



August 4, 2017

**Summary of Consolidated Financial Results for the First Quarter  
of the Fiscal Year Ending March 31, 2018  
(Three Months Ended June 30, 2017)**

**[Japanese GAAP]**

Company name: NITTOKU ENGINEERING CO., LTD. Listing: Tokyo Stock Exchange (JASDAQ)  
 Stock code: 6145 URL: <http://www.nittoku.co.jp>  
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 Scheduled date of filing of Quarterly Report: August 10, 2017  
 Scheduled date of payment of dividend: -  
 Preparation of supplementary materials for quarterly financial results: Yes  
 Holding of quarterly financial results meeting: None

Note: The original disclosure in Japanese was released on August 4, 2017, at 15:00 (GMT +9).

(All amounts are rounded down to the nearest million yen)

**1. Consolidated Financial Results for the First Quarter Ended June 30, 2017 (Apr. 1, 2017 – Jun. 30, 2017)**

(1) Consolidated results of operations

(Percentages represent year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Three months ended Jun. 30, 2017	5,401	10.6	683	58.6	698	39.3	491	40.9
Three months ended Jun. 30, 2016	4,882	(1.4)	430	-	501	758.5	349	36.3

Note: Comprehensive income (million yen) Three months ended Jun. 30, 2017: 685 (- %)  
 Three months ended Jun. 30, 2016: (117) (- %)

	Net income per share	Diluted net income per share
	Yen	Yen
Three months ended Jun. 30, 2017	27.23	-
Three months ended Jun. 30, 2016	19.33	-

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of Jun. 30, 2017	37,647	23,438	62.1
As of Mar. 31, 2017	33,695	23,006	68.1

Reference: Shareholders' equity (million yen) As of Jun. 30, 2017: 23,376 As of Mar. 31, 2017: 22,948

**2. Dividends**

	Dividend per share				
	1Q-end	2Q-end	3Q-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended Mar. 31, 2017	-	14.00	-	14.00	28.00
Fiscal year ending Mar. 31, 2018	-	-	-	-	-
Fiscal year ending Mar. 31, 2018 (forecast)	-	14.00	-	14.00	28.00

Note: Revisions to the most recently announced dividend forecast: None

**3. Consolidated Earnings Forecast for the Fiscal Year Ending March 31, 2018 (Apr. 1, 2017 – Mar. 31, 2018)**

(Percentages represent year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
First half	13,500	22.9	1,800	44.9	1,830	36.4	1,300	42.1	71.95
Full year	25,500	9.5	3,150	9.6	3,200	6.9	2,300	3.2	127.30

Note: Revisions to the most recently announced consolidated earnings forecast: None

**\* Notes**

(1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in changes in scope of consolidation): None

Newly added: - Excluded: -

(2) Application of special accounting methods in the preparation of the quarterly consolidated financial statements: None

(3) Changes in accounting policies and accounting-based estimates, and restatements

1) Changes in accounting policies due to revisions in accounting standards, others: None

2) Changes in accounting policies other than 1) above: None

3) Changes in accounting-based estimates: None

4) Restatements: None

(4) Number of outstanding shares (common stock)

1) Number of shares outstanding at the end of the period (including treasury shares)

As of Jun. 30, 2017:	18,098,923 shares	As of Mar. 31, 2017:	18,098,923 shares
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2) Number of treasury shares at the end of the period

As of Jun. 30, 2017:	30,969 shares	As of Mar. 31, 2017:	30,969 shares
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3) Average number of shares outstanding during the period

Three months ended Jun. 30, 2017:	18,067,954 shares	Three months ended Jun. 30, 2016:	18,068,173 shares
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\* The current quarterly financial report is not subject to quarterly review procedures.

\* Explanation of appropriate use of earnings forecasts, and other special items

- Forecasts of future performance in these materials are based on assumptions judged to be valid and information available to the Company's management at the time the materials were prepared. These materials are not promises by the Company regarding future performance. Actual results may differ significantly from these forecasts for a number of reasons. For discussion of the assumptions and other factors considered by the Company in preparing the above projections, please refer to page 3 of the attachments "1. Qualitative Information on Quarterly Consolidated Financial Performance, (3) Explanation of Consolidated Earnings Forecast and Other Forward-looking Statements."

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## 1. Qualitative Information on Quarterly Consolidated Financial Performance

### (1) Explanation of Results of Operations

In the first quarter of the current fiscal year, amid rising expectations for economic recovery mixed with cautious observations and analyses, the world economy saw accelerated evolution of the Internet, computers, electronic devices and IoT, as well as intensified competition for the development of robots, AI and electric vehicles, which were further propelled by governments' policies.

