

Preliminary

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
 Code Number: 6988 URL <https://www.nitto.com/>
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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
	yen	yen	yen	yen	yen
March, 2018	-	80.00	-	80.00	160.00
March, 2019	-				
March, 2019 (Forecast)		90.00	-	90.00	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

(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.

(Reference) Segment Information

(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	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. Quarterly Consolidated Financial Statements

(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	<u>616,112</u>	<u>579,424</u>
Assets held for sale	5,914	-
Total current assets	<u>622,027</u>	<u>579,424</u>
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	<u>315,768</u>	<u>325,183</u>
Total assets	<u><u>937,796</u></u>	<u><u>904,607</u></u>

	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>21,483</u>	<u>17,929</u>
Total comprehensive income attributable to:		
Owners of the parent company	21,461	17,910
Non-controlling interests	21	19
Total	<u>21,483</u>	<u>17,929</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

(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 IFRS15 “Revenue from Contracts with Customers”)

The Group applied IFRS15 “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 effect is recognized as an adjustment to the opening balance of retained earnings for 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