Nitto

Date: May 18, 2017

Summary of Consolidated Financial Statements of Fiscal 2016
(12 months ended March 31, 2017 (IFRS basis))

Listed company name: **Nitto Denko Corporation**
Stock exchange listing: First Section of Tokyo Stock Exchange
Code Number: 6988 URL http://www.nitto.com/
Company Representative: Hideo Takasaki, President
Contact Person: Jun Yamashita, Vice President, Global Corporate Strategy Management Div.
Phone: +81-6-7632-2101

Date of the General shareholders' meeting June 16, 2017
Estimated starting date of dividend paying June 19, 2017
Filing date of financial statements June 16, 2017
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 2016 (April 1, 2016 through March 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	%
Fiscal 2016	767,710	-3.2	92,589	-9.6	91,791	-10.0	63,690	-22.3	63,453	-22.3	63,344	42.2
Fiscal 2015	793,054	-3.9	102,397	-4.1	101,996	-3.7	81,989	5.1	81,683	4.9	44,552	-58.8

	Basic earnings per share	Diluted earnings per share	Return on equity attributable to owners of the parent company	Net income to total assets	Operating income to revenue
	Yen	Yen	%	%	%
Fiscal 2016	390.94	390.45	10.0	10.8	12.1
Fiscal 2015	495.23	494.56	13.3	12.1	12.9

(Reference) Equity in earnings of affiliates: (Fiscal 2016) -13 million yen (Fiscal 2015) -13 million yen

(2) Financial position

	Total assets	Total equity	Equity attributable to owners of the parent company	Ratio of equity attributable to owners of the parent company to total assets	Equity attributable to owners of the parent company per share
	Millions of yen	Millions of yen	Millions of yen	%	Yen
March 31, 2017	879,899	654,421	653,772	74.3	4,027.57
March 31, 2016	825,905	617,891	614,425	74.4	3,785.91

(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, 2017	119,939	-49,739	-28,884	280,343
March 31, 2016	140,658	-57,085	-44,902	240,891

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, 2016	-	70.00	-	70.00	140.00	22,923	28.3	3.7
March, 2017	-	75.00	-	75.00	150.00	24,347	38.4	3.8
(Forecast) March, 2018	-	80.00	-	80.00	160.00		37.1	

3. Forecast of Fiscal 2017 (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	800,000	4.2	100,000	8.0	100,000	8.9	70,000	9.9	70,000	10.3	431.24

4. Others

(1) Changes in significant subsidiaries during this fiscal year: No

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

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

(3) Number of shares outstanding (Common stock)

1. Number of shares outstanding at the end of the period (including treasury stock)
   March, 2017: 173,758,428   March, 2016: 173,758,428
2. Number of treasury stock at the end of the period
   March, 2017: 11,434,124   March, 2016: 11,465,543
3. Average number of outstanding shares during the period (cumulative from the beginning of the period)
   Fiscal 2016: 162,311,277   Fiscal 2015: 164,940,273

Please refer to “Per share information” on page 17 for the numbers of shares based on which Basic earnings per share (consolidated) are calculated.

(Reference) Non-consolidated financial results of Fiscal 2016 (April 1, 2016 through March 31, 2017)

(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 2016	476,325	-1.8	43,818	-4.7	70,332	12.4	53,974	0.8
Fiscal 2015	485,044	-5.7	45,956	-11.4	62,568	-8.2	53,549	21.8

	Net income per share - Basic	Net income per share -Diluted
	yen	yen
Fiscal 2016	332.54	332.12
Fiscal 2015	324.66	324.22

(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, 2017	614,825	418,558	67.9	2,573.28
March 31, 2016	544,147	387,227	71.0	2,381.43

(Reference) Shareholders' equity: (March 31, 2017) 417,706 million yen (March 31, 2016) 386,489 million yen

- This summary is not subject to audit procedures.
- 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, 2018" on page 4 of the Attachment to this summary of consolidated financial results.

