Nitto

Date: April 28, 2017

**Preliminary**

# Summary of Consolidated Financial Statements of Fiscal 2016
# (12 months ended March 31, 2017 (IFRS basis))

Listed company name: **Nitto Denko Corporation**
Stock exchange listing: First Section of Tokyo Stock Exchange
Code Number: 6988 URL http://www.nitto.com/
Company Representative: Hideo Takasaki, President
Contact Person: Jun Yamashita, Vice President, Global Corporate Strategy Management Div.
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Date of the General shareholders' meeting June 16, 2017
Estimated starting date of dividend paying June 19, 2017
Filing date of financial statements June 16, 2017
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 Fiscal 2016 (April 1, 2016 through March 31, 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 | % |
| Fiscal 2016 | 767,710 | -3.2 | 92,589 | -9.6 | 91,791 | -10.0 | 63,690 | -22.3 | 63,453 | -22.3 | 63,344 | 42.2 |
| Fiscal 2015 | 793,054 | -3.9 | 102,397 | -4.1 | 101,996 | -3.7 | 81,989 | 5.1 | 81,683 | 4.9 | 44,552 | -58.8 |

| | Basic earnings per share | Diluted earnings per share | Return on equity attributable to owners of the parent company | Net income to total Assets | Operating income to revenue |
|---|---|---|---|---|---|
| | Yen | Yen | % | % | % |
| Fiscal 2016 | 390.94 | 390.45 | 10.0 | 10.8 | 12.1 |
| Fiscal 2015 | 495.23 | 494.56 | 13.3 | 12.1 | 12.9 |

(Reference) Equity in earnings of affiliates: (Fiscal 2016) -13 million yen (Fiscal 2015) -13 million yen

(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 | Equity attributable to owners of the parent company per share |
|---|---|---|---|---|---|
| | Millions of yen | Millions of yen | Millions of yen | % | Yen |
| March 31, 2017 | 879,899 | 654,421 | 653,772 | 74.3 | 4,027.57 |
| March 31, 2016 | 825,905 | 617,891 | 614,425 | 74.4 | 3,785.91 |

(3) Cash flows

| | Cash flows from operating activities | Cash flows from investing activities | Cash flows from financing activities | Cash and cash equivalents at the end of period |
|---|---|---|---|---|
| | Millions of yen | Millions of yen | Millions of yen | Millions of yen |
| March 31, 2017 | 119,939 | -49,739 | -28,884 | 280,343 |
| March 31, 2016 | 140,658 | -57,085 | -44,902 | 240,891 |

2. Dividends

| Record Date | Dividends per share | | | | | Dividends total (Annual) | Dividend payout ratio (Consolidated) | Dividends to equity attributable to owners of the parent company (Consolidated) |
|---|---|---|---|---|---|---|---|---|
| | 1Q | 2Q | 3Q | Year-end | Annual | | | |
| | yen | yen | yen | yen | yen | Millions of yen | % | % |
| March, 2016 | - | 70.00 | - | 70.00 | 140.00 | 22,923 | 28.3 | 3.7 |
| March, 2017 | - | 75.00 | - | 75.00 | 150.00 | 24,347 | 38.4 | 3.8 |
| (Forecast) March, 2018 | - | 80.00 | - | 80.00 | 160.00 | | 37.1 | |

3. Forecast of Fiscal 2017 (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 | % | yen |
| Annual | 800,000 | 4.2 | 100,000 | 8.0 | 100,000 | 8.9 | 70,000 | 9.9 | 70,000 | 10.3 | 431.24 |

4. Others

(1) Changes in significant subsidiaries during this fiscal year: 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)
   March, 2017: 173,758,428 March, 2016: 173,758,428
2. Number of treasury stock at the end of the period
   March, 2017: 11,434,124 March, 2016: 11,465,543
3. Average number of outstanding shares during the period (cumulative from the beginning of the period)
   Fiscal 2016: 162,311,277 Fiscal 2015: 164,940,273

(Reference) Non-consolidated financial results of Fiscal 2016 (April 1, 2016 through March 31, 2017)

