

**Summary of Consolidated Financial Results for the Third Quarter
of the Fiscal Year Ending March 31, 2019
(Nine Months Ended December 31, 2018)**

[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 8, 2019
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 February 7, 2019, 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, 2018 (Apr. 1, 2018 – Dec. 31, 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	%
Nine months ended Dec. 31, 2018	21,338	(4.9)	2,183	(30.8)	2,267	(28.4)	1,544	(30.2)
Nine months ended Dec. 31, 2017	22,447	42.3	3,156	88.8	3,167	74.3	2,212	78.1

Note: Comprehensive income (million yen) Nine months ended Dec. 31, 2018: 948 (down 69.5%)
 Nine months ended Dec. 31, 2017: 3,112 (up 116.2%)

	Net income per share	Diluted net income per share
	Yen	Yen
Nine months ended Dec. 31, 2018	85.46	-
Nine months ended Dec. 31, 2017	122.46	-

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of Dec. 31, 2018	38,636	26,722	68.8
As of Mar. 31, 2018	37,585	26,284	69.8

Reference: Shareholders' equity (million yen) As of Dec. 31, 2018: 26,593 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	-	15.00	-		
Fiscal year ending Mar. 31, 2019 (forecast)				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
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: -

(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, 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 Dec. 31, 2018:	31,269 shares	As of Mar. 31, 2018:	31,244 shares
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3) Average number of shares outstanding during the period

Nine months ended Dec. 31, 2018:	18,067,661 shares	Nine months ended Dec. 31, 2017:	18,067,918 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 4 of the attachments "1. Qualitative Information on Quarterly Consolidated Financial Performance, (3) Explanation of Consolidated Earnings Forecast and Other Forward-looking Statements."

Contents of Attachments

1. Qualitative Information on Quarterly Consolidated Financial Performance	2
(1) Explanation of Results of Operations	2
(2) Explanation of Financial Position	3
(3) Explanation of Consolidated Earnings Forecast and Other Forward-looking Statements	4
2. Quarterly Consolidated Financial Statements and Notes	5
(1) Quarterly Consolidated Balance Sheet	5
(2) Quarterly Consolidated Statements of Income and Comprehensive Income	7
(3) Notes to Quarterly Consolidated Financial Statements	9
Going Concern Assumption	9
Significant Changes in Shareholders' Equity	9
Segment and Other Information	9

1. Qualitative Information on Quarterly Consolidated Financial Performance

(1) Explanation of Results of Operations

1) Economic and social environments and an outline of our business strategy

We are observing the development of fast evolving information technologies, such as IoT, AI and 5G; and futuristic and transformational technologies, especially automobile related technologies, such as autonomous driving, electric operation, battery and telecommunications technologies, to substantially advance in recent years. Subsequently, competition for economic leadership among countries has intensified globally, adding further uncertainty in the world economy.

Amid such growing uncertainty, the only thing clear is that many countries and companies in the world have been promoting policies and R&D toward realizing a smart society with an aim to improve QOL (quality of life)—a megatrend potentially transforming our society on a global scale. Whether they can actually achieve this aim, on a hardware level, depends mostly on how they can make use of electrical energy without harming the environment. People envision building a smart society where they can gather information using sensors, radars and cameras; making analyses and instructions using computers and AI; performing a variety of electrical operations using motors, robots as well as the Internet, to eventually achieve a sustainable environment globally.

Although this megatrend might decelerate or undergo changes in the competitive landscape among countries or companies from a short-term perspective due to intense competitions, the summit they are striving to reach has remained the same. To put it another way: “Even if you give up climbing, others will keep climbing until they reach the summit.” The gear for aggressive climbers will never stop evolving. The gear, in this case, corresponds to facilities for manufacturing core elements of hardware, such as devices, modules and parts. The Nittoku Engineering Group (hereinafter, “the Group”) has sought to serve as a solutions engineer for climbers and to contribute broadly to society on a global scale with an aim to improve QOL, by planning, developing and offering unique and optimum “gear” or production equipment, as well as providing support services.

Our business portfolio consists primarily of precision FA systems for auto, telecommunications and electronic parts related sectors; for coils and motors used in home appliances and industrial machines; and for other motors. FA systems have been increasingly important as a variety of climbers are rivaling each other globally today. In fact, regardless of whether the economy is booming or contracting, automation for higher production efficiency, laborsaving for cost reduction and installation of such as full-line production equipment have become key consideration issues for manufacturers today.

The Group has been seeking to establish its brand as a global solutions engineer in the field of precision FA systems. The Group is doing so by not only developing production equipment tailored to the needs of customers on its own but also being involved in the development phase of customers, building optimum production technology solutions for commercialization of their products, and providing production equipment incorporating such solutions.

