

Summary of Consolidated Financial Statements of Fiscal 2022 (12 Months Ended March 31, 2023 (IFRS Basis))

Listed company name: **Nitto Denko Corporation**
 Stock exchange listing: Tokyo Stock Exchange, Prime Market
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Date of the general shareholders' meeting: June 23, 2023
 Estimated starting date of dividend paying: June 26, 2023
 Filing date of financial statements: June 23, 2023
 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 Fiscal 2022 (April 1, 2022 through March 31, 2023)

(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	%
Fiscal 2022	929,036	8.9	147,173	11.3	146,840	10.9	109,264	12.4	109,173	12.4	137,177	0.6
Fiscal 2021	853,448	12.1	132,260	41.0	132,378	41.9	97,234	38.3	97,132	38.3	136,323	51.8

	Basic earnings per share	Diluted earnings per share	Return on equity attributable to owners of the parent company	Net income to total assets	Operating income to revenue
	Yen	Yen	%	%	%
Fiscal 2022	738.77	738.48	12.7	13.1	15.8
Fiscal 2021	656.31	656.00	12.6	12.8	15.5

(Reference) Equity in earnings of affiliates: (Fiscal 2022) 29 million yen (Fiscal 2021) 42 million yen

(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	Equity attributable to owners of the parent company per share
	Millions of yen	Millions of yen	Millions of yen	%	Yen
March 31, 2023	1,153,647	903,194	902,211	78.2	6,183.01
March 31, 2022	1,094,469	822,105	821,192	75.0	5,548.09

(3) Cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at the end of period
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Fiscal 2022	181,702	-159,906	-57,627	329,966
Fiscal 2021	144,489	-57,594	-36,639	362,046

2. Dividends

	Dividends per share					Dividends total (Annual)	Dividend payout ratio (Consolidated)	Dividends to equity attributable to owners of the parent company (Consolidated)
	1Q	2Q	3Q	Year-end	Annual			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
March, 2022	-	110.00	-	110.00	220.00	32,561	33.5	4.2
March, 2023	-	120.00	-	120.00	240.00	35,274	32.5	4.1
(Forecast) March, 2024	-	130.00	-	130.00	260.00		34.5	

3. Forecast of Fiscal 2023 (April 1, 2023 through March 31, 2024)

(% 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
First half	440,000	-9.3	62,000	-32.8	62,000	-32.6	44,000	-30.6	44,000	-30.6	301.54
Annual	935,000	0.6	150,000	1.9	150,000	2.2	110,000	0.7	110,000	0.8	753.85

- Others

(1) Changes in significant subsidiaries during this fiscal year: 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)

March, 2023: 149,758,428	March, 2022: 149,758,428
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2. Number of treasury stock at the end of the period

March, 2023: 3,840,554	March, 2022: 1,744,778
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3. Average number of outstanding shares during the period (cumulative from the beginning of the period)

Fiscal 2022: 147,776,367	Fiscal 2021: 147,996,116
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(Reference) Non-consolidated financial results of Fiscal 2022 (April 1, 2022 through March 31, 2023)

(1) Operating results (% of change from previous year)

	Net sales		Operating income		Ordinary income		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Fiscal 2022	544,158	5.2	97,204	43.2	113,735	32.3	91,368	38.8
Fiscal 2021	517,458	7.5	67,868	30.7	85,963	23.6	65,815	26.9

	Net income per share - Basic	Net income per share -Diluted
	Yen	Yen
Fiscal 2022	618.29	618.04
Fiscal 2021	444.71	444.50

(2) Financial position

	Total assets	Net assets	Shareholders' equity to total assets	Net assets per share
	Millions of yen	Millions of yen	%	Yen
March 31, 2023	760,758	523,833	68.8	3,587.59
March 31, 2022	729,581	487,646	66.8	3,292.16

(Reference) Shareholders' equity: (March 31, 2023) 523,492 million yen (March 31, 2022) 487,285 million yen

- This summary is not subject to audit 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. Summary of Operating Results, Etc. (2) Outlook for the fiscal year ending March 31, 2024" on page 5 of the Attachment to this summary of consolidated financial results.