(1) Operating results (% of change from previous year)

| | Net sales | | Operating income | | Ordinary income | | Net income | |
|---|---|---|---|---|---|---|---|---|
| | Millions of yen | % | Millions of yen | % | Millions of yen | % | Millions of yen | % |
| Fiscal 2016 | 476,325 | -1.8 | 43,818 | -4.7 | 70,332 | 12.4 | 53,974 | 0.8 |
| Fiscal 2015 | 485,044 | -5.7 | 45,956 | -11.4 | 62,568 | -8.2 | 53,549 | 21.8 |

| | Net income per share - Basic | Net income per share -Diluted |
|---|---|---|
| | yen | yen |
| Fiscal 2016 | 332.54 | 332.12 |
| Fiscal 2015 | 324.66 | 324.22 |

(2) Financial position

| | Total assets | Net assets | Shareholders' equity to total assets | Net assets per share |
|---|---|---|---|---|
| | Millions of yen | Millions of yen | % | yen |
| March 31, 2017 | 614,825 | 418,558 | 67.9 | 2,573.28 |
| March 31, 2016 | 544,147 | 387,227 | 71.0 | 2,381.43 |

(Reference) Shareholders' equity: (March 31, 2017) 417,706 million yen (March 31, 2016) 386,489 million yen

- This summary is not subject to audit procedures.
- 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)

| | | Fiscal 2015 (April 1, 2015 through March 31, 2016) | Fiscal 2016 (April 1, 2016 through March 31, 2017) | |
|---|---|---|---|---|
| | | Revenue | Revenue | Y-o-Y (%) |
| Industrial Tape | Functional base products | 191,134 | 186,187 | 97.4 |
| | Transportation | 125,534 | 124,229 | 99.0 |
| | Total | 316,668 | 310,416 | 98.0 |
| | Operating income | 24,885 | 26,214 | 105.3 |
| Optronics | Information fine materials | 380,805 | 352,905 | 92.7 |
| | Flexible printed circuits | 51,533 | 42,871 | 83.2 |
| | Processing materials | 23,625 | 23,410 | 99.1 |
| | Total | 455,963 | 419,187 | 91.9 |
| | Operating income | 69,058 | 50,623 | 73.3 |
| Life Science | Revenue | 23,976 | 44,459 | 185.4 |
| | Operating income | 2,287 | 21,357 | 933.9 |
| Others | Revenue | 29,562 | 26,039 | 88.1 |
| | Operating income | 2,917 | -1,034 | - |
| Corporate/Elimination | Revenue | -33,116 | -32,392 | - |
| | Operating income | 3,249 | -4,572 | - |
| Total | Revenue | 793,054 | 767,710 | 96.8 |
| | Operating income | 102,397 | 92,589 | 90.4 |

* From fiscal year 2016, we have changed the allocation method of the costs of Corporate sector in order to evaluate each segment's figure more properly.

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.

Because of increased quantitative materiality of the medical business, partial changes have been made to reporting segments with change of management system.

Such changes have also been reflected in the figures for the fiscal year ended March 31, 2016.

5. Consolidated Financial Statements

(1) Consolidated statements of financial position

(Yen in Millions)

| | March 31, 2016 | March 31, 2017 |
|---|---|---|
| (Assets) | | |
| Current assets | | |
| Cash and cash equivalents | 240,891 | 280,343 |
| Trade and other receivables | 149,305 | 173,362 |
| Inventories | 88,499 | 88,701 |
| Other financial assets | 8,662 | 5,455 |
| Other current assets | 14,894 | 15,936 |
| Total current assets | 502,253 | 563,798 |
| Non-current assets | | |
| Property, plant and equipment | 263,645 | 249,541 |
| Goodwill | 2,663 | 7,300 |
| Intangible assets | 10,634 | 13,829 |
| Investments accounted for using equity method | 319 | 326 |
| Financial assets | 7,869 | 8,799 |
| Deferred tax assets | 29,146 | 27,087 |
| Other non-current assets | 9,372 | 9,215 |
| Total non-current assets | 323,651 | 316,100 |
| Total assets | 825,905 | 879,899 |

