

Summary of Consolidated Financial Statements for the second quarter ended September 30, 2014 (IFRS basis)

Listed company name: **Nitto Denko Corporation**
 Stock exchange listing: First Section of Tokyo Stock Exchange
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 Estimated starting date of dividend paying: November 28, 2014
 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 half ended September 30, 2014 (April 1, 2014 through September 30, 2014)

(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 half ended September 30, 2014	393,516	7.8	43,089	25.2	42,576	26.3	30,438	30.2	30,557	31.2	43,489	32.2
First half ended September 30, 2013	365,119	—	34,428	—	33,718	—	23,380	—	23,286	—	32,887	—

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
First half ended September 30, 2014	185.16	184.84
First half ended September 30, 2013	141.20	140.88

(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	%
September 30, 2014	796,289	559,917	556,773	69.9
March 31, 2014	783,583	524,552	521,385	66.5

2. Dividends

Record Date	Dividends per share				
	1Q	2Q	3Q	Year-end	Annual
	yen	yen	yen	yen	yen
March, 2014	—	50.00	—	50.00	100.00
March, 2015	—	55.00	—	—	—
March, 2015 (Forecast)	—	—	—	55.00	110.00

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

3. Forecast for fiscal year ending March 31, 2015 (April 1, 2014 through March 31, 2015)

(% 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	%	
Annual	805,000	7.4	88,000	21.4	87,000	23.2	64,000	22.6	64,000	23.3	yen 387.76

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

4. Others

(1) Changes in significant subsidiaries during the first half ended September 30, 2014: 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)
September 30, 2014: 173,758,428 March 31, 2014: 173,758,428
2. Number of treasury stock at the end of the period
September 30, 2014: 8,696,249 March 31, 2014: 8,756,529
3. Average number of outstanding shares during the period (cumulative from the beginning of the period)
April-September 2014: 165,036,690 April-September 2013: 164,919,456

- Information regarding implementation of quarterly review procedures

These quarterly financial results are not subject to quarterly review procedures based on the Financial Instruments and Exchange Act. Thus, at the time of disclosure of these financial results, the quarterly financial statement review procedures based on the Financial Instruments and Exchange Law have not been completed.

- 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.

From the fiscal year ending March 31, 2015, the Company introduced the International Financial Reporting Standards (IFRS) to prepare its consolidated financial statements accordingly. The consolidated financial data for the year ended March 31, 2014 is also presented based on the IFRS.

(Reference) Consolidated financial results of the second quarter (three months) ended September 30, 2014

(July 1, 2014 through September 30, 2014)

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

(% 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	%
Second quarter ended September 30, 2014	207,606	11.7	23,775	39.6	23,369	42.0	18,331	52.9	18,493	54.2	31,755	152.0
Second quarter ended September 30, 2013	185,864	—	17,025	—	16,458	—	11,991	—	11,991	—	12,602	—

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Second quarter ended September 30, 2014	112.04	111.86
Second quarter ended September 30, 2013	72.70	72.55

(Attached Documents)

Index

1. Qualitative Information Regarding Quarterly Settlement of Accounts	2
(1) Explanation of operating results	2
(2) Explanation of financial position	7
(3) Explanation of forecasts and other projections	7
2. Other Information.....	7
(1) Changes in significant subsidiaries during the three months ended September 30, 2014	7
(2) Changes in accounting policies applied and changes in accounting estimates	7
3. Quarterly Consolidated Financial Statements.....	8
(1) Quarterly consolidated statements of financial position	8
(2) Quarterly consolidated statements of income and quarterly consolidated statements of comprehensive income	10
(3) Quarterly consolidated statements of changes in equity	12
(4) Quarterly consolidated statements of cash flows	13
(5) Notes on quarterly consolidated financial statements	14
(Notes on going concern assumption)	14
(Notes on quarterly consolidated financial statements)	14
(Segment information).....	16
(Bonds).....	17
(Employee benefits).....	17
(Impairment losses)	17
(Significant subsequent events)	17
(First-time adoption of International Financial Reporting Standards [IFRS])	18

1. Qualitative Information Regarding Quarterly Settlement of Accounts

(1) Explanation of operating results

During the first six months of the year ending March 31, 2015 (April 1, 2014 through September 30, 2014), the U.S. economy showed steady growth as corporate performance, consumer spending, and the employment environment improved. In Asia, moderate economic growth continued overall, although the Chinese economy lost some of its momentum. The Japanese economy followed a general recovery trend, owing primarily to a pickup in corporate earnings and expansion of capital expenditures, despite consumer consumption coming to a standstill in reaction to last-minute demands prior to the consumption tax hike.

In this economic environment, the Nitto Group (“the Group”) released a series of advanced new products offering “amazement and inspiration” to the smartphone market, a segment that continues to expand in the mainstay electronics business. In the automobile market, the “*San-shin* activities” proprietary marketing strategy yielded tangible benefits in the form of consistent sales expansion of both interior and exterior parts for auto manufacturers in Europe and America, as well as Japan. Meanwhile, September 2014 saw the initiation of a clinical study in the U.S. to administer a new drug using a molecular targeting DDS (drug delivery system) in fibrosis patients. The Group will steadily advance the approval process by assessing the drug’s safety and efficacy.

As a result, revenue increased by 7.8% from the same period of the previous year (changes hereafter are given in comparison with the same period of the previous year) to 393,516 million yen. Operating income increased by 25.2% to 43,089 million yen, income before income taxes increased by 26.3% to 42,576 million yen, net income increased by 30.2% to 30,438 million yen, and net income attributable to owners of the parent company increased by 31.2% to 30,557 million yen.

All of the data in these consolidated financial statements are presented on the basis of the International Financial Reporting Standards (IFRS). The data for the second quarter ended September 30, 2014, the first six months of the year ended March 31, 2014, and the fiscal year ended March 30, 2014, that were previously presented under the Japanese Generally Accepted Accounting Principles (GAAP) have also been adjusted here to comply with IFRS.

Summary of results by segments

a. Industrial Tape

For automobile applications, sales in Japan were affected by a reduction in unit production following the consumption tax hike. International sales, on the other hand, fared well overall, as growing demands were successfully captured in markets where unit production grew, including North America and East Asia, and new customers in Europe were gained with the launch of products for reducing NVH (Noise, Vibration, Harshness). For electronics applications, double-sided adhesive tape and sealing products performed briskly, boosted by the shift toward larger smartphone screens and an expanded customer base made possible by “*San-shin* activities.” Sales of general-purpose double-sided adhesive tapes, which are used for a broad range of industrial applications, were affected by inventory adjustments, but highly heat-resistant fluoroplastic products performed well.

