

Summary of Consolidated Financial Statements for the First Quarter Ended June 30, 2020 (IFRS Basis)

Listed company name: **Nitto Denko Corporation**
 Stock exchange listing: First Section of Tokyo Stock Exchange
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Filing date of quarterly financial statements: July 29, 2020
 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 first quarter ended June 30, 2020 (April 1, 2020 through June 30, 2020)

(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	%
First quarter ended June 30, 2020	163,310	-7.9	17,442	17.2	17,230	16.0	12,053	17.1	12,038	17.1	11,307	-
First quarter ended June 30, 2019	177,238	-8.1	14,877	-43.9	14,848	-42.9	10,293	-40.1	10,282	-40.1	-1,080	-

	Basic earnings per share		Diluted earnings per share	
	Yen		Yen	
First quarter ended June 30, 2020	80.03		79.97	
First quarter ended June 30, 2019	65.55		65.50	

(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	%
June 30, 2020	876,712	659,547	658,797	75.1
March 31, 2020	921,900	690,204	689,446	74.8

2. Dividends

Record Date	Dividends per share				
	1Q	2Q	3Q	Year-end	Annual
March, 2020	yen -	yen 100.00	yen -	yen 100.00	yen 200.00
March, 2021	-				
March, 2021 (Forecast)		100.00	-	100.00	200.00

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

3. Forecast for fiscal year ending March 31, 2021 (April 1, 2020 through March 31, 2021)

(% 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	%	
First half	350,000	-7.5	35,000	-14.8	35,000	-14.7	25,000	-14.3	25,000	-14.2	162.42
Annual	675,000	-8.9	64,000	-8.2	64,000	-7.3	45,000	-4.7	45,000	-4.6	301.95

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

- Others

(1) Changes in significant subsidiaries during the first quarter ended June 30, 2020: 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)

June 30, 2020: 158,758,428	March 31, 2020: 158,758,428
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2. Number of treasury stock at the end of the period

June 30, 2020: 9,725,655	March 31, 2020: 4,839,755
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3. Average number of outstanding shares during the period (cumulative from the beginning of the period)

April-June 2020: 150,422,040	April-June 2019: 156,851,102
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- 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 4 of the Attachment to this summary of consolidated financial results.

(Attached Documents)

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1. Qualitative Information Regarding Quarterly Settlement of Accounts

(1) Explanation of operating results

During the first quarter of the fiscal year ending March 31, 2021 (April 1, 2020 through June 30, 2020), economic environment worsened rapidly and significantly as a result of the global spread of COVID-19. In the key markets of Nitto Group (the "Group") under this economic environment, the demands for semiconductor-related materials and the materials for laptop and tablet device have increased from the background of expanding telework. In addition, the Group progressed in its alliances with business partners in general-purpose TV polarizer, and recorded royalty income from the licensing of technologies in this first quarter. Businesses related to nucleic acid drug also remained strong with the growing market. The spread of COVID-19 has created a new demand for porous material for medical-use masks. Meanwhile, automobile market has faced sluggish demand and worldwide decrease in its production. Smartphone production has decreased as a whole, but the demands were different among smartphone manufacturers. In response to COVID-19, the Group promoted telework to place top priority on employee safety and took measures that meet the requests of governments in each country.

As a result of the above, revenue decreased by 7.9% from the same period of the previous year (changes hereafter are given in comparison with the same period of the previous year) to 163,310 million yen. Operating income increased by 17.2% to 17,442 million yen, income before income taxes increased by 16.0% to 17,230 million yen, net income increased by 17.1% to 12,053 million yen, and net income attributable to owners of the parent company increased by 17.1% to 12,038 million yen.

Summary of results by segment

① Industrial Tape

For Functional Base Products, demands for general industry materials and housing-related materials were sluggish under the impact of COVID-19. While customers consumed their own inventory for electronic component manufacturing, demand for server application of semiconductor-related materials used in the manufacturing process expanded from the background of expanding telework. Demand for some materials used in the upper supply chain was strong, reflecting customer's recovery from temporary lowered operating rate under the impact of COVID-19.

Transportation Business faced worldwide decrease in automobile production under the impact of COVID-19. While automobile production in China moved toward recovery, that in Europe and US decreased significantly and thus implemented its adjustment.

