

**Summary of Consolidated Financial Results for the Fiscal Year Ended March 31, 2019**
**[Japanese GAAP]**

Company name: NITTOKU ENGINEERING CO., LTD. Listing: Tokyo Stock Exchange (JASDAQ)  
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Scheduled date of Annual General Meeting of Shareholders: June 26, 2019  
 Scheduled date of filing of Annual Securities Report: June 27, 2019  
 Scheduled date of payment of dividend: June 27, 2019  
 Preparation of supplementary materials for financial results: Yes  
 Holding of financial results meeting: Yes (for analysts and institutional investors)

Note: The original disclosure in Japanese was released on May 10, 2019, at 16:00 (GMT +9).

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

**1. Consolidated Financial Results for the Fiscal Year Ended March 31, 2019 (April 1, 2018 – March 31, 2019)**

(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	%
Fiscal year ended Mar. 31, 2019	31,835	3.7	3,848	(4.3)	3,921	(3.4)	2,856	(10.8)
Fiscal year ended Mar. 31, 2018	30,691	31.8	4,020	39.9	4,061	35.6	3,201	43.6

Note: Comprehensive income (million yen) Fiscal year ended Mar. 31, 2019: 2,454 (down 35.2%)  
 Fiscal year ended Mar. 31, 2018: 3,785 (up 57.8%)

	Net income per share	Diluted net income per share	Return on equity	Ordinary profit on total assets	Operating profit to net sales
	Yen	Yen	%	%	%
Fiscal year ended Mar. 31, 2019	158.08	-	10.5	10.3	12.1
Fiscal year ended Mar. 31, 2018	177.17	-	13.0	11.4	13.1

Reference: Equity in earnings of affiliates (million yen) Fiscal year ended Mar. 31, 2019: - Fiscal year ended Mar. 31, 2018: -

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of Mar. 31, 2019	38,728	28,227	72.5	1,554.35
As of Mar. 31, 2018	37,585	26,284	69.8	1,451.27

Reference: Shareholders' equity (million yen) As of Mar. 31, 2019: 28,083 As of Mar. 31, 2018: 26,221

Note: Starting with the beginning 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, ordinary profit on total assets and equity ratio as of March 31, 2018 have been adjusted retroactively to conform with this accounting standard.

(3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
	Million yen	Million yen	Million yen	Million yen
Fiscal year ended Mar. 31, 2019	1,016	(2,424)	(560)	7,731
Fiscal year ended Mar. 31, 2018	889	(886)	(506)	9,686

**2. Dividends**

	Dividend per share					Total dividends	Payout ratio (consolidated)	Dividend on equity (consolidated)
	1Q-end	2Q-end	3Q-end	Year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
Fiscal year ended Mar. 31, 2018	-	14.00	-	16.00	30.00	542	16.9	2.2
Fiscal year ended Mar. 31, 2019	-	15.00	-	15.00	30.00	542	19.0	2.0
Fiscal year ending Mar. 31, 2020 (forecast)	-	15.00	-	15.00	30.00		17.8	

**3. Consolidated Earnings Forecast for the Fiscal Year Ending March 31, 2020 (April 1, 2019 – March 31, 2020)**

(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	15,900	7.0	2,050	26.4	2,070	22.3	1,450	23.3	80.25
Full year	33,000	3.7	4,250	10.4	4,300	9.6	3,050	6.8	168.81

**\* 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) 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

(3) Number of outstanding shares (common stock)

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

As of Mar. 31, 2019: 18,098,923 shares As of Mar. 31, 2018: 18,098,923 shares

2) Number of treasury shares at the end of the period

As of Mar. 31, 2019: 31,269 shares As of Mar. 31, 2018: 31,244 shares

3) Average number of shares outstanding during the period

Fiscal year ended Mar. 31, 2019: 18,067,659 shares Fiscal year ended Mar. 31, 2018: 18,067,865 shares

**Reference: Summary of Non-consolidated Financial Results**

**1. Non-consolidated Financial Results for the Fiscal Year Ended March 31, 2019 (April 1, 2018 – March 31, 2019)**

(1) Non-consolidated results of operations (Percentages represent year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Profit	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Fiscal year ended Mar. 31, 2019	27,189	(0.9)	2,876	(2.1)	2,945	(1.1)	2,112	7.7
Fiscal year ended Mar. 31, 2018	27,431	29.0	2,937	22.1	2,977	19.3	1,962	4.9

	Net income per share	Diluted net income per share
	Yen	Yen
Fiscal year ended Mar. 31, 2019	116.92	-
Fiscal year ended Mar. 31, 2018	108.60	-

(2) Non-consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of Mar. 31, 2019	32,201	22,453	69.7	1,242.74
As of Mar. 31, 2018	31,169	21,346	68.5	1,181.49

Reference: Shareholders' equity (million yen) As of Mar. 31, 2019: 22,453 As of Mar. 31, 2018: 21,346

Note: Starting with the beginning of the current fiscal year, Nittoku Engineering is applying "Partial Amendments to Accounting Standard for Tax Effect Accounting" (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. Non-consolidated Earnings Forecast for the Fiscal Year Ending March 31, 2020 (April 1, 2019 – March 31, 2020)**

(Percentages represent year-on-year changes)

	Net sales		Ordinary profit		Profit		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Yen
First half	13,400	4.2	1,440	4.7	1,020	6.3	56.45
Full year	28,000	3.0	3,170	7.6	2,250	6.5	124.53

\* The current financial report is not subject to audit procedures 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 the attachments "1. Overview of Results of Operations, (1) Overview of Results of Operations for the Current Fiscal Year and (4) Outlook."

