

## Summary of Consolidated Financial Statements for the second quarter ended September 30, 2016 (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: November 2, 2016  
 Estimated starting date of dividend paying: November 25, 2016  
 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, 2016 (April 1, 2016 through September 30, 2016)

#### (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, 2016	354,978	-14.6	29,293	-51.3	28,851	-51.7	20,733	-55.3	20,576	-55.5	-10,538	-
First half ended September 30, 2015	415,736	5.6	60,160	39.6	59,701	40.2	46,435	52.6	46,229	51.3	34,587	-20.5

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
First half ended September 30, 2016	126.78	126.61
First half ended September 30, 2015	279.89	279.50

#### (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, 2016	809,412	592,714	592,039	73.1
March 31, 2016	825,905	617,891	614,425	74.4

### 2. Dividends

Record Date	Dividends per share				
	1Q	2Q	3Q	Year-end	Annual
	yen	yen	yen	yen	yen
March, 2016	-	70.00	-	70.00	140.00
March, 2017	-	75.00	-	-	-
March, 2017 (Forecast)	-	-	-	75.00	150.00

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

For detail, see "Notice Regarding Dividends From Surplus and Revision of Dividend Forecast", released today (October 31, 2016)

3. Forecast for fiscal year ending March 31, 2017 (April 1, 2016 through March 31, 2017)

(% 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	720,000	-9.2	70,000	-31.6	69,000	-32.4	50,000	-39.0	50,000	-38.8	308.05

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

- Others

(1) Changes in significant subsidiaries during the second quarter ended September 30, 2016: 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, 2016: 173,758,428                      March 31, 2016: 173,758,428
2. Number of treasury stock at the end of the period  
September 30, 2016: 11,449,360                      March 31, 2016: 11,465,543
3. Average number of outstanding shares during the period (cumulative from the beginning of the period)  
April-September 2016: 162,303,343                      April-September 2015: 165,172,065

- 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. Please refer to the "Explanation of forecasts and other projections" on page 7 of the attached document for the presuppositions behind assumptions for forecasts, and cautions concerning the use thereof.

(Reference) Consolidated financial results of the second quarter (three months) of the fiscal year ending March 31, 2017  
(July 1, 2016 through September 30, 2016)

(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 Sept. 30, 2016	186,566	-12.2	17,552	-47.7	17,605	-46.6	13,866	-50.0	13,774	-50.2	10,812	2.5
Second quarter ended Sept. 30, 2015	212,526	2.4	33,584	41.3	32,954	41.0	27,754	51.4	27,638	49.4	10,545	-66.8

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
First half ended Sept. 30, 2016	84.87	84.76
First half ended Sept. 30, 2015	167.32	167.10

(Attached Documents)

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## 1. Qualitative Information Regarding Quarterly Settlement of Accounts

### (1) Explanation of operating results

During the first six months of the year ending March 31, 2017 (April 1, 2016 through September 30, 2016), the U.S. economy performed strongly, but its prospects are expected to remain uncertain, given the upcoming presidential election in November and a possible interest rate hike. In Europe, although the impact of the U.K.'s decision to leave the EU was limited, there were concerns about Germany's financial risks. The Japanese economy, on the other hand, remained at a standstill overall, as rapid forex fluctuations slowed improvements in corporate earnings, which in turn dampened any recovery in consumer spending.

Under these economic circumstances, the Nitto Group (the "Group") found itself in a continuously adverse environment as the electronics market, which has driven growth thus far, lost its momentum and the forex situation worsened. To face this challenge, the Group powerfully expedited business portfolio reform in the Green (environmental concerns), Clean (new energy), and Fine (life sciences) domains, while at the same time further honing its strengths in the Optronics Business. The Group also initiated out-of-the-box business structural reform. In the Medical Products Business, which serves as the linchpin for business portfolio reform, contract manufacturing of oligonucleotides continued to perform briskly. This July saw the launch of the drug discovery business in the U.S. in a bid to discover remedies for intractable diseases such as cancer. In the Transportation Business, the Group acquired a new business for functional film used in automotive side curtain airbags from Nolax Holding A.G. to make strategic preparations for future expansion of business domains. The Group also integrated consolidated subsidiaries engaged in the consumer products business to establish a framework for offering new value and enhancing brand value. These initiatives, however, were unable to offset such negative impacts as inventory adjustments among customers of optical films and circuit materials in the mainstay Optronics Business or the rapid appreciation of the yen. Meanwhile, the anti-organ-fibrosis drug development project, which is being promoted from a mid- to long-term perspective by using molecular targeting drug delivery system (DDS) technology, is making steady progress, as a Phase-2b clinical trial for the treatment of cirrhosis is currently under plan.

