



Consolidated Financial Results
for the Six Months Ended June 30, 2023
[IFRS]

August 8, 2023

Company name: Nissha Co., Ltd.

Stock exchange listing: Tokyo Stock Exchange

Code number: 7915

URL: <https://www.nissha.com/english>

Representative: Junya Suzuki, Chairman of the Board, President and CEO

Contact: Hitoshi Koya, Senior Vice President, CFO

Phone: +81-75-811-8111

Scheduled date of filing quarterly securities report: August 9, 2023

Scheduled date of commencing dividend payments: September 1, 2023

Availability of supplementary briefing material on quarterly financial results: Available

Schedule of quarterly financial results briefing session: Scheduled (for institutional investors)

(Amounts of less than one million yen are rounded down)

1. Consolidated Financial Results for the Six Months Ended June 30, 2023 (January 1, 2023 to June 30, 2023)

(1) Consolidated Operating Results (cumulative)

(% indicates changes from the previous corresponding period)

| | Net sales | | Operating profit | | Profit before tax | | Profit | | Profit attributable to owners of parent | | Total comprehensive income | |
|--------------------------------|-------------|-------|------------------|--------|-------------------|--------|-------------|--------|---|--------|----------------------------|--------|
| | Million yen | % | Million yen | % | Million yen | % | Million yen | % | Million yen | % | Million yen | % |
| Six months ended June 30, 2023 | 83,005 | (5.9) | 58 | (99.1) | 1,087 | (88.6) | 786 | (90.0) | 801 | (89.9) | 7,727 | (47.6) |
| Six months ended June 30, 2022 | 88,217 | (9.6) | 6,267 | (42.3) | 9,549 | (22.0) | 7,895 | (25.6) | 7,903 | (25.5) | 14,753 | 11.2 |

| | Basic earnings per share | | Diluted earnings per share | |
|--------------------------------|--------------------------|--|----------------------------|--|
| | Yen | | Yen | |
| Six months ended June 30, 2023 | 16.36 | | — | |
| Six months ended June 30, 2022 | 158.62 | | — | |

(2) Consolidated Financial Position

| | Total assets | Total equity | Equity attributable to owners of parent | Ratio of equity attributable to owners of parent to total assets |
|-------------------------|--------------|--------------|---|--|
| | Million yen | Million yen | Million yen | % |
| As of June 30, 2023 | 229,702 | 116,452 | 116,501 | 50.7 |
| As of December 31, 2022 | 230,212 | 111,518 | 111,553 | 48.5 |

2. Dividends

| | Annual dividends | | | | |
|--|--------------------|--------------------|--------------------|--------------|--------------|
| | 1st quarter-end | 2nd quarter-end | 3rd quarter-end | Year-end | Total |
| Fiscal year ended December 31, 2022 | Yen – | Yen 15.00 | Yen – | Yen 35.00 | Yen 50.00 |
| Fiscal year ending December 31, 2023 | – | 25.00 | | | |
| Fiscal year ending December 31, 2023 (Forecast) | | | – | 25.00 | 50.00 |

(Note) Revision of cash dividend forecast most recently announced: No

3. Consolidated Financial Results Forecast for the Fiscal Year Ending December 31, 2023 (January 1, 2023 to December 31, 2023)

(% indicates changes from the previous corresponding period)

| | Net sales | | Operating profit | | Profit before tax | | Profit attributable to owners of parent | | Basic earnings per share |
|-----------|-------------|--------|------------------|--------|-------------------|--------|--|--------|-----------------------------|
| | Million yen | % | Million yen | % | Million yen | % | Million yen | % | Yen |
| Full year | 174,500 | (10.0) | 2,500 | (73.7) | 3,100 | (74.9) | 2,000 | (80.3) | 40.96 |

(Note) Revision of consolidated financial results forecast most recently announced: Yes

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1. Qualitative Information on Consolidated Financial Results for the Period under Review

From the first quarter ended March 31, 2023, the Company has changed some of its classification of business segments, and made comparisons and analysis for the six months ended June 30, 2023 based on the categories reflecting the change. For details, please see “Segment information” under “2. Condensed Consolidated Financial Statements and Principal Notes, (5) Notes to condensed consolidated financial statements.”