- Nittoku Engineering plans to hold a results presentation for institutional investors and analysts on June 3, 2019. Materials to be distributed at this event will be available on the Company's website immediately thereafter.

**Contents of Attachments**

1. Overview of Results of Operations	2
(1) Overview of Results of Operations for the Current Fiscal Year	2
(2) Overview of Financial Position for the Current Fiscal Year	3
(3) Overview of Cash Flows for the Current Fiscal Year	4
(4) Outlook	4
2. Basic Approach to the Selection of Accounting Standards	4
3. Consolidated Financial Statements and Notes	5
(1) Consolidated Balance Sheet	5
(2) Consolidated Statements of Income and Comprehensive Income	7
(3) Consolidated Statement of Changes in Equity	9
(4) Consolidated Statement of Cash Flows	11
(5) Notes to Consolidated Financial Statements	12
Going Concern Assumption	12
Segment and Other Information	12
Per-share Information	15
Material Subsequent Events	15
4. Non-consolidated Financial Statements and Notes	16
(1) Balance Sheet	16
(2) Statement of Income	18
(3) Statement of Changes in Equity	19
5. Others	21
(1) Production, Orders and Sales	21
(2) Changes in Directors and Corporate Auditors	21

## 1. Overview of Results of Operations

### (1) Overview of Results of Operations for the Current Fiscal Year

Outlook for global economic recovery is still unclear as the U.S.-China trade war has heated up. Amid this circumstance, in the software-based business domains, including information processing, AI, IoT and 5G, competition among countries, especially between the U.S. and China, has intensified.

The concept central to these software-based business domains is to protect environment and improve QOL (quality of life)—some of the persistent needs today. We believe the pace and extent of growth for companies operating in these domains, primarily IT platform companies, will exceed those of the "Industrial Revolution." This move is backed primarily by software-controlled hardware coming in a variety of sizes, from automobiles, industrial equipment to smart home appliances; and a diversity of modules indispensable for such hardware, ranging from motors, sensors, radars to cameras. Companies engaged in R&D and manufacturing of these hardware and module products have been competing each other for better ideas, higher speed and more rationalization in recent years.

Success of these business domains rely on production facilities and materials. The Nittoku Engineering Group has remained committed to its basic strategy to enter into adjacent domains while staying grounded and focusing on R&D and delivery of total precision FA lines to produce devices, tools and modules.

The general-purpose production facilities market is exposed to harsh competition in terms of pricing and turnaround time, and thus, is destined to turn into a red ocean market. We therefore have aimed to be one and only player in the industry by embracing a strategy to further sophisticate our core technologies, including coil winding, control and handling technologies, for total precision FA lines, which we take price in; expand into adjacent domains with these core technologies; and ultimately provide total solutions covering both the core and adjacent domains.

Currently, the manufacturers of aforementioned hardware and modules, our main customers, are running short of resources, including engineers, in the area of production technology. They lack resources that can engage in R&D of technologies to produce, design and construct lines for and automate production of high-precision and high-quality products and modules, and turn these technologies into solutions. While none of the players, including the manufacturers of production facilities, have reached a stage to provide total solutions spanning all these technologies, we are determined to grow into one and only player in this new domain by mastering a variety of technologies, or utilizing open innovation, and thereby developing systems and equipment for inspection, handling and application. The Nittoku Engineering Group also has been seeking to establish its brand as a manufacturer of total high-precision FA solutions by developing fully automated systems to manage the entire plant using tags.

For the current fiscal year, orders dropped in the second quarter but the non-consolidated order backlog stood at 17,500 million yen as of the end of the same quarter, a level that we believed was sufficient enough to achieve our net sales estimate for the full fiscal year. However, due to extended lead time in line with growing demand for constructing production lines, and an increase in deals that require more technological elements to be developed, net sales fell short of the initial estimates, as disclosed already. As mentioned above, we need to engage in the type of development that allows us to achieve sustainable growth and evolve into one and only player. However, the demand for constructing total production lines has increased much faster than expected. As part of the efforts to meet such increasing demand for total production lines, we accelerated the expansion of our plants and decided to newly construct new factories in Nagasaki and Fukushima; the new factory in Nagasaki has started operating since December last year, though the new factory in Fukushima is scheduled to start operating in November this year partly due to a delay in construction. As a consequence, we were unable to catch up with the faster-than-expected growth in demand. Further, as orders were sluggish in the fourth quarter, despite of signs of recovery in the third quarter, the end of term non-consolidated order backlog was 14,000 million yen. Prolonged delivery lead time, a pending issue with our customers, is getting shorter in line with decreasing production lead time since the fourth quarter.

As a result, net sales increased 3.7% year on year to 31,835 million yen, with operating profit of 3,848 million yen (down 4.3% year on year), ordinary profit of 3,921 million yen (down 3.4% year on year), and profit attributable to owners of parent of 2,856 million yen (down 10.8% year on year).

Results by business segment were as follows.

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

Since we concluded that the demand for smartphone related facilities had peaked out from the second half of the previous fiscal year, we have been gradually shifting management resources to automotive motors and in-vehicle electronics. We have intermittently received orders for and have continued to manufacture products for EV drive motor production facilities, and the pace of manufacturing has accelerated. Demand associated with automotive motors has increased dramatically. Higher functionality and quality required especially of accelerators (running), steering devices (turning) and brakes (stopping), as well as increased demand for modularization and total production lines contributed positively to revenues, while they also made it difficult to achieve profit levels estimated at the beginning of the fiscal year.