As a result, revenue grew by 4.9% to 150,270 million yen, and operating income grew by 5.2% to 8,618 million yen.

b. Optronics

Sales of information fine materials fared well as the FIFA World Cup boosted demands for LCD TVs and demands for larger panels grew following the market debut of 4K TVs. Optical films for smartphone and tablet PC panels also performed briskly, as they were accepted by a broad range of end-markets including advanced countries and China. Sales of transparent electro-conductive films for touch panels performed well for smartphones made by Chinese manufacturers, while those for tablet PCs were affected by production adjustments by a major customer. For flexible printed circuits, sales for notebook PCs with HDDs and gaming consoles were better than expected, and sales for high-definition displays for smartphones made by Chinese manufacturers remained robust. In processing materials, various types of both tape and tape laminators, which are used for downstream processing in semiconductor fabrication, sold favorably, as the semiconductor market was buoyed by ongoing expansion of the smartphone market.

As a result, revenue grew by 9.9% to 243,409 million yen, and operating income grew by 17.7% to 34,044 million yen.

c. Medical & Membrane

In medical products, a U.S. Group company in the oligonucleotide field experienced strong orders for its oligonucleotide products, but transdermal therapeutic patch sales were affected in Japan by the NHI price revision and the government’s promotion of generic use. Overall, medical product revenues were sluggish. Sales of membrane products (reverse osmosis membranes) were strong, as orders showed growth for offshore oil fields, as well as boiler feed water and other general industrial applications in China.

As a result, revenue for the first six months of the year ending March 31, 2015, grew by 5.0% to 18,749 million yen, and

operating income decreased by 45.8% to 256 million yen.

(Reference) Segment Information (six months)

(Yen in Millions)

		First half ended September 30, 2013 (April 1, 2013 through September 30, 2013) Revenue	First half ended September 30, 2014 (April 1, 2014 through September 30, 2014) Revenue	Y-o-Y (%)
Industrial Tape	Functional base products	94,794	96,760	102.1
	Automotive products	48,472	53,509	110.4
	Total	143,267	150,270	104.9
	Operating income	8,195	8,618	105.2
Optronics	Information fine materials	183,945	197,255	107.2
	Flexible printed circuits	27,458	34,426	125.4
	Processing materials	10,063	11,727	116.5
	Total	221,467	243,409	109.9
	Operating income	28,936	34,044	117.7
Medical & Membrane	Medical products	7,688	7,727	100.5
	Membrane products	10,161	11,022	108.5
	Total	17,850	18,749	105.0
	Operating income	472	256	54.2
Corporate/Elimination	Revenue	-17,465	-18,912	-
	Operating income	-3,176	170	-
Total	Revenue	365,119	393,516	107.8
	Operating income	34,428	43,089	125.2

* The Company has presented its consolidated financial data in accordance with the International Financial Reporting Standards (IFRS) effective from the first quarter ended June 30, 2014. Figures for the first half ended September 30, 2013 prepared in accordance with the Japanese accounting standards and disclosed in the previous fiscal year have been converted into IFRS-based figures here. 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. Such changes have also been reflected in the figures for the first half ended September 30, 2013.

(Reference) Segment Information (three months)

(Yen in Millions)

		Second quarter ended September 30, 2013 (July 1, 2013 through September 30, 2013)	Second quarter ended September 30, 2014 (July 1, 2014 through September 30, 2014)	
		Revenue	Revenue	Y-o-Y (%)
Industrial Tape	Functional base products	49,158	50,413	102.6
	Automotive products	24,276	26,650	109.8
	Total	73,434	77,063	104.9
	Operating income	4,582	4,016	87.7
Optronics	Information fine materials	93,282	106,708	114.4
	Flexible printed circuits	13,812	17,816	129
	Processing materials	4,983	5,925	118.9
	Total	112,079	130,450	116.4
	Operating income	11,613	18,250	157.2
Medical & Membrane	Medical products	4,210	4,340	103.1
	Membrane products	5,104	5,529	108.3
	Total	9,314	9,869	106
	Operating income	400	-3	-
Corporate/Elimination	Revenue	-8,964	-9,778	-
	Operating income	429	1,511	352.2
Total	Revenue	185,864	207,606	111.7
	Operating income	17,025	23,775	139.6

* The Company has presented its consolidated financial data in accordance with the International Financial Reporting Standards (IFRS) effective from the first quarter ended June 30, 2014. Figures for the first half ended September 30, 2013 prepared in accordance with the Japanese accounting standards and disclosed in the previous fiscal year have been converted into IFRS-based figures here. 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. Such changes have also been reflected in the figures for the first half ended September 30, 2013.

(Reference) Segment Information (annual forecast)

(Yen in Millions)

		Forecasts of fiscal year ending March 31, 2015 (As of October 31, 2014)	
		Revenue	Y-o-Y (%)
Industrial Tape	Functional base products	195,900	101.7
	Automotive products	110,900	109.5
	Total	306,800	104.4
	Operating income	19,600	109.7
Optronics	Information fine materials	403,200	106.6
	Flexible printed circuits	69,015	124.3
	Processing materials	22,984	114.4
	Total	495,200	109.1
	Operating income	69,000	126.1
Medical & Membrane	Medical products	17,000	97.8
	Membrane products	22,900	112.4
	Total	39,900	105.7
	Operating income	1,400	53.4
Corporate/Elimination	Revenue	-36,900	-
	Operating income	-2,000	-
Total	Revenue	805,000	107.4
	Operating income	88,000	121.4

(2) Explanation of financial position

The financial position at the end of the second quarter ended September 30, 2014 was as follows.

Compared with the end of the fiscal year ended March 31, 2014, total assets increased by 12,706 million yen to 796,289 million yen, and total liabilities decreased by 22,659 million yen to 236,371 million yen. Total equity increased by 35,365 million yen to 559,917 million yen. As a result, the ratio of equity attributable to owners of the parent company to total assets changed from 66.5% at the end of the fiscal year ended March 31, 2014 to 69.9% at the end of the second quarter ended September 30, 2014.

The main changes in assets were a decrease in cash equivalents of 32,634 million yen, increase in trade and other receivables of 22,422 million yen, inventories of 6,969 million yen, property, plant and equipment of 7,011 million yen. In liabilities, there was a decrease in bonds and borrowings of 50,692 million yen following the redemption of bonds.

(3) Explanation of forecasts and other projections

In the first six months of the year ending March 31, 2015, the Group's performance remained brisk, owing primarily to successful marketing of a broad range of products for the smartphone market and "San-shin activities" for the automobile market. In terms of the economic outlook from the third quarter on, unit production of smartphones, tablet PCs, and other electronics is expected to remain firm, despite concerns over weakening corporate sentiments in each country and geopolitical risk. Assuming that the Group will be able to harvest such demands through its functional base products, information fine materials, flexible printed circuits, and other products, the Group has revised its consolidated forecasts for the full year ending March 31, 2015.

The Group assumes a currency exchange rate of 105 yen against the U.S. dollar from the third quarter onwards.