As of today, our strategy has remained unchanged; we continue to push forward research and development so that we can grow into a brand indispensable for manufacturers that are at the center of the megatrend, to sustainably increase the corporate value and contribute to society. To this end, as we have disclosed already, we are proceeding with relocation of headquarters, which include the enhancement of R&D functions (scheduled for August 2019); expansion of the factory in Fukushima (to be completed in November 2019); and also, the expansion of the factory in Nagasaki (completed in December 2018). Overseas, we have focused on building a solid organizational structure, which include micro factories and sales & support locations, and also on promoting the development of human resources, for purposes such as enhancing communications with customers.

2) Results of operation to date

Through a series of analyses, the Group has come to recognize that the precision FA full-line production equipment market is a growth market with a limited number of competitors and significant demand growth potential. We aim to establish ourselves as one-of-a-kind brand in this market. We believe the most important

factors that differentiate us from competitors lie in the highly sophisticated “integral architecture” production technology, rather than the module architecture (combining technology). Based on this recognition, we are taking on challenges and promoting R&D so we can acquire a set of technologies that enable us to develop and deliver a seamless production line “integrating” a diverse range of technologies, as well as functions, such as control, handling, processing and inspections.

In the first nine months of the current fiscal year, both net sales and profits declined year-on-year because in the third quarter, there was an excessively higher proportion of sales for the type of projects requiring the development of new technologies. As a result, net sales totaled 21,338 million yen (down 4.9% year on year), with operating profit of 2,183 million yen (down 30.8% year on year), ordinary profit of 2,267 million yen (down 28.4% year on year), and profit attributable to owners of parent of 1,544 million yen (down 30.2% year on year).

Results by business segment were as follows.

Winding System & Mechatronics Business

As technological innovation of smartphones has entered the maturity phase, demand for relevant equipment is following a downward trend. Meanwhile, despite a sluggish growth of automobile production volume, we have ongoing competition for developing electrically controlled motors for operation of accelerators, brakes, and steering devices; drive motors for EVs such as electric cars and bikes and transportation equipment, and generators. We also have ongoing competition for supplying slide doors, power windows, and other electric devices that replace manual operation. Furthermore, new equipment continues to be installed not only in China but also in Southeast Asia and other economies to cater for demands for FA production lines and labor saving.

Consequently, as described above, consolidated sales of the Winding System & Mechatronics Business, which accounts for about 97% of total sales, were 20,706 million yen (down 3.6% year on year), and segment profit (operating profit) was 2,902 million yen (down 20.8% year on year). On a non-consolidated basis, segment orders were 19,290 million yen (down 16.9% year on year), sales (production) were 17,356 million yen (down 9.8% year on year), and the order backlog at the end of the third quarter of the current fiscal year was 18,720 million yen (up 7.3% year on year).

Contactless IC Tag & Card Business

In the first nine months of the current fiscal year, demand on IC tags for production control, which demonstrated steady performance in the same period of the previous fiscal year, appeared to have come to a pause, and both orders and sales decreased.

Accordingly, consolidated sales of the Contactless IC Tag & Card Business were 631 million yen (down 34.8% year on year), and segment profit (operating profit) was 24 million yen (down 89.2% year on year). On a non-consolidated basis, segment orders were 748 million yen (down 8.3% year on year), sales (production) were 631 million yen (down 34.8% year on year), and the order backlog at the end of the third quarter of the current fiscal year was 303 million yen (up 24.0% year on year).

(2) Explanation of Financial Position

Assets

Current assets decreased 1,202 million yen from the end of the previous fiscal year to 28,155 million yen. This was mainly due to decreases of 1,925 million yen in cash and deposits and 1,313 million yen in notes and accounts receivable-trade, which were partially offset by an increase of 1,885 million yen in work in process.

Non-current assets increased 2,252 million yen from the end of the previous fiscal year to 10,480 million yen. This was mainly attributable to increases of 1,457 million yen in buildings and structures, net and 1,244 million yen in land.

As a result, total assets increased 1,050 million yen from the end of the previous fiscal year to 38,636 million yen.

Liabilities

Current liabilities increased 669 million yen from the end of the previous fiscal year to 11,483 million yen. This was mainly attributable to an increase of 1,000 million yen in short-term loans payable, which was partially offset by a decrease of 492 million yen in income taxes payable.

Non-current liabilities decreased 57 million yen from the end of the previous fiscal year to 430 million yen. This was mainly attributable to a decrease of 86 million yen in deferred tax liabilities, which was partially offset by an increase of 28 million yen in net defined benefit liability.

As a result, total liabilities increased 612 million yen from the end of the previous fiscal year to 11,914 million yen.