(Attached Documents)

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1. Summary of Operating Results, etc

(1) Summary of consolidated operating results and financial position during the fiscal year ended March 31, 2023

① Summary of operating results during the fiscal year ended March 31, 2023

Summary of overall business

The economic environment in fiscal 2022 saw a rise in energy and primary commodity prices triggered by Russia's military invasion of Ukraine. In addition, the sharp monetary tightening aimed at curbing inflation, particularly in the United States, caused some banks' bankruptcy, financial instability spread. In China, COVID-19 transmission and protective measures such as urban lockdowns were implemented. The global economy experienced a significant slowdown in growth rates in major regions. In the foreign exchange market, the yen depreciated sharply due to the widening interest rate differential between Japan and the United States.

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

The yen's exchange rate against the U.S. dollar for the fiscal year ended March 31, 2023, was 134.7 yen to the dollar, a 20.5% depreciation of the yen compared with the same period of the previous year, and the effect of the weaker yen increased operating income by 69.5 billion yen.

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

Summary of results by segment

(Industrial Tape)

For Functional Base Products, revenue increased from the previous fiscal year. In automotive materials, the impact of semiconductor shortages eased, and demand increased due to a recovery in automobile production. On the other hand, demand for process materials of semiconductors and ceramic capacitors used in electronic equipment declined due to deteriorating market conditions. In addition, the Group reduced the impact of rising raw material and transportation costs due to rising crude oil prices offset by sales prices and rationalization. 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 6.3% to 339,433 million yen and operating income decreased by 27.1% to 27,553 million yen.

(Optronics)

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

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

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

(Human Life)

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

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

The Personal Care Materials business was launched under the new organization, Advanced Film Solutions Division, integrating the personal care 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 44.7% to 133,377 million yen and operating income decreased by 88.4% to 840 million yen.

(Others)

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

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

(Reference) Segment Information

(Yen in Millions)

		Fiscal 2021 (April 1, 2021 through March 31, 2022)	Fiscal 2022 (April 1, 2022 through March 31, 2023)	Y-o-Y (%)
		Revenue	Revenue	
Industrial Tape	Revenue	319,301	339,433	106.3
	Operating income	37,809	27,553	72.9
Optronics	Information Fine Materials	363,699	367,827	101.1
	Flexible Printed Circuits	95,852	114,604	119.6
	Total	459,552	482,432	105.0
	Operating income	96,599	129,867	134.4
Human Life	Life Science	51,958	53,758	103.5
	Membrane	27,696	33,262	120.1
	Personal Care Materials	12,546	46,356	369.5
	Total	92,202	133,377	144.7
	Operating income	7,233	840	11.6
Others	Revenue	1	4	243.4
	Operating income	-5,932	-5,655	-
Corporate/Elimination	Revenue	-17,609	-26,211	-
	Operating income	-3,449	-5,432	-
Total	Revenue	853,448	929,036	108.9
	Operating income	132,260	147,173	111.3

(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 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 fiscal year ended March 31, 2022.

② Summary of consolidated financial position and cash flows for the fiscal year ended March 31, 2023

Cash and cash equivalents (hereinafter referred to as “Cash”) was 329,966 million yen at the end of the fiscal year ended March 31, 2023, a decrease of 32,079 million yen from the end of the previous fiscal year. The following are changes in the financial position by each cash flow activity and their factors.

(Cash flow from operating activities)

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

(Cash flow from investing activities)

Cash decreased by 159,906 million yen as a result of investing activities (a decrease of 57,594 million yen at the end of the previous fiscal year). The main factors responsible for the decrease were the purchase of property, plant and equipment and intangible assets of 65,921 million yen, purchase of shares of subsidiaries and associates of 1,703 million yen, purchase of shares of subsidiaries resulting in change in scope of consolidation of 95,263 million yen, while the main offsetting factor was proceeds from sale of investment securities of 2,675 million yen.

(Cash flow from financing activities)

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

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

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

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

Ratio of equity attributable to owners of the parent company to total assets (%): $\text{Equity attributable to owners of the parent company} / \text{Total assets}$

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

Ratio of liabilities with interest to cash flow (year): $\text{Liabilities with interest} / \text{Cash flow from operating activities}$

Interest coverage ratio (times): $\text{Cash flow from operating activities} / \text{Interest payment}$

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

(2) Outlook for the fiscal year ending March 31, 2024

In the fiscal year ending March 2024 (April 1, 2023 to March 31, 2024), the global economy is expected to see a recovery in consumption, which had been limited until now, while China ended the zero-COVID strategy. Meanwhile, concerns about an economic slowdown increased due to decline in individual consumption caused by monetary tightening aimed at curbing inflation, and the investment restrictions in the United States and Europe. In addition, uncertainty about the outlook of the future is increasing due to factors such as the prolonged military invasion and geopolitical risks as the US-China confrontation.