As a result, revenue decreased by 14.6% from the same period of the previous year (changes hereafter are given in comparison with the same period of the previous year) to 354,978 million yen. Operating income decreased by 51.3% to 29,293 million yen, income before income taxes decreased by 51.7% to 28,851 million yen, net income decreased by 55.3% to 20,733 million yen, and net income attributable to owners of the parent company decreased by 55.5% to 20,576 million yen.

#### Summary of results by segment

##### ① Industrial Tape

In the Transportation Business, automotive products sales were affected by the strong yen overall, with the exception of wire harness bundling tapes and converted adhesive tapes, which gave a strong performance. For the Functional Base Products Business, the Group took varied approaches between products in the growth phase and those that require streamlining. For organic EL panels, which are quickly penetrating into the smartphone market, the Group successfully seized the brisk construction demand for new plants to increase sales of fluorine resin porous functional materials, which are indispensable for air-conditioning of clean rooms in plants. The demand for double-sided adhesive tapes, on the other hand, failed to meet expectations owing to the delay in new model launches, as inventory adjustment of such tapes for high-end smartphones were prolonged. For general-purpose double-sided adhesive tapes and protection films, which are used in a broad range of industrial applications, the Group introduced major operations streamlining to mitigate the negative impact of the high yen.

As a result, revenue decreased by 8.0% to 148,893 million yen and operating income decreased by 16.4% to 11,386 million yen.

##### ② Optronics

For the Information Fine Materials Business, two of their main applications of high-end smartphones and LCD panels for televisions both experienced a recovery in quantity toward the end of the period under review. The Group's new optical films were adopted for a high percentage of newly launched models of high-end smartphones, while sales of LCD panels for televisions were buoyed thanks to aggressive order-taking activities. The Group also conducted a determined drive to enhance productivity, but the yen appreciated faster than its impact could be absorbed. The demand for transparent electroconductive films for tablet PC touch panels remained sluggish. For flexible printed circuits, the Group did not miss out on seizing the demand for hard disk drives (HDDs) for gaming machines, but this was not enough to compensate for the weak demand in the overall HDD market. Process materials, on the other hand, fared well by taking advantage of the increase in unit production of smartphones made by Chinese manufacturers.

As a result, revenue decreased by 21.6% to 193,374 million yen and operating income decreased by 67.4% to 14,281 million yen.

### ③ Medical & Membrane

Medical products sales were driven by the steady expansion of contract manufacturing by a U.S. group company in the oligonucleotide field. October saw the asset acquisition of two U.S. companies, which offer pharmaceutical analytical development services and aseptic fill & finish services, respectively. The rationale behind these acquisitions is to make a positive differentiation from the competition in the promising oligonucleotide market, thereby accelerating expansion of the business. Membrane products (polymer separation membranes) experienced brisk performance in general desalination and seawater desalination projects in emerging countries, but were nevertheless affected by the appreciation of the yen.

As a result, revenue increased by 13.3% to 28,058 million yen and operating income increased by 100.5% to 8,283 million yen.