As a result of the above, revenue decreased by 23.7% to 60,900 million yen and operating income decreased by 70.4% to 1,650 million yen.

② Optronics

In Information Fine Materials, the demand for laptop and tablet device increased from the background of expanding telework. Materials for smartphone faced sluggish production of smartphone under the impact of COVID-19, but the demands were different among smartphone manufacturers. In the TV market, while the balance between supply and demand has changed significantly with the expansion of the supply capacity of panel makers, the Group progressed in its alliances with business partners in general-purpose TV polarizer, and recorded royalty income from the licensing of technologies in this first quarter.

In Flexible Printed Circuits, under the impact of COVID-19, production of hard disk drive (HDD) was sluggish mainly for personal computers, however, high-capacity HDD used in data center helped the demand to expand steadily. In addition, production of wireless charging system for hearing instruments has begun.

As a result of the above, revenue increased by 5.4% to 96,173 million yen and operating income increased by 60.3% to 17,717 million yen.

③ Life Science

In Life Science, in oligonucleotide contract manufacturing business, demand expanded steadily with the growing market. With a rising expectation for nucleic acid drug as vaccine against COVID-19, demand for Polymer Beads NittoPhase expanded for synthesizing nucleic acid drug. Under the impact of COVID-19, demands for transdermal therapeutic patches and medical sanitary materials weakened.

In nucleic acid new drug development, the Group continues working on the clinical trials of Idiopathic Pulmonary Fibrosis and intractable cancer drugs.

As a result of the above, revenue increased by 20.3% to 7,043 million yen and operating loss amounted to 518 million yen. (operating loss of 1,424 million yen was reported in the same period of the previous year)

④ Others

For Membranes (Polymer Separation Membrane), under the impact of COVID-19, some projects for seawater desalination were postponed. The demand for various industrial applications and energy field weakened. Please note that this segment includes new business that has not generated sufficient revenue yet.

As a result of the above, revenue decreased by 29.4% to 5,392 million yen and operating loss amounted to 1,021 million yen. (operating loss of 26 million yen was reported in the same period of the previous year)

(Reference) Segment Information

(Yen in Millions)

		First quarter ended June 30, 2019 (April 1, 2019 through June 30, 2019)	First quarter ended June 30, 2020 (April 1, 2020 through June 30, 2020)	
		Revenue	Revenue	Y-o-Y (%)
Industrial Tape	Functional Base Products	43,717	40,154	91.9
	Transportation	36,084	20,746	57.5
	Total	79,801	60,900	76.3
	Operating income	5,567	1,650	29.6
Optronics	Information Fine Materials	81,408	85,782	105.4
	Flexible Printed Circuits	9,794	10,390	106.1
	Total	91,203	96,173	105.4
	Operating income	11,051	17,717	160.3
Life Science	Revenue	5,856	7,043	120.3
	Operating income	-1,424	-518	-
Others	Revenue	7,639	5,392	70.6
	Operating income	-26	-1,021	-
Corporate/Elimination	Revenue	-7,261	-6,199	-
	Operating income	-290	-385	-
Total	Revenue	177,238	163,310	92.1
	Operating income	14,877	17,442	117.2

(Note) With the changes in the management structure that have been made during the fiscal year 2020 under review, partial changes have been made to reporting segments.

Such change has also been reflected in the figures for the first quarter ended June 30, 2019.

(2) Explanation of financial position

The Group's financial position at the end of the first quarter of the fiscal year ending March 31, 2021 was as follows.

Compared with the end of the fiscal year ended March 31, 2020, total assets decreased by 45,187 million yen to 876,712 million yen and total liabilities decreased by 14,531 million yen to 217,164 million yen. Total equity decreased by 30,656 million yen to 659,547 million yen. As a result, the ratio of equity attributable to owners of the parent company to total assets changed from 74.8% at the end of the fiscal year ended March 31, 2020 to 75.1% at the end of the first quarter of the fiscal year ending March 31, 2021.

The main changes in assets were a decrease in cash and cash equivalents of 54,620 million yen, an increase in inventories of 5,076 million yen, an increase in other current assets of 1,497 million yen, an increase in financial assets of 1,472 million yen. In terms of liabilities, income tax payables decreased by 5,542 million yen, trade and other payables decreased by 5,027 million yen, other current financial liabilities decreased by 2,196 million yen, other current liabilities decreased by 2,369 million yen.