Revision of consolidated forecasts for the fiscal year ending March 31, 2015 (April 1, 2014, through March 31, 2015)

	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
Previous forecast (A)	780,000	78,000	78,000	57,000	57,000	345.56
Revised forecast (B)	805,000	88,000	87,000	64,000	64,000	387.76
Difference (B) – (A)	25,000	10,000	9,000	7,000	7,000	---
Rate of change (%)	3.21	12.82	11.54	12.28	12.28	---
(Reference) Consolidated business results for the fiscal year ended March 31, 2014	749,504	72,503	70,642	52,188	51,892	314.59

The above results and forecasts are forward-looking statements determined by the 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. Other Information

(1) Changes in significant subsidiaries during the six months ended September 30, 2014

Not applicable.

(2) Changes in accounting policies applied and changes in accounting estimates

Not applicable.

3. Quarterly Consolidated Financial Statements

(1) Quarterly consolidated statements of financial position

(Yen in Millions)

	April 1, 2013 (Date of transition to IFRS)	March 31, 2014	September 30, 2014
(Assets)			
Current assets			
Cash and cash equivalents	152,275	203,446	170,811
Trade and other receivables	163,595	171,310	193,733
Inventories	83,575	86,264	93,234
Other financial assets	65,257	5,818	5,088
Other current assets	7,600	7,829	12,483
Total current assets	<u>472,304</u>	<u>474,669</u>	<u>475,351</u>
Non-current assets			
Property, plant and equipment	213,391	247,835	254,846
Goodwill	3,052	4,560	2,952
Intangible assets	10,966	14,984	12,826
Investments accounted for using equity method	1,724	441	440
Financial assets	9,313	10,978	11,678
Deferred tax assets	31,375	29,324	30,001
Other non-current assets	525	790	8,191
Total non-current assets	<u>270,350</u>	<u>308,914</u>	<u>320,937</u>
Total assets	<u><u>742,654</u></u>	<u><u>783,583</u></u>	<u><u>796,289</u></u>

(Yen in Millions)

	April 1, 2013 (Date of transition to IFRS)	March 31, 2014	September 30, 2014
Liabilities and equity			
(Liabilities)			
Current liabilities			
Trade and other payables	105,830	104,919	119,435
Bonds and borrowings	11,137	56,694	6,002
Income tax payables	13,915	7,513	13,661
Other financial liabilities	19,111	14,648	19,802
Other current liabilities	28,495	31,818	34,066
Total current liabilities	178,490	215,594	192,969
Non-current liabilities			
Bonds and borrowings	50,987	3,510	3,547
Other financial liabilities	192	307	1,401
Defined benefit liabilities	41,493	33,723	34,319
Deferred tax liabilities	1,258	2,082	605
Other non-current liabilities	2,821	3,813	3,527
Total non-current liabilities	96,753	43,436	43,401
Total liabilities	275,243	259,030	236,371
(Equity)			
Equity attributable to owners of the parent company			
Share capital	26,783	26,783	26,783
Capital surplus	56,944	56,958	56,922
Retained earnings	413,674	450,741	472,056
Treasury stock	-32,405	-31,746	-31,528
Other components of equity	263	18,647	32,539
Total equity attributable to owners of the parent company	465,259	521,385	556,773
Non-controlling interests	2,151	3,167	3,144
Total equity	467,411	524,552	559,917
Total liabilities and equity	742,654	783,583	796,289

(2) Quarterly consolidated statements of income and quarterly consolidated statements of comprehensive income
 (Quarterly consolidated statements of income)
 (For the first half ended September 30, 2014)

(Yen in Millions)

	First half ended September 30, 2013 (April 1, 2013 through September 30, 2013)	First half ended September 30, 2014 (April 1, 2014 through September 30, 2014)
Revenue	365,119	393,516
Cost of sales	260,816	283,020
Gross profit	104,303	110,496
Selling, general and administrative expenses	52,407	54,900
Research and development expenses	14,449	13,844
Other income	2,534	8,020
Other expenses	5,552	6,682
Operating income	34,428	43,089
Financial income	251	501
Financial expenses	935	580
Equity in losses of affiliates	26	433
Income before income taxes	33,718	42,576
Income tax expenses	10,337	12,138
Net income	23,380	30,438
Net income attributable to:		
Owners of the parent company	23,286	30,557
Non-controlling interests	93	-119
Total	23,380	30,438
Earnings per share attributable to owners of the parent company		
Basic earnings per share (yen)	141.20	185.16
Diluted earnings per share (yen)	140.88	184.84

(Quarterly consolidated statements of comprehensive income)
(For the first half ended September 30, 2014)

(Yen in Millions)

	First half ended September 30, 2013 (April 1, 2013 through September 30, 2013)	First half ended September 30, 2014 (April 1, 2014 through September 30, 2014)
Net income	23,380	30,438
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	596	435
Items that will be reclassified to profit or loss		
Reevaluation of defined benefit liability	-	-992
Exchange differences on translating foreign operations	7,209	14,121
Net gain (loss) in fair value of cash flow hedges	1,688	-519
Share of other comprehensive income of associates accounted for using equity method	13	7
Total other comprehensive income	9,507	13,051
Total comprehensive income	32,887	43,489
Total comprehensive income attributable to:		
Owners of the parent company	32,675	43,456
Non-controlling interests	211	32
Total	32,887	43,489

(3) Quarterly consolidated statements of changes in equity

For the first half ended September 30, 2013 (April 1, 2013 through September 30, 2013)

(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, 2013	26,783	56,944	413,674	-32,405	263	465,259	2,151	467,411
Net income	-	-	23,286	-	-	23,286	93	23,380
Other comprehensive income	-	-	-	-	9,388	9,388	118	9,507
Total comprehensive income	-	-	23,286	-	9,388	32,675	211	32,887
Share-based payment transactions	-	-60	-	-	-	-60	-	-60
Dividends	-	-	-8,240	-	-	-8,240	-42	-8,283
Changes in treasury stock	-	9	-	485	-	494	-	494
Other increase or decrease	-	-	-	-	-	-	323	323
Total transactions with owners	-	-50	-8,240	485	-	-7,806	280	-7,525
Balance as of September 30, 2013	26,783	56,893	428,720	-31,920	9,652	490,129	2,643	492,772

For the first half ended September 30, 2014 (April 1, 2014 through September 30, 2014)

(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, 2014	26,783	56,958	450,741	-31,746	18,647	521,385	3,167	524,552
Net income	-	-	30,557	-	-	30,557	-119	30,438
Other comprehensive income	-	-	-	-	12,898	12,898	152	13,051
Total comprehensive income	-	-	30,557	-	12,898	43,456	32	43,489
Share-based payment transactions	-	-43	-	-	-	-43	-	-43
Dividends	-	-	-8,250	-	-	-8,250	-65	-8,315
Changes in treasury stock	-	7	-	218	-	225	-	225
Transfers from other components of equity to retained earnings	-	-	-992	-	992	-	-	-
Other increase or decrease	-	-	-	-	-	-	9	9
Total transactions with owners	-	-36	-9,243	218	992	-8,068	-55	-8,124
Balance as of September 30, 2014	26,783	56,922	472,056	-31,528	32,539	556,773	3,144	559,917

(4) Quarterly consolidated statements of cash flows

(Yen in Millions)