(Yen in Millions)

| | March 31, 2016 | March 31, 2017 |
|---|---|---|
| Liabilities and equity | | |
| (Liabilities) | | |
| Current liabilities | | |
| Trade and other payables | 96,145 | 110,840 |
| Bonds and borrowings | 3,395 | 1,097 |
| Income tax payables | 3,753 | 15,978 |
| Other financial liabilities | 12,477 | 9,660 |
| Other current liabilities | 38,044 | 36,980 |
| Total current liabilities | 153,817 | 174,557 |
| Non-current liabilities | | |
| Bonds and borrowings | 3,000 | 3,000 |
| Other financial liabilities | 722 | 1,449 |
| Defined benefit liabilities | 47,594 | 42,838 |
| Deferred tax liabilities | 349 | 847 |
| Other non-current liabilities | 2,530 | 2,784 |
| Total non-current liabilities | 54,196 | 50,920 |
| Total liabilities | 208,014 | 225,477 |
| (Equity) | | |
| Equity attributable to owners of the parent company | | |
| Share capital | 26,783 | 26,783 |
| Capital surplus | 56,681 | 56,139 |
| Retained earnings | 559,351 | 603,886 |
| Treasury stock | -51,016 | -50,876 |
| Other components of equity | 22,624 | 17,839 |
| Total equity attributable to owners of the parent company | 614,425 | 653,772 |
| Non-controlling interests | 3,465 | 648 |
| Total equity | 617,891 | 654,421 |
| Total liabilities and equity | 825,905 | 879,899 |

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

(Consolidated statements of income)

(Yen in Millions)

| | Fiscal 2015 (April 1, 2015 through March 31, 2016) | Fiscal 2016 (April 1, 2016 through March 31, 2017) |
|---|---|---|
| Revenue | 793,054 | 767,710 |
| Cost of sales | 548,354 | 528,592 |
| Gross profit | 244,700 | 239,118 |
| Selling, general and administrative expenses | 115,040 | 109,317 |
| Research and development expenses | 32,120 | 30,366 |
| Other income | 8,714 | 6,773 |
| Other expenses | 3,855 | 13,618 |
| Operating income | 102,397 | 92,589 |
| Financial income | 1,140 | 1,065 |
| Financial expenses | 1,527 | 1,848 |
| Equity in profits (losses) of affiliates | -13 | -13 |
| Income before income taxes | 101,996 | 91,791 |
| Income tax expenses | 20,006 | 28,101 |
| Net income | 81,989 | 63,690 |
| | | |
| Net income attributable to: | | |
| Owners of the parent company | 81,683 | 63,453 |
| Non-controlling interests | 306 | 236 |
| Total | 81,989 | 63,690 |
| | | |
| Earnings per share attributable to owners of the parent company | | |
| Basic earnings per share (yen) | 495.23 | 390.94 |
| Diluted earnings per share (yen) | 494.56 | 390.45 |

(Consolidated statements of comprehensive income)

(Yen in Millions)

| | Fiscal 2015 (April 1, 2015 through March 31, 2016) | Fiscal 2016 (April 1, 2016 through March 31, 2017) |
|---|---|---|
| Net income | 81,989 | 63,690 |
| 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 | -779 | 716 |
| Reevaluation of defined benefit liability | -9,907 | 4,601 |
| Items that will be reclassified to profit or loss | | |
| Exchange differences on translating foreign operations | -27,023 | -5,682 |
| Net gain (loss) in fair value of cash flow hedges | 284 | 25 |
| Share of other comprehensive income of associates accounted for using equity method | -11 | -6 |
| Total other comprehensive income | -37,437 | -345 |
| Total comprehensive income | 44,552 | 63,344 |
| | | |
| Total comprehensive income attributable to: | | |
| Owners of the parent company | 44,569 | 63,283 |
| Non-controlling interests | -17 | 60 |
| Total | 44,552 | 63,344 |

(3) Consolidated statements of changes in equity

Fiscal 2015 (April 1, 2015 through March 31, 2016)

(Yen in Millions)