(Attached Documents)

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1. Summary of Operating Results

(1) Summary of consolidated operating results and financial position during the fiscal year under review

① Summary of operating results during the fiscal year under review

Summary of overall business

During the fiscal year ended March 31, 2017, the overseas economy took an unexpected turn toward a more turbulent path as a result of major political events, including Britain's decision to withdraw from the EU and the outcome of the U.S. presidential election. Nonetheless, modest growth continued throughout the year as the U.S. economy subsequently rebounded and the Chinese economy held up. The Japanese economy also continued to recover, albeit modestly, as exports increased and the strong yen was corrected on the back of the overseas economy's turnaround later in the fiscal year.

Under these economic circumstances, the Nitto Group successfully improved the earnings of its mainstay Optronics segment by deftly capitalizing on a pickup in production volume in the IT industries in the second half of the year, despite sluggish business in the first half. For the Industrial Tape segment, the profitability of Functional Base Products improved due to productivity enhancement, while that of the Transportation business remained almost flat. For the Life Science segment, on the other hand, the Nitto Group forged ahead with the restructuring of its business portfolio. As a result, contract manufacturing of oligonucleotides showed substantial growth in the U.S., and an exclusive license agreement with a leading pharmaceutical manufacturer in the U.S. for a liver cirrhosis drug, which the Group had been working on for many years, led to the receipt of an upfront payment. The change in annual average yen-dollar exchange rate from 120.2 yen for the previous year to 108.9 yen for the fiscal year under review had a negative impact on the Group's performance.

As a result, revenue decreased by 3.2% from the same period of the previous year (changes hereafter are given in comparison with the same period of the previous year) to 767,710 million yen. Operating income decreased by 9.6% to 92,589 million yen, income before income taxes dropped by 10.0% to 91,791 million yen, net income fell by 22.3% to 63,690 million yen, and net income attributable to owners of the parent company declined by 22.3% to 63,453 million yen.

Summary of results by segment

(Industrial Tape)

For automotive products in the Transportation business, sales of reinforcing materials for aluminum bodies expanded in the second half of the fiscal year under the review, and converted adhesive tapes and vent filter for car electronics applications performed strongly throughout the year in the main market of North America. For Functional Base Products, demands for double-sided adhesive tapes for smart phones, for which sales remained sluggish due to a surge in customers' inventories during the first half of the year, recovered into the second half, and sales of air filters for plants' clean room air conditioners grew substantially throughout the year. The Group also successfully improved the earnings power of general-purpose double-sided adhesive tapes and protection films, which are used in a broad range of industrial applications, by increasing their productivity through streamlining efforts.

As a result of the above, revenue decreased by 2.0% to 310,416 million yen and operating income increased by 5.3% to 26,214 million yen.

(Optronics)

For the Information Fine Materials business, sales of the Group's mainstay optical films had been negatively affected by major inventory adjustments on the part of high-end smart phone manufacturers since the end of the last fiscal year. Toward the end of the year, however, their sales recovered rapidly as they began to penetrate into leading smart phone manufacturers' new models and emerging Chinese manufacturers' high-end models, with the result that both revenue and operating income surpassed initial projections. For Flexible Printed Circuits, the negative impact of smaller production of hard disk drives (HDDs) was offset chiefly because demands for high-capacity models for data centers expanded. Sales of Processing Materials achieved growth, as orders remained at a high level on the back of the expanding demands for semiconductors.

As a result, revenue decreased by 8.1% to 419,187 million yen and operating income declined by 26.7% to 50,623 million yen.

(Life Sciences)

Fiscal 2016 saw the Life Science business make a huge leap forward. Contract manufacturing of oligonucleotides maintained momentum in North America to boost the performance of this business significantly. Also, the Company signed an exclusive license agreement on a liver cirrhosis drug using nucleic acid with Bristol-Myers Squibb of the U.S. to receive an upfront payment of 100 million U.S. dollars.

As a result, revenue increased by 85.4% to 44,459 million yen and operating income jumped by 833.9% to 21,357 million yen.