	First half ended September 30, 2013 (April 1, 2013 through September 30, 2013)	First half ended September 30, 2014 (April 1, 2014 through September 30, 2014)
Cash flows from operating activities		
Income before income taxes	33,718	42,576
Depreciation and amortization	20,684	22,480
Increase (decrease) in defined benefit liabilities	-441	-5,248
Decrease (increase) in trade and other receivables	4,112	-14,828
Decrease (increase) in inventories	-10,316	-4,434
Increase (decrease) in trade and other payables	9,764	12,954
Interest and dividend income	215	259
Interest expenses paid	-411	-527
Income taxes (paid) refunded	-14,983	-7,703
Others	-8,472	-1,991
Net cash provided by operating activities	33,869	43,535
Cash flows from investing activities		
Purchase of property, plant and equipment and intangible assets	-33,502	-23,641
Proceeds from sale of property, plant and equipment and intangible assets	421	367
Decrease (increase) in time deposits	579	741
Others	-2,342	-118
Net cash provided by (used in) investing activities	-34,843	-22,650
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	-71	-1,083
Redemption of bonds	-	-50,000
Decrease (increase) in treasury stock	358	97
Cash dividends paid	-8,240	-8,250
Others	-42	-63
Net cash provided by (used in) financing activities	-7,996	-59,299
Effect of exchange rate changes on cash and cash equivalents	3,050	5,780
Net increase (decrease) in cash and cash equivalents	-5,920	-32,634
Cash and cash equivalents at the beginning of the period	152,275	203,446
Increase (decrease) in cash and cash equivalents resulting from change of scope of consolidation	608	-
Cash and cash equivalents at the end of the period	146,963	170,811

- (5) Notes on quarterly consolidated financial statements
(Notes on going concern assumption)
Not applicable.

(Notes on quarterly consolidated financial statements)

1. Reporting entity

Nitto Denko Corporation (the “Company”) is a corporation domiciled in Japan. These quarterly consolidated financial statements are composed of those concerning the Company and its associates (the “Group”). With its base in the Industrial Tape and Optronics segments, the Group engages in businesses related to those segments and deals in a broad range of products. For details, please see “Note: Segment information.”

2. Basis of preparations

(1) Accounting standards complied with

These quarterly consolidated financial statements have been prepared in accordance with IFRS 34 Interim Financial Reporting, pursuant to the provisions set forth in Article 93 of the Ordinance on Terminology, Forms, and Preparation Methods of Quarterly Consolidated Financial Statements, etc. (Cabinet Office Ordinance No. 64 of 2007), as they satisfy all of the requirements for a “Specified Company” prescribed in Article 1-2, Paragraph 1, Item (i), (a) – (c) and (d)-3 of the Ordinance on Terminology, Forms, and Preparation Methods of Consolidated Financial Statements (Ministry of Finance Ordinance No. 28 of 1976).

The Group has adopted IFRS starting from the fiscal year ending March 31, 2015 (April 1, 2014 through March 31, 2015), and consolidated financial statements for that year are the Group’s first such statements to be prepared in accordance with IFRS. The Group’s IFRS transition date is April 1, 2013, and the Group has adopted IFRS 1 *First-time Adoption of International Financial Reporting Standards*. Please see “Note: First-time adoption of IFRS, Disclosure of transition to IFRS” for the impact of the transition from Japanese accounting standards to IFRS.

(2) Basis of measurement

These quarterly consolidated financial statements have been prepared on a historical cost basis, with the exception of some financial assets, financial liabilities, employee benefits, etc., which are measured at fair value as stated in “3. Significant accounting policies” below.

(3) Presentation currency and units used

These quarterly consolidated financial statements are presented in Japanese yen, with figures less than one million yen being rounded down.

(4) Significant accounting estimates and judgments

When preparing these quarterly consolidated financial statements, management makes judgments, estimates, and assumptions that affect the application of accounting policies and carrying amounts of assets, liabilities, revenue, and expenses. As such, actual results may differ from these estimates. Estimates and underlying assumptions are continuously reviewed. The impact of revisions to accounting estimates are recognized for the period in which the estimate is revised as well as in future periods.

Significant estimates and judgments made by management are as follows.

- Assessment of recoverability of goodwill, intangible assets, and long-lived assets
- Assessment of recoverability of deferred tax assets
- Measurement of defined benefit liabilities

3. Significant accounting policies

Unless otherwise stated, significant accounting policies adopted in these quarterly consolidated financial statements are the same as those adopted in all periods presented in those statements (including consolidated statements of financial position at the IFRS transition date).

Please see the notes on quarterly consolidated financial statements for the first three months of the year ending March 31, 2015 (April 1, 2014 through June 30, 2014), for significant accounting policies adopted by the Group.

(Segment information)

Information regarding revenue, income, or loss by segments

First half ended September 30, 2013 (April 1, 2013 through September 30, 2013)

(Yen in Millions)

	Industrial Tape	Optronics	Medical & Membrane	Total	Adjustment*	Figures in consolidated statements of income
Revenue from outside customers	132,515	214,944	16,941	364,402	717	365,119
Inter-segment revenue	10,751	6,523	908	18,183	-18,183	—
Total segment revenue	143,267	221,467	17,850	382,585	-17,465	365,119
Total operating profit (loss)	8,195	28,936	472	37,605	-3,176	34,428
Financial income						251
Financial expenses						-935
Equity in losses of affiliates						-26
Income before income taxes						33,718

(Note) 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.

Such changes have also been reflected in the figures for the year ended March 31, 2014.

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, semiconductor-related materials, flexible printed circuits, processing materials
Medical & Membrane	Medical products, membrane products

First half ended September 30, 2014 (April 1, 2014 through September 30, 2014)

(Yen in Millions)

	Industrial Tape	Optronics	Medical & Membrane	Total	Adjustment*	Figures in consolidated statements of income
Revenue from outside customers	139,446	235,601	17,734	392,782	734	393,516
Inter-segment revenue	10,823	7,808	1,014	19,647	-19,647	—
Total segment revenue	150,270	243,409	18,749	412,429	-18,912	393,516
Total operating profit (loss)	8,618	34,044	256	42,919	170	43,089
Financial income						501
Financial expenses						-580
Equity in losses of affiliates						-433
Income before income taxes						42,576

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, semiconductor-related materials, flexible printed circuits, processing materials
Medical & Membrane	Medical products, membrane products

(Bonds)

The company has redeemed the 1st unsecured straight corporate bond amounting to 50 billion yen, (Coupon rate is 1.23% per annum, and the date of maturity is June 3, 2014) during the first quarter ended June 30, 2014.

(Employee benefits)

As of July 1, 2014, the Company settled portions of the defined benefit corporate pension scheme to shift to the defined contribution pension plan, and the income of 4,088 million yen accrued as a result of this shift is recognized as “Other income.”

(Impairment losses)

During the period under review, the Company reported an impairment loss of 4,578 million yen under “Other expenses.” The main portion of this loss is attributable to the fact that the recoverable amount of its assets in the U.S. fell below the book value.