(3) Explanation of forecasts and other projections

We have not been able to determine consolidated financial and dividend forecasts for the fiscal year ending March 31, 2021, as it was difficult to estimate the impact of COVID-19 on our financial results rationally. However, now that the restrictions on the movement of people, etc. have been eased in various countries, we hereby announce the forecasts, which are based on currently available data and projections concerning the impact on our Group companies.

Consolidated financial forecasts for the fiscal year ending March 31, 2021 (April 1, 2020 through March 31, 2021)

Revenue	675,000 million yen (down by 8.9%)
Operating income	64,000 million yen (down by 8.2%)
Income before income taxes	64,000 million yen (down by 7.3%)
Net income	45,000 million yen (down by 4.7%)

The above up or down is a comparison with the same period of the fiscal year ended March 2020.

① Industrial Tape

For Functional Base Products, we expect that the impact of COVID-19 will be mitigated overall toward the end of the current fiscal year but that demand for general-purpose industrial materials and housing-related products will weaken compared to the previous fiscal year.

For the Transportation Business, we expect that demand for automobiles will recover toward the end of the current fiscal year, but not to the previous year's level due to the lingering impact of COVID-19.

② Optronics

For Information Fine Materials, we expect demand for notebook and tablet computers to increase as work styles have diversified and more people are working from home due to COVID-19. Meanwhile, demand for TV and smartphone applications is expected to decline.

Regarding Flexible Printed Circuits, we expect that the impact of COVID-19 will be mitigated toward the end of the current fiscal year. In addition, as we make further inroads into non-HDD applications, we expect this business to perform strongly.

③ Life Science

COVID-19 is still dampening the market for nucleic acid medicine, but growth potential remains as research and development activities and clinical trials continue. We expect that the oligonucleotide contract manufacturing service and its related businesses will continue to drive the performance of this segment.

④ Others

For Membranes (Polymer Separation Membrane), we expect that the impact of COVID-19 will be mitigated toward the end of the current fiscal year but that demand for seawater desalination and industrial applications, as well as demand in the energy field, will decrease from the previous fiscal year.

The financial forecasts, forward-looking statements, etc. above are prepared based on information currently available to the Company and therefore involve potential risks and uncertainties, depending on the termination of COVID-19. Please note that actual results may differ from forecasted figures due to various unknown factors.

2. Quarterly Consolidated Financial Statements and Key Notes

(1) Quarterly consolidated statements of financial position

(Yen in Millions)

	March 31, 2020	June 30, 2020
(Assets)		
Current assets		
Cash and cash equivalents	304,922	250,302
Trade and other receivables	154,473	154,102
Inventories	96,124	101,201
Other financial assets	2,642	1,868
Other current assets	17,893	19,391
Total current assets	<u>576,056</u>	<u>526,866</u>
Non-current assets		
Property, plant and equipment	266,948	267,462
Right-of-use assets	16,266	16,640
Goodwill	4,852	4,783
Intangible assets	10,198	11,184
Investments accounted for using equity method	206	1,082
Financial assets	7,242	8,714
Deferred tax assets	25,694	25,585
Other non-current assets	14,434	14,392
Total non-current assets	<u>345,843</u>	<u>349,845</u>
Total assets	<u><u>921,900</u></u>	<u><u>876,712</u></u>

(Yen in Millions)

	March 31, 2020	June 30, 2020
Liabilities and equity		
(Liabilities)		
Current liabilities		
Trade and other payables	90,811	85,783
Bonds and borrowings	90	88
Income tax payables	10,036	4,494
Other financial liabilities	24,050	21,853
Other current liabilities	36,907	34,537
Total current liabilities	<u>161,895</u>	<u>146,758</u>
Non-current liabilities		
Other financial liabilities	18,976	18,680
Defined benefit liabilities	48,272	48,845
Deferred tax liabilities	284	635
Other non-current liabilities	2,266	2,245
Total non-current liabilities	<u>69,800</u>	<u>70,406</u>
Total liabilities	<u>231,696</u>	<u>217,164</u>
(Equity)		
Equity attributable to owners of the parent company		
Share capital	26,783	26,783
Capital surplus	50,271	50,081
Retained earnings	643,521	640,167
Treasury stock	-27,505	-53,921
Other components of equity	-3,624	-4,313
Total equity attributable to owners of the parent company	<u>689,446</u>	<u>658,797</u>
Non-controlling interests	<u>757</u>	<u>750</u>
Total equity	<u>690,204</u>	<u>659,547</u>
Total liabilities and equity	<u>921,900</u>	<u>876,712</u>