(1) Explanation of operating results

The Group’s Mission is to use the diverse capabilities of its people and core technologies as an engine for growth to create highly competitive, feature-rich products and services that realize customer value and contribute to better lives for all.

Guided by this Mission, we established our Sustainability Vision as our long-term vision for 2030, and reflecting backward, formulated a strategy as set forth in our 7th Medium-term Business Plan to achieve our medium-term vision for 2023. Under the 7th Medium-term Business Plan, we aim to construct a foundation for growth by fully utilizing the global business bases we have acquired and built so far and maximizing their synergies.

During the six months ended June 30, 2023, the global economy picked up despite global inflation and monetary tightening. Although the U.S. economy recovered moderately, the European economy stagnated, weighed on by inflation and sluggish domestic and foreign demand. China’s economy showed signs of a pick-up as it recovered after the lifting of the zero-corona policy. Meanwhile, the Japanese economy recovered moderately, driven by resilient production activities in the automotive sector, which more than outweighed sluggish production activities in the electronic components sector.

Under these conditions, product demands remained firm for contract design/development and manufacturing services in the Medical Technologies segment in an active market environment. On the other hand, product demands weakened for home appliances and metallized paper in the Industrial Materials segment and for tablets and industrial equipment (logistics related) in the Devices segment due to such factors as a settling down of demand from staying at home and inventory adjustment in the supply chain. In addition to the above trend of product demand, cost increases caused by inflation and unfavorable change in product mix put pressure on profit. Nevertheless, the Medical Technologies segment enhanced profitability as a result of its efforts to improve productivity and efficiency to cope with cost increases caused by inflation. As a result, regarding the financial results for the six months ended June 30, 2023, net sales were ¥83,005 million (a decrease of 5.9% as compared to the same period of the previous year). Operating profit was ¥58 million (a decrease of 99.1% as compared to the same period of the previous year). Profit attributable to owners of parent was ¥801 million (a decrease of 89.9% as compared to the same period of the previous year).

Following is an overview by business segment.

Industrial Materials

In the Industrial Materials segment, we mainly offer proprietary technologies that enable to create added value on the surfaces of various materials. IMD, IML, and IME, which facilitate simultaneous in-mold decoration, design and function adding of plastic products, are extensively used in mobility components and home appliances in global markets. Also, the metallized paper, which unites the properties of metallic luster and printing friendliness, has the largest market share in the industry as sustainable materials for beverages and foods on a global basis.

During the six months ended June 30, 2023, although demand for mobility components in the field of decorations remained firm, demand for home appliances weakened due to the impact of a settling of the stay-at-home demand. Demand for metallized paper was sluggish due to the impact of inventory adjustment in the supply chain. As a consequence of these factors, net sales decreased compared to the same period of the previous year. Operating profit decreased from the same period of the previous year due to product demand trends as well as the impact of higher costs caused by inflation.

As a result, segment sales for the six months ended June 30, 2023 were ¥34,049 million (a decrease of 5.9% as compared to the same period of the previous year). Segment profit (operating profit) was ¥1,446 million (a decrease of 57.4% as compared to the same period of the previous year).

Devices

In the Devices segment, we produce components and module products that pursue precision and functionality. Our main products, film-based Touch Sensors are widely adopted mainly in tablets, industrial equipment (logistics related), mobility components, portable game players, etc. in global markets. In addition, we offer gas sensors that can detect gas conditions, along with other products.

During the six months ended June 30, 2023, product demand for tablets and industrial equipment, etc. were sluggish due to the impact of saturated demand from staying at home, which resulted in year-on-year decrease in net sales. Operating profit decreased from the same period of the previous year, due to unfavorable change in product mix, in addition to the decrease in product demand.