(Others)

The Membrane business (polymer separation membranes) started off the year on a good note following the brisk performance of the previous year, but was negatively affected by pricing competition as demands for seawater desalination plants and others slowed down after the beginning of the second half. It should be noted that, since the re-segmentation of business from the December quarter onward, this segment now includes new businesses that have yet to generate a sufficient level of revenue.

As a result, revenue decreased by 11.9% to 26,039 million yen and operating loss amounted to 1,034 million yen (operating income of 2,917 million yen was reported in the same period of the previous year)

(Reference) Segment Information

(Yen in Millions)

		Fiscal 2015 (April 1, 2015 through March 31, 2016)	Fiscal 2016 (April 1, 2016 through March 31, 2017)	
		Revenue	Revenue	Y-o-Y (%)
Industrial Tape	Functional base products	191,134	186,187	97.4
	Transportation	125,534	124,229	99.0
	Total	316,668	310,416	98.0
	Operating income	24,885	26,214	105.3
Optronics	Information fine materials	380,805	352,905	92.7
	Flexible printed circuits	51,533	42,871	83.2
	Processing materials	23,625	23,410	99.1
	Total	455,963	419,187	91.9
	Operating income	69,058	50,623	73.3
Life Science	Revenue	23,976	44,459	185.4
	Operating income	2,287	21,357	933.9
Others	Revenue	29,562	26,039	88.1
	Operating income	2,917	-1,034	-
Corporate/Elimination	Revenue	-33,116	-32,392	-
	Operating income	3,249	-4,572	-
Total	Revenue	793,054	767,710	96.8
	Operating income	102,397	92,589	90.4

* From fiscal year 2016, we have changed the allocation method of the costs of Corporate sector in order to evaluate each segment's figure more properly.
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.
Because of increased quantitative materiality of the medical business, partial changes have been made to reporting segments with change of management system.
Such changes have also been reflected in the figures for the fiscal year ended March 31, 2016.

② Summary of consolidated financial position and cash flows for the fiscal year under review

Cash and cash equivalents (hereinafter referred to as "Cash") were 280,343 million yen at the end of the fiscal year ended March 31, 2016, an increase of 39,451 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 119,939 million yen as a result of operating activities (an increase of 140,658 million yen at the end of the previous fiscal year). The main factors responsible for the increase were income before income taxes of 91,791 million yen and depreciation and amortization of 48,556 million yen, while the main offsetting factor was an increase in trade and other receivables of 25,161 million yen.

(Cash flow from investing activities)

Cash decreased by 49,739 million yen as a result of investing activities (a decrease of 57,085 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 43,178 million yen and the purchase of shares of subsidiaries resulting in change in scope of consolidation of 4,796 million yen.

(Cash flow from financing activities)

Cash decreased by 28,884 million yen as a result of financing activities (a decrease of 44,902 million yen at the end of the previous fiscal year). The main factors responsible for the decrease were the payments from changes in ownership interest in subsidiaries that do not result in change in scope of consolidation of 3,224 million yen and cash dividends paid of 23,533 million yen.

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

	March 2014	March 2015	March 2016	March 2017
Ratio of equity attributable to owners of the parent company to total assets (%)	66.5	71.5	74.4	74.3
Ratio of equity attributable to owners of the parent company on a market value basis (%)	104.1	155.0	123.0	158.7
Ratio of liabilities with interest to cash flow (year)	0.8	0.1	0.0	0.0
Interest coverage ratio	82.8	148.5	263.0	311.2

(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 (%): Equity attributable to owners of the parent company / Total assets
Ratio of equity attributable to owners of the parent company on a market value basis (%): Market capitalization / Total assets
Ratio of liabilities with interest to cash flow (year): Liabilities with interest / Cash flow from operating activities
Interest coverage ratio: Cash flow from operating activities / 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, 2018

During the fiscal year ending March 31, 2018 (April 1, 2017 through March 31, 2018), the global economy is expected to remain on a moderate growth path, but there are concerns that conflict risks in the Middle East and North Korea, as well as reinforcement of protectionist policies in the U.S. and Europe, would hinder this moderate growth. Based on this outlook, the Group will take the following measures.