## (Reference) Segment Information (six months)

(Yen in Millions)

		First half ended September 30, 2015 (April 1, 2015 through September 30, 2015)	First half ended September 30, 2016 (April 1, 2016 through September 30, 2016)	
		Revenue	Revenue	Y-o-Y (%)
Industrial Tape	Functional base products	98,689	88,720	89.9
	Transportation	63,164	60,172	95.3
	Total	161,854	148,893	92.0
	Operating income	13,618	11,386	83.6
Optronics	Information fine materials	206,913	161,606	78.1
	Flexible printed circuits	27,629	20,106	72.8
	Processing materials	11,962	11,661	97.5
	Total	246,505	193,374	78.4
	Operating income	43,772	14,281	32.6
Medical & Membrane	Medical products	10,030	14,642	146.0
	Membrane products	14,732	13,415	91.1
	Total	24,763	28,058	113.3
	Operating income	4,131	8,283	200.5
Corporate/Eliminati on	Revenue	-17,386	-15,346	-
	Operating income	-1,361	-4,657	-
Total	Revenue	415,736	354,978	85.4
	Operating income	60,160	29,293	48.7

(Note) 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.

Such changes have also been reflected in the figures for the first half ended September 30, 2015.

(Reference) Segment Information (three months)		(Yen in Millions)		
		Second quarter ended September 30, 2015 (July 1, 2015 through September 30, 2015)	Second quarter ended September 30, 2016 (July 1, 2016 through September 30, 2016)	
		Revenue	Revenue	Y-o-Y (%)
Industrial Tape	Functional base products	51,336	46,875	91.3
	Transportation	31,726	29,790	93.9
	Total	83,063	76,666	92.3
	Operating income	7,289	6,114	83.9
Optronics	Information fine materials	107,499	87,685	81.6
	Flexible printed circuits	13,445	10,386	77.3
	Processing materials	6,220	5,972	96.0
	Total	127,165	104,045	81.8
	Operating income	25,152	9,588	38.1
Medical & Membrane	Medical products	4,305	7,794	181.1
	Membrane products	7,427	6,462	87.0
	Total	11,732	14,257	121.5
Corporate/Eliminati on	Operating income	1,826	4,015	219.8
	Revenue	-9,434	-8,401	-
Total	Operating income	-683	-2,164	-
	Revenue	212,526	186,566	87.8
		33,584	17,552	52.3

(Note) 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.

Such changes have also been reflected in the figures for the second quarter ended September 30, 2015.



(Reference) Segment Information (annual forecast)

(Yen in Millions)

		Forecasts of fiscal year ending March 31, 2017 (As of October 31, 2016)	
		Revenue	Y-o-Y (%)
Industrial Tape	Functional base products	185,000	96.8
	Transportation	125,000	99.6
	Total	310,000	97.9
	Operating income	28,000	112.5
Optronics	Information fine materials	314,000	82.5
	Flexible printed circuits	40,500	78.6
	Processing materials	25,500	107.9
	Total	380,000	83.3
	Operating income	34,000	49.2
Medical & Membrane	Medical products	31,000	129.3
	Membrane products	29,000	98.7
	Total	60,000	112.4
	Operating income	17,000	150.6
Corporate/Elimi nati on	Revenue	-30,000	-
	Operating income	-9,000	-
Total	Revenue	720,000	90.8
	Operating income	70,000	68.4

(2) Explanation of financial position

The Group's financial position at the end of the second quarter of the fiscal year ending March 31, 2017 was as follows.

Compared with the end of the fiscal year ended March 31, 2016, total assets decreased by 16,493 million yen to 809,412 million yen and total liabilities increased by 8,683 million yen to 216,697 million yen. Total equity decreased by 25,177 million yen to 592,714 million yen. As a result, the ratio of equity attributable to owners of the parent company to total assets changed from 74.4% at the end of the fiscal year ended March 31, 2016 to 73.1% at the end of the second quarter of the fiscal year ending March 31, 2017.

The main changes in assets were a decrease in cash and cash equivalents of 8,125 million yen, an increase in trade and other receivables of 9,546 million yen, a decrease in inventories of 4,445 million yen, and a decrease in property, plant and equipment of 14,385 million yen. In liabilities, trade and other payables increased by 10,977 million yen and other current liabilities decreased by 2,235 million yen.

(3) Explanation of forecasts and other projections

Given the financial results of the period under review, which were strongly affected by translation effects due to the strong yen and production adjustments among key customers in the electronics sector, as well as the appreciation of the yen, which is expected to continue into the third quarter of the fiscal year ending March 31, 2017 and beyond, the Group has revised its earlier consolidated forecasts for that fiscal year. The Group now assumes a currency exchange rate of 105 yen against the U.S. dollar from the third quarter onward.

