

Summary of Consolidated Financial Statements for the First Quarter Ended June 30, 2021 (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: July 28, 2021
 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, 2021 (April 1, 2021 through June 30, 2021)

(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, 2021	203,715	24.7	29,720	70.4	29,643	72.0	20,870	73.2	20,844	73.2	22,716	100.9
First quarter ended June 30, 2020	163,310	-7.9	17,442	17.2	17,230	16.0	12,053	17.1	12,038	17.1	11,307	-

	Basic earnings per share		Diluted earnings per share	
	Yen		Yen	
First quarter ended June 30, 2021	140.87		140.80	
First quarter ended June 30, 2020	80.03		79.97	

(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, 2021	972,322	724,637	723,812	74.4
March 31, 2021	965,901	716,686	715,868	74.1

2. Dividends

	Dividends per share				
	1Q	2Q	3Q	Year-end	Annual
	yen	yen	yen	yen	yen
March, 2021	-	100.00	-	100.00	200.00
March, 2022	-				
March, 2022 (Forecast)		110.00	-	110.00	220.00

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

3. Forecast for fiscal year ending March 31, 2022 (April 1, 2021 through March 31, 2022)

(% 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	400,000	11.8	60,000	41.6	60,000	43.5	42,000	37.4	42,000	37.5	283.85
Annual	785,000	3.1	105,000	11.9	105,000	12.5	75,000	6.7	75,000	6.8	506.87

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

- Others

(1) Changes in significant subsidiaries during the first quarter ended June 30, 2021: 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, 2021: 149,758,428

March 31, 2021: 149,758,428

2. Number of treasury stock at the end of the period

June 30, 2021: 1,779,781

March 31, 2021: 1,792,681

3. Average number of outstanding shares during the period (cumulative from the beginning of the period)

April-June 2021: 147,970,047

April-June 2020: 150,422,040

- 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. For conditions regarding this forecast and precaution for use, please refer to "1. Qualitative Information Regarding Quarterly Settlement of Accounts (3) Explanation of forecasts and other projections" on page 3 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, 2022 (April 1, 2021 through June 30, 2021), due to the distribution of COVID-19 vaccines and the adoption of economic support measures, global economy progressed toward recovery, although there are differences in its strength among countries.

In the key markets of Nitto Group (the “Group”) under this economic environment, demands of optical films for laptop and tablet device continuously remained strong, and materials for smartphone saw increased demands of optical films for OLED, assembling materials, and high-precision circuits. Supported by increasing demand of semiconductor, demands for materials used in its manufacturing process also remained strong. In businesses related to nucleic acid drug, acceleration of COVID-19 vaccine development has increased the demands of the Group’s oligonucleotide contract manufacturing and its related materials. In addition, in development of oligonucleotide therapeutics, the Group achieved predefined milestone based on license agreement.

In response to COVID-19, the Group is working to continue supplying to customers while prioritizing everyone’s health and safety and preventing the spread of infection. As a part of such efforts, the Group utilized information and communication technology and actively promoted new work style such as telework and web conferencing.

As a result of the above, revenue increased by 24.7% from the same period of the previous year (changes hereafter are given in comparison with the same period of the previous year) to 203,715 million yen. Operating income increased by 70.4% to 29,720 million yen, income before income taxes increased by 72.0% to 29,643 million yen, net income increased by 73.2% to 20,870 million yen, and net income attributable to owners of the parent company increased by 73.2% to 20,844 million yen.

Summary of results by segment

① Industrial Tape

For Functional Base Products, demand increased compared to the same period of the previous year. With the evolution of displays, the production of high-end smartphone increased, and thus, demands for assembly parts increased. From the background of expanding telework, demands expanded for ceramic condenser and semiconductor used for electronic devices such as tablet device and server, and thus demands for related materials used in their manufacturing process also increased. In addition, automobile materials, general industry materials, and protective materials for metal plates recovered from the impact of COVID-19 from the same period of the previous fiscal year, and demands for these materials increased.

As a result of the above, revenue increased by 41.0% to 82,542 million yen and operating income increased by 549.4% to 10,717 million yen.

② Optronics

In Information Fine Materials, demand increased compared to the same period of the previous year. The demands of optical films for laptop and tablet device continuously remained strong from the background of expanding telework. As for materials used in smartphones, adoption of optical films for OLED expanded. Revenue from materials for TV decreased in comparison to the same period of the previous year which recorded a royalty income from the licensing of technologies.

