



November 9, 2017

**Summary of Consolidated Financial Results for the Second Quarter  
of the Fiscal Year Ending March 31, 2018  
(Six Months Ended September 30, 2017)**

**[Japanese GAAP]**

Company name: NITTOKU ENGINEERING CO., LTD. Listing: Tokyo Stock Exchange (JASDAQ)  
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Scheduled date of filing of Quarterly Report: November 10, 2017  
 Scheduled date of payment of dividend: December 1, 2017  
 Preparation of supplementary materials for quarterly financial results: Yes  
 Holding of quarterly financial results meeting: Yes (for analysts and institutional investors)

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

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

**1. Consolidated Financial Results for the Second Quarter Ended September 30, 2017 (Apr. 1, 2017 – Sep. 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	%
Six months ended Sep. 30, 2017	15,300	39.3	2,458	97.9	2,453	82.8	1,720	88.1
Six months ended Sep. 30, 2016	10,981	(3.0)	1,242	44.3	1,342	41.6	914	7.9

Note: Comprehensive income (million yen) Six months ended Sep. 30, 2017: 2,241 (up 340.9 %)  
 Six months ended Sep. 30, 2016: 508 (down 25.2 %)

	Net income per share		Diluted net income per share	
	Yen		Yen	
Six months ended Sep. 30, 2017	95.23		-	
Six months ended Sep. 30, 2016	50.62		-	

(2) Consolidated financial position

	Total assets		Net assets		Equity ratio	
	Million yen	%	Million yen	%		
As of Sep. 30, 2017	36,772		24,994		67.8	
As of Mar. 31, 2017	33,695		23,006		68.1	

Reference: Shareholders' equity (million yen) As of Sep. 30, 2017: 24,928 As of Mar. 31, 2017: 22,948

**2. Dividends**

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

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

Dividend for the end of second quarter is expected to be resolved at the Board of Directors meeting on November 10, 2017.

**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	
Full year	28,000	20.3	3,850	34.0	3,900	30.3	2,800	25.6	154.97	

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

Refer to the November 8, 2017 press release concerning forecast revision (Japanese version only).

**\* 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 Sep. 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 Sep. 30, 2017:	31,030 shares	As of Mar. 31, 2017:	30,969 shares
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3) Average number of shares outstanding during the period

Six months ended Sep. 30, 2017:	18,067,939 shares	Six months ended Sep. 30, 2016:	18,068,149 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 4 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 half of the current fiscal year (hereinafter “the period under review”) the world economy faced with a challenge where many interrelated risks remained unsolved in different countries despite rising expectations for economic recovery. Under such circumstances, global competition has become further intensified and accelerated for development and evolution of both software and hardware applied to IoT, AI, robots, EVs, and connected cars.

Key hardware devices that help achieve industrial innovation, environmental preservation, or changes in lifestyle definitely require coils for utilizing electricity and electromagnetism, and motors for realizing electric operation as well. As a leading provider of manufacturing equipment for such coils and motors, the Nittoku Engineering Group has enjoyed receiving a growing number of requests for consultation and inquiries. Further, as a recent trend, customers look to us not only to provide elemental technologies for coils and motors but also to take care of their rapidly growing demand for automation to address challenges including a rise in wages, a shortage of factory workers, needs for miniaturization and microfabrication of their products, and improvement of quality.

We would observe that our core business of developing and manufacturing FA equipment is in a transition period because we cater for the above-mentioned multiple demands from our client manufacturers mainly in the fields of electronic devices and components, automobiles, motors. To this end, we have been focusing on research and development to further evolve elemental technologies and production technologies, as well as to increase production capacity.

Specifically, we have aggressively been recruiting and training personnel for production and R&D both at home and abroad because our core business of manufacturing FA equipment depends on human resources rather than physical equipment/facility. We have also vigorously pursued to expand factory buildings, improve capabilities of our business partners, and strengthening alliance. In the research and development, we have allocated our resources to the fields including development of production facilities for EV motors and development of motors to provide the solution; development of FA equipment for wireless power transfer and charging system applicable to electronic devices, automobiles, and transportation equipment, which can meet demand for electronic and electric operation; and RFID tags for production management.