For the Industrial Tape segment, the Group will increase production efficiency for existing Transportation businesses and develop new products in such areas as next generation vehicle and mobility, thereby responding to the demands for transportation equipment in general. For Functional Base Products, it will expedite the ongoing shift in focus from adhesive tapes to functional products in order to deliver high value-added products to the market by creating new products.

For the Optronics segment, the Group will pour its efforts into the pursuit of opportunities in growing markets for Information Fine Materials, such as mobile devices, televisions, and automotive products, in an attempt to expand profitable businesses and to innovate business structures. With regard to Flexible Printed Circuit and Processing Materials, it will shore up existing businesses for HDDs and semiconductor memories and bring about cost structure reform.

For the Life Science segment, the Group will utilize reinforced equipment and purchased services to further increase the market penetration of its contract manufacturing of oligonucleotides. Meanwhile, it will reinforce its efforts toward drug discovery using nucleic acids by expediting projects to develop lung fibrosis and cancer treatments in North America and to make this a future mainstay of the Group’s business.

For the Others segment, the Group will take a series of actions designed to improve the profitability of its Membrane products, such as focusing its resources on high-growth segments and discovering new markets, while at the same time building solid business foundations. It will also expedite its activities to bring newer businesses to the market as early as possible.

By working through the abovementioned agendas in each business, the Group expects its consolidated net sales and income for the year ending March 31, 2018 to exhibit year-on-year growth as shown below. The Group will celebrate its first centennial in October 2018. In order to sustain business growth beyond this auspicious occasion and further accelerate it into the next 100 years, the Group will create new value by staying one step ahead of the game to take advantage of the ongoing rapid changes. The following earnings forecasts are based on an assumption of 110.0 Japanese yen per 1 U.S. dollar.

Revenue	800,000 million yen (up by 4.2%)
Operating income	100,000 million yen (up by 8.0%)
Income before income taxes	100,000 million yen (up by 8.9%)
Net income	70,000 million yen (up by 9.9%)

The earnings forecasts and other data above are based on information currently available to the Company, and involve potential risks and uncertainties. Please note that actual results 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 in order to catch up with rapid technological innovation and meet customer demands in a timely manner. Accordingly, dividends to shareholders are determined by taking into account various factors, including the Company’s financial position, profit levels and payout ratio.

In accordance with the basic policy outlined above, the Company has decided to pay 75 yen per share for the year-end dividend, which is unchanged from the interim dividend, to make the full-year total 150 yen per share, an increase of 10 yen from the previous year. The Company plans to pay a full-year dividend of 160 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, 2016	March 31, 2017
(Assets)		
Current assets		
Cash and cash equivalents	240,891	280,343
Trade and other receivables	149,305	173,362
Inventories	88,499	88,701
Other financial assets	8,662	5,455
Other current assets	14,894	15,936
Total current assets	502,253	563,798
Non-current assets		
Property, plant and equipment	263,645	249,541
Goodwill	2,663	7,300
Intangible assets	10,634	13,829
Investments accounted for using equity method	319	326
Financial assets	7,869	8,799
Deferred tax assets	29,146	27,087
Other non-current assets	9,372	9,215
Total non-current assets	323,651	316,100
Total assets	825,905	879,899

(Yen in Millions)

	March 31, 2016	March 31, 2017
Liabilities and equity		
(Liabilities)		
Current liabilities		
Trade and other payables	96,145	110,840
Bonds and borrowings	3,395	1,097
Income tax payables	3,753	15,978
Other financial liabilities	12,477	9,660
Other current liabilities	38,044	36,980
Total current liabilities	153,817	174,557
Non-current liabilities		
Bonds and borrowings	3,000	3,000
Other financial liabilities	722	1,449
Defined benefit liabilities	47,594	42,838
Deferred tax liabilities	349	847
Other non-current liabilities	2,530	2,784
Total non-current liabilities	54,196	50,920
Total liabilities	208,014	225,477
(Equity)		
Equity attributable to owners of the parent company		
Share capital	26,783	26,783
Capital surplus	56,681	56,139
Retained earnings	559,351	603,886
Treasury stock	-51,016	-50,876
Other components of equity	22,624	17,839
Total equity attributable to owners of the parent company	614,425	653,772
Non-controlling interests	3,465	648
Total equity	617,891	654,421
Total liabilities and equity	825,905	879,899

