

Preliminary

Summary of Consolidated Financial Statements for the Second Quarter Ended September 30, 2019 (IFRS Basis)

Listed company name: **Nitto Denko Corporation**
 Stock exchange listing: First Section of Tokyo Stock Exchange
 Code Number: 6988 URL <https://www.nitto.com/>
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Filing date of quarterly financial statements: October 30, 2019
 Estimated starting date of dividend paying: November 29, 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 the first half ended September 30, 2019 (April 1, 2019 through September 30, 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	%
First half ended September 30, 2019	378,285	-6.3	41,102	-20.0	41,016	-18.3	29,162	-17.1	29,133	-17.1	13,459	-66.6
First half ended September 30, 2018	403,678	-5.6	51,365	-24.7	50,178	-26.6	35,191	-26.1	35,150	-26.1	40,254	-24.4

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
First half ended September 30, 2019	185.71	185.57
First half ended September 30, 2018	223.19	222.99

(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	%
September 30, 2019	935,539	700,581	699,866	74.8
March 31, 2019	913,418	701,187	700,443	76.7

2. Dividends

Record Date	Dividends per share				
	1Q	2Q	3Q	Year-end	Annual
	yen	yen	yen	yen	yen
March, 2019	-	90.00	-	90.00	180.00
March, 2020	-	100.00	-	-	-
March, 2020 (Forecast)	-	-	-	100.00	200.00

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

3. Forecast for fiscal year ending March 31, 2020 (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	%	yen
Annual	750,000	-7.0	71,000	-23.5	71,000	-22.8	52,000	-21.9	52,000	-21.9	331.43

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

- Others

(1) Changes in significant subsidiaries during the second quarter ended September 30, 2019: No

(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

(3) Number of shares outstanding (Common stock)

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

September 30, 2019: 158,758,428	March 31, 2019: 158,758,428
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2. Number of treasury stock at the end of the period

September 30, 2019: 1,861,259	March 31, 2019: 1,908,766
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3. Average number of outstanding shares during the period (cumulative from the beginning of the period)

April-September 2019: 156,874,153	April-September 2018: 157,490,249
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- These quarterly financial results are not subject to quarterly review procedures by Certified Public Accountants or audit firm.

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

The forward-looking statements shown in this report, including the forecast, are prepared based on information available to the Company and on certain assumptions deemed reasonable as of the issuing date of the report. Consequently, the statements herein do not constitute promises regarding actual results by the Company. Actual results may differ materially from forecasted figures due to various unknown factors.

		First half ended September 30, 2018 (April 1, 2018 through September 30, 2018)	First half ended September 30, 2019 (April 1, 2019 through September 30, 2019)	
		Revenue	Revenue	Y-o-Y (%)
Industrial Tape	Functional Base Products	99,027	90,650	91.5
	Transportation	81,347	72,274	88.8
	Total	180,375	162,924	90.3
	Operating income	17,454	13,497	77.3
Optronics	Information Fine Materials	189,023	182,854	96.7
	Flexible Printed Circuits	22,227	20,629	92.8
	Total	211,250	203,483	96.3
	Operating income	28,953	30,991	107.0
Life Science	Revenue	16,738	12,752	76.2
	Operating income	3,055	-1,971	-
Others	Revenue	12,378	14,260	115.2
	Operating income	-777	-897	-
Corporate/Elimination	Revenue	-17,064	-15,136	-
	Operating income	2,680	-517	-
Total	Revenue	403,678	378,285	93.7
	Operating income	51,365	41,102	80.0

(Note) From fiscal year 2019, Processing Materials has been transferred from Optronics to Functional Base Products of Industrial Tape. From the third quarter ended December 31, 2018, “royalty income”, which was previously included in “other income” on the consolidated statements of income, is included in “revenue”.

Such changes have been reflected in the figures for the first half ended September 30, 2018.

