

Summary of Consolidated Financial Statements for the first quarter ended June 30, 2017 (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, 2017
 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, 2017 (April 1, 2017 through June 30, 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	%
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	-
First quarter ended June 30, 2016	168,411	-17.1	11,741	-55.8	11,245	-58.0	6,867	-63.2	6,801	-63.4	-21,351	-

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
First quarter ended June 30, 2017	125.34	125.21
First quarter ended June 30, 2016	41.91	41.86

(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, 2017	891,157	663,772	663,120	74.4
March 31, 2017	879,899	654,421	653,772	74.3

2. Dividends

Record Date	Dividends per share				
	1Q	2Q	3Q	Year-end	Annual
	yen	yen	yen	yen	yen
March, 2017	-	75.00	-	75.00	150.00
March, 2018	-				
March, 2018 (Forecast)		80.00	-	80.00	160.00

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

3. Forecast for fiscal year ending March 31, 2018 (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	%	
First half	420,000	18.3	65,000	121.9	65,000	125.3	40,000	92.9	40,000	94.4	246.38
Annual	800,000	4.2	100,000	8.0	100,000	8.9	70,000	9.9	70,000	10.3	431.24

(Note) Revision of consolidated forecast in the current quarter: Yes

The consolidated forecasts for the cumulative second quarter ending September 30, 2017, which were announced on Supplementary Data of Consolidated Financial Statement dated April 28, 2017, have been revised.

- Others

(1) Changes in significant subsidiaries during the first quarter ended June 30, 2017: 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)

June 30, 2017: 173,758,428	March 31, 2017: 173,758,428
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2. Number of treasury stock at the end of the period

June 30, 2017: 11,356,658	March 31, 2017: 11,434,124
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3. Average number of outstanding shares during the period (cumulative from the beginning of the period)

April-June 2017: 162,350,103	April-June 2016: 162,297,618
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- These quarterly financial results are not subject to quarterly review procedures based on the Financial Instruments and Exchange Act.

- 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 4 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, 2018 (April 1, 2017 through June 30, 2017), economies in Japan and overseas continued to follow the moderate recovery trend started in the previous fiscal year. Although there has been some instability in world politics as a result of issues including reduced expectations for the new U.S. government, repeated terrorist attacks in Europe, and successive missile launches by North Korea, there seems to have been no substantial impact on the real economy, and financial markets remained strong overall.

Under such economic circumstances, the Nitto Group (the “Group”) was able to significantly expand the revenue of Information Fine Materials under its mainstay Optronics Segment by accurately capturing trends and changes in the smartphone market to add new value to customers’ end products. Industrial Tape Segment, meanwhile, achieved revenue growth for its functional base products by meeting the needs of the booming IT sector, while Transportation Business under this segment successfully improved its profitability through productivity improvement. For Life Science Segment, capacity ramp-up continued in the oligonucleotide field to ensure continued mid- and long-term growth of the U.S. contract manufacturing business.

As a result, revenue increased by 19.5% in comparison with the same period of the previous year (changes hereafter are given in comparison with the same period of the previous year) to 201,187 million yen. Operating income increased by 158.4% to 30,339 million yen, income before income taxes increased by 171.0% to 30,477 million yen, net income increased by 196.6% to 20,369 million yen, and net income attributable to owners of the parent company increased by 199.2% to 20,348 million yen.

Summary of results by segment

① Industrial Tape

For automotive products in Transportation Business, continued efforts were made to improve the productivity of structural materials by, for example, relocating production sites, while the profitability of vent filters for car electronics applications and wire harness tapes increased as their applications and markets expanded. For Functional Base Products, sales of materials for smartphones, as well as processing materials and filter materials for the IT industry, continued to maintain high growth momentum from the second half of the previous fiscal year.

As a result of the above, revenue increased by 9.2% to 78,905 million yen and operating income increased by 32.4% to 7,406 million yen.

② Optronics

For Information Fine Materials, the strong demand for mainstay optical films used in high-end smartphones, which began in the second half of the previous fiscal year, continued to boost earnings, although sales of optical films for TV applications were sluggish. Meanwhile, thanks to actions taken in anticipation of the widespread adoption of organic light-emitting diode (OLED) screens in smartphones, sales of transparent electro-conductive films for touch panels and surface protection films for manufacturing processes grew significantly. Sales of Flexible Printed Circuits failed to top levels reached in the second half of the previous fiscal year owing to production adjustments of such circuits for PCs, although those for high-capacity hard disk drive (HDD) models for data centers continued to perform strongly. Sales of Processing Materials ended up flat, as expectations for continuously high demands in tandem with the expansion of semiconductor production did not materialize due to rising costs of wafers and other materials.

