

Summary of Consolidated Financial Statements of Fiscal 2018 (12 Months Ended March 31, 2019 (IFRS Basis))

Listed company name: **Nitto Denko Corporation**
 Stock exchange listing: First Section of Tokyo Stock Exchange
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Date of the General shareholders' meeting: June 21, 2019
 Estimated starting date of dividend paying: June 24, 2019
 Filing date of financial statements: June 21, 2019
 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 2018 (April 1, 2018 through March 31, 2019)

(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 2018	806,495	-5.9	92,777	-26.2	91,910	-27.2	66,616	-23.8	66,560	-23.8	62,060	-26.0
Fiscal 2017	857,376	11.7	125,722	35.8	126,168	37.5	87,463	37.3	87,377	37.7	83,907	32.5

	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 2018	423.50	423.14	9.6	9.9	11.5
Fiscal 2017	538.99	538.41	13.0	13.9	14.7

(Reference) Equity in earnings of affiliates: (Fiscal 2018) -144 million yen (Fiscal 2017) 12 million yen

(Note) From the fiscal year ended March 31, 2019, "royalty income", which was previously included in "other income" on the consolidated statements of income, is included in "revenue". Figures for the fiscal year ended March 31, 2018, have been restated to reflect this change.

(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, 2019	913,418	701,187	700,443	76.7	4,465.70
March 31, 2018	937,796	693,995	693,278	73.9	4,328.50

(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
March 31, 2019	98,569	-49,955	-58,419	297,682
March 31, 2018	122,551	-50,215	-44,919	304,709

2. Dividends

Record Date	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, 2018	-	80.00	-	80.00	160.00	25,805	29.7	3.8
March, 2019	-	90.00	-	90.00	180.00	28,231	42.5	4.1
(Forecast) March, 2020	-	100.00	-	100.00	200.00		50.6	

3. Forecast of Fiscal 2019 (April 1, 2019 through March 31, 2020)

(% 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	%	
Annual	790,000	-2.0	85,000	-8.4	85,000	-7.5	62,000	-6.9	62,000	-6.9	yen 395.28

- Others

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

Excluded : 1 company (Company Name) Nitto Denko (Suzhou) Co., Ltd.

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

1. Changes in accounting policies required by IFRS: Yes

2. Changes in accounting policies other than the above: No

3. Changes in accounting estimates: No

(Note) For details, please refer to "3. Consolidated Financial Statements and Key Notes (5) Notes on consolidated financial statements, (Changes in accounting policies)" on page 13.

(3) Number of shares outstanding (Common stock)

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

March, 2019: 158,758,428

March, 2018: 173,758,428

2. Number of treasury stock at the end of the period

March, 2019: 1,908,766

March, 2018: 13,592,423

3. Average number of outstanding shares during the period (cumulative from the beginning of the period)

Fiscal 2018: 157,165,244

Fiscal 2017: 162,112,066

(Note) Please refer to "Per share information" on page 16 for the numbers of shares based on which Basic earnings per share (consolidated) are calculated.

(Reference) Non-consolidated financial results of Fiscal 2018 (April 1, 2018 through March 31, 2019)

(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 2018	490,626	-6.4	40,741	-43.3	86,621	-9.5	71,894	-4.7
Fiscal 2017	524,008	10.0	71,901	64.1	95,679	36.0	75,434	39.8

	Net income per share - Basic	Net income per share -Diluted
	yen	yen
Fiscal 2018	457.45	457.05
Fiscal 2017	465.32	464.82

(Note) From the fiscal year ended March 31, 2019, "royalty income", which was previously included in "miscellaneous income" on the statements of income, is included in "revenue". Figures for the previous year, 2018, have been restated to reflect this change.

