

Preliminary

Summary of Consolidated Financial Statements for the Third Quarter Ended December 31, 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: February 14, 2020
 Estimated starting date of dividend paying: -
 Preparation of supplementary explanatory materials: Yes
 Holding of quarterly earnings release conference: Yes (for investment analysts and institutional investors)

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

1. Consolidated financial results of the third quarter ended December 31, 2019 (April 1, 2019 through December 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	%
Third quarter ended December 31, 2019	570,735	-9.4	60,196	-28.4	59,870	-28.0	42,704	-29.7	42,657	-29.7	35,762	-38.3
Third quarter ended December 31, 2018	630,172	-4.6	84,123	-23.0	83,105	-24.2	60,745	-24.5	60,683	-24.5	57,937	-37.7

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Third quarter ended December 31, 2019	271.91	271.70
Third quarter ended December 31, 2018	385.85	385.50

(2) Financial position

	Total assets	Total equity	Equity attributable to owners of the parent company	Ratio of equity attributable to owners of the parent company to total assets
	Millions of yen	Millions of yen	Millions of yen	%
December 31, 2019	937,125	707,250	706,516	75.4
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 third quarter ended December 31, 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)

December 31, 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

December 31, 2019: 1,861,322	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-December 2019: 156,881,817	April-December 2018: 157,270,428
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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.

(Reference) Segment Information (nine months)

(Yen in Millions)

		Third quarter ended December 31, 2018 (April 1, 2018 through December 31, 2018)	Third quarter ended December 31, 2019 (April 1, 2019 through December 31, 2019)	
		Revenue	Revenue	Y-o-Y (%)
Industrial Tape	Functional Base Products	150,971	136,728	90.6
	Transportation	123,711	106,662	86.2
	Total	274,682	243,390	88.6
	Operating income	27,467	19,856	72.3
Optronics	Information Fine Materials	306,537	277,744	90.6
	Flexible Printed Circuits	32,857	32,454	98.8
	Total	339,395	310,199	91.4
	Operating income	57,371	46,957	81.8
Life Science	Revenue	23,376	20,058	85.8
	Operating income	2,595	-1,914	-
Others	Revenue	19,255	19,986	103.8
	Operating income	-1,356	-1,761	-
Corporate/Elimination	Revenue	-26,537	-22,898	-
	Operating income	-1,954	-2,941	-
Total	Revenue	630,172	570,735	90.6
	Operating income	84,123	60,196	71.6

(Note) From fiscal year 2019, Processing Materials has been transferred from Optronics to Functional Base Products of Industrial Tape. This change has been reflected in the figures for the third quarter ended December 31, 2018.

(Reference) Segment Information (three months)

(Yen in Millions)

		Third quarter ended December 31, 2018 (October 1, 2018 through December 31, 2018)	Third quarter ended December 31, 2019 (October 1, 2019 through December 31, 2019)	
		Revenue	Revenue	Y-o-Y (%)
Industrial Tape	Functional Base Products	51,943	46,077	88.7
	Transportation	42,364	34,387	81.2
	Total	94,307	80,465	85.3
	Operating income	10,013	6,358	63.5
Optronics	Information Fine Materials	117,514	94,889	80.7
	Flexible Printed Circuits	10,630	11,825	111.2
	Total	128,144	106,715	83.3
	Operating income	28,418	15,966	56.2
Life Science	Revenue	6,638	7,305	110.0
	Operating income	-459	56	-
Others	Revenue	6,876	5,725	83.3
	Operating income	-578	-864	-
Corporate/Elimination	Revenue	-9,473	-7,762	-
	Operating income	-4,634	-2,423	-
Total	Revenue	226,494	192,450	85.0
	Operating income	32,758	19,093	58.3

(Note) From fiscal year 2019, Processing Materials has been transferred from Optronics to Functional Base Products of Industrial Tape. This change has been reflected in the figures for the third quarter ended December 31, 2018.