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

(Quarterly consolidated statements of income)

(Yen in Millions)

	First quarter ended June 30, 2019 (April 1, 2019 through June 30, 2019)	First quarter ended June 30, 2020 (April 1, 2020 through June 30, 2020)
Revenue	177,238	163,310
Cost of sales	126,408	112,788
Gross profit	50,830	50,522
Selling, general and administrative expenses	27,767	24,891
Research and development expenses	8,078	8,223
Other income	1,100	1,160
Other expenses	1,208	1,125
Operating income	14,877	17,442
Financial income	290	198
Financial expenses	329	416
Equity in profits (losses) of affiliates	10	5
Income before income taxes	14,848	17,230
Income tax expenses	4,555	5,176
Net income	10,293	12,053
Net income attributable to:		
Owners of the parent company	10,282	12,038
Non-controlling interests	11	14
Total	10,293	12,053
Earnings per share attributable to owners of the parent company		
Basic earnings per share (yen)	65.55	80.03
Diluted earnings per share (yen)	65.50	79.97

(Quarterly consolidated statements of comprehensive income)

(Yen in Millions)

	First quarter ended June 30, 2019 (April 1, 2019 through June 30, 2019)	First quarter ended June 30, 2020 (April 1, 2020 through June 30, 2020)
Net income	10,293	12,053
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	-199	125
Items that will be reclassified to profit or loss		
Exchange differences on translating foreign operations	-11,167	-869
Net gain (loss) in fair value of cash flow hedges	-0	-1
Share of other comprehensive income of associates accounted for using equity method	-6	-0
Total other comprehensive income	<u>-11,373</u>	<u>-745</u>
Total comprehensive income	<u><u>-1,080</u></u>	<u><u>11,307</u></u>
Total comprehensive income attributable to:		
Owners of the parent company	-1,089	11,292
Non-controlling interests	9	14
Total	<u><u>-1,080</u></u>	<u><u>11,307</u></u>

(3) Quarterly consolidated statements of changes in equity

For the first quarter ended June 30, 2019 (April 1, 2019 through June 30, 2019)

(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, 2019	26,783	50,319	622,025	-11,081	12,395	700,443	744	701,187
Net income	-	-	10,282	-	-	10,282	11	10,293
Other comprehensive income	-	-	-	-	-11,372	-11,372	-1	-11,373
Total comprehensive income	-	-	10,282	-	-11,372	-1,089	9	-1,080
Share-based payment transactions	-	-37	-	-	48	11	-	11
Dividends	-	-	-14,116	-	-	-14,116	-23	-14,140
Changes in treasury stock	-	11	-	25	-	37	-	37
Total transactions with owners	-	-25	-14,116	25	48	-14,068	-23	-14,091
Balance as of June 30, 2019	26,783	50,294	618,190	-11,055	1,072	685,285	730	686,015

For the first quarter ended June 30, 2020 (April 1, 2020 through June 30, 2020)

(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, 2020	26,783	50,271	643,521	-27,505	-3,624	689,446	757	690,204
Net income	-	-	12,038	-	-	12,038	14	12,053
Other comprehensive income	-	-	-	-	-745	-745	-0	-745
Total comprehensive income	-	-	12,038	-	-745	11,292	14	11,307
Share-based payment transactions	-	-200	-	-	56	-144	-	-144
Dividends	-	-	-15,391	-	-	-15,391	-22	-15,414
Changes in treasury stock	-	10	-	-26,415	-	-26,405	-	-26,405
Total transactions with owners	-	-190	-15,391	-26,415	56	-41,941	-22	-41,963
Balance as of June 30, 2020	26,783	50,081	640,167	-53,921	-4,313	658,797	750	659,547

(4) Quarterly consolidated statements of cash flows

(Yen in Millions)

