

Summary of Consolidated Financial Statements for the First Quarter Ended June 30, 2018 (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: August 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 first quarter ended June 30, 2018 (April 1, 2018 through June 30, 2018)

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

	Revenue		Operating income		Income before income taxes		Net income		Net income attributable to owners of the parent company		Total comprehensive income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
First quarter ended June 30, 2018	192,115	-4.5	26,540	-12.5	25,987	-14.7	17,188	-15.6	17,168	-15.6	17,929	-16.5
First quarter ended June 30, 2017	201,187	19.5	30,339	158.4	30,477	171.0	20,369	196.6	20,348	199.2	21,483	-

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
First quarter ended June 30, 2018	108.56	108.46
First quarter ended June 30, 2017	125.34	125.21

(2) Financial position

	Total assets	Total equity	Equity attributable to owners of the parent company	Ratio of equity attributable to owners of the parent company to total assets
	Millions of yen	Millions of yen	Millions of yen	%
June 30, 2018	904,607	672,821	672,109	74.3
March 31, 2018	937,796	693,995	693,278	73.9

2. Dividends

Record Date	Dividends per share				
	1Q	2Q	3Q	Year-end	Annual
March, 2018	yen -	yen 80.00	yen -	yen 80.00	yen 160.00
March, 2019	yen -	-	-	-	-
March, 2019 (Forecast)	-	yen 90.00	yen -	yen 90.00	yen 180.00

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

3. Forecast for fiscal year ending March 31, 2019 (April 1, 2018 through March 31, 2019)

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

	Revenue		Operating income		Income before income taxes		Net income		Net income attributable to owners of the parent company		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	
First half	405,000	-5.2	60,000	-12.1	60,000	-12.2	42,000	-11.8	42,000	-11.7	266.70
Annual	860,000	0.4	135,000	7.4	135,000	7.0	100,000	14.3	100,000	14.4	636.37

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

- Others

(1) Changes in significant subsidiaries during the first quarter ended June 30, 2018: 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 “2. Quarterly Consolidated Financial Statements and Key Notes (5) Notes on quarterly consolidated financial statements, (Changes in accounting policies)” on page 10.

(3) Number of shares outstanding (Common stock)

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

June 30, 2018: 173,758,428

March 31, 2018: 173,758,428

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

June 30, 2018: 16,728,423

March 31, 2018: 13,592,423

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

April-June 2018: 158,150,005

April-June 2017: 162,350,103

- These quarterly financial results are not subject to quarterly review procedures by Certified Public Accountants or audit firm.

- Explanations for adequate utilization of the forecast and other special matters

The forward-looking statements shown in this report, including the forecast, are prepared based on information available to the Company and on certain assumptions deemed reasonable as of the issuing date of the report. Consequently, the statements herein do not constitute promises regarding actual results by the Company. Actual results may differ materially from forecasted figures due to various unknown factors. For conditions regarding this forecast and precaution for use, please refer to “Explanation of forecasts and other projections” on page 3 of the Attachment to this summary of consolidated financial results.

(Attached Documents)

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1. Qualitative Information Regarding Quarterly Settlement of Accounts

(1) Explanation of operating results

During the first quarter of the fiscal year ending March 31, 2019 (April 1, 2018 through June 30, 2018), economies in Japan and overseas maintained the moderate recovery trend. However, there were some fluctuations due to destabilizing factors such as the U.S. Trade Policy, slowdown in China and emerging nations, and rising raw material prices.

In such economic environment, Nitto Group (the “Group”) remained strong in semiconductor and electronic component use and industrial applications of Functional Base Products in Industrial Tape. For Transportation business, the Group promoted products for car electronics applications. For Optronics, the lowered production in the smartphone market compared with the same period of the previous year affected the sales of Information Fine Materials. For Flexible Printed Circuits and Processing Materials, sales were steady by expanding the data throughput and responding to a demand for the semiconductor production use. For Life Science, the Group promoted the development of transdermal therapeutic patches and nucleic acid drug.

As a result of the above, revenue decreased by 4.5% from the same period of the previous year (changes hereafter are given in comparison with the same period of the previous year) to 192,115 million yen. Operating income decreased by 12.5% to 26,540 million yen, income before income taxes decreased by 14.7% to 25,987 million yen, net income decreased by 15.6% to 17,188 million yen, and net income attributable to owners of the parent company decreased by 15.6% to 17,168 million yen.