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

(Consolidated statements of income)

(Yen in Millions)

	Fiscal 2015 (April 1, 2015 through March 31, 2016)	Fiscal 2016 (April 1, 2016 through March 31, 2017)
Revenue	793,054	767,710
Cost of sales	548,354	528,592
Gross profit	244,700	239,118
Selling, general and administrative expenses	115,040	109,317
Research and development expenses	32,120	30,366
Other income	8,714	6,773
Other expenses	3,855	13,618
Operating income	102,397	92,589
Financial income	1,140	1,065
Financial expenses	1,527	1,848
Equity in profits (losses) of affiliates	-13	-13
Income before income taxes	101,996	91,791
Income tax expenses	20,006	28,101
Net income	81,989	63,690
Net income attributable to:		
Owners of the parent company	81,683	63,453
Non-controlling interests	306	236
Total	81,989	63,690

Earnings per share attributable to owners of the parent company		
Basic earnings per share (yen)	495.23	390.94
Diluted earnings per share (yen)	494.56	390.45

(Consolidated statements of comprehensive income)

(Yen in Millions)

	Fiscal 2015 (April 1, 2015 through March 31, 2016)	Fiscal 2016 (April 1, 2016 through March 31, 2017)
Net income	81,989	63,690
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	-779	716
Reevaluation of defined benefit liability	-9,907	4,601
Items that will be reclassified to profit or loss		
Exchange differences on translating foreign operations	-27,023	-5,682
Net gain (loss) in fair value of cash flow hedges	284	25
Share of other comprehensive income of associates accounted for using equity method	-11	-6
Total other comprehensive income	-37,437	-345
Total comprehensive income	44,552	63,344
Total comprehensive income attributable to:		
Owners of the parent company	44,569	63,283
Non-controlling interests	-17	60
Total	44,552	63,344

(3) Consolidated statements of changes in equity

Fiscal 2015 (April 1, 2015 through March 31, 2016)

(Yen in Millions)

	Equity attributable to owners of the parent company							
	Share capital	Capital surplus	Retained earnings	Treasury stock	Other components of equity	Total	Non-controlling interests	Total equity
Balance as of April 1, 2015	26,783	56,761	508,564	-31,232	51,139	612,016	3,760	615,776
Net income	-	-	81,683	-	-	81,683	306	81,989
Other comprehensive income	-	-	-	-	-37,113	-37,113	-324	-37,437
Total comprehensive income	-	-	81,683	-	-37,113	44,569	-17	44,552
Share-based payment transactions	-	-21	-	-	-	-21	-	-21
Dividends	-	-	-22,297	-	-	-22,297	-247	-22,545
Changes in treasury stock	-	-1	-	-19,783	-	-19,784	-	-19,784
Transfers from other components of equity to retained earnings	-	-	-8,598	-	8,598	-	-	-
Other increase or decrease	-	-57	-	-	-	-57	-28	-86
Total transactions with owners	-	-80	-30,896	-19,783	8,598	-42,160	-276	-42,437
Balance as of March 31, 2016	26,783	56,681	559,351	-51,016	22,624	614,425	3,465	617,891

Fiscal 2016 (April 1, 2016 through March 31, 2017)

(Yen in Millions)