	First quarter ended June 30, 2019 (April 1, 2019 through June 30, 2019)	First quarter ended June 30, 2020 (April 1, 2020 through June 30, 2020)
Cash flows from operating activities		
Income before income taxes	14,848	17,230
Depreciation and amortization	12,331	11,840
Impairment losses	-	63
Increase (decrease) in defined benefit liabilities	708	559
Decrease (increase) in trade and other receivables	1,553	-28
Decrease (increase) in inventories	-7,057	-5,161
Increase (decrease) in trade and other payables	1,400	-4,940
Interest and dividend income	244	190
Interest expenses paid	-147	-180
Income taxes (paid) refunded	-5,771	-11,301
Others	-3,384	-3,187
Net cash provided by (used in) operating activities	14,727	5,083
Cash flows from investing activities		
Purchase of property, plant and equipment and intangible assets	-17,264	-15,581
Proceeds from sale of property, plant and equipment and intangible assets	72	51
Decrease (increase) in time deposits	-1,385	674
Purchase of investment securities	-696	-322
Purchase of shares of subsidiaries and associates	-	-879
Others	0	0
Net cash provided by (used in) investing activities	-19,274	-16,057
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	24	-1
Repayment of finance lease obligations	-1,471	-1,471
Decrease (increase) in treasury stock	-0	-26,605
Cash dividends paid	-14,130	-15,391
Others	-23	-29
Net cash provided by (used in) financing activities	-15,601	-43,499
Effect of exchange rate changes on cash and cash equivalents	-2,967	-146
Net increase (decrease) in cash and cash equivalents	-23,115	-54,620
Cash and cash equivalents at the beginning of the period	297,682	304,922
Cash and cash equivalents at the end of the period	274,566	250,302

(5) Notes on quarterly consolidated financial statements

(Notes on going concern assumption)

Not applicable.

(Segment information)

Information regarding revenue, income, or loss by segments

First quarter ended June 30, 2019 (April 1, 2019 through June 30, 2019)

(Yen in Millions)

	Industrial Tape	Optronics	Life Science	Others	Total	Adjustment	Quarterly consolidated statements of income
Revenue from outside customers	76,092	89,454	4,792	6,647	176,987	251	177,238
Inter-segment revenue	3,709	1,748	1,063	992	7,513	-7,513	-
Total segment revenue	79,801	91,203	5,856	7,639	184,500	-7,261	177,238
Total operating income (loss)	5,567	11,051	-1,424	-26	15,167	-290	14,877
Financial income							290
Financial expenses							-329
Equity in profits (losses) of affiliates							10
Income before income taxes							14,848

(Note) With the changes in the management structure that have been made during the fiscal year 2020 under review, partial changes have been made to reporting segments.

Such change has also been reflected in the figures for the first quarter ended June 30, 2019.

Major products for each segment

Business segment	Major products
Industrial Tape	Functional Base Products (bonding and joining products, protective materials, processing materials, etc.), Automotive Products
Optronics	Information Fine Materials, Flexible Printed Circuits
Life Science	Medical Products
Others	Membrane Products, Other Products

First quarter ended June 30, 2020 (April 1, 2020 through June 30, 2020)

(Yen in Millions)

	Industrial Tape	Optronics	Life Science	Others	Total	Adjustment	Quarterly consolidated statements of income
Revenue from outside customers	57,752	94,510	6,098	4,752	163,113	197	163,310
Inter-segment revenue	3,148	1,662	945	640	6,396	-6,396	-
Total segment revenue	60,900	96,173	7,043	5,392	169,510	-6,199	163,310
Total operating income (loss)	1,650	17,717	-518	-1,021	17,827	-385	17,442
Financial income							198
Financial expenses							-416
Equity in profits (losses) of affiliates							5
Income before income taxes							17,230

Major products for each segment

Business segment	Major products
Industrial Tape	Functional Base Products (bonding and joining products, protective materials, processing materials, etc.), Automotive Products
Optronics	Information Fine Materials, Flexible Printed Circuits
Life Science	Medical Products
Others	Membrane Products, Other Products

(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 on January 27, 2020, the Company has acquired its treasury shares amounted to 26,605 million yen for the first quarter of the fiscal year ending March 31, 2021. As a result, the number of treasury shares at the end of the first quarter of the fiscal year ending March 31, 2021 was 9,725 thousand, and the book balance was 53,921 million yen.

(Significant subsequent events)

Not applicable.