Summary of results by segment

① Industrial Tape

For Functional Base Products, sales weakened for smartphones. On the other hand, processing materials for semiconductors and electronic components as well as protective materials and filter materials for industrial applications remained strong. For Transportation business, sales of electrical insulating materials and vent filters for car electronics applications were in good shape.

As a result of the above, revenue increased by 4.1% to 82,034 million yen and operating income decreased by 11.5% to 6,702 million yen.

② Optronics

The production of smartphone weakened compared with the same period of the previous year. For Information Fine Materials, this affected sales of optical films. For Flexible Printed Circuits, sales for high-capacity hard disk drive (HDD) models for data centers continued to perform strongly. Sales of Processing Materials also remained steady for semiconductor production use.

As a result of the above, revenue decreased by 13.3% to 100,475 million yen and operating income decreased by 39.0% to 13,041 million yen.

③ Life Sciences

For Life Science, the Group has developed transdermal therapeutic patches, in cooperation with our customers. Also in the nucleic acid drug development, clinical trials for pulmonary fibrosis have been worked on.

As a result of the above, revenue increased by 35.5% to 11,195 million yen and operating income increased by 223.6% to 4,866 million yen.

④ Others

For Membrane, the sales remained strong responding to industrial demands for water treatment plants, including seawater desalination. Please note that this segment includes new businesses that have not generated sufficient revenue yet.

As a result of the above, revenue decreased by 0.2% to 6,287 million yen and operating loss amounted to 346 million yen. (operating income of 154 million yen was reported in the same period of the previous year)

		First quarter ended June 30, 2017 (April 1, 2017 through June 30, 2017)	First quarter ended June 30, 2018 (April 1, 2018 through June 30, 2018)	
		Revenue	Revenue	Y-o-Y (%)
Industrial Tape	Functional base products	39,684	41,796	105.3
	Transportation	39,125	40,238	102.8
	Total	78,810	82,034	104.1
	Operating income	7,573	6,702	88.5
Optronics	Information fine materials	99,832	84,211	84.4
	Flexible printed circuits	10,378	10,633	102.5
	Processing materials	5,692	5,630	98.9
	Total	115,903	100,475	86.7
	Operating income	21,364	13,041	61.0
Life Science	Revenue	8,262	11,195	135.5
	Operating income	1,503	4,866	323.6
Others	Revenue	6,298	6,287	99.8
	Operating income	154	-346	-
Corporate/Elimination	Revenue	-8,088	-7,877	-
	Operating income	-256	2,276	-
Total	Revenue	201,187	192,115	95.5
	Operating income	30,339	26,540	87.5

(Note) 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.

Such change has also been reflected in the figures for the first quarter ended June 30, 2017.

(2) Explanation of financial position

The Group's financial position at the end of the first quarter of the fiscal year ending March 31, 2019 was as follows.

Compared with the end of the fiscal year ended March 31, 2018, total assets decreased by 33,188 million yen to 904,607 million yen and total liabilities decreased by 12,014 million yen to 231,785 million yen. Total equity decreased by 21,173 million yen to 672,821 million yen. As a result, the ratio of equity attributable to owners of the parent company to total assets changed from 73.9% at the end of the fiscal year ended March 31, 2018 to 74.3% at the end of the first quarter of the fiscal year ending March 31, 2019.

The main changes in assets were a decrease in cash and cash equivalents of 23,577 million yen, a decrease in trade and other receivables of 18,993 million yen, an increase in inventories of 3,364 million yen, an increase of 4,067 million yen in other current assets, a decrease in assets held for sale of 5,914 million yen, and an increase in property, plant and equipment of 6,815 million yen. In terms of liabilities, trade and other payables decreased by 3,976 million yen, income tax payables decreased by 7,435 million yen, other financial liabilities increased by 4,760 million yen, and other current liabilities decreased by 5,277 million yen.

(3) Explanation of forecasts and other projections

Due to business uncertainties, the consolidated full-year forecasts for the year ending March 31, 2019 remain unchanged from those announced in the consolidated financial statements dated April 27, 2018.