Thanks to these efforts, the Group posted the record-high sales of 15,300 million yen and 9,800 million yen for the period under review (from April 1 to September 30, 2017) and for the second quarter of the current fiscal year (from July 1 to September 30, 2017), respectively. This is primarily attributable to smooth production and delivery of the large-scale order received in the third quarter of the previous fiscal year, which allowed us to report sales during the second quarter of the current fiscal year. In the course of our core business, we receive orders, and then develop and manufacture equipment that is fully customized for each customer and for each usage. This entails that delivery lead times and revenue recognition periods vary from order to order. Consequently, the amount of sales recognized may vary significantly from quarter to quarter even when the Group’s production lines are busy and production volume remains largely constant.

As a result, net sales increased 39.3% year on year to 15,300 million yen with operating profit of 2,458 million yen (up 97.9% year on year), ordinary profit of 2,453 million yen (up 82.8% year on year), and profit attributable to owners of parent of 1,720 million yen (up 88.1% 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

In the information & communications sector for the period under review, we successfully delivered as planned a large 5,700 million yen scale project that was won in the third quarter of the previous fiscal year. In terms of revenue recognition of the project, we posted sales of 800 million yen for the fourth quarter of the previous fiscal year and the remaining 4,900 million yen for the period under review. We have received an additional order of

approximately 700 million yen from the same project, for which we expect sales to be posted in the current fiscal year. Orders continued to be strong for production equipment lines including compact speakers, receiver modules, and power inductors. In the automobile sector, we continued receiving steady orders for in-vehicle motors including electric power steering and electric brake motors. On top of that, orders and sales from the AV & home appliance sector have increased, backed by expanding demand for equipment that enables our customers to advance and automate their manufacturing process of motors for home appliance. In the industrial equipment sector, orders for connector assembly lines remained solid.

For the reasons explained above, this segment, which accounts for about 95.3% of the Group's total sales, reported consolidated sales of 14,576 million yen (up 42.5% year on year) and segment profit (operating profit) of 2,777 million yen (up 76.6%). On a non-consolidated basis, the segment reported orders received of 15,466 million yen (up 73.9%), sales (production) of 13,568 million yen (up 47.2%) and the order backlog at the end of the period under review of 15,364 million yen (up 95.6%).

#### Contactless IC Tag and Card Business

For the period under review, sales of FA tags for production control systems remained 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 724 million yen (down 3.5% year on year) and segment profit (operating profit) of 186 million yen (up 39.4%). On a non-consolidated basis, the segment reported orders received of 595 million yen (down 50.1%), sales (production) of 724 million yen (down 3.5%) and the order backlog at the end of the period under review of 269 million yen (down 62.3%).

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

### Assets

Current assets increased 2,582 million yen from the end of the previous fiscal year to 29,021 million yen. This was mainly due to an increase of 1,880 million yen in cash and deposits.

Non-current assets increased 495 million yen from the end of the previous fiscal year to 7,751 million yen. This was mainly due to increases of 159 million yen in buildings and structures, net and 319 million yen in investment securities.

As a result, total assets increased 3,077 million yen from the end of the previous fiscal year to 36,772 million yen.

### Liabilities

Current liabilities increased 912 million yen from the end of the previous fiscal year to 11,085 million yen. This was mainly attributable to increases of 1,208 million yen in electronically recorded obligations-operating and 256 million yen in income taxes payable, which were partially offset by a decrease of 940 million yen in notes and accounts payable-trade.

Non-current liabilities increased 176 million yen from the end of the previous fiscal year to 692 million yen. This was mainly attributable to an increase of 161 million yen in deferred tax liabilities.

As a result, total liabilities increased 1,089 million yen from the end of the previous fiscal year to 11,778 million yen.

### Net assets

Total net assets increased 1,988 million yen from the end of the previous fiscal year to 24,994 million yen.

### Cash flows

Cash and cash equivalents (hereinafter "net cash") increased 2,442 million yen from the end of the previous fiscal year to 12,586 million yen at the end of the period under review. The cash flow components during the period under review and the main reasons for changes are as described below.

Cash flows from operating activities

Net cash provided by operating activities was 2,569 million yen (up 0.6% year on year). The main factor was profit before income taxes of 2,478 million yen.

Cash flows from investing activities

Net cash provided by investing activities was 41 million yen (compared with 542 million yen used in the same period of the previous fiscal year). The main factors include proceeds from withdrawal of time deposits of 2,865 million yen, which were partially offset by payments into time deposits of 2,775 million yen.

Cash flows from financing activities

Net cash used in financing activities was 252 million yen (down 0.5% year on year), which was caused by payment of cash dividends of 252 million yen.