(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, 2019	663,139	466,075	70.2	2,966.81
March 31, 2018	662,416	449,998	67.8	2,805.35

(Reference) Shareholders' equity: (March 31, 2019) 465,343 million yen (March 31, 2018) 449,320 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, 2020" 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, 2019

① Summary of operating results during the fiscal year ended March 31, 2019

Summary of overall business

During the fiscal year ended March 31, 2019, there has been uncertainty over global economy stimulated by U.S.-China trade friction, and, since the second half of the year, potential economic slowdown in China has become visible. Additionally, U.S. trade policy and the BREXIT have triggered concerns over upcoming economic trends. Crude oil price stayed at a low level and also interest rates in financial market remained low. In such economic environment, for Industrial Tape and Optronics, Nitto Group was affected by the impact in the demand for the electronics industry and the automotive industry in the second half of the year.

As a result of the above, revenue decreased by 5.9% from the same period of the previous year (changes hereafter are given in comparison with the same period of the previous year) to 806,495 million yen. Operating income decreased by 26.2% to 92,777 million yen, income before income taxes decreased by 27.2% to 91,910 million yen, net income decreased by 23.8% to 66,616 million yen, and net income attributable to owners of the parent company decreased by 23.8% to 66,560 million yen.

Summary of results by segment

(Industrial Tape)

For Functional Base Products, sales of general industrial material expanded steadily. As for filter materials for industrial application, as well as materials for smartphone, semiconductor and electronic component manufacturing process, their sales decreased in the second half of the year. Transportation business was affected by stagnating automobile market in the second half of the year. In such Transportation business, motor insulation paper and internal pressure-adjusting materials remain in good shape.

As a result of the above, revenue decreased by 1.5% to 333,955 million yen and operating income decreased by 25.8% to 25,940 million yen.

(Optronics)

From this fiscal year, royalty revenue from intellectual property has been recognized as a part of sales. For Information Fine Materials, royalty revenue from general purpose polarizing film was reported as a part of sales. Meanwhile, as for optical film for smartphone, due to the slowdown of its market growth, the demand did not reach the previous year's level. As a result of that, the effect of the rationalization was limited and Information Fine Materials remained weak eventually. Flexible Printed Circuits was driven by high-capacity hard disk drive (HDD) models for data centers and expanded steadily. Processing Materials performed weak, with the demand for semiconductor application entering into an adjustment of supply and demand.

As a result of the above, revenue decreased by 8.2% to 451,386 million yen and operating income decreased by 27.0% to 67,134 million yen.

(Life Science)

Transdermal therapeutic patches, originally developed for the treatment of hypertension, were to be used in the treatment of fibrillation. As for nucleic acid drug development, clinical trial which concerns lung fibrosis has been initiated, and the Group has also started the Phase I study of the investigational new drug (IND) application, a ribonucleic acid interference (RNAi)-based treatment for KRAS mutant tumors, which was allowed to proceed by the US Food and Drug Administration (FDA). Affected by the change during the previous fiscal year in our customer's situation on new drug development, oligonucleotide contract manufacturing business has been continuously on expanding trend with nucleic acid new drug development and its clinical trial progressing actively.

As a result of the above, revenue decreased by 17.2% to 29,958 million yen and operating income decreased by 67.6% to 1,920 million yen.

(Others)

Sales of Membrane expanded steadily in response to industrial demands for water treatment plants including seawater desalination. Please note that this segment includes new businesses that have not yet generated sufficient levels of sales revenue.

As a result of the above, revenue increased by 4.1% to 26,326 million yen and operating loss amounted to 1,970 million yen. (operating loss of 192 million yen was reported in the same period of the previous year)

(Reference) Segment Information

(Yen in Millions)

		Fiscal 2017 (April 1, 2017 through March 31, 2018)	Fiscal 2018 (April 1, 2018 through March 31, 2019)	
		Revenue	Revenue	Y-o-Y (%)
Industrial Tape	Functional Base Products	173,835	173,333	99.7
	Transportation	165,045	160,622	97.3
	Total	338,881	333,955	98.5
	Operating income	34,976	25,940	74.2
Optronics	Information Fine Materials	425,247	389,372	91.6
	Flexible Printed Circuits	42,039	39,823	94.7
	Processing Materials	24,439	22,191	90.8
	Total	491,726	451,386	91.8
	Operating income	91,916	67,134	73.0
Life Science	Revenue	36,183	29,958	82.8
	Operating income	5,929	1,920	32.4
Others	Revenue	25,279	26,326	104.1
	Operating income	-192	-1,970	-
Corporate/Elimination	Revenue	-34,693	-35,131	-
	Operating income	-6,905	-247	-
Total	Revenue	857,376	806,495	94.1
	Operating income	125,722	92,777	73.8

* With the changes in the management structure that have been made during the fiscal year 2018 under review, partial changes have been made to reporting segments.