As a result of the above, the Winding System & Mechatronics Business segment, which accounts for about 97% of the Group's total net sales, reported net sales of 30,861 million yen (up 5.0% year on year) and segment profit (operating profit) of 4,723 million yen (up 0.8% year on year) on a consolidated basis. On a non-consolidated basis, the segment reported orders received of 23,290 million yen (down 20.9% year on year), net sales of 26,215 million yen (up 0.3% year on year), and the order backlog at the end of the current fiscal year of 13,862 million yen (down 17.4% year on year).

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

For the current fiscal year, the operating results for the segment fell short of the initial estimates due to a delay in production capacity expansion for contactless IC tags scheduled by one of our major customers, postponed installation of contactless IC cards scheduled within this year by a public-sector organization, and also delayed placement of orders by a settlement related customer.

As a result of the above, the Contactless IC Tag & Card Business segment reported net sales of 974 million yen (down 25.2% year on year) and segment profit (operating profit) of 119 million yen (down 61.7% year on year) on a consolidated basis. On a non-consolidated basis, the segment reported orders received of 1,020 million yen (down 6.5% year on year), net sales of 974 million yen (down 25.2% year on year), and the order backlog at the end of the current fiscal year of 232 million yen (up 24.5% year on year).

## **(2) Overview of Financial Position for the Current Fiscal Year**

### 1) Assets

Current assets decreased 1,434 million yen from the end of the previous fiscal year to 27,923 million yen. This was mainly due to a decrease of 2,803 million yen in cash and deposits, which was partially offset by an increase of 1,793 million yen in notes and accounts receivable-trade.

Non-current assets increased 2,577 million yen from the end of the previous fiscal year to 10,805 million yen. This was mainly attributable to increases of 1,458 million yen in buildings and structures, net, and 1,268 million yen in land.

As a result, total assets increased 1,142 million yen from the end of the previous fiscal year to 38,728 million yen.

### 2) Liabilities

Current liabilities decreased 652 million yen from the end of the previous fiscal year to 10,161 million yen. This was mainly attributable to a decrease of 720 million yen in notes and accounts payable-trade.

Non-current liabilities decreased 148 million yen from the end of the previous fiscal year to 339 million yen. This was mainly attributable to a decrease of 106 million yen in deferred tax liabilities.

As a result, total liabilities decreased 800 million yen from the end of the previous fiscal year to 10,501 million yen.

### 3) Net assets

Total net assets increased 1,942 million yen from the end of the previous fiscal year to 28,227 million yen.

**(3) Overview of Cash Flows for the Current Fiscal Year**

Cash and cash equivalents (hereinafter “net cash”) at the end of the current fiscal year decreased 1,954 million yen from the end of the previous fiscal year to 7,731 million yen. The cash flow components during the current fiscal year and the main reasons for changes are as described below.

**Cash flows from operating activities**

Net cash provided by operating activities was 1,016 million yen (compared with 889 million yen provided for the previous fiscal year). Main factors include profit before income taxes of 4,062 million yen and depreciation of 422 million yen, which were partially offset by an increase of 1,838 million yen in notes and accounts receivable-trade, a decrease of 455 million yen in notes and accounts payable-trade, and income taxes paid of 1,093 million yen.

**Cash flows from investing activities**

Net cash used in investing activities was 2,424 million yen (compared with 886 million yen used for the previous fiscal year). Main factors include payments into time deposits of 4,490 million yen, purchase of property, plant and equipment of 3,578 million yen, and purchase of investment securities of 212 million yen, which were partially offset by proceeds from withdrawal of time deposits of 5,325 million yen and proceeds from sales of investment securities of 483 million yen.

**Cash flows from financing activities**

Net cash used in financing activities was 560 million yen (compared with 506 million yen used for the previous fiscal year), which was caused by the payment of cash dividends of 559 million yen.

**(4) Outlook**

We believe that demand for total precision FA lines, our key products, will remain intact underpinned by a strong need to protect environment, improve QOL and automate production facilities, though the demand may be affected by economic conditions to some degree. Given that the automotive industry is required to meet existing needs for automatic driving and electrification of vehicles and chances are good that they will be commercialized in the near future, facilities to produce automatic driving vehicles and EV will be needed on a global scale, even if the volume of vehicle production declines. Also, our precision coils will be used for a more variety of applications, including sensing, telecommunications and brushless DC motors, with the miniaturization of these coils and expansion and diversification of IoT and 5G. We also see a growing need for production automation, including the automation of assembly lines for related modules and products. As a result, we believe our products will be used in a wide range of sectors, spanning from daily supplies, transportation, healthcare, agriculture, tourism, entertainment to crime prevention and disaster prevention.

The Nittoku Engineering Group decided to construct new factories in Fukushima and Nagasaki, and a headquarter building combining R&D functions, with an aim to establish a structure extensive enough to achieve net sales of 50,000 million yen. The new factory in Nagasaki has started operating since December 2018, while the new headquarter building and the new factory in Fukushima are scheduled to open in August and November 2019, respectively. Going forward, we are aiming to achieve net sales of 50,000 million yen with the operating margin of 15% and the net margin of 10% within several years, by moving forward with recruitment of talented engineers, M&A and open innovation.

In the next fiscal year ending on March 31, 2020, we expect to record net sales of 33,000 million yen (up 3.7% year on year), operating profit of 4,250 million yen (up 10.4% year on year), ordinary profit of 4,300 million yen (up 9.6% year on year) and profit attributable to owners of parent of 3,050 million yen (up 6.8% year on year).

