

**Summary of Consolidated Financial Results for the Second Quarter  
of the Fiscal Year Ending March 31, 2020  
(Six Months Ended September 30, 2019)**

**[Japanese GAAP]**

Company name: NITTOKU CO., LTD. Listing: Tokyo Stock Exchange (JASDAQ)  
 Stock code: 6145 URL: <https://www.nittoku.co.jp/>  
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 Scheduled date of filing of Quarterly Report: November 8, 2019  
 Scheduled date of payment of dividend: December 2, 2019  
 Preparation of supplementary materials for quarterly financial results: Yes  
 Holding of quarterly financial results meeting: Yes (for analysts and institutional investors)

*Note: The original disclosure in Japanese was released on November 7, 2019, at 15:00 (GMT +9).*

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

**1. Consolidated Financial Results for the Second Quarter Ended September 30, 2019 (Apr. 1, 2019 – Sep. 30, 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	%
Six months ended Sep. 30, 2019	14,814	(0.3)	1,780	9.8	1,900	12.3	1,372	16.8
Six months ended Sep. 30, 2018	14,853	(2.9)	1,622	(34.0)	1,692	(31.0)	1,175	(31.7)

Note: Comprehensive income (million yen) Six months ended Sep. 30, 2019: 1,121 (up 13.5%)  
 Six months ended Sep. 30, 2018: 988 (down 55.9%)

	Net income per share	Diluted net income per share
	Yen	Yen
Six months ended Sep. 30, 2019	75.97	-
Six months ended Sep. 30, 2018	65.06	-

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of Sep. 30, 2019	38,082	29,077	75.9
As of Mar. 31, 2019	38,728	28,227	72.5

Reference: Shareholders' equity (million yen) As of Sep. 30, 2019: 28,923 As of Mar. 31, 2019: 28,083

**2. Dividends**

	Dividend per share				
	1Q-end	2Q-end	3Q-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended Mar. 31, 2019	-	15.00	-	15.00	30.00
Fiscal year ending Mar. 31, 2020	-	15.00	-	-	-
Fiscal year ending Mar. 31, 2020 (forecast)	-	-	-	15.00	30.00

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

The 2Q-end dividend per share is planned to be resolved at the Board of Directors' meeting on November 8, 2019.

**3. Consolidated Earnings Forecast for the Fiscal Year Ending March 31, 2020 (Apr. 1, 2019 – Mar. 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
Full year	30,000	(5.8)	3,600	(6.5)	3,700	(5.7)	2,600	(9.0)	143.90

Note: Revisions to the most recently announced consolidated earnings forecast: Yes

**\* Notes**

(1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in changes in scope of consolidation): None

(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: Yes

2) Changes in accounting policies other than 1) above: None

3) Changes in accounting-based estimates: None

4) Restatements: None

(4) Number of outstanding shares (common stock)

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

As of Sep. 30, 2019:	18,098,923 shares	As of Mar. 31, 2019:	18,098,923 shares
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2) Number of treasury shares at the end of the period

As of Sep. 30, 2019:	31,292 shares	As of Mar. 31, 2019:	31,269 shares
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3) Average number of shares outstanding during the period

Six months ended Sep. 30, 2019:	18,067,652 shares	Six months ended Sep. 30, 2018:	18,067,666 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."

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## 1. Qualitative Information on Quarterly Consolidated Financial Performance

### (1) Explanation of Results of Operations

Forward-looking statements contained in this document are based on our judgment made at the end of the second quarter of the fiscal year ending March 31, 2020.

During the first half of the fiscal year ending March 31, 2020, the world economy remained in turmoil with the U.S.-China trade friction affecting the economy and industries of many countries.

While the whole world has worked towards achieving SDGs (Sustainable Development Goals) set by the United Nations, the Group provides, through its primary business segments, a wide range of total solutions, including the development and manufacture of production equipment for coils and motors, which are essential to “decarbonization”—a key agenda in the fields of climate change and clean energy. The Group has been aspiring to become a company that can contribute to global environment and international society by providing solutions for factory automation and transformation into smart factories, key agenda for technological innovation and labor issues today; alongside working on “decarbonation” with a view to achieving SDGs.

In the first half, the Group received relatively many consultations and inquiries regarding 5G and EV related plants and equipment. However, with the world economy in doldrums, overall orders remained persistently low, as customers generally took a wait-and-see stance on non-urgent upfront capital investments. Accordingly, the Group was unable to sufficiently implement innovation initiatives towards the goals stated above.