As a result, segment sales for the six months ended June 30, 2023 were ¥27,839 million (a decrease of 17.2% as compared to the same period of the previous year). Segment loss (operating loss) was ¥1,202 million (segment profit (operating profit) of ¥3,683 million in the same period of the previous year).

Medical Technologies

The Medical Technologies segment is a business segment that offers high-quality and value-added products in medical devices and other related markets to contribute to healthy and affluent life. The segment currently provides contract design/development manufacturing services for major medical device manufacturers, especially for those in North America and Europe, with products such as surgical instruments for minimal invasive medical treatments and medical wearable sensors used for a wide range of conditions, primarily heart disease. In addition to these, the segment manufactures and sells its own brand products to medical institutions.

During the six months ended June 30, 2023, in the active market environment, net sales grew compared to the same period of the previous year thanks to firm product demand of our main field of contract design/development manufacturing services. Operating profit increased year-on-year as a result of efforts to improve productivity and efficiency to cope with cost increases caused by inflation.

As a result, segment sales for the six months ended June 30, 2023 were ¥17,318 million (an increase of 18.5% as compared to the same period of the previous year). Segment profit (operating profit) was ¥1,028 million (an increase of 2,224.9 times as compared to the same period of the previous year).

(2) Explanation of financial position

1) Assets, liabilities and equity

Total assets at the end of the second quarter ended June 30, 2023 decreased by ¥509 million from the end of the previous year (the fiscal year ended December 31, 2022) to ¥229,702 million.

Current assets decreased by ¥8,618 million from the end of the previous year to ¥116,784 million. This was mainly because a ¥7,464 million decrease of cash and cash equivalents and a ¥3,359 million decrease of trade and other receivables outweighed a ¥2,622 million increase of inventories.

Non-current assets increased by ¥8,108 million from the end of the previous year to ¥112,918 million. This was mainly because of a ¥1,953 million increase of goodwill due to the impact of foreign exchange conversion, a ¥646 million increase of intangible assets, a ¥3,173 million increase of investments accounted for using equity method primarily due to new and

additional acquisition, and a ¥1,770 million increase of other financial assets mainly due to a change in fair value of financial assets measured at fair value through other comprehensive income.

Total liabilities at the end of the second quarter ended June 30, 2023 decreased by ¥5,443 million from the end of the previous year to ¥113,250 million.

Current liabilities decreased by ¥6,360 million from the end of the previous year to ¥51,271 million. This was mainly because a ¥7,918 million decrease of trade and other payables and a ¥657 million decrease of income taxes payable, etc. outweighed a ¥1,190 million increase of borrowings.

Non-current liabilities increased by ¥916 million from the end of the previous year to ¥61,978 million. This was mainly because of a ¥439 million increase of bonds and borrowings and a ¥788 million increase of deferred tax liabilities due to a change in fair value of financial assets measured at fair value through other comprehensive income.

Total equity at the end of the second quarter ended June 30, 2023 increased by ¥4,933 million from the end of the previous year to ¥116,452 million. This was mainly because a ¥6,707 million increase of other components of equity due to the impact of foreign exchange conversion, etc. outweighed a ¥695 million decrease of retained earnings mainly due to the payment of dividends of surplus and a ¥1,084 million increase of treasury shares resulting primarily from the purchase of treasury shares.

2) Cash flows

The balance of cash and cash equivalents (the “funds”) on a consolidated basis at the end of the six months ended June 30, 2023 was ¥46,861 million, a decrease of ¥7,464 million compared to the end of the previous year.

The following describes the conditions of each cash flow and the underlying causes for the six months ended June 30, 2023.

(Net Cash Provided by (Used in) Operating Activities)

Funds used in operating activities amounted to ¥1,282 million (¥3,381 million provided for the same period of the previous year). This was mainly because there were ¥1,087 million of profit before tax, ¥4,520 million of depreciation and amortization, and a ¥5,156 million decrease in trade and other receivables, while there were a ¥714 million increase in inventories, a ¥9,414 million decrease in trade and other payables, and ¥1,496 million of income taxes paid.