As a result of the above, revenue increased by 29.7% to 115,903 million yen and operating income increased by 417.8% to 21,521 million yen.

③ Life Sciences

In a bid to further consolidate the leading position in the North American oligonucleotide contract manufacturing market, the Group made investments to more than double its existing capacity. For the drug discovery business using nucleic acids, resources are being allocated in an attempt to add a new product to the pipeline, which is expected to follow a liver cirrhosis drug that made significant progress in the previous fiscal year.

As a result of the above, revenue increased by 20.7% to 8,262 million yen and operating income decreased by 36.2% to 1,516 million yen.

④ Others

The competitive landscape for Membrane Business remained difficult, which prevented the Group from returning to the favorable situation that was experienced during the same period of the previous year, although industrial demands for water

treatment plants, including seawater desalination and other applications, have begun to show signs of recovery since the start of this fiscal year. Please note that this segment includes new businesses that have yet to generate sufficient levels of revenue.

As a result of the above, revenue decreased by 10.2% to 6,298 million yen and operating income dropped by 57.9% to 168 million yen.

(Reference) Segment Information

(Yen in Millions)

		First quarter ended June 30, 2016 (April 1, 2016 through June 30, 2016)	First quarter ended June 30, 2017 (April 1, 2017 through June 30, 2017)	
		Revenue	Revenue	Y-o-Y (%)
Industrial Tape	Functional Base Products	41,845	47,503	113.5
	Transportation	30,381	31,402	103.4
	Total	72,227	78,905	109.2
	Operating income	5,594	7,406	132.4
Optronics	Information Fine Materials	73,920	99,832	135.1
	Flexible Printed Circuits	9,719	10,378	106.8
	Processing Materials	5,688	5,692	100.1
	Total	89,328	115,903	129.7
	Operating income	4,156	21,521	517.8
Life Science	Revenue	6,847	8,262	120.7
	Operating income	2,378	1,516	63.8
Others	Revenue	7,011	6,298	89.8
	Operating income	398	168	42.1
Corporate/Elimination	Revenue	-7,004	-8,183	-
	Operating income	-787	-273	-
Total	Revenue	168,411	201,187	119.5
	Operating income	11,741	30,339	258.4

(Note) Because of increased quantitative materiality of the medical business during the third quarter ended December 31, 2016, partial changes have been made to reporting segments with change of management system.

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.

From fiscal year 2017, we have changed the allocation method of the costs of Corporate sector in order to evaluate each segment's figure more properly.

Such changes have also been reflected in the figures for the first quarter ended June 30, 2016.

(2) Explanation of financial position

The Group's financial position at the end of the first quarter of the fiscal year ending March 31, 2018 was as follows.

Compared with the end of the fiscal year ended March 31, 2017, total assets increased by 11,258 million yen to 891,157 million yen and total liabilities increased by 1,907 million yen to 227,385 million yen. Total equity increased by 9,350 million yen to 663,772 million yen. As a result, the ratio of equity attributable to owners of the parent company to total assets changed from 74.3% at the end of the fiscal year ended March 31, 2017 to 74.4% at the end of the first quarter of the fiscal year ending March 31, 2018.

The main changes in assets were a decrease in cash and cash equivalents of 1,295 million yen, an increase in trade and other receivables of 7,070 million yen, an increase in inventories of 3,512 million yen, a decrease in other financial assets of 1,275 million yen, an increase of 1,704 million yen in other current assets, and an increase of 1,453 million yen in deferred tax assets. In terms of liabilities, trade and other payables increased by 3,240 million yen, income tax payables decreased by 4,627 million yen, other financial liabilities increased by 1,388 million yen, other current liabilities increased by 944 million yen, and defined benefit liabilities increased by 736 million yen.

(3) Explanation of forecasts and other projections

In consideration of expecting increase in revenues of optical films for smartphones, double-sided tape materials and processing materials for electronic devices, the consolidated forecasts for the cumulative second quarter ending September 30, 2017 have been revised.

However, the forecasts for the full fiscal year 2017 remain unchanged from the initial announcement, due to economic uncertainties. Depending on the future business performance, the updated information will be timely announced. The forex assumption for the second quarter of the year ending March 31, 2018 and onward also remains unchanged at 110.0 Japanese yen per 1 U.S. dollar.