Revision of consolidated forecasts for the fiscal year ending March 31, 2017 (April 1, 2016 through March 31, 2017)

	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)	770,000	90,000	90,000	70,000	70,000	431.32
Revised forecast (B)	720,000	70,000	69,000	50,000	50,000	308.05
Difference (B) – (A)	-50,000	-20,000	-21,000	-20,000	-20,000	-
% change	-6.5	-22.2	-23.3	-28.6	-28.6	-
(Reference) Consolidated financial results for the fiscal year ended March 31, 2016	793,054	102,397	101,996	81,989	81,683	495.23

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 three months ended September 30, 2016

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)

	March 31, 2016	September 30, 2016
(Assets)		
Current assets		
Cash and cash equivalents	240,891	232,766
Trade and other receivables	149,305	158,852
Inventories	88,499	84,053
Other financial assets	8,662	5,933
Other current assets	14,894	13,241
Total current assets	502,253	494,848
Non-current assets		
Property, plant and equipment	263,645	249,260
Goodwill	2,663	4,002
Intangible assets	10,634	14,440
Investments accounted for using equity method	319	331
Financial assets	7,869	7,478
Deferred tax assets	29,146	30,137
Other non-current assets	9,372	8,914
Total non-current assets	323,651	314,564
Total assets	825,905	809,412

(Yen in Millions)

	March 31, 2016	September 30, 2016
<b>Liabilities and equity</b>		
<b>(Liabilities)</b>		
Current liabilities		
Trade and other payables	96,145	107,122
Bonds and borrowings	3,395	1,587
Income tax payables	3,753	5,521
Other financial liabilities	12,477	10,720
Other current liabilities	38,044	35,809
Total current liabilities	153,817	160,760
Non-current liabilities		
Bonds and borrowings	3,000	3,000
Other financial liabilities	722	1,149
Defined benefit liabilities	47,594	48,612
Deferred tax liabilities	349	871
Other non-current liabilities	2,530	2,303
Total non-current liabilities	54,196	55,936
Total liabilities	208,014	216,697
<b>(Equity)</b>		
Equity attributable to owners of the parent company		
Share capital	26,783	26,783
Capital surplus	56,681	56,082
Retained earnings	559,351	568,568
Treasury stock	-51,016	-50,944
Other components of equity	22,624	-8,450
Total equity attributable to owners of the parent company	614,425	592,039
Non-controlling interests	3,465	675
Total equity	617,891	592,714
Total liabilities and equity	825,905	809,412

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

(Yen in Millions)

	First half ended September 30, 2015 (April 1, 2015 through September 30, 2015)	First half ended September 30, 2016 (April 1, 2016 through September 30, 2016)
Revenue	415,736	354,978
Cost of sales	284,029	257,243
Gross profit	131,707	97,735
Selling, general and administrative expenses	57,989	53,020
Research and development expenses	16,160	15,188
Other income	4,458	2,909
Other expenses	1,855	3,142
Operating income	60,160	29,293
Financial income	591	524
Financial expenses	1,047	961
Equity in profits (losses) of affiliates	-3	-5
Income before income taxes	59,701	28,851
Income tax expenses	13,266	8,117
Net income	46,435	20,733
Net income attributable to:		
Owners of the parent company	46,229	20,576
Non-controlling interests	205	157
Total	46,435	20,733
Earnings per share attributable to owners of the parent company		
Basic earnings per share (yen)	279.89	126.78
Diluted earnings per share (yen)	279.50	126.61

(Quarterly consolidated statements of comprehensive income)

(Yen in Millions)

