

Summary of Consolidated Financial Statements for the Third Quarter Ended December 31, 2017 (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: February 2, 2018
 Estimated starting date of dividend paying: -
 Preparation of supplementary explanatory materials: Yes
 Holding of quarterly earnings release conference: Yes (for investment analysts and institutional investors)

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

1. Consolidated financial results of the third quarter ended December 31, 2017 (April 1, 2017 through December 31, 2017)

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

	Revenue		Operating income		Income before income taxes		Net income		Net income attributable to owners of the parent company		Total comprehensive income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Third quarter ended December 31, 2017	659,978	16.6	109,263	68.7	109,579	71.1	80,423	73.2	80,356	73.8	92,987	102.7
Third quarter ended December 31, 2016	566,215	-9.2	64,783	-27.7	64,053	-28.2	46,436	-34.3	46,223	-34.4	45,864	-23.0

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Third quarter ended December 31, 2017	494.84	494.31
Third quarter ended December 31, 2016	284.79	284.43

(2) Financial position

	Total assets	Total equity	Equity attributable to owners of the parent company	Ratio of equity attributable to owners of the parent company to total assets
	Millions of yen	Millions of yen	Millions of yen	%
December 31, 2017	970,280	722,375	721,676	74.4
March 31, 2017	879,899	654,421	653,772	74.3

2. Dividends

Record Date	Dividends per share				
	1Q	2Q	3Q	Year-end	Annual
	yen	yen	yen	yen	yen
March, 2017	-	75.00	-	75.00	150.00
March, 2018	-	80.00	-		
March, 2018 (Forecast)				80.00	160.00

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

3. Forecast for fiscal year ending March 31, 2018 (April 1, 2017 through March 31, 2018)

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

	Revenue		Operating income		Income before income taxes		Net income		Net income attributable to owners of the parent company		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	yen
Annual	860,000	12.0	135,000	45.8	135,000	47.1	98,000	53.9	98,000	54.4	603.43

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

- Others

(1) Changes in significant subsidiaries during the third quarter ended December 31, 2017: No

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

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

(3) Number of shares outstanding (Common stock)

1. Number of shares outstanding at the end of the period (including treasury stock)

December 31, 2017: 173,758,428	March 31, 2017: 173,758,428
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2. Number of treasury stock at the end of the period

December 31, 2017: 11,352,363	March 31, 2017: 11,434,124
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3. Average number of outstanding shares during the period (cumulative from the beginning of the period)

April-December 2017: 162,387,414	April-December 2016: 162,307,279
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- These quarterly financial results are not subject to quarterly review procedures based on the Financial Instruments and Exchange Act.

- 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 "Explanation of forecasts and other projections" on page 5 of the Attachment to this summary of consolidated financial results.

(Reference) Consolidated financial results of the third quarter (three months) of the fiscal year ending March 31, 2018
(October 1, 2017 through December 31, 2017)

(All monetary values noted herein are rounded down to the nearest million yen)
(% of change from same period in the previous year)

	Revenue		Operating income		Income before income taxes		Net income		Net income attributable to owners of the parent company		Total comprehensive income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Third quarter ended Dec. 31, 2017	232,925	10.3	41,020	15.6	41,226	17.1	32,824	27.7	32,801	27.9	39,770	Δ29.5
Third quarter ended Dec. 31, 2016	211,236	1.7	35,490	20.6	35,202	19.4	25,703	5.8	25,647	5.9	56,403	125.6

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Third quarter ended Dec. 31, 2017	201.97	201.79
Third quarter ended Dec. 31, 2016	158.01	157.80

(Attached Documents)

Index

1. Qualitative Information Regarding Quarterly Settlement of Accounts	2
(1) Explanation of operating results.....	2
(2) Explanation of financial position	5
(3) Explanation of forecasts and other projections	5
2. Quarterly Consolidated Financial Statements and Key Notes	6
(1) Quarterly consolidated statements of financial position.....	6
(2) Quarterly consolidated statements of income and quarterly consolidated statements of comprehensive income	8
(3) Quarterly consolidated statements of changes in equity	10
(4) Quarterly consolidated statements of cash flows	11
(5) Notes on quarterly consolidated financial statements	12
(Notes on going concern assumption).....	12
(Segment information).....	12
(Significant subsequent events)	14