In Flexible Printed Circuits, demand increased compared to the same period of the previous year. Production of hard disk drive (HDD) for high-capacity HDD used in data center, with its steady demand, increased in comparison to the same period of the previous year which was impacted by COVID-19. In addition, sales of high-precision circuits for smartphones grew due to the expansion of models adopted.

As a result of the above, revenue increased by 11.0% to 106,727 million yen and operating income decreased by 2.3% to 17,315 million yen.

③ Life Science

In Life Science, demand increased compared to the same period of the previous year. Materials for COVID-19 vaccine clinical trials in oligonucleotide contract manufacturing business, and the expanding demand of materials for oligonucleotide synthesizing (NittoPhase), contributed to the operating results. Demand for medical adhesive tapes recovered moderately from the impact of COVID-19, although that for transdermal therapeutic patches decreased due to the declined outpatient visits.

In development of oligonucleotide therapeutics, the Group achieved predefined milestone based on the exclusive license agreement of ND-L02-s0201 (BMS-986263) for advanced liver fibrosis. In addition, the Group continues working on the clinical trials of idiopathic pulmonary fibrosis and intractable cancer drugs.

As a result of the above, revenue increased by 69.0% to 11,901 million yen and operating income amounted to 3,113 million yen. (operating loss of 518 million yen was reported in the same period of the previous year)

④ Others

Membranes (polymer separation membrane business) saw increased demand compared to the same period of the previous year. Demands recovered mainly in various industrial applications and energy field. Please note that this segment includes new business that has not generated sufficient revenue yet.

As a result of the above, revenue increased by 30.5% to 7,037 million yen and operating loss amounted to 969 million yen. (operating loss of 1,021 million yen was reported in the same period of the previous year)

(Reference) Segment Information

(Yen in Millions)

		First quarter ended June 30, 2020 (April 1, 2020 through June 30, 2020)	First quarter ended June 30, 2021 (April 1, 2021 through June 30, 2021)	
		Revenue	Revenue	Y-o-Y (%)
Industrial Tape	Revenue	58,533	82,542	141.0
	Operating income	1,650	10,717	649.4
Optronics	Information Fine Materials	85,782	89,163	103.9
	Flexible Printed Circuits	10,390	17,563	169.0
	Total	96,173	106,727	111.0
	Operating income	17,717	17,315	97.7
Life Science	Revenue	7,043	11,901	169.0
	Operating income	-518	3,113	-
Others	Revenue	5,392	7,037	130.5
	Operating income	-1,021	-969	-
Corporate/Elimination	Revenue	-3,832	-4,493	-
	Operating income	-385	-457	-
Total	Revenue	163,310	203,715	124.7
	Operating income	17,442	29,720	170.4

(Note) Previously, Industrial Tape was divided into Functional Base Products and Transportation. However, as a result of changes in the management structure that have been made during the fiscal year 2021 under review, Functional Base Products and Transportation have been integrated and described as Industrial Tape. Such changes have also been reflected in the figures for the first quarter ended June 30, 2020.

(2) Explanation of financial position

The Group's financial position at the end of the first quarter of the fiscal year ending March 31, 2022 was as follows.

Compared with the end of the fiscal year ended March 31, 2021, total assets increased by 6,421 million yen to 972,322 million yen and total liabilities decreased by 1,529 million yen to 247,685 million yen. Total equity increased by 7,950 million yen to 724,637 million yen. As a result, the ratio of equity attributable to owners of the parent company to total assets changed from 74.1% at the end of the fiscal year ended March 31, 2021 to 74.4% at the end of the first quarter of the fiscal year ending March 31, 2022.

The main changes in assets were a decrease in cash and cash equivalents of 13,655 million yen, an increase in trade and other receivables of 2,763 million yen, an increase in inventories of 4,872 million yen, an increase in other current assets of 5,962 million yen, an increase in property, plant and equipment of 5,038 million yen, an increase in financial assets of 1,120 million yen. In terms of liabilities, trade and other payables increased by 1,409 million yen, income tax payables decreased by 3,043 million yen, other current financial liabilities increased by 1,263 million yen.

(3) Explanation of forecasts and other projections

The consolidated full-year forecasts for the year ending March 31, 2022 have not been changed from those announced on April 26, 2021. We will disclose the revisions immediately, if required due to changes in the business results.

