

**Summary of Consolidated Financial Results for the First Quarter  
of the Fiscal Year Ending March 31, 2019  
(Three Months Ended June 30, 2018)**

[Japanese GAAP]

Company name: NITTOKU ENGINEERING CO., LTD.	Listing: Tokyo Stock Exchange (JASDAQ)
Stock code: 6145	URL: <a href="http://www.nittoku.co.jp">http://www.nittoku.co.jp</a>
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Scheduled date of filing of Quarterly Report:	August 10, 2018
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 3, 2018, at 15:35 (GMT +9).

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

**1. Consolidated Financial Results for the First Quarter Ended June 30, 2018 (Apr. 1, 2018 – Jun. 30, 2018)**

(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, 2018	6,946	28.6	823	20.5	853	22.2	576	17.2
Three months ended Jun. 30, 2017	5,401	10.6	683	58.6	698	39.3	491	40.9

Note: Comprehensive income (million yen) Three months ended Jun. 30, 2018: 443 (down 35.3%)  
Three months ended Jun. 30, 2017: 685 (- %)

	Net income per share	Diluted net income per share
	Yen	Yen
Three months ended Jun. 30, 2018	31.90	-
Three months ended Jun. 30, 2017	27.23	-

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of Jun. 30, 2018	37,642	26,488	70.1
As of Mar. 31, 2018	37,585	26,284	69.8

Reference: Shareholders' equity (million yen) As of Jun. 30, 2018: 26,369 As of Mar. 31, 2018: 26,221

Note: Starting with the beginning of the first quarter of the current fiscal year, Nittoku Engineering is applying "Partial Amendments to Accounting Standard for Tax Effect Accounting" (Accounting Standards Board of Japan (ASBJ) Statement No. 28, February 16, 2018). Figures for the total assets and equity ratio as of March 31, 2018 have been adjusted retroactively to conform with this accounting standard.

**2. Dividends**

	Dividend per share				
	1Q-end	2Q-end	3Q-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended Mar. 31, 2018	-	14.00	-	16.00	30.00
Fiscal year ending Mar. 31, 2019	-	-	-	-	-
Fiscal year ending Mar. 31, 2019 (forecast)	-	15.00	-	15.00	30.00

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

**3. Consolidated Earnings Forecast for the Fiscal Year Ending March 31, 2019 (Apr. 1, 2018 – Mar. 31, 2019)**

(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	15,600	2.0	1,600	(34.9)	1,610	(34.4)	1,050	(39.0)	58.11
Full year	33,000	7.5	4,450	10.7	4,480	10.3	3,250	1.5	179.88

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): Yes

Newly added: 1 (Master Electronic Technology (Changzhou) Co., Ltd., China) Excluded: -

Note: Master Electronic Technology (Changzhou) Co., Ltd., China is included into the consolidation from the first quarter of the current fiscal year because of its increased materiality.

(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, 2018:	18,098,923 shares	As of Mar. 31, 2018:	18,098,923 shares
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2) Number of treasury shares at the end of the period

As of Jun. 30, 2018:	31,244 shares	As of Mar. 31, 2018:	31,244 shares
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3) Average number of shares outstanding during the period

Three months ended Jun. 30, 2018:	18,067,679 shares	Three months ended Jun. 30, 2017:	18,067,954 shares
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\* The quarterly financial report is not subject to quarterly review by certified public accountants or auditing firms.

\* 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, the outlook for the world economy remained uncertain amid the intensified trade negotiations arising from trade friction among countries. However, we can definitely anticipate massive investments in advanced technology sectors, where innovation and evolution are strongly sought after to develop more intelligent and smarter products by leveraging IoT, AI, and robotics.

In these technology sectors, various new ideas and software have come into spotlight. Accordingly, development of new hardware and devices are required to materialize these ideas and software. Further to this end, sophistication of production technologies and equipment development is also required to achieve higher-performance, higher-quality, and smaller size of the hardware and devices. Given these circumstances, manufacturers engaged in these sectors have come to realize that the key to achieving higher profitability and competitive advantage lies in high-efficiency production, which can be achieved through speedy design and development of production lines, shortening of line start-up time, and manpower saving.

Under these circumstances, the Nittoku Engineering Group (hereinafter, “the Group”) has positioned itself in upstream of these manufacturers, and put management resources into development and manufacturing of customized production lines as its core business, and deployed strategies including development of global human resources, strengthening of business partners, and strengthening of alliances focusing on open innovation. The Group has been striving to differentiate itself in the coil winding machine industry and the FA industry, with its focus on expanding the business domain towards the FA total line, which covers up to assembling of module products. Thanks to this differentiation, the Group has succeeded in providing solutions to manufacturers who are concentrating their investment on high-quality production and high-efficiency production in the recent volatile economic environment. Consequently, on a non-consolidated basis, orders received in the first quarter recorded 9,036 million yen. This is the highest amount for the first quarter, followed by 7,890 million yen for the same period of the previous fiscal year, and the second highest quarterly amount following 12,081 million yen of the third quarter of the fiscal year ended March 31, 2017.