1. Qualitative Information Regarding Quarterly Settlement of Accounts

(1) Explanation of operating results

During the first nine months of the year ending March 31, 2018 (April 1, 2017 through December 31, 2017), it became evident that the global economy is growing even more strongly under the lead of developed countries. The cyclical recovery led by the U.S. has begun to spread to Europe, Japan, and China, as well as emerging countries, where growth rates have all been revised upwardly. As a result, the stock market hit a record high across the board throughout Europe and North America and reached a post-bubble high in Japan. The stock markets in developed countries have also shown no signs of flagging since the turn of the year.

Amid such economic circumstances, the Nitto Group (the “Group”) was able to expand its business performance by underpinning the growth of the booming market and promptly delivering products in the mainstay Optronics Segment. In the Industrial Tape Segment, too, the Group won an increasing number of orders for various kinds of industrial applications from a wide range of sectors, including electronics, thereby expanding its revenue. In the Life Science Segment, however, the oligonucleotide contract manufacturing business that had been successfully driving the segment exhibited rather underwhelming performance. While its market looks to continue expanding, the recent setback for this otherwise brisk business was caused by customers’ abrupt termination of programs.

As a result of the above, revenue increased by 16.6 % in comparison with the same period of the previous year (changes hereafter are given in comparison with the same period of the previous year) to 659,978 million yen. Operating income increased by 68.7% to 109,263 million yen, income before income taxes increased by 71.1% to 109,579 million yen, net income increased by 73.2 % to 80,423 million yen, and net income attributable to owners of the parent company increased by 73.8 % to 80,356 million yen..

Summary of Results by Segment

① Industrial Tape

In the Transportation Business, automotive product revenue grew year-on-year, but were somewhat lacking in momentum, as auto production is decelerating in the main market of the U.S. For Functional Base Products, sales remained strong for electronics-related products such as double-coated adhesive tape for smartphones and processing materials for precision electronic component production processes. Meanwhile, air filters using fluoroplastic porous film saw their revenue growing steadily as they met demands not only for cleanrooms, but also for high-end vacuum cleaners.

As a result of the above, revenue increased by 11.4% to 256,608 million yen and operating income increased by 34.5 % to 26,807 million yen.

② Optronics

For Information Fine Materials, LCD display polarizing films for smartphones, tablet PCs, and notebook PCs saw revenue growing from the beginning of this fiscal year. For smartphone applications, transparent conductive films for touch panels and other film materials for organic light-emitting diode (OLED) screens achieved significantly increased profits as well through higher productivity. Sales of both Flexible Printed Circuits and Processing Materials rose through the supply of highly functional and high-value-added products for hard disk drive (HDD) and semiconductor production process applications, respectively.

As a result of the above, revenue increased by 26.8% to 390,153 million yen and operating income increased by 180.8 % to 85,305 million yen.

③ Life Sciences

In the oligonucleotide contract manufacturing business, which has thus far driven the revenue growth of this segment, some customers announced the termination of contract projects in the late-stage clinical trial, which forced suspension of contract manufacturing for those continually expanding customers. Due to these disruption in production, the U.S. subsidiary responsible for oligonucleotide contract manufacturing saw its profits temporarily deteriorate, with the result that this segment posted an operating loss for the third quarter of the year ending March 31, 2018. Negotiations are currently under way to the relevant contract and the financial forecasts of this segment for the current fiscal year remain unchanged; however, there is a possibility that the business may not be able to report its earnings by the end of the current fiscal year. Meanwhile, the drug

discovery business using nucleic acids was not affected by this unfavorable situation in the contract manufacturing business and will make continued efforts in R&D to create promising products that are expected to follow the liver fibrosis drug.

As a result of the above, revenue decreased by 37.1 % to 20,803 million yen and operating income decreased by 96.0 % to 667 million yen.

④ Others

As oil prices show a recovery trend, Membrane is experiencing brisk replacement demands for various industrial applications, and seawater desalination plants, with its performance registering year-on-year growth. Going forward, automation of manufacturing processes will be expedited to increase productivity, while at the same time focus will be placed on the expansion of new environment-related businesses such as recycling of wastewater in regions where environmental regulations are being tightened. Please note that this segment includes new businesses that have yet to generate sufficient levels of revenue.

