



February 8, 2018

**Summary of Consolidated Financial Results for the Third Quarter
of the Fiscal Year Ending March 31, 2018
(Nine Months Ended December 31, 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:

February 9, 2018

Scheduled date of payment of dividend:

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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 February 8, 2018, at 15:00 (GMT +9).**(All amounts are rounded down to the nearest million yen)***1. Consolidated Financial Results for the Third Quarter Ended December 31, 2017 (Apr. 1, 2017 – Dec. 31, 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	%
Nine months ended Dec. 31, 2017	22,447	42.3	3,156	88.8	3,167	74.3	2,212	78.1
Nine months ended Dec. 31, 2016	15,778	0.5	1,671	38.6	1,816	36.8	1,242	5.4

Note: Comprehensive income (million yen) Nine months ended Dec. 31, 2017: 3,112 (up 116.2%)

Nine months ended Dec. 31, 2016: 1,439 (up 33.0%)

	Net income per share	Diluted net income per share
	Yen	Yen
Nine months ended Dec. 31, 2017	122.46	-
Nine months ended Dec. 31, 2016	68.78	-

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of Dec. 31, 2017	37,293	25,611	68.5
As of Mar. 31, 2017	33,695	23,006	68.1

Reference: Shareholders' equity (million yen) As of Dec. 31, 2017: 25,544 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	-	14.00	-		
Fiscal year ending Mar. 31, 2018 (forecast)				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
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

*** 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 Dec. 31, 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 Dec. 31, 2017:	31,144 shares	As of Mar. 31, 2017:	30,969 shares
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3) Average number of shares outstanding during the period

Nine months ended Dec. 31, 2017:	18,067,918 shares	Nine months ended Dec. 31, 2016:	18,068,128 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 nine months of the current fiscal year (hereinafter "period under review") the world economy maintained an upward trend supported by an economic boom in the United States, an economic recovery in Europe, and continued strong indicators of the Chinese economy despite alarming concerns over a rise in protectionist policies and geopolitical risks.

In particular, there is a big movement of social changes through the development of AI, robots, IoT, EV, automatic operation, and electronic devices as well as the innovation of software and data business. Amid intensified global competitions, such a movement has driven the momentum of economy by means of borderless collaboration and coordination in a speedy and dynamic manner.

The markets in which the Group's main customers operate are those for EV motors, in-vehicle motors, in-vehicle electronic components, robotics components, electronic terminals such as smartphones and tablets, and electronic components including IoT devices, sensors, communication modules, wireless devices, various motor systems, home appliances, industrial equipment, power-saving electric equipment, power-generating and storage equipment, medical equipment, and IC tags, most of which are leaping ahead to be business domains driving the above-mentioned social changes.

The Group has pursued to implement a strategy of partnering with its manufacturing customers who compete each other in these markets. To this end, we have catered for their sophisticated needs to achieve high quality, high efficiency, manpower saving, and integrated line production of their hardware products and devices. We have also strived to play a pivotal role of helping our customers in various industry sectors to create added value by taking care of their production technology to resolve a variety of problems they face. Specifically, we have implemented the strategy based on technologies cultivated through development of production facilities of coils and motors, while allocating our resources to research and development, human resources development, and capability enhancement to provide various FA production lines for devices and modules, core products in the above-mentioned markets, as well as actively utilizing the open innovation.

As a result, net sales increased 42.3% year on year to 22,447 million yen with operating profit of 3,156 million yen (up 88.8% year on year), ordinary profit of 3,167 million yen (up 74.3% year on year), and profit attributable to owners of parent of 2,212 million yen (up 78.1% 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