As a result of these events, net sales decreased 0.3% year on year to 14,814 million yen, with operating profit of 1,780 million yen (up 9.8% year on year), ordinary profit of 1,900 million yen (up 12.3% year on year), and profit attributable to owners of parent of 1,372 million yen (up 16.8% year on year).

Results by business segment were as follows.

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

During the first half, the earnings for this segment remained solid, driven primarily by automotive motors. However, amid the global economic turmoil, orders for equipment to produce both coils for electronic components and automotive motors declined, since the spread of 5G base stations stalled due to the influence of the U.S.-China trade friction and the demand for EV and other eco-friendly vehicles lost steam.

Consequently, consolidated sales of the Winding System & Mechatronics Business, which account for about 96% of total sales, were 14,201 million yen (down 1.7% year on year), and segment profit (operating profit) was 2,166 million yen (up 3.4% year on year). On a non-consolidated basis, orders received were 9,072 million yen (down 30.4% year on year), sales were 11,584 million yen (down 6.9% year on year), and the order backlog at the end of the second quarter of the current fiscal year was 11,350 million yen (down 34.7% year on year).

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

The demand associated with IC tags used for production control saw a recovery trend in the first half. The Group also received a large volume of orders in connection with IC card, helped by growing demand from customers aiming to expand its use.

Consequently, consolidated sales of the Contactless IC Tag & Card Business were 613 million yen (up 49.4% year on year), and segment profit (operating profit) was 185 million yen (compared with 8 million yen for the same period a year earlier). On a non-consolidated basis, orders received were 1,699 million yen (up 323.0% year on year), sales were 613 million yen (up 49.4% year on year), and the order backlog at the end of the second quarter of the current fiscal year was 1,318 million yen (up 642.1% year on year).

## (2) Explanation of Financial Position

### Assets

Current assets decreased 2,308 million yen from the end of the previous fiscal year to 25,614 million yen. This was mainly due to decreases of 953 million yen in cash and deposits, 766 million yen in work in process, 189 million yen in notes and accounts receivable-trade, and 142 million yen in raw materials and supplies.

Non-current assets increased 1,663 million yen from the end of the previous fiscal year to 12,468 million yen. This was mainly attributable to increases of 960 million yen in construction in progress included in other, net and 391 million yen in buildings and structures, net.

As a result, total assets decreased 645 million yen from the end of the previous fiscal year to 38,082 million yen.

### Liabilities

Current liabilities decreased 1,633 million yen from the end of the previous fiscal year to 8,528 million yen. This was mainly attributable to a decrease of 1,439 million yen in electronically recorded obligations-operating.

Non-current liabilities increased 136 million yen from the end of the previous fiscal year to 476 million yen. This was mainly attributable to an increase of 97 million yen in lease obligations included in other.

As a result, total liabilities decreased 1,496 million yen from the end of the previous fiscal year to 9,004 million yen.

### Net assets

Total net assets increased 850 million yen from the end of the previous fiscal year to 29,077 million yen.

### Cash flows

Cash and cash equivalents (“net cash”) at the end of the second quarter of the current fiscal year decreased 521 million yen from the end of the previous fiscal year to 7,210 million yen. The cash flow components during the first half and the main reasons for changes are as described below.

#### Cash flows from operating activities

Net cash provided by operating activities was 1,065 million yen (compared with 740 million yen provided in the same period of the previous fiscal year). Main factors include profit before income taxes of 1,900 million yen, a decrease of 692 million yen in inventories, and depreciation of 245 million yen, which were partially offset by a decrease of 1,648 million yen in trade payables and income taxes paid of 618 million yen.

#### Cash flows from investing activities

Net cash used in investing activities was 1,149 million yen (compared with 1,141 million yen used in the same period of the previous fiscal year). Main factors include payments into time deposits of 1,946 million yen and purchase of property, plant and equipment of 1,723 million yen, which were partially offset by proceeds from withdrawal of time deposits of 2,336 million yen.

#### Cash flows from financing activities

Net cash used in financing activities was 271 million yen (compared with 288 million yen used in the same period of the previous fiscal year), which was caused by the payment of cash dividends of 270 million yen.

#### Research and development activities

The Group incurred research and development expenses of 282 million yen for the first half of the current fiscal year.