As a result of the above, revenue decreased by 0.9 % to 19,170 million yen and operating income increased by 3,849.3 % to 181 million yen.

(Reference) Segment Information (nine months)

(Yen in Millions)

		Third quarter ended December 31, 2016 (April 1, 2016 through December 31, 2016)	Third quarter ended December 31, 2017 (April 1, 2017 through December 31, 2017)	
		Revenue	Revenue	Y-o-Y (%)
Industrial Tape	Functional Base Products	139,395	160,255	115.0
	Transportation	90,888	96,352	106.0
	Total	230,284	256,608	111.4
	Operating income	19,932	26,807	134.5
Optronics	Information Fine Materials	258,569	339,967	131.5
	Flexible Printed Circuits	31,725	31,787	100.2
	Processing Materials	17,363	18,399	106.0
	Total	307,658	390,153	126.8
	Operating income	30,378	85,305	280.8
Life Science	Revenue	33,048	20,803	62.9
	Operating income	16,804	667	4.0
Others	Revenue	19,340	19,170	99.1
	Operating income	4	181	3,949.3
Corporate/Elimination	Revenue	-24,116	-26,758	-
	Operating income	-2,335	-3,698	-
Total	Revenue	566,215	659,978	116.6
	Operating income	64,783	109,263	168.7

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

From fiscal year 2017, we have changed the allocation method of the costs of Corporate sector in order to evaluate each segment's figure more properly.

Such changes have also been reflected in the figures for the third quarter ended December 31, 2016.

(Reference) Segment Information (three months)

(Yen in Millions)

		Third quarter ended December 31, 2016 (October 1, 2016 through December 31, 2016)	Third quarter ended December 31, 2017 (October 1, 2017 through December 31, 2017)	
		Revenue	Revenue	Y-o-Y (%)
Industrial Tape	Functional Base Products	50,674	57,031	112.5
	Transportation	30,716	33,008	107.5
	Total	81,390	90,039	110.6
	Operating income	7,918	9,841	124.3
Optronics	Information Fine Materials	96,963	123,061	126.9
	Flexible Printed Circuits	11,619	11,028	94.9
	Processing Materials	5,702	6,290	110.3
	Total	114,284	140,380	122.8
	Operating income	17,169	34,814	202.8
Life Science	Revenue	18,405	5,438	29.5
	Operating income	12,358	-1,084	-
Others	Revenue	5,859	6,345	108.3
	Operating income	-586	-19	-
Corporate/Elimination	Revenue	-8,703	-9,278	-
	Operating income	-1,369	-2,530	-
Total	Revenue	211,236	232,925	110.3
	Operating income	35,490	41,020	115.6

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

From fiscal year 2017, we have changed the allocation method of the costs of Corporate sector in order to evaluate each segment's figure more properly.

Such changes have also been reflected in the figures for the third quarter ended December 31, 2016.

(2) Explanation of financial position

The Group's financial position at the end of the third quarter of the fiscal year ending March 31, 2018 was as follows.

Compared with the end of the fiscal year ended March 31, 2017, total assets increased by 90,381 million yen to 970,280 million yen and total liabilities increased by 22,427 million yen to 247,905 million yen. Total equity increased by 67,945 million yen to 722,375 million yen. As a result, the ratio of equity attributable to owners of the parent company to total assets changed from 74.3% at the end of the fiscal year ended March 31, 2017 to 74.4% at the end of the first six months of the fiscal year ending March 31, 2018.

The main changes in assets were an increase in cash and cash equivalents of 20,206 million yen, an increase in trade and other receivables of 46,474 million yen, other financial assets increased by 2,770 million yen, property, plant and equipment increased by 3,762 million yen, and intangible assets decreased by 1,206 million yen. In terms of liabilities, trade and other payables increased by 13,404 million yen, income tax payables increased by 2,279 million yen, other current financial liabilities increased by 2,900 million yen, and defined benefit liabilities increased by 2,473 million yen.