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

The earnings forecasts are based on information available at the time of the release of this report. Actual results may differ from these forecasts for a number of reasons. The Company has revised its earnings forecast for the fiscal year ending March 31, 2018 that was announced on May 12, 2017. For more details, please refer to the November 8, 2017 press release concerning forecast revision (Japanese version only).

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

	(Thousands of yen)	
	FY3/17 (As of Mar. 31, 2017)	Second quarter of FY3/18 (As of Sep. 30, 2017)
Assets		
Current assets		
Cash and deposits	13,467,653	15,348,139
Notes and accounts receivable-trade	6,321,167	6,190,750
Work in process	5,128,043	5,376,963
Raw materials and supplies	600,158	666,087
Deferred tax assets	261,728	289,768
Other	704,095	1,188,306
Allowance for doubtful accounts	(43,741)	(38,879)
Total current assets	26,439,105	29,021,136
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	1,846,683	2,006,484
Machinery, equipment and vehicles, net	546,344	515,153
Land	691,468	700,297
Other, net	506,470	396,507
Total property, plant and equipment	3,590,966	3,618,442
Intangible assets		
Goodwill	33,926	26,387
Other	158,289	157,636
Total intangible assets	192,215	184,023
Investments and other assets		
Investment securities	2,616,369	2,935,378
Other	856,440	1,013,197
Total investments and other assets	3,472,810	3,948,575
Total non-current assets	7,255,992	7,751,042
Total assets	33,695,098	36,772,178

	(Thousands of yen)	
	FY3/17 (As of Mar. 31, 2017)	Second quarter of FY3/18 (As of Sep. 30, 2017)
<b>Liabilities</b>		
<b>Current liabilities</b>		
Notes and accounts payable-trade	3,126,182	2,185,279
Electronically recorded obligations-operating	3,777,497	4,985,856
Income taxes payable	558,465	814,642
Provision for bonuses	459,060	535,775
Other	2,252,400	2,564,344
<b>Total current liabilities</b>	<b>10,173,608</b>	<b>11,085,897</b>
<b>Non-current liabilities</b>		
Deferred tax liabilities	212,331	373,367
Net defined benefit liability	98,402	114,088
Other	204,706	204,706
<b>Total non-current liabilities</b>	<b>515,440</b>	<b>692,161</b>
<b>Total liabilities</b>	<b>10,689,048</b>	<b>11,778,059</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	14,069,836
Treasury shares	(23,937)	(24,172)
<b>Total shareholders' equity</b>	<b>22,005,232</b>	<b>23,472,647</b>
<b>Accumulated other comprehensive income</b>		
Valuation difference on available-for-sale securities	571,936	933,879
Foreign currency translation adjustment	424,857	569,730
Remeasurements of defined benefit plans	(53,869)	(48,006)
<b>Total accumulated other comprehensive income</b>	<b>942,924</b>	<b>1,455,603</b>
<b>Non-controlling interests</b>	<b>57,893</b>	<b>65,868</b>
<b>Total net assets</b>	<b>23,006,049</b>	<b>24,994,119</b>
<b>Total liabilities and net assets</b>	<b>33,695,098</b>	<b>36,772,178</b>



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

(Thousands of yen)

	First six months of FY3/17 (Apr. 1, 2016 – Sep. 30, 2016)	First six months of FY3/18 (Apr. 1, 2017 – Sep. 30, 2017)
Net sales	10,981,726	15,300,919
Cost of sales	7,817,200	10,837,145
Gross profit	3,164,526	4,463,773
Selling, general and administrative expenses	1,922,204	2,005,586
Operating profit	1,242,321	2,458,187
Non-operating income		
Interest income	16,011	24,285
Dividend income	16,634	15,370
Foreign exchange gains	37,826	-
Other	35,809	24,284
Total non-operating income	106,283	63,939
Non-operating expenses		
Foreign exchange losses	-	44,153
Loss on sales of non-current assets	1,636	13,917
Other	4,851	10,346
Total non-operating expenses	6,488	68,418
Ordinary profit	1,342,116	2,453,708
Extraordinary income		
Gain on sales of investment securities	-	25,118
Total extraordinary income	-	25,118
Profit before income taxes	1,342,116	2,478,827
Income taxes-current	261,861	782,786
Income taxes-deferred	160,002	(30,234)
Total income taxes	421,864	752,551
Profit	920,252	1,726,275
Profit attributable to non-controlling interests	5,635	5,674
Profit attributable to owners of parent	914,616	1,720,601