From the fiscal year ended March 31, 2019, "royalty income", which was previously included in "other income" on the consolidated statements of income, is included in "revenue".

Such changes have also been reflected in the figures for the fiscal year ended March 31, 2018.

② Summary of consolidated financial position and cash flows for the fiscal year ended March 31, 2019

Cash and cash equivalents (hereinafter referred to as “Cash”) was 297,682 million yen at the end of the fiscal year ended March 31, 2019, a decrease of 7,027 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 98,569 million yen as a result of operating activities (an increase of 122,551 million yen at the end of the previous fiscal year). The main factors responsible for the decrease were income before income taxes of 91,910 million yen and depreciation and amortization of 45,904 million yen, income taxes (paid) refunded of 41,835 million yen.

(Cash flow from investing activities)

Cash decreased by 49,955 million yen as a result of investing activities (a decrease of 50,215 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 59,628 million yen, while the main offsetting factors were decrease (increase) in time deposits of 6,689 million yen, proceeds from sale of shares of subsidiaries resulting in change in scope of consolidation of 2,634 million yen.

(Cash flow from financing activities)

Cash decreased by 58,419 million yen as a result of financing activities (a decrease of 44,919 million yen at the end of the previous fiscal year). The main factors responsible for the decrease were repayment of long-term loans payable Others of 3,000 million yen, decrease (increase) in treasury stock of 28,547 million yen, cash dividends paid of 26,928 million yen.

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

	March 2016	March 2017	March 2018	March 2019
Ratio of equity attributable to owners of the parent company to total assets (%)	74.4	74.3	73.9	76.7
Ratio of equity attributable to owners of the parent company on a market value basis (%)	123.0	158.7	136.3	99.9
Ratio of liabilities with interest to cash flow (year)	0.0	0.0	0.0	0.0
Interest coverage ratio	263.0	311.2	292.1	275.8

(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: $\text{Cash flow from operating activities} / \text{Interest payment}$

- 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, 2020

During the fiscal year ending March 31, 2020 (April 1, 2019 through March 31, 2020) the global economic trend is expected to show a slowdown. In China, although basic supports are taken by economic-stimulus measures, it will decelerate gradually. In U.S., while the economy is supported by increases in employment, there is a concern of economic slowdown in manufacturing industry that is apt to be affected by the U.S. Trade Policy. In Europe, there will be economic setbacks because export trades and investments will be inactive because of unclearness in the U.S. and China Economy. While smartphone markets continue to grow, we are struggling to advance in the sales of high-end smartphone by a slowing demand growth and high-price trend in hardware. We are facing the phase of inventory adjustment in semiconductor market, and we do not expect significant growth in automobile market, where Chinese demand is stagnating.

In such difficult economic environment, Nitto Group (the “Group”) is going to create new value with various technology and information integrations internally and externally. In maintaining our strength called “Sanshin-Activites” since our foundation, which creates new demand by pursuing new technology and new use application, we ensure contribution to create customer value.

For Industrial Tape, in Functional Base Products, the group will fulfill the global productivity reform of existing business to respond to changes of the market and customer’s needs immediately. On the other hand, the demand of semiconductor and industrial process material will expand in medium and long term. So, we are going to produce new products, cooperating with Optronics, etc. As for Transportation Business, the Group will improve profitability by facilitating global optimization of our supply system. Furthermore, we are going to develop new products and respond to market trends and customer’s needs, understanding trends in automobile industry such as electric-powered, self-driving, connected and sharing.