All these progresses cannot possibly be achieved without the development of electronic components, IoT devices and motor systems, to which coils are key components. More recently, manufacturing of products and components equipped with such coils as key parts has become more FA-oriented, aiming to achieve labor savings, compatibility with microfabrication and precision engineering, and stable production and quality. While general-purpose production facilities require manufacturers to customize them to create products with better quality, most of our flagship products are precision factory automation lines which can readily create added values to products and components. To make it happen, the Nittoku Engineering Group (hereinafter, "the Group") should play a role as an industrial engineering agent who develops the facilities with knowledge not only of the characteristics of output products but also of material inputs for production. As such, we are striving to meet the changing needs of manufacturers of electronic components, IoT devices and motor systems who seek a "turn-key solution."

To this end, we develop FA lines, equipment and systems through developing facilities utilizing our coil-related technologies, acquiring material knowledge, and at the same time leveraging on open innovation, alliance and M&A as necessary. We also offer world-wide service networks to support our customers as part of providing turn-key solutions.

These efforts have borne a fruit. We have experienced a substantial increase in orders from leading companies across the globe in the electronics, electric, and automobile industries as we are one of the very few manufacturers with a capability to build up integrated precision FA lines providing a turn-key solution. In fact, orders from the automobile sector, the information & communications sector, and the AV & home appliance sector increased twofold, 70% and fourfold year on year, respectively.

These precision FA lines are tailor-made to the need of each user, with our engineers fully engaged in almost all the processes including designing, procuring, processing, assembling, and adjusting as per user-requested specifications. As this manufacturing approach depends heavily on skills and know-hows cultivated personally for years, we are vigorously taking measures such as securing and training personnel, increasing both quality and quantity of our business partners and suppliers, and standardizing and communizing designs and components. Furthermore, we have helped small- and medium-sized domestic production equipment manufacturers to strengthen their technologies through the concept of open innovation and alliance with the Group, whereby we can increase our capability and expand the field of factory automation in which we work.

Additionally, to meet manufacturers' changing needs steadily and speedily, we allocated approximately one billion yen for R&D programs for the current fiscal year, which is about two times more than the actual R&D expenditure for the previous fiscal year. The R&D programs will allow us to further develop control technology and FA systems, as well as an EV motor with an ultimate goal to develop relevant facilities. We believe that these efforts will make us a precision FA manufacturer who leads the globally exploding market of smart factory equipment.

As a result, net sales increased 10.6% year on year to 5,401 million yen with operating profit of 683 million yen (up 58.6% year on year), ordinary profit of 698 million yen (up 39.3% year on year), and profit attributable to owners of parent of 491 million yen (up 40.9% year on year).

Results by business segment were as follows.

From the first quarter of the current fiscal year, the coil winding machine business segment was renamed to the winding system & mechatronics business segment. The change is only nominal and does not influence the segment information.

### Winding System & Mechatronics Business

For the first quarter of the current fiscal year, this segment continued to post strong sales from customers in the information & communications sector and the automobile sector. In the information & communications sector there were strong sales of production lines for speaker and receiver modules and power inductors invested by manufacturers of electronic components mainly for smartphones. In the automobile sector there were also strong sales of production lines for EPS and ABS motors. On top of those sales, we continued to receive solid orders of production lines for home appliance motors in the AV & home appliance sector, as well as those of connector assembly lines in the industrial equipment sector.

For the reasons explained above, this segment, which accounts for about 93% of the Group's total sales, reported consolidated sales of 5,021 million yen (up 8.6% year on year) and segment profit (operating profit) of 815 million yen (up 30.2%). On a non-consolidated basis, the segment reported orders received of 7,432 million yen (up 76.4%), sales (production) of 4,543 million yen (up 9.6%) and the order backlog at the end of the first quarter of the current fiscal year of 16,355 million yen (up 98.3%).

### Contactless IC Tag and Card Business

For the first quarter of the current fiscal year, sales of ID cards and FA tags for their production control systems were strong. There were also continued strong orders received for credit cards on top of FA tags for production control.

As a result, the segment reported consolidated sales of 379 million yen (up 47.0% year on year) and segment profit (operating profit) of 114 million yen (up 272.7%). On a non-consolidated basis, the segment reported orders received of 458 million yen (up 3.3%), sales (production) of 379 million yen (up 47.0%) and the order backlog at the end of the first quarter of the current fiscal year of 477 million yen (up 4.1%).