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

(Thousands of yen)

	First six months of FY3/17 (Apr. 1, 2016 – Sep. 30, 2016)	First six months of FY3/18 (Apr. 1, 2017 – Sep. 30, 2017)
Profit	920,252	1,726,275
Other comprehensive income		
Valuation difference on available-for-sale securities	34,888	361,942
Foreign currency translation adjustment	(471,978)	147,173
Remeasurements of defined benefit plans, net of tax	25,168	5,863
Total other comprehensive income	(411,921)	514,979
Comprehensive income	508,330	2,241,255
Comprehensive income attributable to:		
Owners of parent	507,453	2,233,280
Non-controlling interests	877	7,974

**(3) Quarterly Consolidated Statement of Cash Flows**

(Thousands of yen)

	First six months of FY3/17 (Apr. 1, 2016 – Sep. 30, 2016)	First six months of FY3/18 (Apr. 1, 2017 – Sep. 30, 2017)
Cash flows from operating activities		
Profit before income taxes	1,342,116	2,478,827
Depreciation	205,148	199,145
Amortization of goodwill	7,539	7,539
Increase (decrease) in allowance for doubtful accounts	(3,294)	(4,852)
Increase (decrease) in provision for bonuses	97,157	73,537
Increase (decrease) in net defined benefit liability	47,714	24,307
Interest and dividend income	(32,646)	(39,655)
Loss (gain) on sales of property, plant and equipment	(3,133)	13,687
Decrease (increase) in notes and accounts receivable-trade	774,260	172,972
Decrease (increase) in inventories	346,811	(333,821)
Increase (decrease) in notes and accounts payable-trade	(457,410)	235,458
Loss (gain) on sales of investment securities	-	(25,118)
Other, net	10,433	229,603
Subtotal	2,334,697	3,031,631
Interest and dividend income received	33,780	38,060
Income taxes paid	(92,823)	(500,080)
Income taxes refund	278,021	-
Net cash provided by (used in) operating activities	2,553,676	2,569,611
Cash flows from investing activities		
Payments into time deposits	(1,146,861)	(2,775,406)
Proceeds from withdrawal of time deposits	854,425	2,865,280
Purchase of property, plant and equipment	(188,020)	(236,128)
Proceeds from sales of property, plant and equipment	6,517	33,430
Purchase of intangible assets	(36,823)	(9,129)
Purchase of investment securities	(26,588)	(2,892)
Proceeds from sales and redemption of investment securities	1,053	231,272
Purchase of insurance funds	(37,270)	(43,338)
Proceeds from maturity of insurance funds	31,560	19,827
Other, net	-	(41,800)
Net cash provided by (used in) investing activities	(542,005)	41,115
Cash flows from financing activities		
Purchase of treasury shares	(90)	(234)
Cash dividends paid	(254,005)	(252,698)
Net cash provided by (used in) financing activities	(254,095)	(252,933)
Effect of exchange rate change on cash and cash equivalents	(248,607)	84,673
Net increase (decrease) in cash and cash equivalents	1,508,967	2,442,467
Cash and cash equivalents at beginning of period	7,811,802	10,143,756
Cash and cash equivalents at end of period	9,320,769	12,586,223

**(4) Notes to Quarterly Consolidated Financial Statements**

**Going Concern Assumption**

Not applicable.

**Significant Changes in Shareholders' Equity**

First six months of FY3/18 (Apr. 1, 2017 – Sep. 30, 2017)

Not applicable.

**Segment and Other Information****Segment Information****I. First six months of FY3/17 (Apr. 1, 2016 – Sep. 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	10,230,793	750,932	10,981,726
Inter-segment sales and transfers	-	-	-
Total	10,230,793	750,932	10,981,726
Segment profit	1,572,589	133,944	1,706,533

**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	1,706,533
Corporate expenses (Note)	(464,212)
Operating profit on the quarterly consolidated statement of income	1,242,321

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

**II. First six months of FY3/18 (Apr. 1, 2017 – Sep. 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	14,576,599	724,320	15,300,919
Inter-segment sales and transfers	-	-	-
Total	14,576,599	724,320	15,300,919
Segment profit	2,777,084	186,770	2,963,855

**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	2,963,855
Corporate expenses (Note)	(505,667)
Operating profit on the quarterly consolidated statement of income	2,458,187

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

**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 six months 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.*