(Reference) Segment Information (three months)

(Yen in Millions)

		Second quarter ended September 30, 2018 (July 1, 2018 through September 30, 2018)	Second quarter ended September 30, 2019 (July 1, 2019 through September 30, 2019)	
		Revenue	Revenue	Y-o-Y (%)
Industrial Tape	Functional Base Products	51,820	47,100	90.9
	Transportation	41,107	36,189	88.0
	Total	92,927	83,289	89.6
	Operating income	9,445	7,989	84.6
Optronics	Information Fine Materials	104,018	101,279	97.4
	Flexible Printed Circuits	11,374	10,835	95.3
	Total	115,392	112,114	97.2
	Operating income	17,217	19,880	115.5
Life Science	Revenue	5,537	6,896	124.5
	Operating income	-1,811	-547	-
Others	Revenue	6,090	6,621	108.7
	Operating income	-431	-856	-
Corporate/Elimination	Revenue	-9,186	-7,874	-
	Operating income	403	-241	-
Total	Revenue	210,760	201,046	95.4
	Operating income	24,824	26,224	105.6

(Note) From fiscal year 2019, Processing Materials has been transferred from Optronics to Functional Base Products of Industrial Tape. From the third quarter ended December 31, 2018, “royalty income”, which was previously included in “other income” on the consolidated statements of income, is included in “revenue”.

Such changes have been reflected in the figures for the second quarter ended September 30, 2018.

Forecasts of fiscal year ending March 31, 2020

		Revenue	Y-o-Y (%)
Industrial Tape	Functional Base Products	185,000	95.0
	Transportation	145,000	90.3
	Total	330,000	92.9
	Operating income	27,000	86.9
Optronics	Information Fine Materials	355,000	91.2
	Flexible Printed Circuits	43,000	105.7
	Total	398,000	92.5
	Operating income	51,000	82.3
Life Science	Revenue	26,500	88.5
	Operating income	-3,000	-
Others	Revenue	28,500	108.3
	Operating income	-1,500	-
Corporate/Elimination	Revenue	-33,000	-
	Operating income	-2,500	-
Total	Revenue	750,000	93.0
	Operating income	71,000	76.5

2. Quarterly Consolidated Financial Statements and Key Notes

(1) Quarterly consolidated statements of financial position

(Yen in Millions)

	March 31, 2019	September 30, 2019
(Assets)		
Current assets		
Cash and cash equivalents	297,682	283,991
Trade and other receivables	169,768	181,594
Inventories	93,985	96,793
Other financial assets	412	1,648
Other current assets	19,687	19,000
Total current assets	581,536	583,028
Non-current assets		
Property, plant and equipment	267,133	265,785
Right-of-use assets	-	17,765
Goodwill	6,834	6,648
Intangible assets	12,393	12,628
Investments accounted for using equity method	194	212
Financial assets	8,428	8,837
Deferred tax assets	26,548	26,963
Other non-current assets	10,349	13,669
Total non-current assets	331,882	352,510
Total assets	913,418	935,539

	March 31, 2019	September 30, 2019
Liabilities and equity		
(Liabilities)		
Current liabilities		
Trade and other payables	96,887	96,745
Bonds and borrowings	448	553
Income tax payables	5,073	8,510
Other financial liabilities	21,609	22,266
Other current liabilities	34,458	32,784
Total current liabilities	158,478	160,861
Non-current liabilities		
Other financial liabilities	503	19,835
Defined benefit liabilities	50,320	51,656
Deferred tax liabilities	619	540
Other non-current liabilities	2,309	2,064
Total non-current liabilities	53,752	74,096
Total liabilities	212,231	234,957
(Equity)		
Equity attributable to owners of the parent company		
Share capital	26,783	26,783
Capital surplus	50,319	50,271
Retained earnings	622,025	637,042
Treasury stock	-11,081	-10,805
Other components of equity	12,395	-3,426
Total equity attributable to owners of the parent company	700,443	699,866
Non-controlling interests	744	714
Total equity	701,187	700,581
Total liabilities and equity	913,418	935,539