	First half ended September 30, 2015 (April 1, 2015 through September 30, 2015)	First half ended September 30, 2016 (April 1, 2016 through September 30, 2016)
Net income	46,435	20,733
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	-363	-142
Items that will be reclassified to profit or loss		
Exchange differences on translating foreign operations	-11,683	-31,140
Net gain (loss) in fair value of cash flow hedges	202	22
Share of other comprehensive income of associates accounted for using equity method	-2	-12
Total other comprehensive income	<u>-11,847</u>	<u>-31,272</u>
Total comprehensive income	<u>34,587</u>	<u>-10,538</u>
Total comprehensive income attributable to:		
Owners of the parent company	34,611	-10,498
Non-controlling interests	-23	-40
Total	<u>34,587</u>	<u>-10,538</u>

## (3) Quarterly consolidated statements of changes in equity

For the first half ended September 30, 2015 (April 1, 2015 through September 30, 2015)

(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, 2015	26,783	56,761	508,564	-31,232	51,139	612,016	3,760	615,776
Net income	-	-	46,229	-	-	46,229	205	46,435
Other comprehensive income	-	-	-	-	-11,617	-11,617	-229	-11,847
Total comprehensive income	-	-	46,229	-	-11,617	34,611	-23	34,587
Share-based payment transactions	-	-72	-	-	-	-72	-	-72
Dividends	-	-	-10,734	-	-	-10,734	-255	-10,989
Changes in treasury stock	-	3	-	153	-	157	-	157
Total transactions with owners	-	-69	-10,734	153	-	-10,650	-255	-10,905
Balance as of September 30, 2015	26,783	56,692	544,060	-31,079	39,521	635,978	3,481	639,459

For the first half ended September 30, 2016 (April 1, 2016 through September 30, 2016)

(Yen in Millions)

	Equity attributable to owners of the parent company					Total	Non-controlling interests	Total equity
	Share capital	Capital surplus	Retained earnings	Treasury stock	Other components of equity			
Balance as of April 1, 2016	26,783	56,681	559,351	-51,016	22,624	614,425	3,465	617,891
Net income	-	-	20,576	-	-	20,576	157	20,733
Other comprehensive income	-	-	-	-	-31,074	-31,074	-197	-31,272
Total comprehensive income	-	-	20,576	-	-31,074	-10,498	-40	-10,538
Share-based payment transactions	-	40	-	-	-	40	-	40
Dividends	-	-	-11,360	-	-	-11,360	-151	-11,512
Changes in treasury stock	-	-13	-	71	-	58	-	58
Transfers from other components of equity to retained earnings	-	-	0	-	-0	-	-	-
Additional purchase of shares of consolidated subsidiaries	-	-626	-	-	-	-626	-2,598	-3,224
Total transactions with owners	-	-599	-11,359	71	-0	-11,887	-2,750	-14,638
Balance as of September 30, 2016	26,783	56,082	568,568	-50,944	-8,450	592,039	675	592,714



## (4) Quarterly consolidated statements of cash flows

(Yen in Millions)

	First half ended September 30, 2015 (April 1, 2015 through September 30, 2015)	First half ended September 30, 2016 (April 1, 2016 through September 30, 2016)
Cash flows from operating activities		
Income before income taxes	59,701	28,851
Depreciation and amortization	24,249	24,225
Increase (decrease) in defined benefit liabilities	270	1,536
Decrease (increase) in trade and other receivables	4,131	-19,852
Decrease (increase) in inventories	-5,992	-811
Increase (decrease) in trade and other payables	4,327	13,015
Interest and dividend income	495	416
Interest expenses paid	-244	-197
Income taxes (paid) refunded	-20,491	-4,452
Others	-1,472	4,702
Net cash provided by operating activities	64,975	47,435
Cash flows from investing activities		
Purchase of property, plant and equipment and intangible assets	-31,475	-22,716
Proceeds from sale of property, plant and equipment and intangible assets	57	99
Decrease (increase) in time deposits	-2,284	2,075
Purchase of shares of subsidiaries resulting in change in scope of consolidation	-	-4,796
Others	1	-63
Net cash provided by (used in) investing activities	-33,701	-25,401
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	-467	-1,454
Decrease (increase) in treasury stock	-5	-0
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	-	-3,224
Cash dividends paid	-10,734	-11,360
Others	-233	-151
Net cash provided by (used in) financing activities	-11,441	-16,191
Effect of exchange rate changes on cash and cash equivalents	-4,976	-13,967
Net increase (decrease) in cash and cash equivalents	14,855	-8,125
Cash and cash equivalents at the beginning of the period	214,559	240,891
Cash and cash equivalents at the end of the period	229,414	232,766