(Significant subsequent events)

Not applicable.

(First-time adoption of International Financial Reporting Standards [IFRS])

Disclosure of transition to IFRS

These quarterly consolidated financial statements are the Group's first to be prepared in accordance with IFRS.

The significant accounting policies stated in Note 3 have been adopted in preparing the quarterly consolidated financial statements for the second quarter ended September 30, 2014 (April 1, 2014 through September 30, 2014), the second quarter ended September 30, 2013 (July 1, 2013 through September 30, 2013) and the first half ended September 30, 2013 (April 1, 2013 through September 30, 2013), consolidated financial statements for the fiscal year ended March 31, 2014 (April 1, 2013 through March 31, 2014), and the consolidated statements of financial position on the IFRS transition date (April 1, 2013).

(a) IFRS 1 exemptions

Upon transition from the Japanese GAAP to IFRS, the Group has applied the following exemptions.

(1) Business combinations

IFRS 3 may be applied either retroactively or prospectively. The Group has elected not to retroactively apply IFRS 3 to business combinations that occurred prior to the IFRS transition date. Accordingly, business combinations that occurred prior to the IFRS transition date are not restated here.

(2) Translation differences for foreign operations

IFRS 1 permits an entity to elect to either reset all accumulated translation differences for foreign operations to zero at the IFRS transition date or recalculate such translation differences retroactively to the time of foundation or acquisition of subsidiaries, etc. The Group has elected to reset all accumulated translation differences for its foreign operations to zero at the IFRS transition date.

(3) Share-based payment transactions

IFRS 1 permits an entity to elect not to apply IFRS 2 *Share-based Payment* to capitalized financial instruments that were granted after November 7, 2002, and vested prior to the IFRS transition date. Accordingly, the Group applies IFRS 2 only to stock options that were not vested as of the IFRS transition date.

(4) Designation of previously recognized financial instruments

IFRS 1 permits an entity to designate financial instruments in accordance with IFRS 9 *Financial Instruments* based on the facts and circumstances existing on the IFRS transition date. Accordingly, the Group designates financial instruments that it holds based on the circumstances at the time of the IFRS transition date.

(b) Adjustments made on account of the transition from the Japanese GAAP to IFRS

The Group has made necessary adjustments to its consolidated financial statements prepared in accordance with the Japanese GAAP in the course of the preparing its consolidated statements of financial position in accordance with IFRS.

The impact of the transition is shown in the table below.

In the table, items not affecting retained earnings or comprehensive income are included in "Reclassification" of the reconciliation, while items affecting retained earnings or comprehensive income are included in "Differences in recognition and measurement."

(1) Reconciliation of equity as of the transition date (April 1, 2013)

(Yen in Millions)

Presentation under the Japanese GAAP	JGAAP	Reclassification	Differences in recognition and measurement	IFRS	Notes	Presentation under IFRS
Assets						Assets
Current assets						Current assets
Cash and deposits	217,095	-64,820	—	152,275		Cash and cash equivalents
Notes and accounts receivable-trade	160,786	2,809	—	163,595		Trade and other receivables
Merchandise and finished goods	23,057	-23,057	—	—		
Works in process	43,176	-43,176	—	—		
Raw materials and supplies	17,337	-17,337	—	—		
	—	83,571	4	83,575	C, D	Inventories
Deferred tax assets	10,722	-10,722	—	—		
	—	65,257	—	65,257		Other financial assets
Other (Current assets)	11,672	-4,072	—	7,600		Other current assets
Allowance for doubtful accounts	-825	825	—	—		
Total current assets	483,022	-10,722	4	472,304		Total current assets
Non-current assets						Non-current assets
Property, plant and equipment	213,391	—	—	213,391		Property, plant and equipment
Intangible assets						
Goodwill	3,052	—	—	3,052	A	Goodwill
Other (Intangible assets)	10,910	—	55	10,966	B	Intangible assets
Investments securities	8,040	-6,315	—	1,724		Investments accounted for using equity method
	—	9,313	—	9,313		Financial assets
Deferred tax assets	19,932	10,722	720	31,375	F	Deferred tax assets
Other (Investments and other assets)	3,655	-3,129	—	525		Other non-current assets
Allowance for doubtful accounts	-131	131	—	—		
Total non-current assets	258,851	10,722	775	270,350		Total non-current assets
Total assets	741,874	—	780	742,654		Total assets

(Yen in Millions)

Presentation under the Japanese GAAP	JGAAP	Reclassification	Differences in recognition and measurement	IFRS	Notes	Presentation under IFRS
Liabilities and net assets						Liabilities and equity
Current liabilities						Current liabilities
Notes and accounts payable-trade	88,101	17,729	—	105,830		Trade and other payables
Short-term loans payable	11,137	—	—	11,137		Bonds and borrowings
Accounts payable-other	31,224	-31,224	—	—		
Accrued expenses	22,537	-22,537	—	—		
Income taxes payable	13,915	—	—	13,915		Income tax payables
Provision for directors' bonuses	308	-308	—	—		
Other (Current liabilities)	8,458	10,652	—	19,111		Other financial liabilities
	—	25,686	2,808	28,495	C, E	Other current liabilities
Total current liabilities	175,683	-1	2,808	178,490		Total current liabilities
Non-current liabilities						Non-current liabilities
Bonds payable	50,000	987	—	50,987		Bonds and borrowings
Long-term loans payable	987	-987	—	—		
Provision for retirement benefits	41,493	—	—	41,493	D	Defined benefit liabilities
Provision for directors' retirement benefits	374	-374	—	—		
Deferred tax liabilities	1,256	1	—	1,258	F	Deferred tax liabilities
Other (Non-current liabilities)	1,785	-1,592	—	192		Other financial liabilities
	—	1,966	854	2,821	E	Other non-current liabilities
Total non-current liabilities	95,897	1	854	96,753		Total non-current liabilities
Total liabilities	271,580	—	3,662	275,243		Total liabilities
Shareholders' equity						Equity attributable to owners of the parent company
Capital stock	26,783	—	—	26,783		Share capital
Capital surplus	56,170	773	—	56,944		Capital surplus
Retained earnings	437,301	—	-23,626	413,674	H	Retained earnings
Treasury stock	-32,405	—	—	-32,405		Treasury stock
Valuation difference on available-for-sale securities	1,901	-1,901	—	—		
Deferred gains or losses on hedges	-1,638	1,638	—	—		

Foreign currency translation adjustment	-2,282	2,282	—	—		
Remeasurements of defined benefit plans	-18,462	18,462	—	—		
	—	-20,481	20,745	263	D, G	Other components of equity
Subscription rights to shares	773	-773	—	—		
	468,141	—	-2,881	465,259		Total equity attributable to owners of the parent company
Minority interests	2,152	—	-0	2,151		Non-controlling interests
Total net assets	470,293	—	-2,882	467,411		Total equity
Total liabilities and net assets	741,874	—	780	742,654		Total liabilities and equity

(2) Reconciliation of equity for the second quarter ended September 30, 2013

(Yen in Millions)