As a result of the above, net sales totaled 6,946 million yen (up 28.6% year on year) with operating profit of 823 million yen (up 20.5% year on year), ordinary profit of 853 million yen (up 22.2% year on year), and profit attributable to owners of parent of 576 million yen (up 17.2% year on year).

Results by business segment were as follows.

### **Winding System & Mechatronics Business**

Coils, one of the core parts crucial to use electricity, showed explosive growth in demands; especially, those for precision coils increased noticeably, due to recently observed expanding use of electronic components in many products, such as various parts embedded with ICs, high performance compact cameras, sensors, GPSes, speakers, high frequency communication devices, wireless power receivers and suppliers, and noise filters. Originally developed for smartphones, electronic devices, and personal computers in the information technology (IT) sector, many of those coils are now indispensable for implementing automatic and safe driving systems in the automobile industry. As to our performance by industry, judging from the fact that some of our customers in the IT sector sell their components and modules to the automobile industry, we can say demands on precision coils are ballooning in that industry. On the other hand, falling smartphone demand damages the electronic components industry in the last few months.

Also, toward the clean energy future, demands on motors are increasing worldwide for four- and two-wheeled electric vehicles, and drive motors for robots and drones.

Furthermore, the Group benefited from countermeasures against increase in labor cost for production and labor shortage observed in every industry; transition from manufacturing by hand to that by machine for securing high quality standard and improving productivity; and progress in deployment of integrated production lines for fully-automated and safe factories.

Consequently, consolidated sales of the Winding System & Mechatronics Business, which accounts for about 97% of total sales, were 6,744 million yen (up 34.3% year on year) and segment profit (operating profit) was 1,057 million yen (up 29.7% year on year). On a non-consolidated basis, segment orders were 8,831 million yen (up 18.8% year on year), sales (production) were 5,582 million yen (up 22.9% year on year), and the order backlog at the end of the first quarter of the current fiscal year was 20,034 million yen (up 22.5% year on year).

### **Contactless IC Tag & Card Business**

In the first quarter of the current fiscal year, demands on our conventional product, IC tags for production control, appeared to have come to a pause, and both orders and sales decreased.

Accordingly, consolidated sales of the Contactless IC Tag & Card Business were 202 million yen (down 46.7% year on year) and segment profit (operating profit) was 6 million yen (down 93.9% year on year). On a non-consolidated basis, segment orders were 204 million yen (down 55.4% year on year), sales (production) were 202 million yen (down 46.7% year on year) and the order backlog at the end of the first quarter of the current fiscal year was 188 million yen (down 60.4% year on year).

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

### 1) Assets

Current assets increased 218 million yen from the end of the previous fiscal year to 29,576 million yen. This was mainly due to increases of 294 million yen in notes and accounts receivable-trade, 601 million yen in work in process, which were partially offset by a decrease of 502 million yen in cash and deposits.

Non-current assets decreased 161 million yen from the end of the previous fiscal year to 8,065 million yen.

As a result, total assets increased 56 million yen from the end of the previous fiscal year to 37,642 million yen.

### 2) Liabilities

Current liabilities decreased 232 million yen from the end of the previous fiscal year to 10,580 million yen. This was mainly attributable to decreases of 491 million yen in income taxes payable and 158 million yen in provision for bonuses, which were partially offset by an increase of 473 million yen in accrued expenses included in "Other" of the current liabilities section.

Non-current liabilities increased 85 million yen from the end of the previous fiscal year to 573 million yen. This was mainly attributable to an increase of 75 million yen in deferred tax liabilities.

As a result, total liabilities decreased 147 million yen from the end of the previous fiscal year to 11,154 million yen.

### 3) Net assets

Total net assets increased 204 million yen from the end of the previous fiscal year to 26,488 million yen.

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

There are no revisions to the full-year consolidated earnings forecast for the fiscal year ending March 31, 2019 that was announced on May 11, 2018.

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

	(Thousands of yen)	
	FY3/18 (As of Mar. 31, 2018)	First quarter of FY3/19 (As of Jun. 30, 2018)
<b>Assets</b>		
Current assets		
Cash and deposits	12,929,681	12,426,775
Notes and accounts receivable-trade	7,363,066	7,657,766
Securities	400,120	501,580
Work in process	6,823,799	7,425,691
Raw materials and supplies	724,903	906,896
Other	1,157,120	693,316
Allowance for doubtful accounts	(40,630)	(35,158)
Total current assets	29,358,061	29,576,869
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	1,954,232	1,931,825
Machinery, equipment and vehicles, net	564,735	556,205
Land	700,297	740,891
Other, net	370,608	569,388
Total property, plant and equipment	3,589,873	3,798,310
Intangible assets		
Goodwill	18,848	15,078
Other	150,063	160,031
Total intangible assets	168,911	175,110
Investments and other assets		
Investment securities	3,516,251	3,143,601
Deferred tax assets	58,089	41,533
Other	894,579	907,269
Total investments and other assets	4,468,921	4,092,404
Total non-current assets	8,227,706	8,065,825
Total assets	37,585,767	37,642,694