| | Equity attributable to owners of the parent company | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Share capital | Capital surplus | Retained earnings | Treasury stock | Other components of equity | Total | Non-controlling interests | Total equity |
| Balance as of April 1, 2015 | 26,783 | 56,761 | 508,564 | -31,232 | 51,139 | 612,016 | 3,760 | 615,776 |
| Net income | - | - | 81,683 | - | - | 81,683 | 306 | 81,989 |
| Other comprehensive income | - | - | - | - | -37,113 | -37,113 | -324 | -37,437 |
| Total comprehensive income | - | - | 81,683 | - | -37,113 | 44,569 | -17 | 44,552 |
| Share-based payment transactions | - | -21 | - | - | - | -21 | - | -21 |
| Dividends | - | - | -22,297 | - | - | -22,297 | -247 | -22,545 |
| Changes in treasury stock | - | -1 | - | -19,783 | - | -19,784 | - | -19,784 |
| Transfers from other components of equity to retained earnings | - | - | -8,598 | - | 8,598 | - | - | - |
| Other increase or decrease | - | -57 | - | - | - | -57 | -28 | -86 |
| Total transactions with owners | - | -80 | -30,896 | -19,783 | 8,598 | -42,160 | -276 | -42,437 |
| Balance as of March 31, 2016 | 26,783 | 56,681 | 559,351 | -51,016 | 22,624 | 614,425 | 3,465 | 617,891 |

Fiscal 2016 (April 1, 2016 through March 31, 2017)

(Yen in Millions)

| | Equity attributable to owners of the parent company | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Share capital | Capital surplus | Retained earnings | Treasury stock | Other components of equity | Total | Non-controlling interests | Total 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 | - | - | 63,453 | - | - | 63,453 | 236 | 63,690 |
| Other comprehensive income | - | - | - | - | -170 | -170 | -175 | -345 |
| Total comprehensive income | - | - | 63,453 | - | -170 | 63,283 | 60 | 63,344 |
| Share-based payment transactions | - | 114 | - | - | - | 114 | - | 114 |
| Dividends | - | - | -23,533 | - | - | -23,533 | -151 | -23,685 |
| Changes in treasury stock | - | -34 | - | 139 | - | 105 | - | 105 |
| Transfers from other components of equity to retained earnings | - | - | 4,614 | - | -4,614 | - | - | - |
| Additional purchase of shares of consolidated subsidiaries | - | -622 | - | - | - | -622 | -2,726 | -3,349 |
| Total transactions with owners | - | -542 | -18,918 | 139 | -4,614 | -23,936 | -2,878 | -26,814 |
| Balance as of March 31, 2017 | 26,783 | 56,139 | 603,886 | -50,876 | 17,839 | 653,772 | 648 | 654,421 |

(4) Consolidated statements of cash flows

(Yen in Millions)

| | Fiscal 2015 (April 1, 2015 through March 31, 2016) | Fiscal 2016 (April 1, 2016 through March 31, 2017) |
|---|---|---|
| Cash flows from operating activities | | |
| Income before income taxes | 101,996 | 91,791 |
| Depreciation and amortization | 48,537 | 48,556 |
| Impairment losses | 51 | 2,341 |
| Increase (decrease) in defined benefit liabilities | -742 | 944 |
| Decrease (increase) in trade and other receivables | 32,082 | -25,161 |
| Decrease (increase) in inventories | 542 | -1,328 |
| Increase (decrease) in trade and other payables | -9,181 | 15,382 |
| Interest and dividend income | 985 | 829 |
| Interest expenses paid | -534 | -385 |
| Income taxes (paid) refunded | -34,146 | -13,742 |
| Others | 1,067 | 710 |
| Net cash provided by operating activities | 140,658 | 119,939 |
| Cash flows from investing activities | | |
| Purchase of property, plant and equipment and intangible assets | -63,047 | -43,178 |
| Proceeds from sale of property, plant and equipment and intangible assets | 2,823 | 537 |
| Decrease (increase) in time deposits | 395 | 2,550 |
| Proceeds from sales of investment securities | 3,009 | 77 |
| Purchase of shares of subsidiaries resulting in change in scope of consolidation | - | -4,796 |
| Payments for transfer of business | - | -4,752 |
| Others | -266 | -176 |
| Net cash provided by (used in) investing activities | -57,085 | -49,739 |
| Cash flows from financing activities | | |
| Net increase (decrease) in short-term loans payable | -1,767 | -1,973 |
| Repayment of long-term loans payable | -581 | - |
| Decrease (increase) in treasury stock | -20,007 | -0 |
| Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation | - | -3,224 |
| Cash dividends paid | -22,297 | -23,533 |
| Others | -247 | -151 |
| Net cash provided by (used in) financing activities | -44,902 | -28,884 |
| Effect of exchange rate changes on cash and cash equivalents | -12,339 | -1,864 |
| Net increase (decrease) in cash and cash equivalents | 26,332 | 39,451 |
| Cash and cash equivalents at the beginning of the period | 214,559 | 240,891 |
| Cash and cash equivalents at the end of the period | 240,891 | 280,343 |