### **(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 significantly from these forecasts for a number of reasons. The Company has revised its earnings forecast for the fiscal year ending March 31, 2020 that was announced on May 10, 2019. For more details, please refer to the press release titled “Notice of Differences between the Consolidated Earnings Forecast and Results for the First Half and Revisions to the Full-year Earnings Forecast for the Fiscal Year Ending March 31, 2020,” which was announced on November 7, 2019 (Japanese version only).

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

	(Thousands of yen)	
	FY3/19 (As of Mar. 31, 2019)	Second quarter of FY3/20 (As of Sep. 30, 2019)
Assets		
Current assets		
Cash and deposits	10,125,865	9,172,659
Notes and accounts receivable-trade	7,899,694	7,710,538
Electronically recorded monetary claims-operating	1,256,936	1,445,714
Securities	200,158	200,388
Work in process	5,944,591	5,177,744
Raw materials and supplies	1,418,812	1,275,878
Other	1,114,577	669,525
Allowance for doubtful accounts	(37,544)	(38,038)
Total current assets	27,923,090	25,614,412
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	3,413,044	3,804,828
Machinery, equipment and vehicles, net	574,135	547,689
Land	1,968,801	1,968,801
Other, net	836,752	2,226,675
Total property, plant and equipment	6,792,733	8,547,995
Intangible assets		
Goodwill	3,769	-
Other	170,039	151,628
Total intangible assets	173,808	151,628
Investments and other assets		
Investment securities	2,850,374	2,732,670
Other	988,308	1,035,975
Total investments and other assets	3,838,683	3,768,646
Total non-current assets	10,805,225	12,468,270
Total assets	38,728,315	38,082,682

	(Thousands of yen)	
	FY3/19 (As of Mar. 31, 2019)	Second quarter of FY3/20 (As of Sep. 30, 2019)
<b>Liabilities</b>		
<b>Current liabilities</b>		
Notes and accounts payable-trade	2,129,647	1,860,372
Electronically recorded obligations-operating	4,420,531	2,981,408
Income taxes payable	657,314	575,735
Provision for bonuses	538,105	574,265
Other	2,415,879	2,536,637
<b>Total current liabilities</b>	<b>10,161,478</b>	<b>8,528,419</b>
<b>Non-current liabilities</b>		
Deferred tax liabilities	25,317	44,107
Retirement benefit liability	87,291	100,244
Other	226,964	331,995
<b>Total non-current liabilities</b>	<b>339,573</b>	<b>476,347</b>
<b>Total liabilities</b>	<b>10,501,052</b>	<b>9,004,767</b>
<b>Net assets</b>		
<b>Shareholders' equity</b>		
Share capital	6,884,928	6,884,928
Capital surplus	2,535,775	2,535,775
Retained earnings	17,608,874	18,710,427
Treasury shares	(25,341)	(25,404)
<b>Total shareholders' equity</b>	<b>27,004,236</b>	<b>28,105,727</b>
<b>Accumulated other comprehensive income</b>		
Valuation difference on available-for-sale securities	594,710	664,364
Foreign currency translation adjustment	460,029	124,859
Remeasurements of defined benefit plans	24,553	28,114
<b>Total accumulated other comprehensive income</b>	<b>1,079,293</b>	<b>817,338</b>
<b>Non-controlling interests</b>	<b>143,733</b>	<b>154,849</b>
<b>Total net assets</b>	<b>28,227,263</b>	<b>29,077,915</b>
<b>Total liabilities and net assets</b>	<b>38,728,315</b>	<b>38,082,682</b>



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

(Thousands of yen)

	First six months of FY3/19 (Apr. 1, 2018 – Sep. 30, 2018)	First six months of FY3/20 (Apr. 1, 2019 – Sep. 30, 2019)
Net sales	14,853,663	14,814,671
Cost of sales	11,085,908	10,805,113
Gross profit	3,767,754	4,009,557
Selling, general and administrative expenses	2,145,279	2,228,783
Operating profit	1,622,475	1,780,774
Non-operating income		
Dividend income	19,765	29,424
Foreign exchange gains	32,449	59,734
Other	35,426	39,763
Total non-operating income	87,641	128,922
Non-operating expenses		
Loss on retirement of non-current assets	1,861	2,694
Depreciation	2,191	2,005
Other	13,570	4,587
Total non-operating expenses	17,624	9,287
Ordinary profit	1,692,493	1,900,408
Profit before income taxes	1,692,493	1,900,408
Income taxes-current	526,770	526,768
Income taxes-deferred	(26,164)	(13,504)
Total income taxes	500,606	513,263
Profit	1,191,887	1,387,145
Profit attributable to non-controlling interests	16,346	14,577
Profit attributable to owners of parent	1,175,540	1,372,567