	(Thousands of yen)	
	FY3/18 (As of Mar. 31, 2018)	First quarter of FY3/19 (As of Jun. 30, 2018)
<b>Liabilities</b>		
<b>Current liabilities</b>		
Notes and accounts payable-trade	2,850,385	2,738,959
Electronically recorded obligations-operating	4,192,111	4,121,079
Income taxes payable	668,724	177,235
Provision for bonuses	512,853	354,715
Other	2,589,604	3,188,787
<b>Total current liabilities</b>	<b>10,813,678</b>	<b>10,580,777</b>
<b>Non-current liabilities</b>		
Deferred tax liabilities	131,506	206,793
Net defined benefit liability	151,289	161,599
Other	204,941	204,941
<b>Total non-current liabilities</b>	<b>487,737</b>	<b>573,334</b>
<b>Total liabilities</b>	<b>11,301,415</b>	<b>11,154,111</b>
<b>Net assets</b>		
<b>Shareholders' equity</b>		
Capital stock	6,884,928	6,884,928
Capital surplus	2,542,054	2,535,775
Retained earnings	15,297,353	15,600,769
Treasury shares	(25,267)	(25,267)
<b>Total shareholders' equity</b>	<b>24,699,068</b>	<b>24,996,205</b>
<b>Accumulated other comprehensive income</b>		
Valuation difference on available-for-sale securities	1,059,398	935,459
Foreign currency translation adjustment	519,290	490,125
Remeasurements of defined benefit plans	(56,666)	(52,008)
<b>Total accumulated other comprehensive income</b>	<b>1,522,022</b>	<b>1,373,576</b>
<b>Non-controlling interests</b>	<b>63,261</b>	<b>118,800</b>
<b>Total net assets</b>	<b>26,284,352</b>	<b>26,488,582</b>
<b>Total liabilities and net assets</b>	<b>37,585,767</b>	<b>37,642,694</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 FY3/18 (Apr. 1, 2017 – Jun. 30, 2017)	First three months of FY3/19 (Apr. 1, 2018 – Jun. 30, 2018)
Net sales	5,401,030	6,946,786
Cost of sales	3,716,705	5,039,395
Gross profit	1,684,325	1,907,391
Selling, general and administrative expenses	1,001,193	1,083,987
Operating profit	683,131	823,403
Non-operating income		
Dividend income	14,946	18,628
Foreign exchange gains	-	24,054
Other	31,974	20,341
Total non-operating income	46,920	63,024
Non-operating expenses		
Foreign exchange losses	15,685	-
Loss on sales of non-current assets	13,886	24,052
Other	2,176	8,789
Total non-operating expenses	31,748	32,842
Ordinary profit	698,304	853,586
Extraordinary income		
Gain on sales of investment securities	25,107	-
Total extraordinary income	25,107	-
Profit before income taxes	723,412	853,586
Income taxes-current	145,591	120,276
Income taxes-deferred	82,039	138,910
Total income taxes	227,630	259,187
Profit	495,781	594,398
Profit attributable to non-controlling interests	3,821	17,990
Profit attributable to owners of parent	491,959	576,407



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

	(Thousands of yen)	
	First three months of FY3/18 (Apr. 1, 2017 – Jun. 30, 2017)	First three months of FY3/19 (Apr. 1, 2018 – Jun. 30, 2018)
Profit	495,781	594,398
Other comprehensive income		
Valuation difference on available-for-sale securities	127,924	(123,938)
Foreign currency translation adjustment	59,121	(31,719)
Remeasurements of defined benefit plans, net of tax	2,931	4,657
Total other comprehensive income	189,978	(151,000)
Comprehensive income	685,759	443,397
Comprehensive income attributable to:		
Owners of parent	681,347	427,727
Non-controlling interests	4,412	15,669

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

Not applicable.

**Significant Changes in Shareholders' Equity**

First three months of FY3/19 (Apr. 1, 2018 – Jun. 30, 2018)

Not applicable.

**Segment and Other Information****Segment Information**

I. 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 & 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.

II. First three months of FY3/19 (Apr. 1, 2018 – Jun. 30, 2018)

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 & Card Business	
Net sales			
External sales	6,744,523	202,263	6,946,786
Inter-segment sales and transfers	-	-	-
Total	6,744,523	202,263	6,946,786
Segment profit	1,057,944	6,971	1,064,915

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	1,064,915
Corporate expenses (Note)	(241,511)
Operating profit on the quarterly consolidated statement of income	823,403

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

*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.*