We maintained busy manufacturing operations in the period under review. The cumulative orders reached 21,952 million yen, which exceeded those of 19,842 million yen for the same period of the previous fiscal year including a large-scale project of 6 billion yen. While we cannot enjoy the benefit of expanded Fukushima and Nagasaki factories until next year, we are currently reinforcing the production system primarily by enhancing production capacity of our subsidiary in Suzhou, China and other overseas factories, standardizing and streamlining designs and components, and improving capabilities of our business partners. Regarding sales by business sector, the information & communications sector reported strong sales of production lines for speakers, receiver modules, and power inductors to manufacturers of electronic components for smartphones, and in-vehicle and IoT devices. The automobile sector also reported strong sales of production lines for motors used for electric vehicles that are growing fast in popularity on a global scale. Furthermore, the AV & home appliance sector posted solid sales of production lines for motors used for home appliances. Regarding orders received by business sector, the information & communications sector could no longer enjoy the effect of the large-scale order of 6 billion yen in the third quarter of the previous fiscal year, but still remained firm thanks to an increase in the contract amount per project caused by growing needs for FA production lines and improvement in the Group's productivity. The

automobile and the AV & home appliance sectors also remained firm thanks also to growing needs for FA production lines.

For the reasons explained above, the segment, which accounts for about 96% of the Group's total sales, reported consolidated sales of 21,478 million yen (up 49.0% year on year) and segment profit (operating profit) of 3,663 million yen (up 77.7%). On a non-consolidated basis, the segment reported orders received of 23,219 million yen (up 12.2%), sales (production) of 19,243 million yen (up 48.9%) and the order backlog at the end of the period under review of 17,443 million yen (up 9.4%).

Contactless IC Tag and Card Business

For the period under review, the segment reported a year-on-year decrease in sales due to slowdown of customer adoption of FA tags for production control systems and ID cards.

As a result, the segment reported consolidated sales of 968 million yen (down 29.1% year on year) and segment profit (operating profit) of 224 million yen (down 16.9%). On a non-consolidated basis, the segment reported orders received of 815 million yen (down 45.0%), sales (production) of 968 million yen (down 29.1%) and the order backlog at the end of the period under review of 244 million yen (down 36.8%).

(2) Explanation of Financial Position

Assets

Current assets increased 2,675 million yen from the end of the previous fiscal year to 29,115 million yen. This was mainly due to increases of 1,124 million yen in cash and deposits and 1,376 million yen in work in process.

Non-current assets increased 922 million yen from the end of the previous fiscal year to 8,178 million yen. This was mainly due to an increase of 840 million yen in investment securities.

As a result, total assets increased 3,598 million yen from the end of the previous fiscal year to 37,293 million yen.

Liabilities

Current liabilities increased 693 million yen from the end of the previous fiscal year to 10,867 million yen. This was mainly due to an increase of 671 million yen in electronically recorded obligations-operating.

Non-current liabilities increased 299 million yen from the end of the previous fiscal year to 814 million yen. This was mainly due to an increase of 278 million yen in deferred tax liabilities.

As a result, total liabilities increased 992 million yen from the end of the previous fiscal year to 11,681 million yen.

Net assets

Total net assets increased 2,605 million yen from the end of the previous fiscal year to 25,611 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 press release titled "Notice of Revision to Earnings Forecast for the Fiscal Year Ending March 31, 2018" (Japanese version only) dated November 8, 2017.

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

	(Thousands of yen)	
	FY3/17 (As of Mar. 31, 2017)	Third quarter of FY3/18 (As of Dec. 31, 2017)
Assets		
Current assets		
Cash and deposits	13,467,653	14,592,477
Notes and accounts receivable-trade	6,321,167	5,911,880
Securities	-	100,480
Work in process	5,128,043	6,504,254
Raw materials and supplies	600,158	740,912
Deferred tax assets	261,728	276,274
Other	704,095	1,026,798
Allowance for doubtful accounts	(43,741)	(38,046)
Total current assets	26,439,105	29,115,032
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	1,846,683	1,985,062
Machinery, equipment and vehicles, net	546,344	488,930
Land	691,468	700,297
Other, net	506,470	422,340
Total property, plant and equipment	3,590,966	3,596,630
Intangible assets		
Goodwill	33,926	22,617
Other	158,289	159,516
Total intangible assets	192,215	182,134
Investments and other assets		
Investment securities	2,616,369	3,457,367
Other	856,440	942,172
Total investments and other assets	3,472,810	4,399,540
Total non-current assets	7,255,992	8,178,305
Total assets	33,695,098	37,293,337