2. Quarterly Consolidated Financial Statements and Key Notes

(1) Quarterly consolidated statements of financial position

(Yen in Millions)

	March 31, 2018	June 30, 2018
(Assets)		
Current assets		
Cash and cash equivalents	304,709	281,131
Trade and other receivables	192,120	173,126
Inventories	95,068	98,433
Other financial assets	8,815	7,266
Other current assets	15,398	19,465
Subtotal	616,112	579,424
Assets held for sale	5,914	-
Total current assets	622,027	579,424
Non-current assets		
Property, plant and equipment	248,417	255,232
Goodwill	6,927	6,966
Intangible assets	12,355	12,151
Investments accounted for using equity method	338	341
Financial assets	9,361	9,157
Deferred tax assets	28,295	30,861
Other non-current assets	10,073	10,471
Total non-current assets	315,768	325,183
Total assets	937,796	904,607

	March 31, 2018	June 30, 2018
Liabilities and equity		
(Liabilities)		
Current liabilities		
Trade and other payables	110,114	106,138
Bonds and borrowings	4,049	3,679
Income tax payables	19,270	11,834
Other financial liabilities	13,362	18,122
Other current liabilities	40,379	35,102
Subtotal	187,175	174,877
Liabilities directly associated with assets classified as held for sale	260	-
Total current liabilities	187,436	174,877
Non-current liabilities		
Other financial liabilities	1,183	1,172
Defined benefit liabilities	46,227	46,681
Deferred tax liabilities	612	714
Other non-current liabilities	8,339	8,340
Total non-current liabilities	56,364	56,908
Total liabilities	243,800	231,785
(Equity)		
Equity attributable to owners of the parent company		
Share capital	26,783	26,783
Capital surplus	55,981	56,036
Retained earnings	665,561	670,348
Treasury stock	-69,867	-96,618
Other components of equity	14,819	15,560
Total equity attributable to owners of the parent company	693,278	672,109
Non-controlling interests	716	712
Total equity	693,995	672,821
Total liabilities and equity	937,796	904,607

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

(Quarterly consolidated statements of income)

(Yen in Millions)

	First quarter ended June 30, 2017 (April 1, 2017 through June 30, 2017)	First quarter ended June 30, 2018 (April 1, 2018 through June 30, 2018)
Revenue	201,187	192,115
Cost of sales	135,610	133,774
Gross profit	65,576	58,340
Selling, general and administrative expenses	28,247	29,214
Research and development expenses	7,890	8,069
Other income	1,643	6,447
Other expenses	742	963
Operating income	30,339	26,540
Financial income	401	322
Financial expenses	270	880
Equity in profits (losses) of affiliates	6	5
Income before income taxes	30,477	25,987
Income tax expenses	10,108	8,798
Net income	20,369	17,188
Net income attributable to:		
Owners of the parent company	20,348	17,168
Non-controlling interests	20	20
Total	20,369	17,188
Earnings per share attributable to owners of the parent company		
Basic earnings per share (yen)	125.34	108.56
Diluted earnings per share (yen)	125.21	108.46

(Quarterly consolidated statements of comprehensive income)

(Yen in Millions)

	First quarter ended June 30, 2017 (April 1, 2017 through June 30, 2017)	First quarter ended June 30, 2018 (April 1, 2018 through June 30, 2018)
Net income	20,369	17,188
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	330	-217
Items that will be reclassified to profit or loss		
Exchange differences on translating foreign operations	773	951
Net gain (loss) in fair value of cash flow hedges	8	7
Share of other comprehensive income of associates accounted for using equity method	0	0
Total other comprehensive income	<u>1,113</u>	<u>740</u>
Total comprehensive income	<u><u>21,483</u></u>	<u><u>17,929</u></u>
Total comprehensive income attributable to:		
Owners of the parent company	21,461	17,910
Non-controlling interests	21	19
Total	<u><u>21,483</u></u>	<u><u>17,929</u></u>

(3) Quarterly consolidated statements of changes in equity

For the first quarter ended June 30, 2017 (April 1, 2017 through June 30, 2017)

(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	-	-	20,348	-	-	20,348	20	20,369
Other comprehensive income	-	-	-	-	1,113	1,113	0	1,113
Total comprehensive income	-	-	20,348	-	1,113	21,461	21	21,483
Share-based payment transactions	-	-294	-	-	-	-294	-	-294
Dividends	-	-	-12,174	-	-	-12,174	-18	-12,192
Changes in treasury stock	-	10	-	344	-	355	-	355
Transfers from other components of equity to retained earnings	-	-	0	-	-0	-	-	-
Total transactions with owners	-	-284	-12,174	344	-0	-12,113	-18	-12,132
Balance as of June 30, 2017	26,783	55,855	612,061	-50,531	18,952	663,120	651	663,772