(3) Explanation of forecasts and other projections

Although there are factors that have yet to be determined, but could still cause the business environment to change, the consolidated full-year forecasts for the year ending March 31, 2018 remain unchanged from those announced in the consolidated financial statements dated October 31, 2017.

2. Quarterly Consolidated Financial Statements and Key Notes

(1) Quarterly consolidated statements of financial position

(Yen in Millions)

	March 31, 2017	December 31, 2017
(Assets)		
Current assets		
Cash and cash equivalents	280,343	300,549
Trade and other receivables	173,362	219,836
Inventories	88,701	101,309
Other financial assets	5,455	8,225
Other current assets	15,936	18,204
Total current assets	563,798	648,125
Non-current assets		
Property, plant and equipment	249,541	253,303
Goodwill	7,300	7,352
Intangible assets	13,829	12,622
Investments accounted for using equity method	326	350
Financial assets	8,799	9,995
Deferred tax assets	27,087	28,467
Other non-current assets	9,215	10,063
Total non-current assets	316,100	322,154
Total assets	879,899	970,280

(Yen in Millions)

	March 31, 2017	December 31, 2017
Liabilities and equity		
(Liabilities)		
Current liabilities		
Trade and other payables	110,840	124,245
Bonds and borrowings	1,097	2,077
Income tax payables	15,978	18,257
Other financial liabilities	9,660	12,561
Other current liabilities	36,980	36,147
Total current liabilities	174,557	193,288
Non-current liabilities		
Bonds and borrowings	3,000	3,000
Other financial liabilities	1,449	1,698
Defined benefit liabilities	42,838	45,311
Deferred tax liabilities	847	727
Other non-current liabilities	2,784	3,878
Total non-current liabilities	50,920	54,616
Total liabilities	225,477	247,905
(Equity)		
Equity attributable to owners of the parent company		
Share capital	26,783	26,783
Capital surplus	56,139	55,926
Retained earnings	603,886	659,076
Treasury stock	-50,876	-50,512
Other components of equity	17,839	30,402
Total equity attributable to owners of the parent company	653,772	721,676
Non-controlling interests	648	699
Total equity	654,421	722,375
Total liabilities and equity	879,899	970,280

(2) Quarterly consolidated statements of income and quarterly consolidated statements of comprehensive income
(Quarterly consolidated statements of income)
(For the third quarter ended December 31, 2017 (April 1, 2017 through December 31, 2017))

(Yen in Millions)

	Third quarter ended December 31, 2016 (April 1, 2016 through December 31, 2016)	Third quarter ended December 31, 2017 (April 1, 2017 through December 31, 2017)
Revenue	566,215	659,978
Cost of sales	395,083	436,556
Gross profit	171,131	223,422
Selling, general and administrative expenses	80,779	89,298
Research and development expenses	22,619	23,791
Other income	4,574	4,152
Other expenses	7,524	5,221
Operating income	64,783	109,263
Financial income	755	929
Financial expenses	1,483	634
Equity in profits (losses) of affiliates	-2	21
Income before income taxes	64,053	109,579
Income tax expenses	17,616	29,156
Net income	46,436	80,423
Net income attributable to:		
Owners of the parent company	46,223	80,356
Non-controlling interests	212	67
Total	46,436	80,423
Earnings per share attributable to owners of the parent company		
Basic earnings per share (yen)	284.79	494.84
Diluted earnings per share (yen)	284.43	494.31

(Quarterly consolidated statements of comprehensive income)

(For the third quarter ended December 31, 2017 (April 1, 2017 through December 31, 2017))

(Yen in Millions)

	Third quarter ended December 31, 2016 (April 1, 2016 through December 31, 2016)	Third quarter ended December 31, 2017 (April 1, 2017 through December 31, 2017)
Net income	46,436	80,423
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	719	820
Items that will be reclassified to profit or loss		
Exchange differences on translating foreign operations	-1,319	11,700
Net gain (loss) in fair value of cash flow hedges	32	38
Share of other comprehensive income of associates accounted for using equity method	-4	4
Total other comprehensive income	<u>-571</u>	<u>12,564</u>
Total comprehensive income	<u><u>45,864</u></u>	<u><u>92,987</u></u>
Total comprehensive income attributable to:		
Owners of the parent company	45,844	92,919
Non-controlling interests	<u>20</u>	<u>68</u>
Total	<u><u>45,864</u></u>	<u><u>92,987</u></u>