	(Thousands of yen)	
	FY3/17 (As of Mar. 31, 2017)	Third quarter of FY3/18 (As of Dec. 31, 2017)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	3,126,182	2,890,987
Electronically recorded obligations-operating	3,777,497	4,448,572
Income taxes payable	558,465	740,136
Provision for bonuses	459,060	322,258
Other	2,252,400	2,465,368
Total current liabilities	10,173,608	10,867,322
Non-current liabilities		
Deferred tax liabilities	212,331	490,820
Net defined benefit liability	98,402	118,995
Other	204,706	204,706
Total non-current liabilities	515,440	814,522
Total liabilities	10,689,048	11,681,845
Net assets		
Shareholders' equity		
Capital stock	6,884,928	6,884,928
Capital surplus	2,542,054	2,542,054
Retained earnings	12,602,186	14,308,856
Treasury shares	(23,937)	(24,729)
Total shareholders' equity	22,005,232	23,711,110
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	571,936	1,212,539
Foreign currency translation adjustment	424,857	666,323
Remeasurements of defined benefit plans	(53,869)	(45,074)
Total accumulated other comprehensive income	942,924	1,833,788
Non-controlling interests	57,893	66,593
Total net assets	23,006,049	25,611,492
Total liabilities and net assets	33,695,098	37,293,337

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

(Thousands of yen)

	First nine months of FY3/17 (Apr. 1, 2016 – Dec. 31, 2016)	First nine months of FY3/18 (Apr. 1, 2017 – Dec. 31, 2017)
Net sales	15,778,863	22,447,537
Cost of sales	11,198,241	16,207,640
Gross profit	4,580,621	6,239,896
Selling, general and administrative expenses	2,908,658	3,083,233
Operating profit	1,671,962	3,156,663
Non-operating income		
Interest income	27,148	34,630
Dividend income	31,540	33,742
Foreign exchange gains	40,145	-
Other	54,932	41,680
Total non-operating income	153,767	110,053
Non-operating expenses		
Foreign exchange losses	-	56,941
Other	8,734	41,924
Total non-operating expenses	8,734	98,865
Ordinary profit	1,816,995	3,167,851
Extraordinary income		
Gain on sales of investment securities	-	25,133
Total extraordinary income	-	25,133
Profit before income taxes	1,816,995	3,192,985
Income taxes-current	284,292	994,404
Income taxes-deferred	288,228	(19,137)
Total income taxes	572,521	975,267
Profit	1,244,473	2,217,718
Profit attributable to non-controlling interests	1,817	5,146
Profit attributable to owners of parent	1,242,655	2,212,572

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

	(Thousands of yen)	
	First nine months of FY3/17 (Apr. 1, 2016 – Dec. 31, 2016)	First nine months of FY3/18 (Apr. 1, 2017 – Dec. 31, 2017)
Profit	1,244,473	2,217,718
Other comprehensive income		
Valuation difference on available-for-sale securities	240,797	640,602
Foreign currency translation adjustment	(83,484)	245,019
Remeasurements of defined benefit plans, net of tax	37,752	8,795
Total other comprehensive income	195,064	894,417
Comprehensive income	1,439,538	3,112,135
Comprehensive income attributable to:		
Owners of parent	1,436,778	3,103,436
Non-controlling interests	2,760	8,699

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

Not applicable.

Significant Changes in Shareholders' Equity

First nine months of FY3/18 (Apr. 1, 2017 – Dec. 31, 2017)

Not applicable.

Segment and Other Information

I. First nine months of FY3/17 (Apr. 1, 2016 – Dec. 31, 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	14,411,706	1,367,157	15,778,863
Inter-segment sales and transfers	-	-	-
Total	14,411,706	1,367,157	15,778,863
Segment profit	2,061,868	270,279	2,332,147

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	2,332,147
Corporate expenses (Note)	(660,185)
Operating profit on the quarterly consolidated statement of income	1,671,962

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

II. First nine months of FY3/18 (Apr. 1, 2017 – Dec. 31, 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	21,478,564	968,972	22,447,537
Inter-segment sales and transfers	-	-	-
Total	21,478,564	968,972	22,447,537
Segment profit	3,663,748	224,603	3,888,351

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	3,888,351
Corporate expenses (Note)	(731,688)
Operating profit on the quarterly consolidated statement of income	3,156,663

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 nine 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.