Against this backdrop, while placing ESG at the core of our management, the Group aims to simultaneously solve social issues and create economic value by increasing the PlanetFlags™/HumanFlags™ products or services contributing to the Environment and/or Human Life according to our unique standards, then finalize them into the Niche Top. We will proactively invest our management resources in growing fields and strengthen our response to BCP (Business Continuity Planning) in preparation for future uncertainties.

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

In Optronics, as the display market, with a focus on smartphones, is maturing, Information Fine Materials contribute to improve our customer's productivity, reduce the effects on the environment through total solutions that combine optical films and others peripheral materials. On the other hand, we have positioned the optical films for automotive and VR markets as a new growth point and will invest management resources to expand our business in the future.

Demand for circuit materials is expected to rise again as the market of HDD for data centers continues to increase in volume. We will construct a new plant in Vietnam to enhance production capacity, strengthen BCP measures and build a stable supply system. In high-precision circuits for high-end smartphones, we will work to increase production capacity and improve productivity at our domestic site to further expand supply.

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

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

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

In new businesses in Others, we will concentrate management resources on topics that will be candidates for PlanetFlags™/HumanFlags™ and aim for early commercialization.

The forecasts for the consolidated fiscal year ending March 31, 2024, are as follows: The exchange rate is assumed to be 1\$ = 130yen.

(The forecasts for the consolidated fiscal year ending March 31, 2024)

Revenue	935,000 million yen (up by 0.6% from the previous fiscal year)
Operating income	150,000 million yen (up by 1.9% from the previous fiscal year)
Income before income taxes	150,000 million yen (up by 2.2% from the previous fiscal year)
Net income	110,000 million yen (up by 0.7% from the previous fiscal year)

(The forecasts for the first six months of the fiscal year ending March 31, 2024 (April 1, 2023 through September 30, 2023))

Revenue	440,000 million yen (down by 9.3% from the previous fiscal year)
Operating income	62,000 million yen (down by 32.8% from the previous fiscal year)
Income before income taxes	62,000 million yen (down by 32.6% from the previous fiscal year)
Net income	44,000 million yen (down by 30.6% from the previous fiscal year)

The earnings forecasts and other data above are based on information currently available to the Company, and they involve potential risks and uncertainties. Please be aware that actual results may vary significantly due to various factors.

(3) Dividend policy and dividends for the current and next fiscal years

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

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

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

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

2. Basic Approach to Selection of Accounting Standards

For the purposes of improving international comparability of financial information and unifying accounting within the Group, the International Financial Reporting Standards (IFRS) has been introduced from the first quarter of the year ended March 31, 2015 in order to prepare consolidated financial statements accordingly.

3. Consolidated Financial Statements and Key Notes

(1) Consolidated statements of financial position

(Yen in Millions)

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

(Yen in Millions)

	March 31, 2022	March 31, 2023
Liabilities and equity		
(Liabilities)		
Current liabilities		
Trade and other payables	102,798	91,834
Bonds and borrowings	241	272
Income tax payables	18,138	18,488
Other financial liabilities	19,979	22,162
Other current liabilities	67,330	54,053
Subtotal	<u>208,489</u>	<u>186,811</u>
Liabilities directly associated with assets classified as held for sale	-	1,436
Total current liabilities	<u>208,489</u>	<u>188,248</u>
Non-current liabilities		
Other financial liabilities	16,941	15,729
Defined benefit liabilities	44,125	40,015
Deferred tax liabilities	326	4,173
Other non-current liabilities	2,480	2,286
Total non-current liabilities	<u>63,873</u>	<u>62,204</u>
Total liabilities	<u>272,363</u>	<u>250,452</u>
(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	786,269
Treasury stock	-9,771	-27,631
Other components of equity	48,276	66,741
Total equity attributable to owners of the parent company	<u>821,192</u>	<u>902,211</u>
Non-controlling interests	<u>913</u>	<u>983</u>
Total equity	<u>822,105</u>	<u>903,194</u>
Total liabilities and equity	<u>1,094,469</u>	<u>1,153,647</u>

(2) Consolidated statements of income and consolidated statements of comprehensive income
(Consolidated statements of income)