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

(Quarterly consolidated statements of income)

(Yen in Millions)

	First half ended September 30, 2018 (April 1, 2018 through September 30, 2018)	First half ended September 30, 2019 (April 1, 2019 through September 30, 2019)
Revenue	403,678	378,285
Cost of sales	281,904	265,743
Gross profit	121,774	112,542
Selling, general and administrative expenses	59,369	54,926
Research and development expenses	15,594	16,524
Other income	6,681	2,781
Other expenses	2,126	2,771
Operating income	51,365	41,102
Financial income	529	471
Financial expenses	1,734	577
Equity in profits (losses) of affiliates	18	20
Income before income taxes	50,178	41,016
Income tax expenses	14,986	11,853
Net income	35,191	29,162
Net income attributable to:		
Owners of the parent company	35,150	29,133
Non-controlling interests	41	29
Total	35,191	29,162
Earnings per share attributable to owners of the parent company		
Basic earnings per share (yen)	223.19	185.71
Diluted earnings per share (yen)	222.99	185.57

(Quarterly consolidated statements of comprehensive income)

(Yen in Millions)

	First half ended September 30, 2018 (April 1, 2018 through September 30, 2018)	First half ended September 30, 2019 (April 1, 2019 through September 30, 2019)
Net income	35,191	29,162
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	-6	-116
Reevaluation of defined benefit liability	23	-
Items that will be reclassified to profit or loss		
Exchange differences on translating foreign operations	5,033	-15,577
Net gain (loss) in fair value of cash flow hedges	12	-1
Share of other comprehensive income of associates accounted for using equity method	-0	-7
Total other comprehensive income	5,062	-15,703
Total comprehensive income	40,254	13,459
Total comprehensive income attributable to:		
Owners of the parent company	40,214	13,432
Non-controlling interests	40	26
Total	40,254	13,459

(3) Quarterly consolidated statements of changes in equity

For the first half ended September 30, 2018 (April 1, 2018 through September 30, 2018)

(Yen in Millions)

	Equity attributable to owners of the parent company						Non-controlling interests	Total equity
	Share capital	Capital surplus	Retained earnings	Treasury stock	Other components of equity	Total		
Balance as of April 1, 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	-	-	35,150	-	-	35,150	41	35,191
Other comprehensive income	-	-	-	-	5,063	5,063	-0	5,062
Total comprehensive income	-	-	35,150	-	5,063	40,214	40	40,254
Share-based payment transactions	-	54	-	-	-145	-91	-	-91
Dividends	-	-	-12,813	-	-	-12,813	-23	-12,836
Changes in treasury stock	-	53	-	-28,405	-	-28,352	-	-28,352
Transfers from other components of equity to retained earnings	-	-	23	-	-23	-	-	-
Total transactions with owners	-	107	-12,789	-28,405	-169	-41,257	-23	-41,280
Balance as of September 30, 2018	26,783	56,089	688,353	-98,272	19,712	692,666	733	693,399

For the first half ended September 30, 2019 (April 1, 2019 through September 30, 2019)

(Yen in Millions)

	Equity attributable to owners of the parent company						Non-controlling interests	Total equity
	Share capital	Capital surplus	Retained earnings	Treasury stock	Other components of equity	Total		
Balance as of April 1, 2019	26,783	50,319	622,025	-11,081	12,395	700,443	744	701,187
Net income	-	-	29,133	-	-	29,133	29	29,162
Other comprehensive income	-	-	-	-	-15,700	-15,700	-2	-15,703
Total comprehensive income	-	-	29,133	-	-15,700	13,432	26	13,459
Share-based payment transactions	-	-37	-	-	-121	-158	-	-158
Dividends	-	-	-14,116	-	-	-14,116	-23	-14,140
Changes in treasury stock	-	-12	-	275	-	263	-	263
Additional purchase of shares of consolidated subsidiaries	-	1	-	-	-	1	-32	-30
Total transactions with owners	-	-48	-14,116	275	-121	-14,010	-55	-14,065
Balance as of September 30, 2019	26,783	50,271	637,042	-10,805	-3,426	699,866	714	700,581