(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 half ended September 30, 2015 (April 1, 2015 through September 30, 2015)

(Yen in Millions)

	Industrial Tape	Optronics	Medical & Membrane	Total	Adjustment	Quarterly consolidated statements of income
Revenue from outside customers	154,727	237,291	23,013	415,033	703	415,736
Inter-segment revenue	7,127	9,213	1,749	18,090	-18,090	-
Total segment revenue	161,854	246,505	24,763	433,123	-17,386	415,736
Total operating income (loss)	13,618	43,772	4,131	61,522	-1,361	60,160
Financial income						591
Financial expenses						-1,047
Equity in profits (losses) of affiliates						-3
Income before income taxes						59,701

(Note) 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.

Such changes have also been reflected in the figures for the first half ended September 30, 2015.

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, 2016 (April 1, 2016 through September 30, 2016)

(Yen in Millions)

	Industrial Tape	Optronics	Medical & Membrane	Total	Adjustment	Quarterly consolidated statements of income
Revenue from outside customers	142,049	187,133	25,221	354,404	574	354,978
Inter-segment revenue	6,843	6,240	2,837	15,921	-15,921	-
Total segment revenue	148,893	193,374	28,058	370,325	-15,346	354,978
Total operating income (loss)	11,386	14,281	8,283	33,950	-4,657	29,293
Financial income						524
Financial expenses						-961
Equity in profits (losses) of affiliates						-5
Income before income taxes						28,851

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

(Business combinations)

First half ended September 30, 2015 (April 1, 2015 through September 30, 2015)

No significant business combinations occurred during this period.

First half ended September 30, 2016 (April 1, 2016 through September 30, 2016)

(1) Outline of the business combination

On July 13, 2016, the Group acquired 100% of the shares of nolax Airbag AG of Switzerland (renamed as Nitto Switzerland AG in July 2016). By acquiring a new business for functional film used in automotive side curtain airbags, the Group hopes to enter the promising curtain airbag market, accelerate the expansion of domains of the Group's growing transportation business, and implement its business portfolio reform.

(2) Breakdown of fair value of acquired assets and liabilities and consideration for acquisition on the acquisition date

	(Yen in Millions)
	<u>Amount</u>
Cash and cash equivalents	355
Trade and other receivables	105
Inventories	12
Other current liabilities	20
Intangible assets	4,763
Trade and other payables	-86
Other current liabilities	-2
Non-current liabilities	-649
Goodwill	<u>1,671</u>
Total	<u>6,191</u>
Cash	5,152
Contingent consideration	<u>1,039</u>
Total consideration for acquisition	<u><u>6,191</u></u>

Acquisition-related costs for this business combination amounted to 123 million yen, all of which was expensed under "Selling, general and administrative expenses."

Goodwill has arisen primarily in association with expected future earning power. The goodwill in question cannot be recognized as loss under tax law.

According to the contract, contingent consideration for the business combination shall be paid additionally depending on the level of achievement of selected performance indicators of the acquired company, etc., and its amount shall be calculated by taking time value of money into account. The total amount of payment that the Company may be required to make pursuant to the contingent consideration contract is 2,040 million yen (before discount).

(3) Expenditures for the acquisition of a subsidiary

	(Yen in Millions)
	<u>Amount</u>
Total consideration for acquisition	6,191
Contingent consideration included in consideration for acquisition	-1,039
Cash and cash equivalents in the acquired subsidiary	<u>-355</u>
Expenditures for the acquisition of a subsidiary	<u><u>4,796</u></u>

(4) Impact on the Group's financial results

The quarterly consolidated statements of income include 221 million yen in revenue and 66 million yen in net loss that Nitto Switzerland AG generated on and after the acquisition date. Assuming that the business combination was completed on the commencement date of the fiscal year, the amounts of revenue and net loss are 693 million yen and 61 million yen, respectively.

(Significant subsequent events)

Not applicable.