2. Quarterly Consolidated Financial Statements

(1) Quarterly consolidated statements of financial position

(Yen in Millions)

	March 31, 2019	December 31, 2019
(Assets)		
Current assets		
Cash and cash equivalents	297,682	287,642
Trade and other receivables	169,768	179,093
Inventories	93,985	94,357
Other financial assets	412	2,708
Other current assets	19,687	18,005
Total current assets	<u>581,536</u>	<u>581,808</u>
Non-current assets		
Property, plant and equipment	267,133	268,060
Right-of-use assets	-	17,303
Goodwill	6,834	6,739
Intangible assets	12,393	12,958
Investments accounted for using equity method	194	213
Financial assets	8,428	8,218
Deferred tax assets	26,548	27,560
Other non-current assets	10,349	14,262
Total non-current assets	<u>331,882</u>	<u>355,317</u>
Total assets	<u><u>913,418</u></u>	<u><u>937,125</u></u>

(Yen in Millions)

	March 31, 2019	December 31, 2019
Liabilities and equity		
(Liabilities)		
Current liabilities		
Trade and other payables	96,887	95,514
Bonds and borrowings	448	349
Income tax payables	5,073	7,743
Other financial liabilities	21,609	19,740
Other current liabilities	34,458	31,342
Total current liabilities	<u>158,478</u>	<u>154,690</u>
Non-current liabilities		
Other financial liabilities	503	19,462
Defined benefit liabilities	50,320	53,110
Deferred tax liabilities	619	544
Other non-current liabilities	2,309	2,068
Total non-current liabilities	<u>53,752</u>	<u>75,185</u>
Total liabilities	<u>212,231</u>	<u>229,875</u>
(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	635,511
Treasury stock	-11,081	-10,805
Other components of equity	12,395	4,755
Total equity attributable to owners of the parent company	<u>700,443</u>	<u>706,516</u>
Non-controlling interests	<u>744</u>	<u>733</u>
Total equity	<u>701,187</u>	<u>707,250</u>
Total liabilities and equity	<u>913,418</u>	<u>937,125</u>

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

(Quarterly consolidated statements of income)

(Yen in Millions)

	Third quarter ended December 31, 2018 (April 1, 2018 through December 31, 2018)	Third quarter ended December 31, 2019 (April 1, 2019 through December 31, 2019)
Revenue	630,172	570,735
Cost of sales	433,297	400,772
Gross profit	196,874	169,963
Selling, general and administrative expenses	93,648	84,150
Research and development expenses	23,354	25,097
Other income	7,637	3,702
Other expenses	3,385	4,221
Operating income	84,123	60,196
Financial income	820	692
Financial expenses	1,873	1,039
Equity in profits (losses) of affiliates	34	21
Income before income taxes	83,105	59,870
Income tax expenses	22,359	17,165
Net income	60,745	42,704
Net income attributable to:		
Owners of the parent company	60,683	42,657
Non-controlling interests	62	47
Total	60,745	42,704
Earnings per share attributable to owners of the parent company		
Basic earnings per share (yen)	385.85	271.91
Diluted earnings per share (yen)	385.50	271.70

(Quarterly consolidated statements of comprehensive income)

(Yen in Millions)

	Third quarter ended December 31, 2018 (April 1, 2018 through December 31, 2018)	Third quarter ended December 31, 2019 (April 1, 2019 through December 31, 2019)
Net income	60,745	42,704
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	-835	170
Reevaluation of defined benefit liability	23	-
Items that will be reclassified to profit or loss		
Exchange differences on translating foreign operations	-2,026	-7,106
Net gain (loss) in fair value of cash flow hedges	32	-0
Share of other comprehensive income of associates accounted for using equity method	-1	-6
Total other comprehensive income	<u>-2,808</u>	<u>-6,942</u>
Total comprehensive income	<u>57,937</u>	<u>35,762</u>
Total comprehensive income attributable to:		
Owners of the parent company	57,876	35,716
Non-controlling interests	60	45
Total	<u>57,937</u>	<u>35,762</u>

(3) Quarterly consolidated statements of changes in equity

For the third quarter ended December 31, 2018 (April 1, 2018 through December 31, 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	-	-	60,683	-	-	60,683	62	60,745
Other comprehensive income	-	-	-	-	-2,806	-2,806	-1	-2,808
Total comprehensive income	-	-	60,683	-	-2,806	57,876	60	57,937
Share-based payment transactions	-	54	-	-	-97	-42	-	-42
Dividends	-	-	-26,928	-	-	-26,928	-23	-26,951
Changes in treasury stock	-	50	-	-28,403	-	-28,352	-	-28,352
Transfers from other components of equity to retained earnings	-	-	23	-	-23	-	-	-
Total transactions with owners	-	104	-26,904	-28,403	-121	-55,323	-23	-55,347
Balance as of December 31, 2018	26,783	56,086	699,771	-98,270	11,891	696,262	753	697,016