For Optronics, in Information Fine Materials, the Group will brush up its technical capability which is leading the industry to respond to changes in display development such as foldable and rollable screens. And, we will make effort to expand high-profitability business through enhancement of product life cycle management and rationalization. Regarding Flexible Printed Circuits, the Group aims to increase profitability, expanding market share for hard disk drive (HDD) and enhancing rationalization. Moreover, we will pursue the portfolio reform to create new demand.

For Life Science, in the field of nucleic acid medicine that shows an increase in new drug approvals and the number of trials, the Group will emphasize exploring new customers to expand the market share of contract manufacturing service. In developing new drugs, the Group will expedite research, development, and clinical trial concerning fibrosis and intractable cancer treatment as next growth driver.

For Others, the Group will make a progress on rationalization in production process automation and strengthen business infrastructure in Membrane. Then, we will improve profitability by business expansion in market segment that is expected to have remarkable growth. The group intend immediate realization of mass-producing the products that are still under development such as optical plastic cable.

Revenue	790,000 million yen (down by 2.0%)
Operating income	85,000 million yen (down by 8.4%)
Income before income taxes	85,000 million yen (down by 7.5%)
Net income	62,000 million yen (down by 6.9%)

The earnings forecasts and other data above are based on information currently available to the Company, and they involve potential risks and uncertainties. Please note that actual performance may differ materially from these earnings forecasts.

(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 decided to pay 90 yen per share, which is unchanged from the interim dividend, therefore the full-year total 180 yen per share, an increase of 20 yen from the previous year. The Company plans to pay a full-year dividend of 200 yen per share for the next fiscal year after taking into account earnings forecasts, capital expenditure plans, and other factors.

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 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, 2018	March 31, 2019
(Assets)		
Current assets		
Cash and cash equivalents	304,709	297,682
Trade and other receivables	192,120	169,768
Inventories	95,068	93,985
Other financial assets	8,815	412
Other current assets	15,398	19,687
Subtotal	616,112	581,536
Assets held for sale	5,914	-
Total current assets	622,027	581,536
Non-current assets		
Property, plant and equipment	248,417	267,133
Goodwill	6,927	6,834
Intangible assets	12,355	12,393
Investments accounted for using equity method	338	194
Financial assets	9,361	8,428
Deferred tax assets	28,295	26,548
Other non-current assets	10,073	10,349
Total non-current assets	315,768	331,882
Total assets	937,796	913,418

	March 31, 2018	March 31, 2019
Liabilities and equity		
(Liabilities)		
Current liabilities		
Trade and other payables	110,114	96,887
Bonds and borrowings	4,049	448
Income tax payables	19,270	5,073
Other financial liabilities	13,362	21,609
Other current liabilities	40,379	34,458
Subtotal	187,175	158,478
Liabilities directly associated with assets classified as held for sale	260	-
Total current liabilities	187,436	158,478
Non-current liabilities		
Other financial liabilities	1,183	503
Defined benefit liabilities	46,227	50,320
Deferred tax liabilities	612	619
Other non-current liabilities	8,339	2,309
Total non-current liabilities	56,364	53,752
Total liabilities	243,800	212,231
(Equity)		
Equity attributable to owners of the parent company		
Share capital	26,783	26,783
Capital surplus	55,981	50,319
Retained earnings	665,561	622,025
Treasury stock	-69,867	-11,081
Other components of equity	14,819	12,395
Total equity attributable to owners of the parent company	693,278	700,443
Non-controlling interests	716	744
Total equity	693,995	701,187
Total liabilities and equity	937,796	913,418

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

(Consolidated statements of income)

(Yen in Millions)

