Group made a decision to transfer a portion of Transportation business belonging to Industrial Tape Business Segment to Parker Corporation, and accordingly, at the end of the second quarter of the fiscal year under review, the disposal group belonging to this business was classified as held for sale. The equity transfer agreement was entered into on October 24. The disposal group belonging to the business is scheduled to be sold within 1 year from the date it is classified as held for sale. Disposal groups held for sale are measured at the lower of carrying amount or fair value less cost to sell. During the third quarter of the fiscal year under review, the Group recognized impairment losses in Others expenses as the disposal group was classified as held for sale.

(Impairment losses)

In the third quarter of the fiscal year under review, Impairment losses were 3,447 million yen, which are included in “Other expenses”.

The major factors are as follows.

As part of the restructuring, the Group made a decision to transfer a portion of Transportation business belonging to Industrial Tape business segment. In conjunction with this decision, the Group recognized an impairment loss because the carrying amount of the disposal group (property, plant and equipment, etc.) was less than the fair value less the selling price. Fair value is determined based on pricing negotiations with the seller and other factors, and the hierarchy of this fair value is Level 3.

(Significant subsequent events)

- Share Repurchase

The Company resolved at a meeting of its Board of Directors on January 26, 2023 the repurchase of its own shares pursuant to Article 156 of the Companies Act of Japan as applied pursuant to Article 165, Paragraph 3.

1. Purpose of the Share Repurchase

To enable an execution of agile capital management policy following changes in the business environment as a part of the return to shareholders.

2. Details of the Share Repurchase

- (1) Class of shares to be repurchased: Common stock
- (2) Total number of repurchasable shares: 7,000,000 shares (maximum)
(4.73% of the total number of shares issued [excluding treasury stock])
- (3) Total repurchase amount: JPY 50,000,000,000 (maximum)
- (4) Repurchase period: From February 3, 2023 to July 31, 2023
- (5) Method of repurchase: Market purchase at Tokyo Stock Exchange