For the third quarter ended December 31, 2019 (April 1, 2019 through December 31, 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	-	-	42,657	-	-	42,657	47	42,704
Other comprehensive income	-	-	-	-	-6,941	-6,941	-1	-6,942
Total comprehensive income	-	-	42,657	-	-6,941	35,716	45	35,762
Share-based payment transactions	-	-37	-	-	-64	-102	-	-102
Dividends	-	-	-29,806	-	-	-29,806	-23	-29,829
Changes in treasury stock	-	-12	-	275	-	263	-	263
Transfers from other components of equity to retained earnings	-	-	634	-	-634	-	-	-
Additional purchase of shares of consolidated subsidiaries	-	1	-	-	-	1	-32	-30
Total transactions with owners	-	-48	-29,172	275	-698	-29,643	-55	-29,699
Balance as of December 31, 2019	26,783	50,271	635,511	-10,805	4,755	706,516	733	707,250

(4) Quarterly consolidated statements of cash flows

(Yen in Millions)

	Third quarter ended December 31, 2018 (April 1, 2018 through December 31, 2018)	Third quarter ended December 31, 2019 (April 1, 2019 through December 31, 2019)
Cash flows from operating activities		
Income before income taxes	83,105	59,870
Depreciation and amortization	34,644	36,993
Increase (decrease) in defined benefit liabilities	1,920	2,369
Decrease (increase) in trade and other receivables	-8,164	-8,822
Decrease (increase) in inventories	-4,692	-1,574
Increase (decrease) in trade and other payables	3,675	-796
Interest and dividend income	839	696
Interest expenses paid	-195	-439
Income taxes (paid) refunded	-39,576	-11,310
Others	-10,681	-1,010
Net cash provided by (used in) operating activities	60,874	75,975
Cash flows from investing activities		
Purchase of property, plant and equipment and intangible assets	-45,688	-48,245
Proceeds from sale of property, plant and equipment and intangible assets	240	256
Decrease (increase) in time deposits	6,350	-2,418
Purchase of investment securities	-0	-1,236
Proceeds from sale of investment securities	0	1,531
Proceeds from sale of shares of subsidiaries resulting in change in scope of consolidation	2,634	-
Others	26	-8
Net cash provided by (used in) investing activities	-36,435	-50,119
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	-582	-73
Repayment of finance lease obligations	-	-3,601
Decrease (increase) in treasury stock	-28,547	-0
Cash dividends paid	-26,928	-29,820
Others	430	-50
Net cash provided by (used in) financing activities	-55,627	-33,546
Effect of exchange rate changes on cash and cash equivalents	-398	-2,349
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	-28,806	-10,040
Cash and cash equivalents at the beginning of the period	304,709	297,682
Cash and cash equivalents at the end of the period	275,903	287,642

(Segment information)

Information regarding revenue, income, or loss by segments

Third quarter ended December 31, 2018 (April 1, 2018 through December 31, 2018)

(Yen in Millions)

	Industrial Tape	Optronics	Life Science	Others	Total	Adjustment	Quarterly consolidated statements of income
Revenue from outside customers	259,694	332,275	19,747	17,611	629,328	843	630,172
Inter-segment revenue	14,988	7,120	3,629	1,644	27,381	-27,381	-
Total segment revenue	274,682	339,395	23,376	19,255	656,710	-26,537	630,172
Operating income (loss)	27,467	57,371	2,595	-1,356	86,078	-1,954	84,123
Financial income							820
Financial expenses							-1,873
Equity in profits (losses) of affiliates							34
Income before income taxes							83,105

(Note) From fiscal year 2019, Processing Materials has been transferred from Optronics to Functional Base Products of Industrial Tape. This change has been reflected in the figures for the third quarter ended December 31, 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

Third quarter ended December 31, 2019 (April 1, 2019 through December 31, 2019)

(Yen in Millions)

	Industrial Tape	Optronics	Life Science	Others	Total	Adjustment	Quarterly consolidated statements of income
Revenue from outside customers	231,627	304,110	16,581	17,653	569,973	762	570,735
Inter-segment revenue	11,762	6,088	3,477	2,332	23,661	-23,661	-
Total segment revenue	243,390	310,199	20,058	19,986	593,634	-22,898	570,735
Operating income (loss)	19,856	46,957	-1,914	-1,761	63,137	-2,941	60,196
Financial income							692
Financial expenses							-1,039
Equity in profits (losses) of affiliates							21
Income before income taxes							59,870

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