**2. Basic Approach to the Selection of Accounting Standards**

Nittoku Engineering currently uses Japanese accounting standards for its financial statements. To prepare for the voluntary application in the future of International Financial Reporting Standards, Nittoku Engineering is preparing manuals and policies and considering the proper timing to start using these standards. Actions concerning these standards will be taken in an appropriate manner.

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

(Thousands of yen)

	FY3/18 (As of Mar. 31, 2018)	FY3/19 (As of Mar. 31, 2019)
Assets		
Current assets		
Cash and deposits	12,929,681	10,125,865
Notes and accounts receivable-trade	7,363,066	9,156,630
Securities	400,120	200,158
Work in process	6,823,799	5,944,591
Raw materials and supplies	724,903	1,418,812
Consumption taxes receivable	701,341	622,818
Other	455,778	491,759
Allowance for doubtful accounts	(40,630)	(37,544)
Total current assets	29,358,061	27,923,090
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	1,954,232	3,413,044
Machinery, equipment and vehicles, net	564,735	574,135
Land	700,297	1,968,801
Other, net	370,608	836,752
Total property, plant and equipment	3,589,873	6,792,733
Intangible assets		
Goodwill	18,848	3,769
Other	150,063	170,039
Total intangible assets	168,911	173,808
Investments and other assets		
Investment securities	3,516,251	2,850,374
Deferred tax assets	622,302	722,383
Deferred tax assets	58,089	-
Other	272,277	265,924
Total investments and other assets	4,468,921	3,838,683
Total non-current assets	8,227,706	10,805,225
Total assets	37,585,767	38,728,315

	(Thousands of yen)	
	FY3/18 (As of Mar. 31, 2018)	FY3/19 (As of Mar. 31, 2019)
<b>Liabilities</b>		
<b>Current liabilities</b>		
Notes and accounts payable-trade	2,850,385	2,129,647
Electronically recorded obligations-operating	4,192,111	4,420,531
Income taxes payable	668,724	657,314
Advances received	1,763,054	1,326,946
Provision for bonuses	512,853	538,105
Other	826,549	1,088,932
<b>Total current liabilities</b>	<b>10,813,678</b>	<b>10,161,478</b>
<b>Non-current liabilities</b>		
Deferred tax liabilities	131,506	25,317
Net defined benefit liability	151,289	87,291
Other	204,941	226,964
<b>Total non-current liabilities</b>	<b>487,737</b>	<b>339,573</b>
<b>Total liabilities</b>	<b>11,301,415</b>	<b>10,501,052</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	17,608,874
Treasury shares	(25,267)	(25,341)
<b>Total shareholders' equity</b>	<b>24,699,068</b>	<b>27,004,236</b>
<b>Accumulated other comprehensive income</b>		
Valuation difference on available-for-sale securities	1,059,398	594,710
Foreign currency translation adjustment	519,290	460,029
Remeasurements of defined benefit plans	(56,666)	24,553
<b>Total accumulated other comprehensive income</b>	<b>1,522,022</b>	<b>1,079,293</b>
<b>Non-controlling interests</b>	<b>63,261</b>	<b>143,733</b>
<b>Total net assets</b>	<b>26,284,352</b>	<b>28,227,263</b>
<b>Total liabilities and net assets</b>	<b>37,585,767</b>	<b>38,728,315</b>



**(2) Consolidated Statements of Income and Comprehensive Income****Consolidated Statement of Income**

(Thousands of yen)

	FY3/18 (Apr. 1, 2017 – Mar. 31, 2018)	FY3/19 (Apr. 1, 2018 – Mar. 31, 2019)
Net sales	30,691,962	31,835,923
Cost of sales	22,496,603	23,666,211
Gross profit	8,195,359	8,169,712
Selling, general and administrative expenses	4,175,032	4,321,122
Operating profit	4,020,326	3,848,589
Non-operating income		
Interest income	42,291	34,243
Dividend income	34,172	40,842
Subsidy income	62,887	18,094
Other	45,026	38,015
Total non-operating income	184,378	131,196
Non-operating expenses		
Loss on transfer of receivables	9,530	7,493
Loss on retirement of non-current assets	19,822	32,487
Loss on reduction of non-current assets	25,748	-
Other	88,286	18,195
Total non-operating expenses	143,387	58,176
Ordinary profit	4,061,317	3,921,610
Extraordinary income		
Gain on sales of investment securities	66,376	140,945
Total extraordinary income	66,376	140,945
Extraordinary losses		
Loss on valuation of investment securities	47,998	-
Total extraordinary losses	47,998	-
Profit before income taxes	4,079,695	4,062,555
Income taxes-current	981,656	1,075,585
Income taxes-deferred	(105,881)	91,048
Total income taxes	875,774	1,166,634
Profit	3,203,920	2,895,921
Profit attributable to non-controlling interests	2,852	39,823
Profit attributable to owners of parent	3,201,068	2,856,097

**Consolidated Statement of Comprehensive Income**

	(Thousands of yen)	
	FY3/18	FY3/19
	(Apr. 1, 2017 – Mar. 31, 2018)	(Apr. 1, 2018 – Mar. 31, 2019)
Profit	3,203,920	2,895,921
Other comprehensive income		
Valuation difference on available-for-sale securities	487,461	(464,687)
Foreign currency translation adjustment	96,948	(58,375)
Remeasurements of defined benefit plans, net of tax	(2,796)	81,220
Total other comprehensive income	581,613	(441,842)
Comprehensive income	3,785,534	2,454,078
Comprehensive income attributable to:		
Owners of parent	3,780,166	2,413,134
Non-controlling interests	5,367	40,943