(Net Cash Provided by (Used in) Investing Activities)

Funds used in investing activities amounted to ¥4,144 million (an increase of 24.8% as compared to the same period of the previous year). This was mainly because of ¥1,836 million of purchase of property, plant and equipment and ¥2,970 million of purchase of shares of subsidiaries and affiliates.

(Net Cash Provided by (Used in) Financing Activities)

Funds used in financing activities amounted to ¥4,252 million (an increase of 319.4% as compared to the same period of the previous year). This was mainly because there were ¥972 million of repayments of lease liabilities, ¥1,169 million of purchase of treasury shares, and ¥1,726 million of dividends paid to owners of parent.

(3) Explanation of consolidated operating results forecast and other forecast information

For the consolidated financial forecasts for the fiscal year ending December 31, 2023, as a result of reviewing the operating results for the six months ended June 30, 2023, the operating results forecast announced on May 11, 2023 has been revised. For details, please see the “Notice of Difference between Business Forecast and Actual Results for the First Half of FY2023 and Revision to the Business Forecast for FY2023” announced today (on August 8, 2023).

2. Condensed Consolidated Financial Statements and Principal Notes
(1) Condensed consolidated statements of financial position

(Million yen)

| | As of December 31, 2022 | As of June 30, 2023 |
|---|----------------------------|------------------------|
| Assets | | |
| Current assets | | |
| Cash and cash equivalents | 54,325 | 46,861 |
| Trade and other receivables | 33,225 | 29,865 |
| Inventories | 32,739 | 35,361 |
| Other financial assets | 381 | 113 |
| Other current assets | 4,731 | 4,582 |
| Total current assets | 125,403 | 116,784 |
| Non-current assets | | |
| Property, plant and equipment | 43,720 | 43,887 |
| Goodwill | 21,410 | 23,363 |
| Intangible assets | 14,252 | 14,898 |
| Right-of-use assets | 8,840 | 9,134 |
| Investments accounted for using equity method | 763 | 3,937 |
| Other financial assets | 13,662 | 15,432 |
| Retirement benefit asset | 367 | 362 |
| Deferred tax assets | 1,515 | 1,638 |
| Other non-current assets | 276 | 263 |
| Total non-current assets | 104,809 | 112,918 |
| Total assets | 230,212 | 229,702 |

(Million yen)

| | As of December 31, 2022 | As of June 30, 2023 |
|---|----------------------------|------------------------|
| Liabilities and equity | | |
| Liabilities | | |
| Current liabilities | | |
| Trade and other payables | 39,419 | 31,501 |
| Borrowings | 9,450 | 10,641 |
| Other financial liabilities | 1,198 | 1,679 |
| Lease liabilities | 1,740 | 1,894 |
| Income taxes payable, etc. | 1,173 | 516 |
| Provisions | 95 | 87 |
| Other current liabilities | 4,552 | 4,951 |
| Total current liabilities | 57,631 | 51,271 |
| Non-current liabilities | | |
| Bonds and borrowings | 38,158 | 38,598 |
| Other financial liabilities | 690 | 23 |
| Lease liabilities | 8,206 | 8,327 |
| Retirement benefit liability | 6,290 | 6,571 |
| Provisions | 62 | 60 |
| Deferred tax liabilities | 7,216 | 8,005 |
| Other non-current liabilities | 436 | 392 |
| Total non-current liabilities | 61,061 | 61,978 |
| Total liabilities | 118,693 | 113,250 |
| Equity | | |
| Share capital | 12,119 | 12,119 |
| Capital surplus | 14,841 | 14,862 |
| Retained earnings | 75,658 | 74,963 |
| Treasury shares | (2,632) | (3,716) |
| Other components of equity | 11,565 | 18,273 |
| Total equity attributable to owners of parent | 111,553 | 116,501 |
| Non-controlling interests | (34) | (49) |
| Total equity | 111,518 | 116,452 |
| Total liabilities and equity | 230,212 | 229,702 |