(4) Quarterly consolidated statements of cash flows

(Yen in Millions)

	First half ended September 30, 2018 (April 1, 2018 through September 30, 2018)	First half ended September 30, 2019 (April 1, 2019 through September 30, 2019)
Cash flows from operating activities		
Income before income taxes	50,178	41,016
Depreciation and amortization	23,104	24,557
Increase (decrease) in defined benefit liabilities	1,155	1,528
Decrease (increase) in trade and other receivables	2,989	-15,267
Decrease (increase) in inventories	-1,823	-5,716
Increase (decrease) in trade and other payables	-1,563	877
Interest and dividend income	512	461
Interest expenses paid	-130	-293
Income taxes (paid) refunded	-23,995	-5,396
Others	-1,490	2,536
Net cash provided by (used in) operating activities	48,937	44,304
Cash flows from investing activities		
Purchase of property, plant and equipment and intangible assets	-30,887	-34,387
Proceeds from sale of property, plant and equipment and intangible assets	210	230
Decrease (increase) in time deposits	3,345	-1,492
Proceeds from sale of shares of subsidiaries resulting in change in scope of consolidation	2,634	-
Others	27	-696
Net cash provided by (used in) investing activities	-24,669	-36,345
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	-364	120
Repayment of finance lease obligations	-	-2,615
Decrease (increase) in treasury stock	-28,547	-0
Cash dividends paid	-12,813	-14,130
Others	430	-46
Net cash provided by (used in) financing activities	-41,294	-16,672
Effect of exchange rate changes on cash and cash equivalents	2,664	-4,976
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	-11,580	-13,690
Cash and cash equivalents at the beginning of the period	304,709	297,682
Cash and cash equivalents at the end of the period	293,128	283,991

(Segment information)

Information regarding revenue, income, or loss by segments

First half ended September 30, 2018 (April 1, 2018 through September 30, 2018)

(Yen in Millions)

	Industrial Tape	Optronics	Life Science	Others	Total	Adjustment	Quarterly consolidated statements of income
Revenue from outside customers	170,782	206,610	14,324	11,371	403,089	588	403,678
Inter-segment revenue	9,592	4,640	2,413	1,006	17,652	-17,652	-
Total segment revenue	180,375	211,250	16,738	12,378	420,742	-17,064	403,678
Total operating income (loss)	17,454	28,953	3,055	-777	48,685	2,680	51,365
Financial income							529
Financial expenses							-1,734
Equity in profits (losses) of affiliates							18
Income before income taxes							50,178

(Note) From fiscal year 2019, Processing Materials has been transferred from Optronics to Functional Base Products of Industrial Tape. From the third quarter ended December 31, 2018, “royalty income”, which was previously included in “other income” on the consolidated statements of income, is included in “revenue”.

Such changes have been reflected in the figures for the first half ended September 30, 2018.

Major products for each segment

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

First half ended September 30, 2019 (April 1, 2019 through September 30, 2019)

(Yen in Millions)

	Industrial Tape	Optronics	Life Science	Others	Total	Adjustment	Quarterly consolidated statements of income
Revenue from outside customers	155,099	199,585	10,460	12,608	377,754	531	378,285
Inter-segment revenue	7,825	3,898	2,291	1,651	15,667	-15,667	-
Total segment revenue	162,924	203,483	12,752	14,260	393,421	-15,136	378,285
Total operating income (loss)	13,497	30,991	-1,971	-897	41,619	-517	41,102
Financial income							471
Financial expenses							-577
Equity in profits (losses) of affiliates							20
Income before income taxes							41,016

Major products for each segment

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