(Segment information)

Information regarding revenue, income, or loss by segments

Fiscal 2015 (April 1, 2015 through March 31, 2016) (Yen in Millions)

| | Industrial Tape | Optronics | Life Science | Others | Total | Adjustment* | Figures in consolidated statements of income |
|---|---|---|---|---|---|---|---|
| Revenue from outside customers | 302,903 | 439,835 | 23,693 | 25,382 | 791,814 | 1,240 | 793,054 |
| Inter-segment revenue | 13,765 | 16,128 | 283 | 4,179 | 34,356 | -34,356 | - |
| Total segment revenue | 316,668 | 455,963 | 23,976 | 29,562 | 826,171 | -33,116 | 793,054 |
| Total operating income (loss) | 24,885 | 69,058 | 2,287 | 2,917 | 99,148 | 3,249 | 102,397 |
| Financial income | | | | | | | 1,140 |
| Financial expenses | | | | | | | -1,527 |
| Equity in profits (losses) of affiliates | | | | | | | -13 |
| Income before income taxes | | | | | | | 101,996 |
| Segment assets | 204,194 | 353,462 | 19,879 | 24,299 | 601,836 | 224,069 | 825,905 |
| Other items: | | | | | | | |
| Depreciation and amortization | 10,630 | 30,557 | 1,391 | 1,245 | 43,825 | 4,711 | 48,537 |
| Increase in property, plant and equipment and intangible assets | 16,633 | 28,290 | 865 | 1,165 | 46,955 | 13,464 | 60,420 |

(Note) 1. 3,249 million yen in adjustment of total operating income (loss) includes other profits (losses) not allocated to each segment. Moreover, this adjustment includes 2,205 million yen income which is mainly generated from the sale of land.

2. 224,069 million yen in adjustment of segment assets includes Cash and cash equivalents, Property, plant and equipment and others not belonging to each business segment.

3. From fiscal year 2016, we have changed the allocation method of the costs of Corporate sector in order to evaluate each segment's figure more properly.
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.
Because of increased quantitative materiality of the medical business, partial changes have been made to reporting segments with change of management system.
Such changes have also been reflected in the figures for the year ended March 31, 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 |

Fiscal 2016 (April 1, 2016 through March 31, 2017) (Yen in Millions)

| | Industrial Tape | Optronics | Life Science | Others | Total | Adjustment* | Figures in consolidated statements of income |
|---|---|---|---|---|---|---|---|
| Revenue from outside customers | 296,528 | 406,638 | 40,855 | 22,595 | 766,617 | 1,092 | 767,710 |
| Inter-segment revenue | 13,887 | 12,549 | 3,603 | 3,443 | 33,484 | -33,484 | - |
| Total segment revenue | 310,416 | 419,187 | 44,459 | 26,039 | 800,102 | -32,392 | 767,710 |
| Total operating income (loss) | 26,214 | 50,623 | 21,357 | -1,034 | 97,161 | -4,572 | 92,589 |
| Financial income | | | | | | | 1,065 |
| Financial expenses | | | | | | | -1,848 |
| Equity in profits (losses) of affiliates | | | | | | | -13 |
| Income before income taxes | | | | | | | 91,791 |
| Segment assets | 216,123 | 395,579 | 29,791 | 25,961 | 667,456 | 212,443 | 879,899 |
| Other items: | | | | | | | |
| Depreciation and amortization | 10,957 | 29,821 | 1,386 | 1,276 | 43,442 | 5,114 | 48,556 |
| Impairment losses | 86 | 2,219 | 4 | 31 | 2,341 | - | 2,341 |
| Increase in property, plant and equipment and intangible assets | 22,000 | 13,160 | 7,293 | 3,295 | 45,750 | 3,168 | 48,918 |

(Note) 1. -4,572 million yen in adjustment of total operating income (loss) includes other profits (losses) not allocated to each segment and additional expenses for early retirement as part of the structural reforms.

2. 212,443 million yen in adjustment of segment assets includes Cash and cash equivalents, Property, plant and equipment and others not belonging to each business segment.

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 |