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

	(Thousands of yen)	
	First six months of FY3/19 (Apr. 1, 2018 – Sep. 30, 2018)	First six months of FY3/20 (Apr. 1, 2019 – Sep. 30, 2019)
Profit	1,191,887	1,387,145
Other comprehensive income		
Valuation difference on available-for-sale securities	(205,046)	69,653
Foreign currency translation adjustment	(8,005)	(338,630)
Remeasurements of defined benefit plans, net of tax	9,315	3,560
Total other comprehensive income	(203,736)	(265,415)
Comprehensive income	988,150	1,121,729
Comprehensive income attributable to:		
Owners of parent	970,824	1,110,612
Non-controlling interests	17,325	11,116

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

(Thousands of yen)

	First six months of FY3/19 (Apr. 1, 2018 – Sep. 30, 2018)	First six months of FY3/20 (Apr. 1, 2019 – Sep. 30, 2019)
Cash flows from operating activities		
Profit before income taxes	1,692,493	1,900,408
Depreciation	186,366	245,363
Amortization of goodwill	7,539	3,769
Increase (decrease) in allowance for doubtful accounts	(4,949)	633
Increase (decrease) in provision for bonuses	92,012	42,732
Increase (decrease) in retirement benefit liability	19,302	18,490
Interest and dividend income	(33,345)	(46,130)
Loss (gain) on sales of property, plant and equipment	1,397	-
Loss on retirement of property, plant and equipment	-	2,694
Decrease (increase) in trade receivables	(968,521)	(137,715)
Decrease (increase) in inventories	(1,107,119)	692,476
Increase (decrease) in trade payables	1,030,068	(1,648,618)
Other, net	418,418	542,874
Subtotal	1,333,661	1,616,979
Interest and dividends received	33,791	47,176
Interest paid	-	(432)
Income taxes paid	(634,317)	(618,525)
Income taxes refund	7,801	19,997
Net cash provided by (used in) operating activities	740,937	1,065,195
Cash flows from investing activities		
Payments into time deposits	(2,666,624)	(1,946,936)
Proceeds from withdrawal of time deposits	2,373,356	2,336,343
Proceeds from redemption of securities	100,120	200,158
Purchase of property, plant and equipment	(803,440)	(1,723,554)
Proceeds from sales of property, plant and equipment	20,006	6,878
Purchase of intangible assets	(16,779)	(4,356)
Purchase of investment securities	(3,782)	(4,448)
Proceeds from sales and redemption of investment securities	10,199	3,606
Purchase of insurance funds	(34,911)	(67,280)
Proceeds from maturity of insurance funds	-	50,305
Other, net	(119,205)	(60)
Net cash provided by (used in) investing activities	(1,141,061)	(1,149,344)
Cash flows from financing activities		
Purchase of treasury shares	(73)	(62)
Dividends paid	(288,828)	(270,839)
Other, net	-	(186)
Net cash provided by (used in) financing activities	(288,902)	(271,088)
Effect of exchange rate change on cash and cash equivalents	10,111	(165,798)
Net increase (decrease) in cash and cash equivalents	(678,915)	(521,036)
Cash and cash equivalents at beginning of period	9,686,048	7,731,896
Increase (decrease) in cash and cash equivalents resulting from change in scope of consolidation	49,046	-
Cash and cash equivalents at end of period	9,056,178	7,210,859

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

Not applicable.

**Significant Changes in Shareholders' Equity**

First six months of FY3/20 (Apr. 1, 2019 – Sep. 30, 2019)

Not applicable.

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

I. First six months of FY3/19 (Apr. 1, 2018 – Sep. 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	14,442,958	410,704	14,853,663
Inter-segment sales and transfers	-	-	-
Total	14,442,958	410,704	14,853,663
Segment profit	2,095,828	8,219	2,104,048

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	2,104,048
Corporate expenses (Note)	(481,572)
Operating profit on the quarterly consolidated statement of income	1,622,475

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

II. First six months of FY3/20 (Apr. 1, 2019 – Sep. 30, 2019)

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	14,201,118	613,552	14,814,671
Inter-segment sales and transfers	-	-	-
Total	14,201,118	613,552	14,814,671
Segment profit	2,166,137	185,996	2,352,134

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	2,352,134
Corporate expenses (Note)	(571,360)
Operating profit on the quarterly consolidated statement of income	1,780,774

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.*