(3) Quarterly consolidated statements of changes in equity

For the third quarter ended December 31, 2016 (April 1, 2016 through December 31, 2016)

(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, 2016	26,783	56,681	559,351	-51,016	22,624	614,425	3,465	617,891
Net income	-	-	46,223	-	-	46,223	212	46,436
Other comprehensive income	-	-	-	-	-379	-379	-192	-571
Total comprehensive income	-	-	46,223	-	-379	45,844	20	45,864
Share-based payment transactions	-	53	-	-	-	53	-	53
Dividends	-	-	-23,533	-	-	-23,533	-151	-23,685
Changes in treasury stock	-	-18	-	123	-	105	-	105
Transfers from other components of equity to retained earnings	-	-	33	-	-33	-	-	-
Additional purchase of shares of consolidated subsidiaries	-	-626	-	-	-	-626	-2,598	-3,224
Total transactions with owners	-	-590	-23,500	123	-33	-24,001	-2,750	-26,751
Balance as of December 31, 2016	26,783	56,090	582,075	-50,892	22,212	636,269	736	637,005

For the third quarter ended December 31, 2017 (April 1, 2017 through December 31, 2017)

(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, 2017	26,783	56,139	603,886	-50,876	17,839	653,772	648	654,421
Net income	-	-	80,356	-	-	80,356	67	80,423
Other comprehensive income	-	-	-	-	12,562	12,562	1	12,564
Total comprehensive income	-	-	80,356	-	12,562	92,919	68	92,987
Share-based payment transactions	-	-229	-	-	-	-229	-	-229
Dividends	-	-	-25,166	-	-	-25,166	-18	-25,185
Changes in treasury stock	-	17	-	363	-	380	-	380
Transfers from other components of equity to retained earnings	-	-	0	-	-0	-	-	-
Total transactions with owners	-	-212	-25,166	363	-0	-25,015	-18	-25,033
Balance as of December 31, 2017	26,783	55,926	659,076	-50,512	30,402	721,676	699	722,375

(4) Quarterly consolidated statements of cash flows

(Yen in Millions)

	Third quarter ended December 31, 2016 (April 1, 2016 through December 31, 2016)	Third quarter ended December 31, 2017 (April 1, 2017 through December 31, 2017)
Cash flows from operating activities		
Income before income taxes	64,053	109,579
Depreciation and amortization	36,357	37,048
Increase (decrease) in defined benefit liabilities	1,469	2,273
Decrease (increase) in trade and other receivables	-47,621	-45,166
Decrease (increase) in inventories	367	-9,929
Increase (decrease) in trade and other payables	19,625	10,420
Interest and dividend income	648	795
Interest expenses paid	-309	-299
Income taxes (paid) refunded	-11,707	-29,622
Others	6,038	3,687
Net cash provided by operating activities	<u>68,921</u>	<u>78,787</u>
Cash flows from investing activities		
Purchase of property, plant and equipment and intangible assets	-34,827	-35,744
Proceeds from sale of property, plant and equipment and intangible assets	491	148
Decrease (increase) in time deposits	2,078	-3,223
Proceeds from sales of investment securities	76	-
Purchase of shares of subsidiaries resulting in change in scope of consolidation	-4,796	-
Payments for transfer of business	-4,752	-
Others	-139	-28
Net cash provided by (used in) investing activities	<u>-41,868</u>	<u>-38,847</u>
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	-1,744	991
Decrease (increase) in treasury stock	-0	-0
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	-3,224	-
Cash dividends paid	-23,533	-25,166
Others	-151	-18
Net cash provided by (used in) financing activities	<u>-28,654</u>	<u>-24,194</u>
Effect of exchange rate changes on cash and cash equivalents	-439	4,460
Net increase (decrease) in cash and cash equivalents	<u>-2,041</u>	<u>20,206</u>
Cash and cash equivalents at the beginning of the period	<u>240,891</u>	<u>280,343</u>
Cash and cash equivalents at the end of the period	<u><u>238,850</u></u>	<u><u>300,549</u></u>