(Yen in Millions)

	Fiscal 2021 (April 1, 2021 through March 31, 2022)	Fiscal 2022 (April 1, 2022 through March 31, 2023)
Revenue	853,448	929,036
Cost of sales	551,059	591,592
Gross profit	302,388	337,443
Selling, general and administrative expenses	129,625	145,436
Research and development expenses	37,271	40,175
Other income	6,707	8,103
Other expenses	9,938	12,761
Operating income	132,260	147,173
Financial income	1,459	1,574
Financial expenses	1,384	1,936
Equity in profits (losses) of affiliates	42	29
Income before income taxes	132,378	146,840
Income tax expenses	35,143	37,576
Net income	97,234	109,264
Net income attributable to:		
Owners of the parent company	97,132	109,173
Non-controlling interests	102	91
Total	97,234	109,264
Earnings per share attributable to owners of the parent company		
Basic earnings per share (Yen)	656.31	738.77
Diluted earnings per share (Yen)	656.00	738.48

(Consolidated statements of comprehensive income)

(Yen in Millions)

	Fiscal 2021 (April 1, 2021 through March 31, 2022)	Fiscal 2022 (April 1, 2022 through March 31, 2023)
Net income	97,234	109,264
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	339	-63
Reevaluation of defined benefit liability	3,131	3,962
Items that will be reclassified to profit or loss		
Exchange differences on translating foreign operations	33,613	21,807
Net gain (loss) in fair value of cash flow hedges	1,998	2,210
Share of other comprehensive income of associates accounted for using equity method	5	-4
Total other comprehensive income	<u>39,088</u>	<u>27,913</u>
Total comprehensive income	<u><u>136,323</u></u>	<u><u>137,177</u></u>
Total comprehensive income attributable to:		
Owners of the parent company	136,207	137,078
Non-controlling interests	115	99
Total	<u><u>136,323</u></u>	<u><u>137,177</u></u>

(3) Consolidated statements of changes in equity
Fiscal 2021 (April 1, 2021 through March 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, 2021	26,783	50,070	635,916	-10,039	13,136	715,868	817	716,686
Net income	-	-	97,132	-	-	97,132	102	97,234
Other comprehensive income	-	-	-	-	39,075	39,075	12	39,088
Total comprehensive income	-	-	97,132	-	39,075	136,207	115	136,323
Share-based payment transactions	-	-132	-	-	3	-128	-	-128
Dividends	-	-	-31,076	-	-	-31,076	-20	-31,097
Changes in treasury stock	-	54	-	267	-	322	-	322
Transfer from other components of equity to retained earnings	-	-	3,937	-	-3,937	-	-	-
Total transactions with owners	-	-77	-27,138	267	-3,934	-30,883	-20	-30,903
Balance as of March 31, 2022	26,783	49,992	705,910	-9,771	48,276	821,192	913	822,105

Fiscal 2022 (April 1, 2022 through March 31, 2023)

(Yen in Millions)

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

(4) Consolidated statements of cash flows

(Yen in Millions)

	Fiscal 2021 (April 1, 2021 through March 31, 2022)	Fiscal 2022 (April 1, 2022 through March 31, 2023)
Cash flows from operating activities		
Income before income taxes	132,378	146,840
Depreciation and amortization	50,211	57,362
Impairment losses	5,986	4,036
Increase (decrease) in defined benefit liabilities	691	1,270
Decrease (increase) in trade and other receivables	-10,118	44,492
Decrease (increase) in inventories	-14,000	-2,230
Increase (decrease) in trade and other payables	440	-15,779
Increase (decrease) in advances received	13,897	-17,420
Interest and dividend income	569	1,283
Interest expenses paid	-535	-538
Income taxes (paid) refunded	-30,445	-38,748
Others	-4,587	1,133
Net cash provided by (used in) operating activities	<u>144,489</u>	<u>181,702</u>
Cash flows from investing activities		
Purchase of property, plant and equipment and intangible assets	-58,958	-65,921
Proceeds from sale of property, plant and equipment and intangible assets	881	350
Decrease (increase) in time deposits	-398	81
Purchase of investment securities	-596	-177
Proceeds from sale of investment securities	764	2,675
Purchase of shares of subsidiaries and associates	-269	-1,703
Purchase of shares of subsidiaries resulting in change in scope of consolidation	-	-95,263
Others	982	51
Net cash provided by (used in) investing activities	<u>-57,594</u>	<u>-159,906</u>
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	-315	29
Repayment of finance lease obligations	-5,228	-5,567
Decrease (increase) in treasury stock	-0	-18,008
Cash dividends paid	-31,076	-34,046
Others	-18	-35
Net cash provided by (used in) financing activities	<u>-36,639</u>	<u>-57,627</u>
Effect of exchange rate changes on cash and cash equivalents	10,901	5,671
Cash and cash equivalents included in assets held for sale	-	-1,920
Net increase (decrease) in cash and cash equivalents	<u>61,157</u>	<u>-32,079</u>
Cash and cash equivalents at the beginning of the period	<u>300,888</u>	<u>362,046</u>
Cash and cash equivalents at the end of the period	<u><u>362,046</u></u>	<u><u>329,966</u></u>