	Fiscal 2017 (April 1, 2017 through March 31, 2018)	Fiscal 2018 (April 1, 2018 through March 31, 2019)
Revenue	857,376	806,495
Cost of sales	574,879	564,608
Gross profit	282,497	241,886
Selling, general and administrative expenses	118,421	120,576
Research and development expenses	31,243	31,990
Other income	4,594	8,594
Other expenses	11,703	5,137
Operating income	125,722	92,777
Financial income	1,185	1,195
Financial expenses	752	1,917
Equity in profits (losses) of affiliates	12	-144
Income before income taxes	126,168	91,910
Income tax expenses	38,704	25,293
Net income	87,463	66,616
Net income attributable to:		
Owners of the parent company	87,377	66,560
Non-controlling interests	85	56
Total	87,463	66,616
Earnings per share attributable to owners of the parent company		
Basic earnings per share (yen)	538.99	423.50
Diluted earnings per share (yen)	538.41	423.14

(Consolidated statements of comprehensive income)

(Yen in Millions)

	Fiscal 2017 (April 1, 2017 through March 31, 2018)	Fiscal 2018 (April 1, 2018 through March 31, 2019)
Net income	87,463	66,616
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	261	-686
Reevaluation of defined benefit liability	-536	-2,180
Items that will be reclassified to profit or loss		
Exchange differences on translating foreign operations	-3,299	-1,807
Net gain (loss) in fair value of cash flow hedges	16	120
Share of other comprehensive income of associates accounted for using equity method	2	-1
Total other comprehensive income	<u>-3,555</u>	<u>-4,556</u>
Total comprehensive income	<u>83,907</u>	<u>62,060</u>
Total comprehensive income attributable to:		
Owners of the parent company	83,820	62,009
Non-controlling interests	<u>86</u>	<u>51</u>
Total	<u>83,907</u>	<u>62,060</u>

(3) Consolidated statements of changes in equity
Fiscal 2017 (April 1, 2017 through March 31, 2018)

(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, 2017	26,783	56,139	603,886	-50,876	17,839	653,772	648	654,421
Net income	-	-	87,377	-	-	87,377	85	87,463
Other comprehensive income	-	-	-	-	-3,556	-3,556	0	-3,555
Total comprehensive income	-	-	87,377	-	-3,556	83,820	86	83,907
Share-based payment transactions	-	-174	-	-	-	-174	-	-174
Dividends	-	-	-25,166	-	-	-25,166	-18	-25,185
Changes in treasury stock	-	17	-	-18,990	-	-18,973	-	-18,973
Transfers from other components of equity to retained earnings	-	-	-536	-	536	-	-	-
Total transactions with owners	-	-157	-25,702	-18,990	536	-44,315	-18	-44,333
Balance as of March 31, 2018	26,783	55,981	665,561	-69,867	14,819	693,278	716	693,995

Fiscal 2018 (April 1, 2018 through March 31, 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, 2018	26,783	55,981	665,561	-69,867	14,819	693,278	716	693,995
Cumulative effects of changes in accounting policies	-	-	430	-	-	430	-	430
Adjusted balance	26,783	55,981	665,992	-69,867	14,819	693,709	716	694,426
Net income	-	-	66,560	-	-	66,560	56	66,616
Other comprehensive income	-	-	-	-	-4,550	-4,550	-5	-4,556
Total comprehensive income	-	-	66,560	-	-4,550	62,009	51	62,060
Share-based payment transactions	-	54	-	-	-48	5	-	5
Dividends	-	-	-26,928	-	-	-26,928	-23	-26,951
Changes in treasury stock	-	-5,716	-81,423	58,786	-	-28,353	-	-28,353
Transfers from other components of equity to retained earnings	-	-	-2,176	-	2,176	-	-	-
Total transactions with owners	-	-5,661	-110,527	58,786	2,127	-55,275	-23	-55,299
Balance as of March 31, 2019	26,783	50,319	622,025	-11,081	12,395	700,443	744	701,187

(4) Consolidated statements of cash flows

(Yen in Millions)