Revision of consolidated forecasts for the cumulative second quarter ending September 30, 2017 (April 1, 2017 through September 30, 2017)

	Revenue	Operating income	Income before income taxes	Net income	Net income attributable to owners of the parent company	Basic earnings per share
Previous Forecast (A)	Millions of yen 390,000	Millions of yen 47,500	Millions of yen 47,500	Millions of yen 30,000	Millions of yen 30,000	Yen 184.82
Revised Forecast (B)	420,000	65,000	65,000	40,000	40,000	246.38
Difference (B) - (A)	30,000	17,500	17,500	10,000	10,000	—
Rate of Change (%)	7.7	36.8	36.8	33.3	33.3	—
(Reference) Consolidated financial results of cumulative second quarter ended September 30, 2016	354,978	29,293	28,851	20,733	20,576	126.78

The above forecasts are forward-looking statements determined by the Group Company based on currently available information that may include risks and uncertainties. Please be aware that actual results may vary significantly due to various factors.

2. Quarterly Consolidated Financial Statements and Key Notes

(1) Quarterly consolidated statements of financial position

(Yen in Millions)

	March 31, 2017	June 30, 2017
(Assets)		
Current assets		
Cash and cash equivalents	280,343	279,048
Trade and other receivables	173,362	180,433
Inventories	88,701	92,213
Other financial assets	5,455	4,180
Other current assets	15,936	17,640
Total current assets	<u>563,798</u>	<u>573,515</u>
Non-current assets		
Property, plant and equipment	249,541	248,362
Goodwill	7,300	7,413
Intangible assets	13,829	13,634
Investments accounted for using equity method	326	333
Financial assets	8,799	9,185
Deferred tax assets	27,087	28,540
Other non-current assets	9,215	10,171
Total non-current assets	<u>316,100</u>	<u>317,641</u>
Total assets	<u><u>879,899</u></u>	<u><u>891,157</u></u>

(Yen in Millions)

	March 31, 2017	June 30, 2017
Liabilities and equity		
(Liabilities)		
Current liabilities		
Trade and other payables	110,840	114,080
Bonds and borrowings	1,097	1,311
Income tax payables	15,978	11,350
Other financial liabilities	9,660	11,048
Other current liabilities	36,980	37,925
Total current liabilities	174,557	175,716
Non-current liabilities		
Bonds and borrowings	3,000	3,000
Other financial liabilities	1,449	1,631
Defined benefit liabilities	42,838	43,575
Deferred tax liabilities	847	814
Other non-current liabilities	2,784	2,647
Total non-current liabilities	50,920	51,668
Total liabilities	225,477	227,385
(Equity)		
Equity attributable to owners of the parent company		
Share capital	26,783	26,783
Capital surplus	56,139	55,855
Retained earnings	603,886	612,061
Treasury stock	-50,876	-50,531
Other components of equity	17,839	18,952
Total equity attributable to owners of the parent company	653,772	663,120
Non-controlling interests	648	651
Total equity	654,421	663,772
Total liabilities and equity	879,899	891,157

(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, 2016 (April 1, 2016 through June 30, 2016)	First quarter ended June 30, 2017 (April 1, 2017 through June 30, 2017)
Revenue	168,411	201,187
Cost of sales	122,276	135,610
Gross profit	46,135	65,576
Selling, general and administrative expenses	27,349	28,247
Research and development expenses	7,422	7,890
Other income	1,788	1,643
Other expenses	1,411	742
Operating income	11,741	30,339
Financial income	304	401
Financial expenses	808	270
Equity in profits (losses) of affiliates	8	6
Income before income taxes	11,245	30,477
Income tax expenses	4,377	10,108
Net income	6,867	20,369
Net income attributable to:		
Owners of the parent company	6,801	20,348
Non-controlling interests	66	20
Total	6,867	20,369
Earnings per share attributable to owners of the parent company		
Basic earnings per share (yen)	41.91	125.34
Diluted earnings per share (yen)	41.86	125.21

(Quarterly consolidated statements of comprehensive income)

(Yen in Millions)

	First quarter ended June 30, 2016 (April 1, 2016 through June 30, 2016)	First quarter ended June 30, 2017 (April 1, 2017 through June 30, 2017)
Net income	6,867	20,369
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	-351	330
Items that will be reclassified to profit or loss		
Exchange differences on translating foreign operations	-27,883	773
Net gain (loss) in fair value of cash flow hedges	27	8
Share of other comprehensive income of associates accounted for using equity method	-10	0
Total other comprehensive income	<u>-28,219</u>	<u>1,113</u>
Total comprehensive income	<u><u>-21,351</u></u>	<u><u>21,483</u></u>
Total comprehensive income attributable to:		
Owners of the parent company	-21,167	21,461
Non-controlling interests	<u>-184</u>	<u>21</u>
Total	<u><u>-21,351</u></u>	<u><u>21,483</u></u>