## **(2) Explanation of Financial Position**

### Assets

Current assets increased 3,938 million yen from the end of the previous fiscal year to 30,377 million yen. This was mainly due to increases of 1,969 million yen in cash and deposits and 2,568 million yen in work in process.

Non-current assets increased 14 million yen from the end of the previous fiscal year to 7,270 million yen.

As a result, total assets increased 3,952 million yen from the end of the previous fiscal year to 37,647 million yen.

### Liabilities

Current liabilities increased 3,458 million yen from the end of the previous fiscal year to 13,632 million yen. This was mainly attributable to increases of 1,132 million yen in electronically recorded obligations-operating and 2,874 million yen in advances received.

Non-current liabilities increased 61 million yen from the end of the previous fiscal year to 576 million yen. This was mainly attributable to an increase of 53 million yen in deferred tax liabilities.

As a result, total liabilities increased 3,519 million yen from the end of the previous fiscal year to 14,208 million yen.

### Net assets

Total net assets increased 432 million yen from the end of the previous fiscal year to 23,438 million yen.

## **(3) Explanation of Consolidated Earnings Forecast and Other Forward-looking Statements**

There are no revisions to the full-year earnings forecast for the fiscal year ending March 31, 2018 that was announced on May 12, 2017.

**2. Quarterly Consolidated Financial Statements and Notes****(1) Quarterly Consolidated Balance Sheet**

	(Thousands of yen)	
	FY3/17 (As of Mar. 31, 2017)	First quarter of FY3/18 (As of Jun. 30, 2017)
Assets		
Current assets		
Cash and deposits	13,467,653	15,437,228
Notes and accounts receivable-trade	6,321,167	5,939,944
Work in process	5,128,043	7,696,995
Raw materials and supplies	600,158	610,293
Deferred tax assets	261,728	176,943
Other	704,095	554,103
Allowance for doubtful accounts	(43,741)	(38,377)
Total current assets	26,439,105	30,377,131
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	1,846,683	2,031,235
Machinery, equipment and vehicles, net	546,344	522,822
Land	691,468	700,297
Other, net	506,470	350,593
Total property, plant and equipment	3,590,966	3,604,949
Intangible assets		
Goodwill	33,926	30,156
Other	158,289	155,102
Total intangible assets	192,215	185,259
Investments and other assets		
Investment securities	2,616,369	2,593,949
Other	856,440	886,383
Total investments and other assets	3,472,810	3,480,332
Total non-current assets	7,255,992	7,270,541
Total assets	33,695,098	37,647,673

	(Thousands of yen)	
	FY3/17 (As of Mar. 31, 2017)	First quarter of FY3/18 (As of Jun. 30, 2017)
<b>Liabilities</b>		
<b>Current liabilities</b>		
Notes and accounts payable-trade	3,126,182	2,754,815
Electronically recorded obligations-operating	3,777,497	4,909,555
Income taxes payable	558,465	173,333
Advances received	1,496,269	4,371,036
Provision for bonuses	459,060	293,534
Other	756,131	1,129,889
<b>Total current liabilities</b>	<b>10,173,608</b>	<b>13,632,165</b>
<b>Non-current liabilities</b>		
Deferred tax liabilities	212,331	265,980
Net defined benefit liability	98,402	105,962
Other	204,706	204,706
<b>Total non-current liabilities</b>	<b>515,440</b>	<b>576,650</b>
<b>Total liabilities</b>	<b>10,689,048</b>	<b>14,208,815</b>
<b>Net assets</b>		
<b>Shareholders' equity</b>		
Capital stock	6,884,928	6,884,928
Capital surplus	2,542,054	2,542,054
Retained earnings	12,602,186	12,841,195
Treasury shares	(23,937)	(23,937)
<b>Total shareholders' equity</b>	<b>22,005,232</b>	<b>22,244,240</b>
<b>Accumulated other comprehensive income</b>		
Valuation difference on available-for-sale securities	571,936	699,861
Foreign currency translation adjustment	424,857	483,388
Remeasurements of defined benefit plans	(53,869)	(50,938)
<b>Total accumulated other comprehensive income</b>	<b>942,924</b>	<b>1,132,311</b>
<b>Non-controlling interests</b>	<b>57,893</b>	<b>62,305</b>
<b>Total net assets</b>	<b>23,006,049</b>	<b>23,438,858</b>
<b>Total liabilities and net assets</b>	<b>33,695,098</b>	<b>37,647,673</b>

**(2) Quarterly Consolidated Statements of Income and Comprehensive Income****Quarterly Consolidated Statement of Income****(For the Three-month Period)**