	Equity attributable to owners of the parent company							
	Share capital	Capital surplus	Retained earnings	Treasury stock	Other components of equity	Total	Non-controlling interests	Total equity
Balance as of April 1, 2016	26,783	56,681	559,351	-51,016	22,624	614,425	3,465	617,891
Net income	-	-	63,453	-	-	63,453	236	63,690
Other comprehensive income	-	-	-	-	-170	-170	-175	-345
Total comprehensive income	-	-	63,453	-	-170	63,283	60	63,344
Share-based payment transactions	-	114	-	-	-	114	-	114
Dividends	-	-	-23,533	-	-	-23,533	-151	-23,685
Changes in treasury stock	-	-34	-	139	-	105	-	105
Transfers from other components of equity to retained earnings	-	-	4,614	-	-4,614	-	-	-
Additional purchase of shares of consolidated subsidiaries	-	-622	-	-	-	-622	-2,726	-3,349
Total transactions with owners	-	-542	-18,918	139	-4,614	-23,936	-2,878	-26,814
Balance as of March 31, 2017	26,783	56,139	603,886	-50,876	17,839	653,772	648	654,421

(4) Consolidated statements of cash flows

(Yen in Millions)

	Fiscal 2015 (April 1, 2015 through March 31, 2016)	Fiscal 2016 (April 1, 2016 through March 31, 2017)
Cash flows from operating activities		
Income before income taxes	101,996	91,791
Depreciation and amortization	48,537	48,556
Impairment losses	51	2,341
Increase (decrease) in defined benefit liabilities	-742	944
Decrease (increase) in trade and other receivables	32,082	-25,161
Decrease (increase) in inventories	542	-1,328
Increase (decrease) in trade and other payables	-9,181	15,382
Interest and dividend income	985	829
Interest expenses paid	-534	-385
Income taxes (paid) refunded	-34,146	-13,742
Others	1,067	710
Net cash provided by operating activities	140,658	119,939
Cash flows from investing activities		
Purchase of property, plant and equipment and intangible assets	-63,047	-43,178
Proceeds from sale of property, plant and equipment and intangible assets	2,823	537
Decrease (increase) in time deposits	395	2,550
Proceeds from sales of investment securities	3,009	77
Purchase of shares of subsidiaries resulting in change in scope of consolidation	-	-4,796
Payments for transfer of business	-	-4,752
Others	-266	-176
Net cash provided by (used in) investing activities	-57,085	-49,739
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	-1,767	-1,973
Repayment of long-term loans payable	-581	-
Decrease (increase) in treasury stock	-20,007	-0
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	-	-3,224
Cash dividends paid	-22,297	-23,533
Others	-247	-151
Net cash provided by (used in) financing activities	-44,902	-28,884
Effect of exchange rate changes on cash and cash equivalents	-12,339	-1,864
Net increase (decrease) in cash and cash equivalents	26,332	39,451
Cash and cash equivalents at the beginning of the period	214,559	240,891
Cash and cash equivalents at the end of the period	240,891	280,343

(5) Notes on consolidated financial statements

(Notes on going concern assumption)
Not applicable.

(Segment information)
Information regarding revenue, income, or loss by segments
Fiscal 2015 (April 1, 2015 through March 31, 2016) (Yen in Millions)

	Industrial Tape	Optronics	Life Science	Others	Total	Adjustment*	Figures in consolidated statements of income
Revenue from outside customers	302,903	439,835	23,693	25,382	791,814	1,240	793,054
Inter-segment revenue	13,765	16,128	283	4,179	34,356	-34,356	-
Total segment revenue	316,668	455,963	23,976	29,562	826,171	-33,116	793,054
Total operating income (loss)	24,885	69,058	2,287	2,917	99,148	3,249	102,397
Financial income							1,140
Financial expenses							-1,527
Equity in profits (losses) of affiliates							-13
Income before income taxes							101,996
Segment assets	204,194	353,462	19,879	24,299	601,836	224,069	825,905
Other items:							
Depreciation and amortization	10,630	30,557	1,391	1,245	43,825	4,711	48,537
Increase in property, plant and equipment and intangible assets	16,633	28,290	865	1,165	46,955	13,464	60,420

(Note) 1. 3,249 million yen in adjustment of total operating income (loss) includes other profits (losses) not allocated to each segment. Moreover, this adjustment includes 2,205 million yen income which is mainly generated from the sale of land.