(5) Notes on consolidated financial statements

(Notes on going concern assumption)

Not applicable.

(Segment information)

Information regarding revenue, income or loss, assets, and other items by segments

Fiscal 2021 (April 1, 2021 through March 31, 2022)

(Yen in Millions)

	Reporting segments				Others	Total	Adjustment	Figures in consolidated statements of income
	Industrial Tape	Optronics	Human Life	Total				
Revenue from outside customers	315,940	452,332	83,970	852,242	1	852,244	1,204	853,448
Inter-segment revenue	3,361	7,220	8,232	18,813	-	18,813	-18,813	-
Total segment revenue	319,301	459,552	92,202	871,055	1	871,057	-17,609	853,448
Operating income (loss)	37,809	96,599	7,233	141,641	-5,932	135,709	-3,449	132,260
Financial income								1,459
Financial expenses								-1,384
Equity in profits (losses) of affiliates								42
Income before income taxes								132,378
Segment assets	276,393	551,768	92,619	920,781	3,481	924,262	170,206	1,094,469
Other items:								
Depreciation and amortization	15,650	22,370	4,375	42,397	670	43,067	7,143	50,211
Impairment losses	180	523	5,196	5,900	1	5,901	84	5,986
Increase in property, plant and equipment and intangible assets	14,002	25,212	7,339	46,555	944	47,499	8,997	56,496

(Note) 1. "Others" is a business segment that is not included in reportable segments and consists of "New Business".

2. -3,499 million yen in adjustment of operating income (loss) includes other profits (losses) not allocated to each segment.

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

4. 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 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 fiscal year ended March 31, 2022.

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

	Reporting segments				Others	Total	Adjustment	Figures in consolidated statements of income
	Industrial Tape	Optronics	Human Life	Total				
Revenue from outside customers	334,456	469,330	123,974	927,761	4	927,765	1,270	929,036
Inter-segment revenue	4,976	13,102	9,403	27,481	-	27,481	-27,481	-
Total segment revenue	339,433	482,432	133,377	955,243	4	955,247	-26,211	929,036
Operating income (loss)	27,553	129,867	840	158,260	-5,655	152,605	-5,432	147,173
Financial income								1,574
Financial expenses								-1,936
Equity in profits (losses) of affiliates								29
Income before income taxes								146,840
Segment assets	282,267	588,380	206,671	1,077,320	4,288	1,081,608	72,038	1,153,647
Other items:								
Depreciation and amortization	16,683	25,249	7,062	48,995	591	49,587	7,775	57,362
Impairment losses	3,065	617	225	3,909	0	3,910	126	4,036
Increase in property, plant and equipment and intangible assets	14,763	24,372	6,197	45,333	850	46,184	4,604	50,789

- (Note) 1. "Others" is a business segment that is not included in reportable segments and consists of "New Business".
2. -5,432 million yen in adjustment of operating income (loss) includes other profits (losses) not allocated to each segment.
3. 72,038 million yen in adjustment of segment assets includes Cash and cash equivalents, Property, plant and equipment and others not belonging to each business segment.

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)

Fiscal year ended March 31, 2022 (April 1, 2021 through March 31, 2022)

Not applicable.