(2) Condensed consolidated statements of profit or loss and comprehensive income

Condensed consolidated statements of profit or loss

(Million yen)

| | Six Months Ended June 30, 2022 | Six Months Ended June 30, 2023 |
|---|-----------------------------------|-----------------------------------|
| Net sales | 88,217 | 83,005 |
| Cost of sales | (67,749) | (67,748) |
| Gross profit | 20,467 | 15,256 |
| Selling, general and administrative expenses | (14,767) | (15,781) |
| Other income | 1,070 | 981 |
| Other expenses | (482) | (286) |
| Share of profit (loss) of investments accounted for using equity method | (19) | (111) |
| Operating profit (loss) | 6,267 | 58 |
| Finance income | 3,694 | 1,808 |
| Finance costs | (413) | (779) |
| Profit (loss) before tax | 9,549 | 1,087 |
| Income tax expense | (1,653) | (300) |
| Profit (loss) | 7,895 | 786 |
| Profit (loss) attributable to: | | |
| Owners of parent | 7,903 | 801 |
| Non-controlling interests | (7) | (14) |
| Profit (loss) | 7,895 | 786 |
| Earnings (loss) per share attributable to owners of parent | | |
| Basic earnings (loss) per share (Yen) | 158.62 | 16.36 |
| Diluted earnings (loss) per share (Yen) | - | - |

Condensed consolidated statements of comprehensive income

(Million yen)

| | Six Months Ended June 30, 2022 | Six Months Ended June 30, 2023 |
|---|-----------------------------------|-----------------------------------|
| Profit(loss) | 7,895 | 786 |
| Other comprehensive income | | |
| Items that will not be reclassified to profit or loss | | |
| Net change in fair value of financial assets measured through other comprehensive income | (501) | 1,644 |
| Total of items that will not be reclassified to profit or loss | (501) | 1,644 |
| Items that may be reclassified to profit or loss | | |
| Exchange differences on translation of foreign operations | 7,199 | 4,981 |
| Share of other comprehensive income of investments accounted for using equity method | 159 | 314 |
| Total of items that may be reclassified to profit or loss | 7,358 | 5,295 |
| Total other comprehensive income | 6,857 | 6,940 |
| Total comprehensive income | 14,753 | 7,727 |
| Comprehensive income attributable to: | | |
| Owners of parent | 14,761 | 7,741 |
| Non-controlling interests | (7) | (14) |
| Total comprehensive income | 14,753 | 7,727 |

(3) Condensed consolidated statements of changes in equity

(Million yen)