**(3) Consolidated Statement of Changes in Equity**

FY3/18 (Apr. 1, 2017 – Mar. 31, 2018)

(Thousands of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	6,884,928	2,542,054	12,602,186	(23,937)	22,005,232
Changes of items during period					
Dividends of surplus			(505,901)		(505,901)
Profit attributable to owners of parent			3,201,068		3,201,068
Purchase of treasury shares				(1,330)	(1,330)
Impact of new consolidation					-
Net changes of items other than shareholders' equity					
Total changes of items during period	-	-	2,695,166	(1,330)	2,693,836
Balance at end of current period	6,884,928	2,542,054	15,297,353	(25,267)	24,699,068

(Thousands of yen)

	Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of current period	571,936	424,857	(53,869)	942,924	57,893	23,006,049
Changes of items during period						
Dividends of surplus						(505,901)
Profit attributable to owners of parent						3,201,068
Purchase of treasury shares						(1,330)
Impact of new consolidation						-
Net changes of items other than shareholders' equity	487,461	94,432	(2,796)	579,097	5,367	584,465
Total changes of items during period	487,461	94,432	(2,796)	579,097	5,367	3,278,302
Balance at end of current period	1,059,398	519,290	(56,666)	1,522,022	63,261	26,284,352

FY3/19 (Apr. 1, 2018 – Mar. 31, 2019)

(Thousands of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	6,884,928	2,542,054	15,297,353	(25,267)	24,699,068
Changes of items during period					
Dividends of surplus			(560,097)		(560,097)
Profit attributable to owners of parent			2,856,097		2,856,097
Purchase of treasury shares				(73)	(73)
Impact of new consolidation		(6,278)	15,521		9,242
Net changes of items other than shareholders' equity					
Total changes of items during period	-	(6,278)	2,311,520	(73)	2,305,168
Balance at end of current period	6,884,928	2,535,775	17,608,874	(25,341)	27,004,236

(Thousands of yen)

	Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of current period	1,059,398	519,290	(56,666)	1,522,022	63,261	26,284,352
Changes of items during period						
Dividends of surplus						(560,097)
Profit attributable to owners of parent						2,856,097
Purchase of treasury shares						(73)
Impact of new consolidation		234		234	39,527	49,004
Net changes of items other than shareholders' equity	(464,687)	(59,495)	81,220	(442,962)	40,943	(402,018)
Total changes of items during period	(464,687)	(59,261)	81,220	(442,728)	80,471	1,942,911
Balance at end of current period	594,710	460,029	24,553	1,079,293	143,733	28,227,263

**(4) Consolidated Statement of Cash Flows**

(Thousands of yen)

	FY3/18 (Apr. 1, 2017 – Mar. 31, 2018)	FY3/19 (Apr. 1, 2018 – Mar. 31, 2019)
Cash flows from operating activities		
Profit before income taxes	4,079,695	4,062,555
Depreciation	414,796	422,578
Amortization of goodwill	15,078	15,078
Increase (decrease) in allowance for doubtful accounts	(3,112)	(3,061)
Increase (decrease) in provision for bonuses	52,237	25,610
Increase (decrease) in net defined benefit liability	48,931	39,326
Interest and dividend income	(76,463)	(75,085)
Subsidy income	(62,887)	(18,094)
Loss on retirement of non-current assets	19,822	32,487
Loss on reduction of non-current assets	25,748	-
Loss (gain) on sales of investment securities	(66,376)	(140,945)
Loss (gain) on valuation of investment securities	47,998	-
Decrease (increase) in notes and accounts receivable-trade	(995,288)	(1,838,102)
Decrease (increase) in inventories	(1,907,548)	109,696
Increase (decrease) in notes and accounts payable-trade	104,995	(455,323)
Decrease (increase) in consumption taxes refund receivable	(125,810)	60,177
Increase (decrease) in advances received	251,347	(439,269)
Other, net	(241,160)	210,929
Subtotal	1,582,002	2,008,556
Interest and dividend income received	74,858	75,976
Interest expenses paid	-	(427)
Income taxes paid	(829,922)	(1,093,484)
Income taxes refund	-	7,754
Proceeds from subsidy income	62,887	18,094
Net cash provided by (used in) operating activities	889,826	1,016,469
Cash flows from investing activities		
Payments into time deposits	(5,013,003)	(4,490,398)
Proceeds from withdrawal of time deposits	5,104,235	5,325,303
Purchase of securities	(300,000)	-
Purchase of property, plant and equipment	(390,370)	(3,578,986)
Proceeds from sales of property, plant and equipment	33,783	22,656
Purchase of intangible assets	(23,685)	(42,538)
Purchase of investment securities	(573,179)	(212,529)
Proceeds from sales of investment securities	292,793	183,393
Proceeds from redemption of securities	-	400,120
Purchase of insurance funds	(78,164)	(100,081)
Proceeds from maturity of insurance funds	81,227	-
Other, net	(19,897)	68,082
Net cash provided by (used in) investing activities	(886,262)	(2,424,978)
Cash flows from financing activities		
Purchase of treasury shares	(1,330)	(73)
Cash dividends paid	(505,604)	(559,974)
Net cash provided by (used in) financing activities	(506,934)	(560,048)
Effect of exchange rate change on cash and cash equivalents	45,663	(34,641)
Net increase (decrease) in cash and cash equivalents	(457,707)	(2,003,198)
Cash and cash equivalents at beginning of period	10,143,756	9,686,048
Increase in cash and cash equivalents from newly consolidated subsidiary	-	49,046
Cash and cash equivalents at end of period	9,686,048	7,731,896

**(5) Notes to Consolidated Financial Statements****Going Concern Assumption**

Not applicable.