Fiscal year ended March 31, 2023 (April 1, 2022 through March 31, 2023)

(Acquisition of 4 subsidiaries of Mondi plc)

(1) Outline of the business combination

On June 30, 2022, the Group acquired 100% of the shares of four companies (Mondi Gronau GmbH in Germany, Mondi Ascania GmbH in Germany, Mondi China Film Technology Co., Ltd in China, and a newly established company that takes over 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

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

In addition to paying 63,098 million yen in cash as consideration for the acquisition, the Group provided a cash loan of 25,165 million yen to the acquired 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) Adjustments to provisional amounts

As the allocation of the acquisition consideration has not been completed in the third quarter of the consolidated fiscal year under review, it was reported at a provisional amount. However, in the fourth quarter of the consolidated fiscal year under review, the allocation of the acquisition consideration has been completed. The details and amounts of the adjustments recognized during the measurement period are as follows.

	(Yen in Millions)
	Amount
Goodwill (before revision)	50,683
Changes in non-current assets	-8,032
Changes in non-current liabilities	2,568
Others	-241
Goodwill (after revision)	44,978

(4) Expenditures for the acquisition of a subsidiary

	(Yen in Millions)
	Amount
Cash paid	88,264
Cash and cash equivalents in the acquired subsidiary	-2,181
Expenditures for the acquisition of a subsidiary	<u>86,083</u>

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

(5) Impact on the Group's financial results

Had the business combination taken place at the beginning of the fiscal year, the amounts of revenue and net income would have been 941,126 million yen and 107,754 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

	(Yen in Millions)
	Amount
Fair value of consideration for acquisition	<u>8,989</u>
Amount of acquired assets and assumed liabilities	
Current assets	415
Non-current assets	2,942
Current liabilities	-899
Non-current liabilities	-707
Net amount of acquired assets and assumed liabilities	<u>1,750</u>
Goodwill	<u>7,239</u>
Total consideration for acquisition	<u>8,989</u>

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) Adjustments to provisional amounts

As the allocation of the acquisition consideration has not been completed in the third quarter of the consolidated fiscal year under review, it was reported at a provisional amount. However, in the fourth quarter of the consolidated fiscal year under review, the allocation of the acquisition consideration has been completed. The details and amounts of the adjustments recognized during the measurement period are as follows.

	(Yen in Millions)
	Amount
Goodwill (before revision)	9,365
Changes in non-current assets	-2,833
Changes in non-current liabilities	707
Goodwill (after revision)	7,239

(5) 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.

(6) 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	March 31, 2023
Assets held for sale		
Cash and cash equivalents	-	1,920
Trade and other receivables	-	1,176
Inventories	-	1,316
Others	-	818
Total	-	5,232
Liabilities directly associated with assets classified as held for sale		
Trade and other payables	-	852
Others	-	583
Total	-	1,436

As part of its restructuring, the Group made a decision to transfer a portion of 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 sale of the disposal group belonging to this business was completed on April 3, 2023. Disposal groups held for sale are measured at the lower of carrying amount or fair value less cost to sell. During the fiscal year, the Group recognized impairment losses in Others expenses as the disposal group was classified as held for sale.

(Per share information)

Basic earnings per share and diluted earnings per share were calculated on the following basis.

	Fiscal 2021 (April 1, 2021 through March 31, 2022)	Fiscal 2022 (April 1, 2022 through March 31, 2023)
(1) Basic earnings per share	656.31 yen	738.77 yen
(Basis for calculation)		
Net income attributable to owners of the parent company	97,132 million yen	109,173 million yen
Average number of common shares	147,996 thousands of shares	147,776 thousands of shares
(2) Diluted earnings per share	656.00 yen	738.48 yen
(Basis for calculation)		
Increase in number of common stock upon exercise of the stock option	71 thousands of shares	57 thousands of shares

(Notes in cases where there was a substantial change in the amount of shareholders' equity)

Pursuant to the resolution at the Board of Directors meeting of June 17, 2022, the Company has disposed of its treasury shares of 139 million yen as remuneration for restricted shares. Pursuant to the resolution at the Board of Directors meeting of January 26, 2023, the Company has acquired its treasury shares of 18,004 million yen, making the number of treasury shares at the fiscal year ended March 31, 2023 3,840 thousand, or the book balance was 27,631 million yen.

(Impairment losses)

During the fiscal year, Impairment losses were 4,036 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)

- Transfer of NVH business

On April 3, 2023, we completed the transfer of shares to Parker Corporation for a portion of the Transportation business belonging to the Industrial Tape business segment. As a result, we have lost control of this business. During the fiscal year under review, we classified the assets and liabilities of the business as disposal groups classified as held for sale. We are currently examining the impact of this transfer on our group.