	Fiscal 2017 (April 1, 2017 through March 31, 2018)	Fiscal 2018 (April 1, 2018 through March 31, 2019)
Cash flows from operating activities		
Income before income taxes	126,168	91,910
Depreciation and amortization	49,283	45,904
Impairment losses	52	41
Increase (decrease) in defined benefit liabilities	2,338	725
Decrease (increase) in trade and other receivables	-18,493	23,148
Decrease (increase) in inventories	-6,860	362
Increase (decrease) in trade and other payables	-4,471	-14,227
Interest and dividend income	1,047	1,089
Interest expenses paid	-419	-357
Income taxes (paid) refunded	-35,153	-41,835
Others	9,059	-8,192
Net cash provided by (used in) operating activities	122,551	98,569
Cash flows from investing activities		
Purchase of property, plant and equipment and intangible assets	-48,466	-59,628
Proceeds from sale of property, plant and equipment and intangible assets	99	331
Decrease (increase) in time deposits	-2,811	6,689
Proceeds from sale of shares of subsidiaries resulting in change in scope of consolidation	-	2,634
Others	963	17
Net cash provided by (used in) investing activities	-50,215	-49,955
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	74	-374
Repayment of long-term loans payable Others	-	-3,000
Decrease (increase) in treasury stock	-19,354	-28,547
Cash dividends paid	-25,166	-26,928
Others	-472	430
Net cash provided by (used in) financing activities	-44,919	-58,419
Effect of exchange rate changes on cash and cash equivalents	-270	-1
Cash and cash equivalents included in assets held for sale	-2,780	-
Reclassification of cash and cash equivalents included in assets held for sale in the opening balance	-	2,780
Net increase (decrease) in cash and cash equivalents	24,365	-7,027
Cash and cash equivalents at the beginning of the period	280,343	304,709
Cash and cash equivalents at the end of the period	304,709	297,682

(5) Notes on consolidated financial statements

(Notes on going concern assumption)

Not applicable.

(Changes in significant subsidiaries during the fiscal year ended March 31, 2019)

During the fiscal year ended March 31, 2019, the Company's consolidated subsidiary Nitto Denko (Suzhou) Co., Ltd. was excluded from scope of consolidation due to transferring of all shares.

(Changes in accounting policies)

Beginning from the fiscal year ended March 31, 2019, the Group has adopted IFRS 15 “Revenue from Contracts with Customers”. When applying IFRS 15, as a transition measure the Group applies this standard retrospectively with the cumulative effects of initially applying this standard recognized at the date of initial application.

In accordance with the adoption of IFRS 15, revenue is recognized based on the following five-step model.

Step 1: Identify the contract with a customer

Step 2: Identify the performance obligations in the contract

Step 3: Determine the transaction price

Step 4: Allocate the transaction price to the performance obligations in the contract

Step 5: Recognize revenue when the entity satisfies a performance obligation

Main business lines of the Group are Industrial Tape, Optronics and Life Science, and in the business lines the Group sells a range of products and licenses its patents, technologies and etc.

Because customers obtain control over the products at the time of delivery, for sales of these products the performance obligation is judged to have been satisfied and revenue is therefore recognized upon delivery of the products. For manufacture and sales associated with part of medical products in Life Science, revenue is recognized according to the progress toward completion of the performance obligation.

As for the license business, the performance obligation is judged to have been satisfied and revenue is therefore recognized upon provision or completion of the service to a customer based on the substantial content of the contract.

Furthermore, revenue is measured at the consideration promised in contracts with customers, less discounts, rebates, returned products, and other items.

The effect of the application of IFRS 15 on the Group’s condensed interim consolidated financial statements is immaterial.

With the exception of the standards described above, the following is the accounting standard applied by the Group from the fiscal year ended March 31, 2019, in compliance with its transitional provision. The effect of the application of the following standard on the Group’s condensed interim consolidated financial statements is immaterial.