| | Equity attributable to owners of parent | | | | | | | | | |
|---|---|-----------------|-------------------|-----------------|--|---|----------------------------------|---|---------------------------|--------------|
| | Equity attributable to owners of parent | | | | Other components of equity | | | Total equity attributable to owners of parent | Non-controlling interests | Total equity |
| | Share capital | Capital surplus | Retained earnings | Treasury shares | Net change in fair value of financial assets measured through other comprehensive income | Exchange differences on translation of foreign operations | Total other components of equity | | | |
| Balance at January 1, 2022 | 12,119 | 14,810 | 65,445 | (1,929) | 7,903 | (73) | 7,830 | 98,278 | (13) | 98,264 |
| Profit (loss) | – | – | 7,903 | – | – | – | – | 7,903 | (7) | 7,895 |
| Other comprehensive income | – | – | – | – | (501) | 7,358 | 6,857 | 6,857 | – | 6,857 |
| Total comprehensive income | – | – | 7,903 | – | (501) | 7,358 | 6,857 | 14,761 | (7) | 14,753 |
| Purchase of treasury shares | – | – | – | (0) | – | – | – | (0) | – | (0) |
| Disposal of treasury shares | – | (20) | – | 67 | – | – | – | 47 | – | 47 |
| Dividends of surplus | – | – | (1,245) | – | – | – | – | (1,245) | – | (1,245) |
| Share-based payment transactions | – | 29 | – | – | – | – | – | 29 | – | 29 |
| Transfer from other components of equity to retained earnings | – | – | – | – | – | – | – | – | – | – |
| Total transactions with owners, etc. | – | 9 | (1,245) | 67 | – | – | – | (1,168) | – | (1,168) |
| Balance at June 30, 2022 | 12,119 | 14,820 | 72,104 | (1,861) | 7,402 | 7,285 | 14,688 | 111,871 | (21) | 111,849 |
| Balance at January 1, 2023 | 12,119 | 14,841 | 75,658 | (2,632) | 5,388 | 6,177 | 11,565 | 111,553 | (34) | 111,518 |
| Profit (loss) | – | – | 801 | – | – | – | – | 801 | (14) | 786 |
| Other comprehensive income | – | – | – | – | 1,644 | 5,295 | 6,940 | 6,940 | – | 6,940 |
| Total comprehensive income | – | – | 801 | – | 1,644 | 5,295 | 6,940 | 7,741 | (14) | 7,727 |
| Purchase of treasury shares | – | – | – | (1,169) | – | – | – | (1,169) | – | (1,169) |
| Disposal of treasury shares | – | (14) | – | 85 | – | – | – | 70 | – | 70 |
| Dividends of surplus | – | – | (1,729) | – | – | – | – | (1,729) | – | (1,729) |
| Share-based payment transactions | – | 35 | – | – | – | – | – | 35 | – | 35 |
| Transfer from other components of equity to retained earnings | – | – | 232 | – | (232) | – | (232) | – | – | – |
| Total transactions with owners, etc. | – | 20 | (1,496) | (1,084) | (232) | – | (232) | (2,793) | – | (2,793) |
| Balance at June 30, 2023 | 12,119 | 14,862 | 74,963 | (3,716) | 6,799 | 11,473 | 18,273 | 116,501 | (49) | 116,452 |

(4) Condensed consolidated statements of cash flows

(Million yen)

| | Six Months Ended June 30, 2022 | Six Months Ended June 30, 2023 |
|---|-----------------------------------|-----------------------------------|
| Cash flows from operating activities | | |
| Profit (loss) before tax | 9,549 | 1,087 |
| Depreciation and amortization | 4,650 | 4,520 |
| Loss (gain) on sale and retirement of fixed assets | 55 | (47) |
| Share of loss (profit) of investments accounted for using equity method | 19 | 111 |
| Finance income | (3,694) | (1,808) |
| Finance costs | 413 | 779 |
| Decrease (increase) in trade and other receivables | 1,841 | 5,156 |
| Decrease (increase) in inventories | (5,949) | (714) |
| Increase (decrease) in trade and other payables | 204 | (9,414) |
| Increase (decrease) in provisions | 122 | (18) |
| Increase (decrease) in retirement benefit asset or liability | 55 | 170 |
| Other | (952) | 364 |
| Subtotal | 6,316 | 187 |
| Interest received | 22 | 161 |
| Dividends received | 269 | 209 |
| Interest paid | (341) | (696) |
| Income taxes paid | (2,976) | (1,496) |
| Income taxes refund | 91 | 352 |
| Net cash provided by (used in) operating activities | 3,381 | (1,282) |
| Cash flows from investing activities | | |
| Proceeds from withdrawal of time deposits | – | 130 |
| Purchase of property, plant and equipment | (2,657) | (1,836) |
| Payments for retirement of property, plant and equipment | (27) | (11) |
| Proceeds from sale of property, plant and equipment | 20 | 95 |
| Purchase of intangible assets | (320) | (170) |
| Purchase of investment securities | (9) | (11) |
| Proceeds from sale of investment securities | – | 578 |
| Purchase of shares of subsidiaries and affiliates | (151) | (2,970) |
| Other | (175) | 51 |
| Net cash provided by (used in) investing activities | (3,320) | (4,144) |