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

## 1. Overview of reportable segment

## (1) Method of determining the reportable segments

Segments used for financial reporting are the Group's constituent units for which separate financial information is available and for which the Board of Directors performs periodic studies for the purposes of determining the allocation of resources and evaluating performance.

The two reportable segments that the Nittoku Engineering Group uses are based on the products and services provided by these business divisions. The two segments are the Winding System & Mechatronics Business and the Contactless IC Tag & Card Business.

## (2) Products and services by each reportable segment

The Winding System & Mechatronics Business segment involves the manufacture and sale of coil winding machines, winding systems and peripheral equipment and the provision of maintenance services. The Contactless IC Tag & Card Business segment involves the manufacture and sale of IC tags, cards and inlets.

## 2. Calculation methods for net sales, profits/losses, assets, and other items for each reportable segment

The accounting methods for reportable segments are largely the same as those described in "Basis of Preparing the Consolidated Financial Statements."

## 3. Information related to net sales, profit/losses, assets, and other items for each reportable segment

FY3/18 (Apr. 1, 2017 – Mar. 31, 2018)

(Thousands of yen)

	Reportable segment		Total
	Winding System & Mechatronics Business	Contactless IC Tag & Card Business	
Net sales			
External sales	29,389,101	1,302,861	30,691,962
Inter-segment sales and transfers	-	-	-
Total	29,389,101	1,302,861	30,691,962
Segment profit	4,688,217	311,743	4,999,960
Segment assets	22,812,246	929,785	23,742,031
Other items			
Depreciation	347,851	49,587	397,438
Change in property, plant and equipment and intangible assets	580,382	13,573	593,956

FY3/19 (Apr. 1, 2018 – Mar. 31, 2019)

(Thousands of yen)

	Reportable segment		Total
	Winding System & Mechatronics Business	Contactless IC Tag & Card Business	
Net sales			
External sales	30,861,504	974,419	31,835,923
Inter-segment sales and transfers	-	-	-
Total	30,861,504	974,419	31,835,923
Segment profit	4,723,784	119,499	4,843,284
Segment assets	25,010,286	948,985	25,959,272
Other items			
Depreciation	348,929	51,660	400,590
Change in property, plant and equipment and intangible assets	1,501,883	54,046	1,555,929

## 4. Reconciliation of reported consolidated financial statements with total for reportable segments (Reconciliation items)

(Thousands of yen)

Profit	FY3/18	FY3/19
Total for reportable segments	4,999,960	4,843,284
Corporate expenses (Note)	(979,633)	(994,694)
Operating profit on the consolidated financial statements	4,020,326	3,848,589

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

(Thousands of yen)

Assets	FY3/18	FY3/19
Total for reportable segments	23,742,031	25,959,272
Corporate assets (Note)	14,149,851	12,769,043
Total assets on the consolidated financial statements	37,891,883	38,728,315

Note: Corporate assets mainly include cash and deposits and investment securities that cannot be attributed to reportable segments.

(Thousands of yen)

Other items	Total for reportable segments		Adjustment		Amounts shown on consolidated financial statements	
	FY3/18	FY3/19	FY3/18	FY3/19	FY3/18	FY3/19
Depreciation	397,438	400,590	17,358	21,988	414,796	422,578
Change in property, plant and equipment and intangible assets	593,956	1,555,929	50,283	2,162,106	644,239	3,718,036

Note: Adjustment to change in property, plant and equipment and intangible assets represents head office facilities.

**Related information**

FY3/18 (Apr. 1, 2017 – Mar. 31, 2018)

## 1. Information by product or service

This information is omitted because the same information is presented in segment information.

## 2. Information by region

## (1) Net sales

(Thousands of yen)

Japan	Asia	America	Europe	Total
11,411,290	17,959,160	546,452	775,058	30,691,962

Note: Classification of net sales by regions is based on the location of the client and categorized by country or region.

## (2) Property, plant and equipment

This information is omitted because property, plant and equipment in Japan exceed 90% of property, plant and equipment on the consolidated balance sheet.

## 3. Information by major customer

(Thousands of yen)

Name of customer	Net sales	Related segment
Merry Electronics (Suzhou) Co., Ltd.	6,111,416	Winding System & Mechatronics Business

FY3/19 (Apr. 1, 2018 – Mar. 31, 2019)

## 1. Information by product or service

This information is omitted because the same information is presented in segment information.

## 2. Information by region

## (1) Net sales

(Thousands of yen)

Japan	Asia	America	Europe	Total
12,704,876	15,966,147	1,137,869	2,027,030	31,835,923

Note: Classification of net sales by regions is based on the location of the client and categorized by country or region.

## (2) Property, plant and equipment

This information is omitted because property, plant and equipment in Japan exceed 90% of property, plant and equipment on the consolidated balance sheet.

## 3. Information by major customer

This information is omitted because no specific external customer accounts for more than 10% of net sales on the consolidated statement of income.

**Information related to impairment of non-current assets for each reportable segment**

Not applicable.

**Information related to goodwill amortization and the unamortized balance for each reportable segment**

FY3/18 (Apr. 1, 2017 – Mar. 31, 2018)

(Thousands of yen)

	Reportable segment			Elimination or corporate	Total
	Winding System & Mechatronics Business	Contactless IC Tag & Card Business	Subtotal		
Goodwill amortization	15,078	-	15,078	-	15,078
Balance at the end of the period	18,848	-	18,848	-	18,848

FY3/19 (Apr. 1, 2018 – Mar. 31, 2019)

(Thousands of yen)

	Reportable segment			Elimination or corporate	Total
	Winding System & Mechatronics Business	Contactless IC Tag & Card Business	Subtotal		
Goodwill amortization	15,078	-	15,078	-	15,078
Balance at the end of the period	3,769	-	3,769	-	3,769

**Information related to negative goodwill profits for each reportable segment**

Not applicable.