For the first quarter ended June 30, 2018 (April 1, 2018 through June 30, 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, 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	-	-	17,168	-	-	17,168	20	17,188
Other comprehensive income	-	-	-	-	741	741	-0	740
Total comprehensive income	-	-	17,168	-	741	17,910	19	17,929
Share-based payment transactions	-	54	-	-	-	54	-	54
Dividends	-	-	-12,813	-	-	-12,813	-23	-12,836
Changes in treasury stock	-	-	-	-26,751	-	-26,751	-	-26,751
Total transactions with owners	-	54	-12,813	-26,751	-	-39,510	-23	-39,534
Balance as of June 30, 2018	26,783	56,036	670,348	-96,618	15,560	672,109	712	672,821

(4) Quarterly consolidated statements of cash flows

(Yen in Millions)

	First quarter ended June 30, 2017 (April 1, 2017 through June 30, 2017)	First quarter ended June 30, 2018 (April 1, 2018 through June 30, 2018)
Cash flows from operating activities		
Income before income taxes	30,477	25,987
Depreciation and amortization	12,269	11,633
Increase (decrease) in defined benefit liabilities	615	538
Decrease (increase) in trade and other receivables	-6,395	20,577
Decrease (increase) in inventories	-3,216	-3,591
Increase (decrease) in trade and other payables	2,726	-5,238
Interest and dividend income	367	256
Interest expenses paid	-105	-78
Income taxes (paid) refunded	-15,754	-18,826
Others	389	-5,471
Net cash provided by (used in) operating activities	21,374	25,786
Cash flows from investing activities		
Purchase of property, plant and equipment and intangible assets	-10,815	-15,583
Proceeds from sale of property, plant and equipment and intangible assets	3	26
Decrease (increase) in time deposits	73	179
Proceeds from sale of shares of subsidiaries resulting in change in scope of consolidation	-	2,634
Others	-9	12
Net cash provided by (used in) investing activities	-10,747	-12,730
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	182	-275
Decrease (increase) in treasury stock	-0	-26,751
Cash dividends paid	-12,174	-12,813
Others	-18	-23
Net cash provided by (used in) financing activities	-12,010	-39,863
Effect of exchange rate changes on cash and cash equivalents	88	449
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	-1,295	-23,577
Cash and cash equivalents at the beginning of the period	280,343	304,709
Cash and cash equivalents at the end of the period	279,048	281,131

(5) Notes on quarterly consolidated financial statements

(Notes on going concern assumption)

Not applicable.

(Changes in significant subsidiaries during the first quarter ended June 30, 2018)

During the first quarter of the fiscal year ending 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)

The significant accounting policies adopted for the Group's condensed interim consolidated financial statements are the same as those for the consolidated financial statements for the fiscal year ended March 31, 2018, with the exception of the items described below.

Beginning from the fiscal year ending 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 fiscal year ending 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 by segments

First quarter ended June 30, 2017 (April 1, 2017 through June 30, 2017)

(Yen in Millions)

	Industrial Tape	Optronics	Life Science	Others	Total	Adjustment	Quarterly consolidated statements of income
Revenue from outside customers	75,672	112,921	6,946	5,359	200,900	286	201,187
Inter-segment revenue	3,138	2,981	1,315	938	8,374	-8,374	-
Total segment revenue	78,810	115,903	8,262	6,298	209,275	-8,088	201,187
Total operating income (loss)	7,573	21,364	1,503	154	30,595	-256	30,339
Financial income							401
Financial expenses							-270
Equity in profits (losses) of affiliates							6
Income before income taxes							30,477

(Note) 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.

Such change has also been reflected in the figures for the first quarter ended June 30, 2017.

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

First quarter ended June 30, 2018 (April 1, 2018 through June 30, 2018)

(Yen in Millions)

	Industrial Tape	Optronics	Life Science	Others	Total	Adjustment	Quarterly consolidated statements of income
Revenue from outside customers	78,345	97,670	9,998	5,780	191,795	319	192,115
Inter-segment revenue	3,688	2,804	1,196	507	8,197	-8,197	-
Total segment revenue	82,034	100,475	11,195	6,287	199,992	-7,877	192,115
Total operating income (loss)	6,702	13,041	4,866	-346	24,263	2,276	26,540
Financial income							322
Financial expenses							-880
Equity in profits (losses) of affiliates							5
Income before income taxes							25,987

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

The Group applied IFRS 15 “Revenue from Contracts with Customers” starting from the first quarter ended June 30, 2018 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 first quarter ended June 30, 2018. Therefore, the Group does not restate the first quarter ended June 30, 2017 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

(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 26,751 million yen, making the number of treasury shares at the first quarter of the fiscal year ending June 30, 2018 16,728 thousand, or the book balance of 96,618 million yen.

(Significant subsequent events)

Not applicable.