IFRS	Title	Summaries of new IFRS and amendments
IFRS 9 (Amended in 2014)	Financial Instruments	Amendments of financial instrument classification and measurement, impairment and hedge accounting

(Segment information)

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

Fiscal 2017 (April 1, 2017 through March 31, 2018)

(Yen in Millions)

	Industrial Tape	Optronics	Life Science	Others	Total	Adjustment*	Figures in consolidated statements of income
Revenue from outside customers	325,557	477,871	30,931	22,053	856,413	963	857,376
Inter-segment revenue	13,323	13,855	5,251	3,225	35,656	-35,656	-
Total segment revenue	338,881	491,726	36,183	25,279	892,070	-34,693	857,376
Total operating income (loss)	34,976	91,916	5,929	-192	132,628	-6,905	125,722
Financial income							1,185
Financial expenses							-752
Equity in profits (losses) of affiliates							12
Income before income taxes							126,168
Segment assets	227,775	433,998	37,858	23,536	723,170	214,625	937,796
Other items:							
Depreciation and amortization	12,089	29,368	1,749	1,108	44,316	4,966	49,283
Increase in property, plant and equipment and intangible assets	17,380	24,653	3,169	2,113	47,317	6,072	53,390

(Note) 1. -6,905 million yen in adjustment of total operating income (loss) includes other profits (losses) not allocated to each segment.

2. 214,625 million yen in adjustment of segment assets includes Cash and cash equivalents, Property, plant and equipment and others not belonging to each business segment.

3. With the changes in the management structure that have been made during the fiscal year 2018 under review, partial changes have been made to reporting segments. Furthermore, "royalty income", which was previously included in "other income" on the consolidated statements of income, is included in "revenue".

Such changes have also been reflected in the figures for the fiscal year ended March 31, 2018.

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

	Industrial Tape	Optronics	Life Science	Others	Total	Adjustment*	Figures in consolidated statements of income
Revenue from outside customers	318,595	438,530	25,219	23,032	805,378	1,117	806,495
Inter-segment revenue	15,360	12,856	4,738	3,293	36,249	-36,249	-
Total segment revenue	333,955	451,386	29,958	26,326	841,627	-35,131	806,495
Total operating income (loss)	25,940	67,134	1,920	-1,970	93,024	-247	92,777
Financial income							1,195
Financial expenses							-1,917
Equity in profits (losses) of affiliates							-144
Income before income taxes							91,910
Segment assets	236,012	451,408	32,096	26,201	745,718	167,700	913,418
Other items:							
Depreciation and amortization	12,325	25,902	1,944	1,281	41,453	4,450	45,904
Increase in property, plant and equipment and intangible assets	23,462	36,628	2,211	2,891	65,193	4,978	70,171

- (Note) 1. -247 million yen in adjustment of total operating income (loss) includes other profits (losses) not allocated to each segment.
 2. 167,700 million yen in adjustment of segment assets includes Cash and cash equivalents, Property, plant and equipment and others not belonging to each business segment.

(Adoption of IFRS 15 “Revenue from Contracts with Customers”)

The Group applied IFRS 15 “Revenue from Contracts with Customers” starting from the fiscal year ended March 31, 2019 as stated in the Changes in accounting policies. In accordance with the transitional measures under IFRS 15, the cumulative effects are recognized as an adjustment to the opening balance of retained earnings for the fiscal year ended March 31, 2019. Therefore, the Group does not restate the fiscal year ended March 31, 2018 financial statements.

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

(Per share information)

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

	Fiscal 2017 (April 1, 2017 through March 31, 2018)	Fiscal 2018 (April 1, 2018 through March 31, 2019)
(1) Basic earnings per share	538.99 yen	423.50 yen
(Basis for calculation)		
Net income attributable to owners of the parent company	87,377 million yen	66,560 million yen
Average number of common shares	162,112 thousands of shares	157,165 thousands of shares
(2) Diluted earnings per share	538.41 yen	423.14 yen
(Basis for calculation)		
Increase in number of common stock upon exercise of the stock option	175 thousands of shares	135 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 January 31, 2018, the Company has acquired its treasury shares of 28,546 million yen. Pursuant to the resolution at the Board of Directors meeting of June 22, 2018, the Company has disposed of its treasury shares of 141 million yen as remuneration for restricted shares. Pursuant to the resolution at the Board of Directors meeting of February 28, 2019, the Company has also canceled of its treasury shares of 87,080 million yen as remuneration for restricted shares, making the number of treasury shares at the fiscal year ended March 31, 2019 1,908 thousand, or the book balance of 11,081 million yen.

(Significant subsequent events)

Not applicable.