2. Quarterly Consolidated Financial Statements and Key Notes

(1) Quarterly consolidated statements of financial position

(Yen in Millions)

	March 31, 2021	June 30, 2021
(Assets)		
Current assets		
Cash and cash equivalents	300,888	287,233
Trade and other receivables	182,939	185,703
Inventories	107,668	112,540
Other financial assets	1,399	1,396
Other current assets	17,121	23,083
Total current assets	<u>610,017</u>	<u>609,957</u>
Non-current assets		
Property, plant and equipment	270,813	275,851
Right-of-use assets	14,979	14,189
Goodwill	4,593	4,565
Intangible assets	13,620	13,867
Investments accounted for using equity method	392	382
Financial assets	10,856	11,976
Deferred tax assets	25,951	26,855
Other non-current assets	14,676	14,678
Total non-current assets	<u>355,884</u>	<u>362,364</u>
Total assets	<u><u>965,901</u></u>	<u><u>972,322</u></u>

(Yen in Millions)

	March 31, 2021	June 30, 2021
Liabilities and equity		
(Liabilities)		
Current liabilities		
Trade and other payables	100,790	102,199
Bonds and borrowings	545	187
Income tax payables	11,225	8,182
Other financial liabilities	22,834	24,097
Other current liabilities	47,387	46,889
Total current liabilities	182,783	181,556
Non-current liabilities		
Other financial liabilities	17,161	16,482
Defined benefit liabilities	46,754	47,161
Deferred tax liabilities	347	308
Other non-current liabilities	2,167	2,175
Total non-current liabilities	66,431	66,128
Total liabilities	249,214	247,685
(Equity)		
Equity attributable to owners of the parent company		
Share capital	26,783	26,783
Capital surplus	50,070	49,998
Retained earnings	635,916	641,965
Treasury stock	-10,039	-9,966
Other components of equity	13,136	15,032
Total equity attributable to owners of the parent company	715,868	723,812
Non-controlling interests	817	824
Total equity	716,686	724,637
Total liabilities and equity	965,901	972,322

(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, 2020 (April 1, 2020 through June 30, 2020)	First quarter ended June 30, 2021 (April 1, 2021 through June 30, 2021)
Revenue	163,310	203,715
Cost of sales	112,788	135,848
Gross profit	50,522	67,867
Selling, general and administrative expenses	24,891	29,708
Research and development expenses	8,223	9,038
Other income	1,160	1,299
Other expenses	1,125	699
Operating income	17,442	29,720
Financial income	198	216
Financial expenses	416	307
Equity in profits (losses) of affiliates	5	14
Income before income taxes	17,230	29,643
Income tax expenses	5,176	8,772
Net income	12,053	20,870
Net income attributable to:		
Owners of the parent company	12,038	20,844
Non-controlling interests	14	26
Total	12,053	20,870
Earnings per share attributable to owners of the parent company		
Basic earnings per share (yen)	80.03	140.87
Diluted earnings per share (yen)	79.97	140.80

(Quarterly consolidated statements of comprehensive income)

(Yen in Millions)

	First quarter ended June 30, 2020 (April 1, 2020 through June 30, 2020)	First quarter ended June 30, 2021 (April 1, 2021 through June 30, 2021)
Net income	12,053	20,870
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	125	50
Items that will be reclassified to profit or loss		
Exchange differences on translating foreign operations	-869	1,790
Net gain (loss) in fair value of cash flow hedges	-1	3
Share of other comprehensive income of associates accounted for using equity method	-0	0
Total other comprehensive income	<u>-745</u>	<u>1,845</u>
Total comprehensive income	<u>11,307</u>	<u>22,716</u>
Total comprehensive income attributable to:		
Owners of the parent company	11,292	22,689
Non-controlling interests	14	26
Total	<u>11,307</u>	<u>22,716</u>

(3) Quarterly consolidated statements of changes in equity

For the first quarter ended June 30, 2020 (April 1, 2020 through June 30, 2020)

(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, 2020	26,783	50,271	643,521	-27,505	-3,624	689,446	757	690,204
Net income	-	-	12,038	-	-	12,038	14	12,053
Other comprehensive income	-	-	-	-	-745	-745	-0	-745
Total comprehensive income	-	-	12,038	-	-745	11,292	14	11,307
Share-based payment transactions	-	-200	-	-	56	-144	-	-144
Dividends	-	-	-15,391	-	-	-15,391	-22	-15,414
Changes in treasury stock	-	10	-	-26,415	-	-26,405	-	-26,405
Total transactions with owners	-	-190	-15,391	-26,415	56	-41,941	-22	-41,963
Balance as of June 30, 2020	26,783	50,081	640,167	-53,921	-4,313	658,797	750	659,547