2. 224,069 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. From fiscal year 2016, we have changed the allocation method of the costs of Corporate sector in order to evaluate each segment’s figure more properly.
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.
Because of increased quantitative materiality of the medical business, partial changes have been made to reporting segments with change of management system.
Such changes have also been reflected in the figures for the year ended March 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

Fiscal 2016 (April 1, 2016 through March 31, 2017) (Yen in Millions)

	Industrial Tape	Optronics	Life Science	Others	Total	Adjustment*	Figures in consolidated statements of income
Revenue from outside customers	296,528	406,638	40,855	22,595	766,617	1,092	767,710
Inter-segment revenue	13,887	12,549	3,603	3,443	33,484	-33,484	-
Total segment revenue	310,416	419,187	44,459	26,039	800,102	-32,392	767,710
Total operating income (loss)	26,214	50,623	21,357	-1,034	97,161	-4,572	92,589
Financial income							1,065
Financial expenses							-1,848
Equity in profits (losses) of affiliates							-13
Income before income taxes							91,791
Segment assets	216,123	395,579	29,791	25,961	667,456	212,443	879,899
Other items:							
Depreciation and amortization	10,957	29,821	1,386	1,276	43,442	5,114	48,556
Impairment losses	86	2,219	4	31	2,341	-	2,341
Increase in property, plant and equipment and intangible assets	22,000	13,160	7,293	3,295	45,750	3,168	48,918

(Note) 1. -4,572 million yen in adjustment of total operating income (loss) includes other profits (losses) not allocated to each segment and additional expenses for early retirement as part of the structural reforms.

2. 212,443 million yen in adjustment of segment assets includes Cash and cash equivalents, Property, plant and equipment and others not belonging to each business segment.

Major products for each segment

Business segment	Major products
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

(Business combinations)
Fiscal year ended March 31, 2016 (April 1, 2015 through March 31, 2016)
No significant business combination occurred during the fiscal year ended March 31, 2016.

Fiscal year ended March 31, 2017 (April 1, 2016 through March 31, 2017)
(Acquisition of nolax Airbag AG)
(1) Outline of the business combination

On July 13, 2016, the Group acquired 100% of the shares of nolax Airbag AG of Switzerland (renamed as Nitto Switzerland AG in July 2016). By acquiring a new business for functional film used in automotive side curtain airbags, the Group hopes to enter the promising curtain airbag market, accelerate the expansion of domains of the Group's growing transportation business, and implement its business portfolio reform.

(2) Breakdown of fair value of acquired assets and liabilities and consideration for acquisition on the acquisition date

	Millions of yen Amount
Cash and cash equivalents	355
Trade and other receivables	105
Inventories	12
Other current liabilities	20
Intangible assets	4,763
Trade and other payables	-86
Other current liabilities	-2
Non-current liabilities	-649
Goodwill	1,671
Total	6,191
Cash	5,152
Contingent consideration	1,039
Total consideration for acquisition	6,191

Acquisition-related costs for this business combination amounted to 123 million yen, all of which was expensed under "Selling, general and administrative expenses."

Goodwill has arisen primarily in association with expected future earning power. The goodwill cannot be recognized as loss under tax law.

According to the contract, contingent consideration for the business combination shall be paid additionally depending on the level of achievement of selected performance indicators of the acquired company, etc., and its amount shall be calculated by taking time value of money into account. The total amount of payment that the Company may be required to make pursuant to the contingent consideration contract is 2,156 million yen (before discount).

(3) Expenditures for the acquisition of a subsidiary

	Millions of yen Amount
Total consideration for acquisition	6,191
Contingent consideration included in consideration for acquisition	-1,039
Cash and cash equivalents in the acquired subsidiary	-355
Expenditures for the acquisition of a subsidiary	4,796

(4) Impact on the Group's financial results

The Consolidated Statements of Income include revenue (896 million yen) and net loss (238 million yen) generated by Nitto Switzerland AG after the acquisition date. Had the business combination taken place at the start of the year, the amounts of such revenue and net loss would have been 1,378 million yen and 232 million yen, respectively. These estimates have yet to be certified by an audit.