(Thousands of yen)

	First three months of FY3/17 (Apr. 1, 2016 – Jun. 30, 2016)	First three months of FY3/18 (Apr. 1, 2017 – Jun. 30, 2017)
Net sales	4,882,927	5,401,030
Cost of sales	3,508,933	3,716,705
Gross profit	1,373,993	1,684,325
Selling, general and administrative expenses	943,279	1,001,193
Operating profit	430,713	683,131
Non-operating income		
Interest income	8,253	17,652
Dividend income	16,235	14,946
Foreign exchange gains	30,192	-
Other	19,948	14,322
Total non-operating income	74,630	46,920
Non-operating expenses		
Foreign exchange losses	-	15,685
Loss on sales of non-current assets	1,180	13,886
Other	2,741	2,176
Total non-operating expenses	3,921	31,748
Ordinary profit	501,423	698,304
Extraordinary income		
Gain on sales of investment securities	-	25,107
Total extraordinary income	-	25,107
Profit before income taxes	501,423	723,412
Income taxes-current	82,090	145,591
Income taxes-deferred	71,729	82,039
Total income taxes	153,819	227,630
Profit	347,603	495,781
Profit (loss) attributable to non-controlling interests	(1,633)	3,821
Profit attributable to owners of parent	349,236	491,959



**Quarterly Consolidated Statement of Comprehensive Income**  
**(For the Three-month Period)**

(Thousands of yen)

	First three months of FY3/17 (Apr. 1, 2016 – Jun. 30, 2016)	First three months of FY3/18 (Apr. 1, 2017 – Jun. 30, 2017)
Profit	347,603	495,781
Other comprehensive income		
Valuation difference on available-for-sale securities	(73,367)	127,924
Foreign currency translation adjustment	(403,841)	59,121
Remeasurements of defined benefit plans, net of tax	12,584	2,931
Total other comprehensive income	(464,625)	189,978
Comprehensive income	(117,021)	685,759
Comprehensive income attributable to:		
Owners of parent	(111,212)	681,347
Non-controlling interests	(5,809)	4,412

**(3) Notes to Quarterly Consolidated Financial Statements****Going Concern Assumption**

Not applicable.

**Significant Changes in Shareholders' Equity**

First three months of FY3/18 (Apr. 1, 2017 – Jun. 30, 2017)

Not applicable.

**Segment and Other Information**

I. First three months of FY3/17 (Apr. 1, 2016 – Jun. 30, 2016)

1. Information related to net sales and profit or loss for each reportable segment (Thousands of yen)

	Reportable segment		Total
	Winding system & mechatronics business	Contactless IC tag and card business	
Net sales			
External sales	4,624,704	258,222	4,882,927
Inter-segment sales and transfers	-	-	-
Total	4,624,704	258,222	4,882,927
Segment profit	626,622	30,857	657,480

2. Reconciliation of amounts shown on the quarterly consolidated statement of income with total profit or loss for reportable segments (Thousands of yen)

Profit	Amount
Total for reportable segments	657,480
Corporate expenses (Note)	(226,766)
Operating profit on the quarterly consolidated statement of income	430,713

Note: Corporate expenses mainly include general and administrative expenses that cannot be attributed to any reportable segments.

II. First three months of FY3/18 (Apr. 1, 2017 – Jun. 30, 2017)

1. Information related to net sales and profit or loss for each reportable segment (Thousands of yen)

	Reportable segment		Total
	Winding system & mechatronics business	Contactless IC tag and card business	
Net sales			
External sales	5,021,370	379,660	5,401,030
Inter-segment sales and transfers	-	-	-
Total	5,021,370	379,660	5,401,030
Segment profit	815,888	114,999	930,887

2. Reconciliation of amounts shown on the quarterly consolidated statement of income with total profit or loss for reportable segments (Thousands of yen)

Profit	Amount
Total for reportable segments	930,887
Corporate expenses (Note)	(247,756)
Operating profit on the quarterly consolidated statement of income	683,131

Note: Corporate expenses mainly include general and administrative expenses that cannot be attributed to any reportable segments.

3. Information related to revisions for reportable segments

From the first quarter of the current fiscal year, the coil winding machine business segment was renamed to the winding system & mechatronics business segment. The change is only nominal and does not influence the segment information. The segment information for the first quarter of the previous fiscal year is prepared and disclosed using the new segment name.

*This summary report is solely a translation of "Kessan Tanshin" (in Japanese, including attachments), which has been prepared in accordance with accounting principles and practices generally accepted in Japan, for the convenience of readers who prefer an English translation.*