For the first quarter ended June 30, 2021 (April 1, 2021 through June 30, 2021)

(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, 2021	26,783	50,070	635,916	-10,039	13,136	715,868	817	716,686
Net income	-	-	20,844	-	-	20,844	26	20,870
Other comprehensive income	-	-	-	-	1,844	1,844	0	1,845
Total comprehensive income	-	-	20,844	-	1,844	22,689	26	22,716
Share-based payment transactions	-	-69	-	-	50	-18	-	-18
Dividends	-	-	-14,796	-	-	-14,796	-20	-14,816
Changes in treasury stock	-	-2	-	72	-	69	-	69
Total transactions with owners	-	-72	-14,796	72	50	-14,745	-20	-14,765
Balance as of June 30, 2021	26,783	49,998	641,965	-9,966	15,032	723,812	824	724,637

(4) Quarterly consolidated statements of cash flows

(Yen in Millions)

	First quarter ended June 30, 2020 (April 1, 2020 through June 30, 2020)	First quarter ended June 30, 2021 (April 1, 2021 through June 30, 2021)
Cash flows from operating activities		
Income before income taxes	17,230	29,643
Depreciation and amortization	11,840	12,011
Impairment losses	63	29
Increase (decrease) in defined benefit liabilities	559	421
Decrease (increase) in trade and other receivables	-28	-2,240
Decrease (increase) in inventories	-5,161	-4,409
Increase (decrease) in trade and other payables	-4,940	874
Interest and dividend income	190	206
Interest expenses paid	-180	-196
Income taxes (paid) refunded	-11,301	-12,205
Others	-3,187	-9,438
Net cash provided by (used in) operating activities	5,083	14,696
Cash flows from investing activities		
Purchase of property, plant and equipment and intangible assets	-15,581	-12,120
Proceeds from sale of property, plant and equipment and intangible assets	51	204
Decrease (increase) in time deposits	674	52
Purchase of investment securities	-322	-571
Purchase of shares of subsidiaries and associates	-879	-
Others	0	469
Net cash provided by (used in) investing activities	-16,057	-11,965
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	-1	-357
Repayment of finance lease obligations	-1,471	-1,614
Decrease (increase) in treasury stock	-26,605	-
Cash dividends paid	-15,391	-14,796
Others	-29	-26
Net cash provided by (used in) financing activities	-43,499	-16,794
Effect of exchange rate changes on cash and cash equivalents	-146	407
Net increase (decrease) in cash and cash equivalents	-54,620	-13,655
Cash and cash equivalents at the beginning of the period	304,922	300,888
Cash and cash equivalents at the end of the period	250,302	287,233

(5) Notes on quarterly consolidated financial statements

(Notes on going concern assumption)

Not applicable.

(Segment information)

Information regarding revenue, income or loss by segments

First quarter ended June 30, 2020 (April 1, 2020 through June 30, 2020)

(Yen in Millions)

	Industrial Tape	Optronics	Life Science	Others	Total	Adjustment	Quarterly consolidated statements of income
Revenue from outside customers	57,752	94,510	6,098	4,752	163,113	197	163,310
Inter-segment revenue	781	1,662	945	640	4,029	-4,029	-
Total segment revenue	58,533	96,173	7,043	5,392	167,143	-3,832	163,310
Total operating income (loss)	1,650	17,717	-518	-1,021	17,827	-385	17,442
Financial income							198
Financial expenses							-416
Equity in profits (losses) of affiliates							5
Income before income taxes							17,230

(Note) With the changes in the management structure that have been made during the fiscal year 2021 under review, Functional Base Products and Transportation, both included in the Industrial Tape, have been integrated. Such changes have also been reflected in the figures for the first quarter ended June 30, 2020.

Major products for each segment

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

First quarter ended June 30, 2021 (April 1, 2021 through June 30, 2021)

(Yen in Millions)

	Industrial Tape	Optronics	Life Science	Others	Total	Adjustment	Quarterly consolidated statements of income
Revenue from outside customers	81,845	104,784	10,917	5,927	203,474	241	203,715
Inter-segment revenue	697	1,943	984	1,109	4,734	-4,734	-
Total segment revenue	82,542	106,727	11,901	7,037	208,208	-4,493	203,715
Total operating income (loss)	10,717	17,315	3,113	-969	30,177	-457	29,720
Financial income							216
Financial expenses							-307
Equity in profits (losses) of affiliates							14
Income before income taxes							29,643

Major products for each segment

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

(Significant subsequent events)

Not applicable.