(5) Notes on quarterly consolidated financial statements

(Notes on going concern assumption)

Not applicable

(Segment information)

Information regarding revenue, income, or loss by segments

Third quarter ended December 31, 2016 (April 1, 2016 through December 31, 2016)

(Yen in Millions)

	Industrial Tape	Optronics	Life Science	Others	Total	Adjustment	Quarterly consolidated statements of income
Revenue from outside customers	219,990	298,136	30,565	16,708	565,401	814	566,215
Inter-segment revenue	10,293	9,522	2,483	2,631	24,930	-24,930	-
Total segment revenue	230,284	307,658	33,048	19,340	590,331	-24,116	566,215
Total operating income (loss)	19,932	30,378	16,804	4	67,119	-2,335	64,783
Financial income							755
Financial expenses							-1,483
Equity in profits (losses) of affiliates							-2
Income before income taxes							64,053

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

From fiscal year 2017, we have changed the allocation method of the costs of Corporate sector in order to evaluate each segment's figure more properly.

Such changes have also been reflected in the figures for the third quarter ended December 31, 2016.

Major products for each segment

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

Third quarter ended December 31, 2017 (April 1, 2017 through December 31, 2017)

(Yen in Millions)

	Industrial Tape	Optronics	Life Science	Others	Total	Adjustment	Quarterly consolidated statements of income
Revenue from outside customers	246,419	379,224	16,829	16,676	659,149	828	659,978
Inter-segment revenue	10,189	10,929	3,974	2,494	27,587	-27,587	-
Total segment revenue	256,608	390,153	20,803	19,170	686,737	-26,758	659,978
Total operating income (loss)	26,807	85,305	667	181	112,961	-3,698	109,263
Financial income							929
Financial expenses							-634
Equity in profits (losses) of affiliates							21
Income before income taxes							<u>109,579</u>

Major products for each segment

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

(Significant subsequent events)

- Change in Consolidated Subsidiary

Nitto Denko Corporation (“the Company”) hereby resolved transfer of all shares, owned by the Company, and its consolidated subsidiary Nitto Denko (China) Investment Co., Ltd., in its consolidated subsidiary, Nitto Denko (Suzhou) Co., Ltd. (“the Subsidiary Company”) at the board of directors’ meeting held on January 31, 2018.

The Subsidiary Company is manufacturing, developing, selling and exporting the electronics related materials (Flexible Printed Circuit, Polarizing Film for LCDs, and Tape for electronics products).

In the Flexible Printed Circuit (FPC) business at the Subsidiary Company in Suzhou, China, the production capacity for supplying within China area is smaller than other competitors and the cost reduction is also limited due to accelerating generalization in the market. Consequently, price competitiveness has been decreasing. Meanwhile, Nippon Mektron, Ltd. (“the Counterparty”) had an intention to strengthen its market competitiveness in the Chinese market. The Company concluded that transfer of the Subsidiary Company’s business to the Counterparty will maximize the business value, while an agreement was reached between both sides.

After the resolution of the share transfer, all the assets and liabilities of the Subsidiary Company will be reclassified as the assets and liabilities for sale in the Company’s consolidated balance sheet. As the effective date of the share transfer is scheduled in May of 2018, its effect to the Company’s consolidated financial statements is not defined.

- Share Repurchase

The Company resolved at a meeting of its Board of Directors on January 31, 2018 the repurchase of its own shares pursuant to Article 156 of the Companies Act of Japan as applied pursuant to Article 165, Paragraph 3.

1. Purpose of the Share Repurchase
To enable an execution of agile capital management policy following changes in the business environment as a part of the return to shareholders.
2. Details of the Share Repurchase
 - (1) Class of shares to be repurchased: Common stock
 - (2) Total number of repurchasable shares: 5,600,000 shares (maximum)
(3.45% of the total number of shares issued [excluding treasury stock])
 - (3) Total repurchase amount: JPY 50,000,000,000 (maximum)
 - (4) Repurchase period: From February 5, 2018 to July 31, 2018
 - (5) Method of repurchase: Market purchase at Tokyo Stock Exchange