**Per-share Information**

(Yen)

	FY3/18 (Apr. 1, 2017 – Mar. 31, 2018)	FY3/19 (Apr. 1, 2018 – Mar. 31, 2019)
Net assets per share	1,451.27	1,554.35
Net income per share	177.17	158.08

Notes: 1. Diluted net income per share is not presented since the Company has no outstanding dilutive securities.

2. The following is a reconciliation of net income per share.

(Thousands of yen, unless otherwise stated)

Item	FY3/18 (Apr. 1, 2017 – Mar. 31, 2018)	FY3/19 (Apr. 1, 2018 – Mar. 31, 2019)
Net income per share		
Profit attributable to owners of parent	3,201,068	2,856,097
Amount not attributable to common shareholders	-	-
Profit attributable to common shareholders of parent	3,201,068	2,856,097
Average number of common stock shares outstanding during the period (Shares)	18,067,865	18,067,659

**Material Subsequent Events**

Not applicable.

**4. Non-consolidated Financial Statements and Notes****(1) Balance Sheet**

	(Thousands of yen)	
	FY3/18 (As of Mar. 31, 2018)	FY3/19 (As of Mar. 31, 2019)
Assets		
Current assets		
Cash and deposits	8,556,005	6,225,505
Notes receivable-trade	1,363,620	1,667,949
Accounts receivable-trade	5,188,553	6,431,827
Securities	400,120	200,158
Work in process	5,243,290	4,885,019
Raw materials and supplies	482,529	905,857
Consumption taxes receivable	701,341	622,818
Short-term loans receivable from subsidiaries and associates	500,000	-
Current portion of long-term loans receivable from subsidiaries and associates	64,755	63,717
Other	187,334	294,249
Allowance for doubtful accounts	(40,080)	(106,520)
Total current assets	22,647,471	21,190,581
Non-current assets		
Property, plant and equipment		
Buildings	1,630,192	3,031,514
Structures	54,050	97,220
Machinery and equipment	316,142	261,345
Vehicles	4,523	19,461
Tools, furniture and fixtures	106,563	137,592
Land	484,512	1,728,976
Construction in progress	188,450	624,941
Total property, plant and equipment	2,784,434	5,901,051
Intangible assets		
Software	65,302	75,981
Other	48,019	47,932
Total intangible assets	113,322	123,914
Investments and other assets		
Investment securities	3,372,046	2,535,794
Shares of subsidiaries and associates	751,773	751,773
Investments in capital of subsidiaries and associates	555,585	755,585
Long-term loans receivable from subsidiaries and associates	140,132	74,816
Deferred tax assets	-	2,444
Insurance funds	621,666	721,651
Other	182,663	185,333
Allowance for doubtful accounts	-	(41,519)
Total investments and other assets	5,623,868	4,985,881
Total non-current assets	8,521,625	11,010,847
Total assets	31,169,097	32,201,428

	(Thousands of yen)	
	FY3/18	FY3/19
	(As of Mar. 31, 2018)	(As of Mar. 31, 2019)
<b>Liabilities</b>		
<b>Current liabilities</b>		
Notes payable-trade	755,389	600,444
Accounts payable-trade	1,684,349	1,444,289
Electronically recorded obligations-operating	4,192,111	4,420,531
Accounts payable-other	572,649	1,086,833
Income taxes payable	499,344	547,802
Advances received	962,196	594,808
Provision for bonuses	405,931	392,089
Other	367,634	315,106
<b>Total current liabilities</b>	<b>9,439,606</b>	<b>9,401,905</b>
<b>Non-current liabilities</b>		
Long-term accounts payable-other	194,261	194,261
Provision for retirement benefits	53,648	119,166
Deferred tax liabilities	124,166	-
Other	10,680	32,703
<b>Total non-current liabilities</b>	<b>382,756</b>	<b>346,131</b>
<b>Total liabilities</b>	<b>9,822,363</b>	<b>9,748,036</b>
<b>Net assets</b>		
<b>Shareholders' equity</b>		
Capital stock	6,884,928	6,884,928
Capital surplus		
Legal capital surplus	2,542,635	2,542,635
Total capital surpluses	2,542,635	2,542,635
Retained earnings		
Legal retained earnings	202,780	202,780
Other retained earnings		
General reserve	2,200,000	2,200,000
Retained earnings brought forward	8,482,258	10,034,560
Total retained earnings	10,885,039	12,437,340
Treasury shares	(25,267)	(25,341)
<b>Total shareholders' equity</b>	<b>20,287,335</b>	<b>21,839,563</b>
<b>Valuation and translation adjustments</b>		
Valuation difference on available-for-sale securities	1,059,398	613,829
<b>Total valuation and translation adjustments</b>	<b>1,059,398</b>	<b>613,829</b>
<b>Total net assets</b>	<b>21,346,733</b>	<b>22,453,392</b>
<b>Total liabilities and net assets</b>	<b>31,169,097</b>	<b>32,201,428</b>

**(2) Statement of Income**

(Thousands of yen)