(Million yen)

| | Six Months Ended June 30, 2022 | Six Months Ended June 30, 2023 |
|--|-----------------------------------|-----------------------------------|
| Cash flows from financing activities | | |
| Proceeds from short-term borrowings | 1,667 | 3,375 |
| Repayments of short-term borrowings | – | (2,990) |
| Repayments of lease liabilities | (947) | (972) |
| Proceeds from long-term borrowings | – | 286 |
| Repayments of long-term borrowings | (538) | (775) |
| Purchase of treasury shares | (0) | (1,169) |
| Proceeds from sale of treasury shares | 47 | 69 |
| Dividends paid to owners of parent | (1,242) | (1,726) |
| Other | – | (349) |
| Net cash provided by (used in) financing activities | (1,014) | (4,252) |
| Effect of exchange rate changes on cash and cash equivalents | 3,651 | 2,216 |
| Net increase (decrease) in cash and cash equivalents | 2,698 | (7,464) |
| Cash and cash equivalents at beginning of period | 42,330 | 54,325 |
| Cash and cash equivalents at end of period | 45,028 | 46,861 |

(5) Notes to condensed consolidated financial statements

(Notes to going concern assumptions)

Not applicable

(Notes to material changes in equity attributable to owners of parent)

The Company acquired 634,500 treasury shares for the first quarter ended March 31, 2023 based on a resolution at its Board of Directors meeting held on November 10, 2022, resulting in an increase of ¥1,169 million in treasury stock. As a result, treasury stock at the end of the second quarter ended June 30, 2023, is ¥3,716 million.

(Changes in accounting policies)

Clarification of the accounting for deferred tax related to assets and liabilities arising from a single transaction

The Group had not recognized deferred tax liabilities and deferred tax assets for temporary differences arising from the initial recognition of an asset or liability in a transaction that is not a business combination and affects neither accounting profit (loss) nor taxable profit (tax loss), but the application of IAS 12 Income Taxes (amended in May 2021) clarifies the accounting treatment upon initial recognition for transactions that result in taxable temporary differences and deductible temporary differences of the same amount at the time of the transaction, which resulted in a change in the method of accounting treatment to the one by which taxable temporary differences and deductible temporary differences are recognized as deferred tax liabilities and deferred tax assets, respectively, in the Company's Condensed Consolidated Statements of Financial Position.

The application of the guideline did not have a significant impact on the condensed consolidated financial statements.

A temporary exception to the recognition and disclosure of deferred tax assets and liabilities related to the International Tax Reform—Pillar Two Model Rules

The Group has applied the International Tax Reform—Pillar Two Model Rules (amendments to IAS 12 Income Taxes) since the beginning of the second quarter ended June 30, 2023. The amendments have clarified that IAS 12 applies to income taxes arising from tax law enacted or substantially enacted to implement the BEPS Pillar Two Model Rules (the global minimum taxation rules) published by the OECD. On the other hand, the amendments provide a mandatory temporary exception from recognizing and disclosing deferred tax assets and liabilities related to income taxes arising from the global minimum taxation rules.

The Group has adopted the exceptional measure as provided in IAS 12 and thus does not recognize and disclose deferred tax assets and liabilities related to income taxes arising from the global minimum taxation rules.

(Segment information)

1. Description of reportable segments

The Group's reportable segments are those for which separate financial information is available and regular evaluation by the board of directors is being performed in order to decide the allocation of management resources and to review business results.

The Group sets up divisions by product or service. Each division draws up a plan for comprehensive strategies in Japan and overseas for the products and services it handles, and thereupon develops its business activities.

Accordingly, the Group consists of segments by product and service based on divisions. The three reportable segments are the Industrial Materials segment, Devices segment, and Medical Technologies segment.

The Industrial Materials segment manufactures and sells decorative films, decorative molded parts, metallized papers, sustainable molded products and others. The Devices segment manufactures and sells film-based Touch Sensors, gas sensors and others. The Medical Technologies segment provides contract design/development and manufacturing services for major medical device manufacturers especially for those in North America and Europe, along with products such as surgical instruments for minimally invasive treatments, medical wearable sensors and disposable electrocardiogram (ECG) electrodes. In addition to these, the segment manufactures and sells its own brand products to medical institutions.