Presentation under the Japanese GAAP	JGAAP	Reclassification	Differences in recognition and measurement	IFRS	Notes	Presentation under IFRS
Assets						Assets
Current assets						Current assets
Cash and deposits	211,353	-64,390	—	146,963		Cash and cash equivalents
Notes and accounts receivable-trade	160,902	3,629	—	164,532		Trade and other receivables
Merchandise and finished goods	26,279	-26,279	—	—		
Works in process	47,828	-47,828	—	—		
Raw materials and supplies	21,451	-21,451	—	—		
	—	95,558	-40	95,518	C,D	Inventories
	—	65,519	—	65,519		Other financial assets
Other (Current assets)	26,042	-15,128	—	10,913		Other current assets
Allowance for doubtful accounts	-426	426	—	—		
Total current assets	493,430	-9,942	-40	483,447		Total current assets
Non-current assets						Non-current assets
Property, plant and equipment	239,699	—	—	239,699		Property, plant and equipment
Intangible assets	18,763	-4,024	103	14,843	B	Intangible assets
	—	4,024	492	4,516	A	Goodwill
Other (Investments and other assets)	32,103	-32,103	—	—		
Allowance for doubtful accounts	-140	140	—	—		
	—	877	—	877		Investments accounted for using equity method
	—	10,942	—	10,942		Financial assets
	—	29,278	572	29,850	F	Deferred tax assets
	—	807	—	807		Other non-current assets
Total non-current assets	290,426	9,942	1,168	301,537		Total non-current assets
Total assets	783,856	—	1,127	784,984		Total assets

(Yen in Millions)

Presentation under the Japanese GAAP	JGAAP	Reclassification	Differences in recognition and measurement	IFRS	Notes	Presentation under IFRS
Liabilities and net assets						Liabilities and equity
Current liabilities						Current liabilities
Notes and accounts payable-trade	97,551	18,978	—	116,530		Trade and other payables
Current portion of bonds	50,000	11,248	—	61,248		Bonds and borrowings
Short-term loans payable	11,248	-11,248	—	—		
Income taxes payable	9,044	—	413	9,458		Income taxes payable
Provision for directors' bonuses	211	-211	—	—		
Other (Current liabilities)	75,318	-48,563	—	26,754		Other financial liabilities
	—	29,791	2,926	32,717	C,E	Other current liabilities
Total current liabilities	243,374	-5	3,340	246,709		Total current liabilities
Non-current liabilities						Non-current liabilities
Long-term loans payable	988	—	—	988		Bonds and borrowings
Net defined benefit liabilities	37,827	—	1,345	39,172	D	Defined benefit liabilities
Provision for directors' retirement benefits	240	-240	—	—		
Other (Non-current liabilities)	4,203	-3,816	—	387		Other financial liabilities
	—	2,160	-4	2,155	F	Deferred tax liabilities
	—	1,903	894	2,797	E	Other non-current liabilities
Total non-current liabilities	43,260	5	2,235	45,502		Total non-current liabilities
Total liabilities	286,635	—	5,576	292,211		Total liabilities

(Yen in Millions)

Presentation under the Japanese GAAP	JGAAP	Reclassification	Differences in recognition and measurement	IFRS	Notes	Presentation under IFRS
Shareholders' equity						Equity attributable to owners of the parent company
Capital stock	26,783	—	—	26,783		Share capital
Capital surplus	56,180	713	—	56,893		Capital surplus
Retained earnings	452,629	—	-23,908	428,720	H	Retained earnings
Treasury stock	-31,920	—	—	-31,920		Treasury stock
Valuation difference on available-for-sale securities	2,498	-2,498	—	—		
Deferred gains or losses on hedges	49	-49	—	—		
Foreign currency translation adjustment	4,822	-4,822	—	—		
Remeasurements of defined benefit plans	-17,170	17,170	—	—		
	—	-9,800	19,452	9,652	D,G	Other components of equity
Subscription rights to shares	713	-713	—	—		
	494,585	—	-4,456	490,129		Total equity attributable to owners of the parent company
Minority interests	2,635	—	8	2,643		Non-controlling interests
Total net assets	497,221	—	-4,448	492,772		Total equity
Total liabilities and net assets	783,856	—	1,127	784,984		Total liabilities and equity

(3) Reconciliation of equity for the fiscal year ended March 31, 2014

(Yen in Millions)

Presentation under the Japanese GAAP	JGAAP	Reclassification	Differences in recognition and measurement	IFRS	Notes	Presentation under IFRS
Assets						Assets
Current assets						Current assets
Cash and deposits	208,816	-5,369	—	203,446		Cash and cash equivalents
Notes and accounts receivable-trade	167,939	3,371	—	171,310		Trade and other receivables
Merchandise and finished goods	26,374	-26,374	—	—		
Works in process	41,301	-41,301	—	—		
Raw materials and supplies	18,646	-18,646	—	—		
	—	86,322	-57	86,264	C,D	Inventories
Deferred tax assets	9,742	-9,742	—	—		
	—	5,818	—	5,818		Other financial assets
Other (Current assets)	12,092	-4,263	—	7,829		Other current assets
Allowance for doubtful accounts	-444	444	—	—		
Total current assets	484,468	-9,742	-57	474,669		Total current assets
Non-current assets						Non-current assets
Property, plant and equipment	247,835	—	—	247,835		Property, plant and equipment
Intangible assets						
Goodwill	3,504	—	1,056	4,560	A	Goodwill
Other (Intangible assets)	14,842	—	141	14,984	B	Intangible assets
Investments securities	7,799	-7,358	—	441		Investments accounted for using equity method
	—	10,978	—	10,978		Financial assets
Deferred tax assets	18,491	9,742	1,090	29,324	F	Deferred tax assets
Other (Investments and other assets)	4,531	-3,741	—	790		Other non-current assets
Allowance for doubtful accounts	-121	121	—	—		
Total non-current assets	296,883	9,742	2,288	308,914		Total non-current assets
Total assets	781,352	—	2,230	783,583		Total assets

(Yen in Millions)

Presentation under the Japanese GAAP	JGAAP	Reclassification	Differences in recognition and measurement	IFRS	Notes	Presentation under IFRS
Liabilities and net assets						Liabilities and equity
Current liabilities						Current liabilities
Notes and accounts payable-trade	86,651	18,268	—	104,919		Trade and other payables
Short-term loans payable	6,694	50,000	—	56,694		Bonds and borrowings
Current portion of bonds	50,000	-50,000	—	—		
Accounts payable-other	32,217	-32,217	—	—		
Accrued expenses	24,381	-24,381	—	—		
Income taxes payable	7,513	—	—	7,513		Income tax payables
Provision for directors' bonuses	329	-329	—	—		
Other (Current liabilities)	4,653	9,994	—	14,648		Other financial liabilities
	—	28,659	3,158	31,818	C, E	Other current liabilities
Total current liabilities	212,441	-6	3,158	215,594		Total current liabilities
Non-current liabilities						Non-current liabilities
Long-term loans payable	3,510	—	—	3,510		Bonds and borrowings
Net defined benefit liabilities	33,723	—	—	33,723	D	Defined benefit liabilities
Provision for directors' retirement benefits	267	-267	—	—		
Deferred tax liabilities	2,082	6	-6	2,082	F	Deferred tax liabilities
Other (Non-current liabilities)	2,026	-1,719	—	307		Other financial liabilities
	—	1,986	1,826	3,813	E	Other non-current liabilities
Total non-current liabilities	41,611	6	1,819	43,436		Total non-current liabilities
Total liabilities	254,052	—	4,978	259,030		Total liabilities