	FY3/18 (Apr. 1, 2017 – Mar. 31, 2018)	FY3/19 (Apr. 1, 2018 – Mar. 31, 2019)
Net sales	27,431,344	27,189,508
Cost of sales	20,883,404	20,560,132
Gross profit	6,547,940	6,629,376
Selling, general and administrative expenses	3,610,738	3,752,963
Operating profit	2,937,202	2,876,412
Non-operating income		
Interest and dividend income	41,574	97,410
Foreign exchange gains	-	14,259
Subsidy income	62,887	-
Other	29,563	31,291
Total non-operating income	134,025	142,961
Non-operating expenses		
Loss on transfer of receivables	9,475	7,433
Foreign exchange losses	17,753	-
Loss on sales of non-current assets	13,881	24,976
Loss on retirement of non-current assets	19,745	32,487
Loss on reduction of non-current assets	25,748	-
Other	6,930	8,965
Total non-operating expenses	93,535	73,862
Ordinary profit	2,977,691	2,945,511
Extraordinary income		
Gain on sales of investment securities	66,376	140,945
Total extraordinary income	66,376	140,945
Extraordinary losses		
Loss on valuation of investment securities	47,998	-
Loss on valuation of shares of subsidiaries and associates	489,857	-
Provision of allowance for doubtful accounts	-	113,060
Total extraordinary losses	537,856	113,060
Profit before income taxes	2,506,211	2,973,396
Income taxes-current	638,731	812,312
Income taxes-deferred	(94,668)	48,684
Total income taxes	544,062	860,997
Profit	1,962,149	2,112,399

**(3) Statement of Changes in Equity**

FY3/18 (Apr. 1, 2017 – Mar. 31, 2018)

(Thousands of yen)

	Shareholders' equity						
	Capital stock	Capital surplus		Legal retained earnings	Retained earnings		Total retained earnings
		Legal capital surplus	Total capital surplus		Other retained earnings		
					General reserve	Retained earnings brought forward	
Balance at beginning of current period	6,884,928	2,542,635	2,542,635	202,780	2,200,000	7,026,011	9,428,791
Changes of items during period							
Dividends of surplus						(505,901)	(505,901)
Profit						1,962,149	1,962,149
Purchase of treasury shares							
Net changes of items other than shareholders' equity							
Total changes of items during period	-	-	-	-	-	1,456,247	1,456,247
Balance at end of current period	6,884,928	2,542,635	2,542,635	202,780	2,200,000	8,482,258	10,885,039

(Thousands of yen)

	Shareholders' equity		Valuation and translation adjustments		Total net assets
	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Total valuation and translation adjustments	
Balance at beginning of current period	(23,937)	18,832,418	571,936	571,936	19,404,355
Changes of items during period					
Dividends of surplus		(505,901)			(505,901)
Profit		1,962,149			1,962,149
Purchase of treasury shares	(1,330)	(1,330)			(1,330)
Net changes of items other than shareholders' equity			487,461	487,461	487,461
Total changes of items during period	(1,330)	1,454,916	487,461	487,461	1,942,378
Balance at end of current period	(25,267)	20,287,335	1,059,398	1,059,398	21,346,733

FY3/19 (Apr. 1, 2018 – Mar. 31, 2019)

(Thousands of yen)

	Shareholders' equity						
	Capital stock	Capital surplus		Legal retained earnings	Retained earnings		Total retained earnings
		Legal capital surplus	Total capital surplus		General reserve	Retained earnings brought forward	
Balance at beginning of current period	6,884,928	2,542,635	2,542,635	202,780	2,200,000	8,482,258	10,885,039
Changes of items during period							
Dividends of surplus						(560,097)	(560,097)
Profit						2,112,399	2,112,399
Purchase of treasury shares							
Net changes of items other than shareholders' equity							
Total changes of items during period	-	-	-	-	-	1,552,301	1,552,301
Balance at end of current period	6,884,928	2,542,635	2,542,635	202,780	2,200,000	10,034,560	12,437,340

(Thousands of yen)

	Shareholders' equity		Valuation and translation adjustments		Total net assets
	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Total valuation and translation adjustments	
Balance at beginning of current period	(25,267)	20,287,335	1,059,398	1,059,398	21,346,733
Changes of items during period					
Dividends of surplus		(560,097)			(560,097)
Profit		2,112,399			2,112,399
Purchase of treasury shares	(73)	(73)			(73)
Net changes of items other than shareholders' equity			(445,569)	(445,569)	(445,569)
Total changes of items during period	(73)	1,552,227	(445,569)	(445,569)	1,106,658
Balance at end of current period	(25,341)	21,839,563	613,829	613,829	22,453,392

## 5. Others

### (1) Production, Orders and Sales

The Nittoku Engineering Group (Nittoku Engineering Co., Ltd. and its affiliated companies) manufactures and sells a diverse array of products. Even similar products frequently differ in terms of their capacity, structure, style and other specifications. Since the Company believes these characteristics make it inappropriate to use monetary or volume units to report the volume of production and orders in each segment, non-consolidated figures are presented.

Due to this change, with regard to production and orders received, the segment results of operations in “1. Overview of Results of Operations, (1) Overview of Results of Operations for the Current Fiscal Year” are non-consolidated figures. However, sales figures in this section are consolidated figures as in prior fiscal years for consistency with the segment results of operations in “1. Overview of Results of Operations, (1) Overview of Results of Operations for the Current Fiscal Year.”

### (2) Changes in Directors and Corporate Auditors

#### 1) Changes in Representative Directors

Not applicable.

#### 2) Changes in Other Directors and Corporate Auditors (To be effective June 26, 2019)

Candidate for Newly Appointed Corporate Auditor

Corporate Auditor: Tomiyuki Ikeda

Note: Mr. Tomiyuki Ikeda is a candidate for Outside Corporate Auditor.

*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.*