(3) Quarterly consolidated statements of changes in equity

For the first quarter ended June 30, 2016 (April 1, 2016 through June 30, 2016)

(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, 2016	26,783	56,681	559,351	-51,016	22,624	614,425	3,465	617,891
Net income	-	-	6,801	-	-	6,801	66	6,867
Other comprehensive income	-	-	-	-	-27,968	-27,968	-250	-28,219
Total comprehensive income	-	-	6,801	-	-27,968	-21,167	-184	-21,351
Share-based payment transactions	-	-0	-	-	-	-0	-	-0
Dividends	-	-	-11,360	-	-	-11,360	-155	-11,516
Changes in treasury stock	-	-0	-	59	-	58	-	58
Transfers from other components of equity to retained earnings	-	-	0	-	-0	-	-	-
Total transactions with owners	-	-0	-11,359	59	-0	-11,301	-155	-11,457
Balance as of June 30, 2016	26,783	56,680	554,793	-50,956	-5,344	581,956	3,125	585,082

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

(4) Quarterly consolidated statements of cash flows

(Yen in Millions)

	First quarter ended June 30, 2016 (April 1, 2016 through June 30, 2016)	First quarter ended June 30, 2017 (April 1, 2017 through June 30, 2017)
Cash flows from operating activities		
Income before income taxes	11,245	30,477
Depreciation and amortization	12,349	12,269
Increase (decrease) in defined benefit liabilities	621	615
Decrease (increase) in trade and other receivables	942	-6,395
Decrease (increase) in inventories	-2,766	-3,216
Increase (decrease) in trade and other payables	2,878	2,726
Interest and dividend income	265	367
Interest expenses paid	-126	-105
Income taxes (paid) refunded	-3,743	-15,754
Others	2,644	389
Net cash provided by (used in) operating activities	24,309	21,374
Cash flows from investing activities		
Purchase of property, plant and equipment and intangible assets	-11,063	-10,815
Proceeds from sale of property, plant and equipment and intangible assets	55	3
Decrease (increase) in time deposits	1,388	73
Others	-9	-9
Net cash provided by (used in) investing activities	-9,629	-10,747
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	-1,175	182
Decrease (increase) in treasury stock	0	-0
Cash dividends paid	-11,360	-12,174
Others	-155	-18
Net cash provided by (used in) financing activities	-12,691	-12,010
Effect of exchange rate changes on cash and cash equivalents	-13,371	88
Net increase (decrease) in cash and cash equivalents	-11,382	-1,295
Cash and cash equivalents at the beginning of the period	240,891	280,343
Cash and cash equivalents at the end of the period	229,508	279,048

(5) Notes on quarterly consolidated financial statements

(Notes on going concern assumption)

Not applicable.

(Notes on significant changes in the amount of shareholders' equity)

Not applicable.

(Segment information)

Information regarding revenue, income, or loss by segments

First quarter ended June 30, 2016 (April 1, 2016 through June 30, 2016)

(Yen in Millions)

	Industrial Tape	Optronics	Life Science	Others	Total	Adjustment	Quarterly consolidated statements of income
Revenue from outside customers	68,802	86,295	6,790	6,238	168,128	283	168,411
Inter-segment revenue	3,424	3,032	57	773	7,287	-7,287	-
Total segment revenue	<u>72,227</u>	<u>89,328</u>	<u>6,847</u>	<u>7,011</u>	<u>175,416</u>	<u>-7,004</u>	<u>168,411</u>
Total operating income (loss)	<u>5,594</u>	<u>4,156</u>	<u>2,378</u>	<u>398</u>	<u>12,528</u>	<u>-787</u>	<u>11,741</u>
Financial income							304
Financial expenses							-808
Equity in profits (losses) of affiliates							<u>8</u>
Income before income taxes							<u><u>11,245</u></u>

(Note) Because of increased quantitative materiality of the medical business during the third quarter ended December 31, 2016, partial changes have been made to reporting segments with change of management system.

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.

From fiscal year 2017, we have changed the allocation method of the costs of Corporate sector in order to evaluate each segment's figure more properly.

Such changes have also been reflected in the figures for the first quarter ended June 30, 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

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	3,233	2,981	1,315	938	8,469	-8,469	-
Total segment revenue	78,905	115,903	8,262	6,298	209,370	-8,183	201,187
Total operating income (loss)	7,406	21,521	1,516	168	30,612	-273	30,339
Financial income							401
Financial expenses							-270
Equity in profits (losses) of affiliates							6
Income before income taxes							30,477

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

(Significant subsequent events)

Not applicable.