(Yen in Millions)

Presentation under the Japanese GAAP	JGAAP	Reclassification	Differences in recognition and measurement	IFRS	Notes	Presentation under IFRS
Shareholders' equity						Equity attributable to owners of the parent company
Capital stock	26,783	—	—	26,783		Share capital
Capital surplus	56,164	750	43	56,958		Capital surplus
Retained earnings	471,831	—	-21,089	450,741	H	Retained earnings
Treasury stock	-31,746	—	—	-31,746		Treasury stock
Valuation difference on available-for-sale securities	2,533	-2,533	—	—		
Deferred gains or losses on hedges	-52	52	—	—		
Foreign currency translation adjustment	13,884	-13,884	—	—		
Remeasurements of defined benefit plans	-16,006	16,006	—	—		
	—	358	18,288	18,647	D, G	Other components of equity
Subscription rights to shares	750	-750	—	—		
	524,142	—	-2,757	521,385		Total equity attributable to owners of the parent company
Minority interests	3,157	—	9	3,167		Non-controlling interests
Total net assets	527,299	—	-2,747	524,552		Total equity
Total liabilities and net assets	781,352	—	2,230	783,583		Total liabilities and equity

(4) Reconciliation of comprehensive income for the first half ended September 30, 2013 (April 1, 2013 through September 30, 2013)

(Yen in Millions)

Presentation under the Japanese GAAP	JGAAP	Reclassification	Differences in recognition and measurement	IFRS	Notes	Presentation under IFRS
Consolidated statements of income	—					Consolidated statements of income
Net sales	365,311	-191	—	365,119		Revenue
Cost of sales	261,178	-53	-308	260,816	C, D	Cost of sales
Gross profit	104,133	-138	308	104,303		Gross profit
Selling, general and administrative expenses	67,806	-14,493	-905	52,407	A, C, D	Selling, general and administrative expenses
	—	14,493	-43	14,449	B	Research and development expenses
	—	2,534	—	2,534	E	Other income
	—	5,539	13	5,552	A, B	Other expenses
Operating income	36,326	-3,143	1,244	34,428		Operating income
Non-operating income	2,869	-2,803	-65	—		
	—	234	17	251		Financial income
Non-operating expenses	5,738	-5,738	—	—		
	—	722	213	935		Financial expenses
Extraordinary income	35	-35	—	—		
Extraordinary loss	758	-758	—	—		
	—	26	—	26		Equity in losses of affiliates
Income before income taxes	32,734	—	983	33,718		Income before income taxes
Income taxes	9,078	—	1,259	10,337	F	Income tax expenses
Income before minority interests	23,656	—	-276	23,380		Net income
						Net income attributable to:
Minority interests in income	87	—	5	93		Non-controlling interests
Net income	23,568	—	-281	23,286		Owners of the parent company

(Yen in Millions)

Presentation under the Japanese GAAP	JGAAP	Reclassification	Differences in recognition and measurement	IFRS	Notes	Presentation under IFRS
Consolidated statements of comprehensive income						Consolidated statements of comprehensive income
Income before minority interests	23,656	—	-276	23,380		Net income
Other comprehensive income						Other comprehensive income
Valuation difference on available-for-sale securities	596	—	—	596		Net gain (loss) on financial assets measured at fair value through other comprehensive income
Deferred gains or losses on hedges	1,688	—	—	1,688		Net gain (loss) in fair value of cash flow hedges
Foreign currency translation adjustment	7,209	—	—	7,209		Exchange differences on translating foreign operations
Remeasurements of defined benefit plans	1,289	—	-1,289	—	D	Remeasurement of defined benefit liabilities
Share of other comprehensive income of associates accounted for using equity method	13	—	—	13		Share of other comprehensive income of associates accounted for using equity method
Total other comprehensive income	10,796	—	-1,289	9,507		Total other comprehensive income
Comprehensive income	34,453	—	-1,565	32,887		Total comprehensive income

(5) Reconciliation of comprehensive income for the second quarter ended September 30, 2013 (July 1, 2013 through September 30, 2013)

(Yen in Millions)

Presentation under the Japanese GAAP	JGAAP	Reclassification	Differences in recognition and measurement	IFRS	Notes	Presentation under IFRS
Consolidated statements of income	—					Consolidated statements of income
Net sales	185,974	-110	—	185,864		Revenue
Cost of sales	135,229	-29	-133	135,067	C, D	Cost of sales
Gross profit	50,745	-81	133	50,797		Gross profit
Selling, general and administrative expenses	34,272	-7,503	-453	26,315	A, C, D	Selling, general and administrative expenses
	—	7,503	-37	7,466	B	Research and development expenses
	—	1,280	—	1,280	E	Other income
	—	1,257	13	1,270	A, B	Other expenses
Operating income	16,472	-57	610	17,025		Operating income
Non-operating income	1,333	-1,401	68	—		
	—	25	17	43		Financial income
Non-operating expenses	1,432	-1,432	—	—		
	—	480	106	587		Financial expenses
Extraordinary income	8	-8	—	—		
Extraordinary loss	513	-513	—	—		
	—	22	—	22		Equity in losses of affiliates
Income before income taxes	15,868	—	589	16,458		Income before income taxes
Income taxes	4,338	—	128	4,467	F	Income tax expenses
Income before minority interests	11,530	—	461	11,991		Net income
						Net income attributable to:
Minority interests in income	1	—	-1	-0		Non-controlling interests
Net income	11,528	—	463	11,991		Owners of the parent company

(Yen in Millions)

Presentation under the Japanese GAAP	JGAAP	Reclassification	Differences in recognition and measurement	IFRS	Notes	Presentation under IFRS
Consolidated statements of comprehensive income						Consolidated statements of comprehensive income
Income before minority interests	11,530	—	461	11,991		Net income
Other comprehensive income						Other comprehensive income
Valuation difference on available-for-sale securities	183	—	—	183		Net gain (loss) on financial assets measured at fair value through other comprehensive income
Deferred gains or losses on hedges	411	—	—	411		Net gain (loss) in fair value of cash flow hedges
Foreign currency translation adjustment	17	—	—	17		Exchange differences on translating foreign operations
Remeasurements of defined benefit plans	641	—	-641	—	D	Remeasurement of defined benefit liabilities
Share of other comprehensive income of associates accounted for using equity method	-1	—	—	-1		Share of other comprehensive income of associates accounted for using equity method
Total other comprehensive income	1,252	—	-641	610		Total other comprehensive income
Comprehensive income	12,782	—	-180	12,602		Total comprehensive income