2. Methods of measurement for the amounts of sales and profit (loss) for each reportable segment

The accounting methods for the reportable segments are the same as those used in preparing the consolidated financial statements. Segment profit is based on operating profit, and inter-segment sales is based on current market prices.

3. Information about sales and profit (loss) by reportable segment

Six months ended June 30, 2022 (January 1, 2022 to June 30, 2022)

(Million yen)

| | Reportable segment | | | | Other (Note 1) | Total | Reconcili- ations (Note 2) | Consolidated (Note 3) |
|-------------------------------|-------------------------|---------|-------------------------|-----------|-------------------|--------|----------------------------------|--------------------------|
| | Industrial Materials | Devices | Medical Technologies | Sub-total | | | | |
| Sales from external customers | 36,169 | 33,603 | 14,610 | 84,383 | 3,833 | 88,217 | – | 88,217 |
| Inter-segment sales | 108 | 5 | – | 114 | 493 | 607 | (607) | – |
| Total | 36,278 | 33,609 | 14,610 | 84,498 | 4,326 | 88,825 | (607) | 88,217 |
| Segment profit (loss) | 3,393 | 3,683 | 0 | 7,076 | (408) | 6,668 | (400) | 6,267 |
| Finance income | – | – | – | – | – | – | – | 3,694 |
| Finance costs | – | – | – | – | – | – | – | (413) |
| Profit (loss) before tax | – | – | – | – | – | – | – | 9,549 |

(Notes) 1. The “Other” category consists of a business segment not included in the reportable segments and includes the Information and Communication and the prescription pharmaceutical manufacturing business.

2. The negative ¥400 million of reconciliations in segment profit (loss) includes unallocated corporate expenses and foreign exchange gain (loss). Corporate expenses mainly consist of general and administrative expenses not attributable to any reportable segment.

3. Segment profit (loss) is reconciled with operating profit (loss) recorded in the condensed consolidated statements of profit or loss.

Six months ended June 30, 2023 (January 1, 2023 to June 30, 2023)

(Million yen)

| | Reportable segment | | | | Other (Note 1) | Total | Reconcili- ations (Note 2) | Consolidated (Note 3) |
|-------------------------------|-------------------------|---------|-------------------------|-----------|-------------------|--------|----------------------------------|--------------------------|
| | Industrial Materials | Devices | Medical Technologies | Sub-total | | | | |
| Sales from external customers | 34,049 | 27,839 | 17,318 | 79,207 | 3,798 | 83,005 | – | 83,005 |
| Inter-segment sales | 132 | 2 | – | 135 | 541 | 677 | (677) | – |
| Total | 34,182 | 27,842 | 17,318 | 79,342 | 4,340 | 83,682 | (677) | 83,005 |
| Segment profit (loss) | 1,446 | (1,202) | 1,028 | 1,272 | (455) | 816 | (758) | 58 |
| Finance income | – | – | – | – | – | – | – | 1,808 |
| Finance costs | – | – | – | – | – | – | – | (779) |
| Profit (loss) before tax | – | – | – | – | – | – | – | 1,087 |

(Notes) 1. The “Other” category consists of a business segment not included in the reportable segments and includes the Information and Communication and the prescription pharmaceutical manufacturing business.

2. The negative ¥758 million of reconciliations in segment profit (loss) includes unallocated corporate expenses and foreign exchange gain (loss). Corporate expenses mainly consist of general and administrative expenses not attributable to any reportable segment.

3. Segment profit (loss) is reconciled with operating profit (loss) recorded in the condensed consolidated statements of profit or loss.

4. Note with regard to changes to reportable segment

From the first quarter ended March 31, 2023, in line with the partial revision of the performance management structure within the Group, segment categories for certain consolidated subsidiaries previously recorded in the Other category were changed to the Devices category. Segment information for the six months ended June 30, 2022 is stated according to the category following the change.