Net assets

Total net assets increased 437 million yen from the end of the previous fiscal year to 26,722 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. There are no revisions to the full-year consolidated earnings forecast 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)	Third quarter of FY3/19 (As of Dec. 31, 2018)
Assets		
Current assets		
Cash and deposits	12,929,681	11,003,998
Notes and accounts receivable-trade	7,363,066	6,050,020
Securities	400,120	200,632
Work in process	6,823,799	8,709,580
Raw materials and supplies	724,903	1,134,398
Other	1,157,120	1,093,112
Allowance for doubtful accounts	(40,630)	(35,776)
Total current assets	29,358,061	28,155,967
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	1,954,232	3,411,892
Machinery, equipment and vehicles, net	564,735	574,939
Land	700,297	1,944,761
Other, net	370,608	582,038
Total property, plant and equipment	3,589,873	6,513,633
Intangible assets		
Goodwill	18,848	7,539
Other	150,063	172,441
Total intangible assets	168,911	179,980
Investments and other assets		
Investment securities	3,516,251	2,605,397
Deferred tax assets	58,089	44,430
Other	894,579	1,136,831
Total investments and other assets	4,468,921	3,786,658
Total non-current assets	8,227,706	10,480,272
Total assets	37,585,767	38,636,240

(Thousands of yen)

	FY3/18 (As of Mar. 31, 2018)	Third quarter of FY3/19 (As of Dec. 31, 2018)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	2,850,385	2,807,932
Electronically recorded obligations-operating	4,192,111	4,122,306
Short-term loans payable	-	1,000,000
Income taxes payable	668,724	176,115
Provision for bonuses	512,853	369,860
Other	2,589,604	3,007,258
Total current liabilities	10,813,678	11,483,473
Non-current liabilities		
Deferred tax liabilities	131,506	44,642
Net defined benefit liability	151,289	180,020
Other	204,941	205,916
Total non-current liabilities	487,737	430,580
Total liabilities	11,301,415	11,914,053
Net assets		
Shareholders' equity		
Capital stock	6,884,928	6,884,928
Capital surplus	2,542,054	2,535,775
Retained earnings	15,297,353	16,296,884
Treasury shares	(25,267)	(25,341)
Total shareholders' equity	24,699,068	25,692,246
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,059,398	541,455
Foreign currency translation adjustment	519,290	402,127
Remeasurements of defined benefit plans	(56,666)	(42,693)
Total accumulated other comprehensive income	1,522,022	900,890
Non-controlling interests	63,261	129,049
Total net assets	26,284,352	26,722,186
Total liabilities and net assets	37,585,767	38,636,240

(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 FY3/18 (Apr. 1, 2017 – Dec. 31, 2017)	First nine months of FY3/19 (Apr. 1, 2018 – Dec. 31, 2018)
Net sales	22,447,537	21,338,312
Cost of sales	16,207,640	15,867,975
Gross profit	6,239,896	5,470,336
Selling, general and administrative expenses	3,083,233	3,286,866
Operating profit	3,156,663	2,183,469
Non-operating income		
Dividend income	33,742	40,286
Other	76,310	94,781
Total non-operating income	110,053	135,067
Non-operating expenses		
Loss on retirement of non-current assets	17,849	32,487
Other	81,015	18,506
Total non-operating expenses	98,865	50,993
Ordinary profit	3,167,851	2,267,544
Extraordinary income		
Gain on sales of investment securities	25,133	-
Total extraordinary income	25,133	-
Profit before income taxes	3,192,985	2,267,544
Income taxes-current	994,404	581,833
Income taxes-deferred	(19,137)	113,771
Total income taxes	975,267	695,605
Profit	2,217,718	1,571,938
Profit attributable to non-controlling interests	5,146	27,916
Profit attributable to owners of parent	2,212,572	1,544,022

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

(Thousands of yen)

	First nine months of FY3/18 (Apr. 1, 2017 – Dec. 31, 2017)	First nine months of FY3/19 (Apr. 1, 2018 – Dec. 31, 2018)
Profit	2,217,718	1,571,938
Other comprehensive income		
Valuation difference on available-for-sale securities	640,602	(517,942)
Foreign currency translation adjustment	245,019	(119,104)
Remeasurements of defined benefit plans, net of tax	8,795	13,973
Total other comprehensive income	894,417	(623,073)
Comprehensive income	3,112,135	948,865
Comprehensive income attributable to:		
Owners of parent	3,103,436	922,656
Non-controlling interests	8,699	26,208

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

Not applicable.

Significant Changes in Shareholders' Equity

First nine months of FY3/19 (Apr. 1, 2018 – Dec. 31, 2018)

Not applicable.

Segment and Other Information

I. 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 & 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.

II. First nine months of FY3/19 (Apr. 1, 2018 – Dec. 31, 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	20,706,984	631,327	21,338,312
Inter-segment sales and transfers	-	-	-
Total	20,706,984	631,327	21,338,312
Segment profit	2,902,300	24,194	2,926,494

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	2,926,494
Corporate expenses (Note)	(743,025)
Operating profit on the quarterly consolidated statement of income	2,183,469

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.