(Acquisition of Irvine Pharmaceutical Services and Avrio Biopharmaceuticals)

(1) Outline of the business combination

As of October 17, 2016, the Group acquired the assets of Irvine Pharmaceutical Services, an analytical development services provider, and Avrio Biopharmaceuticals, an aseptic fill and finish services provider, via Nitto Denko Avecia Inc. to form the newly established company Nitto Avecia Pharma Services. The Group intends to make the most of the analytical and production capabilities that this acquisition has brought in order to further expand its oligonucleotide drug business, whose market appears set to expand going forward.

(2) Breakdown of fair value of acquired assets and liabilities and consideration for acquisition on the acquisition date

	Millions of yen Amount
Trade and other receivables	295
Other current liabilities	16
Property, plant and equipment	1,886
Intangible assets	160
Trade and other payables	-95
Other current liabilities	-286
Goodwill	2,899
Total	4,875
Cash	4,752
Contingent consideration	123
Total consideration for acquisition	4,875

The acquisition-related costs on this business combination is 172 million yen, all of which is expensed under “Selling, general, and administrative expenses.”

Goodwill has arisen primarily in association with expected future earning power. The goodwill amount is 2,899 million yen, which is to be included in deductible expenses for tax purposes.

According to the contract, contingent consideration for the business combination shall be paid additionally depending on the level of achievement of selected performance indicators of the acquired company, etc., and its amount shall be calculated by taking time value of money into account. The total amount of payment that the Company may be required to make pursuant to the contingent consideration contract is 504 million yen (before discount).

(3) Adjustment to provisional amounts

For the first nine months of the fiscal year ended March 31, 2017, property, plant and equipment and intangible assets were reported in provisional amounts because the acquisition cost had yet to be allocated, but allocation of that cost has now been completed for the fiscal year ended March 31, 2017.

The fixed amounts are shown under “(2) Breakdown of fair value of acquired assets and liabilities and consideration for acquisition on the acquisition date” above.

(4) Expenditures for business transfer

	Millions of yen Amount
Total consideration for acquisition	4,875
Contingent consideration included in consideration for acquisition	-123
Expenditures for business transfer	4,752

(5) Impact on the Group’s financial results

The Consolidated Statements of Income include revenue (1,153 million yen) and net loss (98 million yen) generated by Nitto Avecia Pharma Services after the acquisition date. Had the business combination taken place at the start of the year, the amounts of such revenue and net loss would have been 2,478 million yen and 166 million yen, respectively. These estimates have yet to be certified by an audit.

(Per share information)

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

	Fiscal 2015 (April 1, 2015 through March 31, 2016)	Fiscal 2016 (April 1, 2016 through March 31, 2017)
(1) Basic earnings per share	495.23 yen	390.94 yen
(Basis for calculation)		
Net income attributable to owners of the parent company	81,683 million yen	63,453 million yen
Average number of common shares	164,940 thousands of shares	162,311 thousands of shares
(2) Diluted earnings per share	494.56 yen	390.45 yen
(Basis for calculation)		
Increase in number of common stock upon exercise of the stock option	221 thousands of shares	204 thousands of shares

(Impairment losses)

The Group reports impairment losses of 2,341 million yen for the fiscal year ended March 31, 2017, which is included in "Other expenses."

A major component of impairment losses relates to property, plant and equipment and intangible assets, such as buildings, structures, and machinery and equipment for the flexible printed circuit business in China in the Optronics segment. Such impairment losses are reported because their recoverable amounts have fallen below book value, owing primarily to the lowering of their earnings prospects. The recoverable amounts are measured at fair value after deducting disposition costs.

(Significant subsequent events)

Not applicable.