(6) Reconciliation of comprehensive income for the fiscal year ended March 31, 2014 (April 1, 2013 through March 31, 2014)

(Yen in Millions)

Presentation under the Japanese GAAP	JGAAP	Reclassification	Differences in recognition and measurement	IFRS	Notes	Presentation under IFRS
Consolidated statements of income	—					Consolidated statements of income
Net sales	749,835	-330	—	749,504		Revenue
Cost of sales	539,051	-119	-718	538,213	C, D	Cost of sales
Gross profit	210,784	-211	718	211,291		Gross profit
Selling, general and administrative expenses	138,529	-28,573	-1,928	108,027	A, C, D	Selling, general and administrative expenses
	—	28,573	-128	28,444	B	Research and development expenses
	—	4,850	-43	4,807	E	Other income
	—	7,069	53	7,123	A, B	Other expenses
Operating income	72,254	-2,430	2,678	72,503		Operating income
Non-operating income	6,726	-5,457	-1,269	—		
	—	576	17	593		Financial income
Non-operating expenses	7,322	-7,322	—	—		
	—	1,725	426	2,152		Financial expenses
Extraordinary income	106	-106	—	—		
Extraordinary loss	2,123	-2,123	—	—		
		302	—	302		Equity in losses of affiliates
Income before income taxes	69,641	—	1,001	70,642		Income before income taxes
Income taxes	18,335	—	119	18,454	F	Income tax expenses
Income before minority interests	51,306	—	882	52,188		Net income
						Net income attributable to:
Minority interests in income	288	—	7	296		Non-controlling interests
Net income	51,018	—	874	51,892		Owners of the parent company

(Yen in Millions)

Presentation under the Japanese GAAP	JGAAP	Reclassification	Differences in recognition and measurement	IFRS	Notes	Presentation under IFRS
Consolidated statements of comprehensive income						Consolidated statements of comprehensive income
Income before minority interests	51,306	—	882	52,188		Net income
Other comprehensive income						Other comprehensive income
Valuation difference on available-for-sale securities	631	—	—	631		Net gain (loss) on financial assets measured at fair value through other comprehensive income
Deferred gains or losses on hedges	1,585	—	—	1,585		Net gain (loss) in fair value of cash flow hedges
Foreign currency translation adjustment	16,533	—	—	16,533		Exchange differences on translating foreign operations
Remeasurements of defined benefit plans	2,445	—	-2,445	—	D	Remeasurement of defined benefit liabilities
Share of other comprehensive income of associates accounted for using equity method	-87	—	—	-87		Share of other comprehensive income of associates accounted for using equity method
Total other comprehensive income	21,108	—	-2,445	18,663		Total other comprehensive income
Comprehensive income	72,415	—	-1,562	70,852		Total comprehensive income

(7) Notes on reconciliation of equity and reconciliation of comprehensive income

(a) Notes on the reclassification

All deferred tax assets that were classified as current assets under the Japanese GAAP are classified as “Deferred tax assets” under non-current assets.

All deferred tax liabilities that were classified as current liabilities under the Japanese GAAP are classified as “Deferred tax liabilities” under non-current liabilities.

Under the Japanese GAAP, exchange differences were separately presented, but those arising from operating activities are included in “Other income” or “Other expenses,” while those arising from financial activities are included in “Financial income” or “Financial expenses” under IFRS.

(b) Notes on differences in recognition and measurement

A. Goodwill

Because goodwill is amortized under the Japanese GAAP, but not under IFRS, amortization capitalized under the Japanese GAAP is reversed.

B. Development costs

Under the Japanese GAAP, development costs are fully expensed when they are incurred, but those satisfying certain requirements are capitalized as “Intangible assets” under IFRS.

C. Liabilities, etc. related to unused paid absences

Estimated liabilities, etc. related to unused paid absences at the Company and some of its subsidiaries that are not recognized under the Japanese GAAP are capitalized as “Other current liabilities” under IFRS.

D. Defined benefit liabilities

Under the Japanese GAAP, portions of actuarial differences in defined benefit liabilities that originate in the current period but are not expensed are recognized in other comprehensive income, but actuarial differences are immediately recognized through other comprehensive income under IFRS.

The balance of all actuarial differences at the beginning of the year, which was recognized in other comprehensive income under the Japanese GAAP, is directly recognized in “Retained earnings” under IFRS. Also, past service costs are recognized in other comprehensive income under the Japanese GAAP, but are expensed as incurred under IFRS. Accordingly, the balance of all past service costs at the beginning of the year that was recognized in other comprehensive income under the Japanese GAAP is directly recognized in “Retained earnings” under IFRS.

E. Government subsidies

Under the Japanese GAAP, government subsidies are recognized as income en bloc at the time of their receipt. Under IFRS, however, they are deferred and any liabilities arising from recognition of income on a straight-line basis over the useful lives of relevant assets are capitalized under “Other current liabilities” and “Other non-current liabilities.”

F. Tax effects

Net deferred tax assets (deferred tax assets minus deferred tax liabilities) have changed due to the following.

- Adjustments A – E above
- Tax effects due to elimination of unrealized gains or losses are calculated using the effective tax rates of the acquired companies under the Japanese GAAP, but are calculated using those of the acquiring companies under IFRS.
- Under the Japanese GAAP, quarterly income tax is calculated by the same method as that for annual income tax, whereas quarterly income tax is calculated by a simplified method using the estimated annual average effective tax rates under IFRS.

G. Translation differences for foreign operations

Pursuant to the exemptions in IFRS 1 *First-time Adoption of International Financial Reporting Standards*, all accumulated translation differences for foreign operations are reset to zero on the IFRS transition date.

H. Retained earnings

The impact of the adoption of IFRS on retained earnings is as follows.

(Yen in Millions)

	April 1, 2013 (Date of transition to IFRS)	September 30, 2013	March 31, 2014
Adjustment for translation differences for foreign operations (see Note G)	-2,282	-2,282	-2,282
Adjustment for amortization of goodwill (see Note A)	—	492	1,056
Adjustment for immediate recognition and change in calculation methods of actuarial differences in defined benefits (see Note D)	-18,462	-17,816	-15,964
Adjustment for unused paid absences (see Note C)	-1,585	-1,678	-1,680
Adjustment for subsidy income (see Note E)	-724	-789	-1,545
Adjustment for tax effects on account of elimination of unrealized gains or losses (see Note F)	-612	-491	-579
Adjustment for income tax expenses (see Note F)	—	-1,328	—
Others	40	-14	-92
Total adjustment of retained earnings	<u>-23,626</u>	<u>-23,908</u>	<u>-21,089</u>

(8) Significant adjustments to consolidated statements of cash flows for the fiscal year ended March 31, 2014 (April 1, 2013 through March 31, 2014)

There are no significant differences between consolidated statements of cash flows disclosed under IFRS and those disclosed under the Japanese GAAP.