

**Summary of Consolidated Financial Results for the Third Quarter
of the Fiscal Year Ending March 31, 2020
(Nine Months Ended December 31, 2019)**

[Japanese GAAP]

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Scheduled date of filing of Quarterly Report: February 14, 2020

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 13, 2020, 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, 2019 (Apr. 1, 2019 – Dec. 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	%
Nine months ended Dec. 31, 2019	20,363	(4.6)	1,972	(9.7)	2,105	(7.2)	1,509	(2.2)
Nine months ended Dec. 31, 2018	21,338	(4.9)	2,183	(30.8)	2,267	(28.4)	1,544	(30.2)

Note: Comprehensive income (million yen) Nine months ended Dec. 31, 2019: 1,571 (up 65.6%)
 Nine months ended Dec. 31, 2018: 948 (down 69.5%)

	Net income per share		Diluted net income per share	
	Yen		Yen	
Nine months ended Dec. 31, 2019	83.56		-	
Nine months ended Dec. 31, 2018	85.46		-	

(2) Consolidated financial position

	Total assets		Net assets		Equity ratio	
	Million yen		Million yen		%	
As of Dec. 31, 2019	38,878		29,256		74.8	
As of Mar. 31, 2019	38,728		28,227		72.5	

Reference: Shareholders' equity (million yen) As of Dec. 31, 2019: 29,080 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

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: None

*** 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 Dec. 31, 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 Dec. 31, 2019:	31,325 shares	As of Mar. 31, 2019:	31,269 shares
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3) Average number of shares outstanding during the period

Nine months ended Dec. 31, 2019:	18,067,637 shares	Nine months ended Dec. 31, 2018:	18,067,661 shares
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* The quarterly financial report is not subject to quarterly review by certified public accountants or auditing firms.

* Explanation of appropriate use of earnings forecasts, and other special items

- Forecasts of future performance in these materials are based on assumptions judged to be valid and information available to the Company's management at the time the materials were prepared. These materials are not promises by the Company regarding future performance. Actual results may differ significantly from these forecasts for a number of reasons. For discussion of the assumptions and other factors considered by the Company in preparing the above projections, please refer to page 3 of the attachments "1. Qualitative Information on Quarterly Consolidated Financial Performance, (3) Explanation of Consolidated Earnings Forecast and Other Forward-looking Statements."

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1. Qualitative Information on Quarterly Consolidated Financial Performance

(1) Explanation of Results of Operations

During the first nine months of the fiscal year ending March 31, 2020, the U.S. and China made some concessions toward resolving the trade dispute, but the economy continued to stall in most countries, leaving many corporations opting to remain cautious about their capital spending.

The Group has contributed to addressing global environmental agenda through its primary business of manufacturing production equipment for coils and motors, devices key to meeting SDGs (Sustainable Development Goals). Also, its customers are mostly global suppliers.

In recent years, new development ideas for future-oriented technologies have been created one after another, driven by increasing digitization of society. In order to shape such ideas into optimal forms, customers are required to develop devices that are higher in quality as well as lighter, thinner, shorter, smaller and more miniaturized in size. Therefore, manufacturing production equipment needs to cater for rapidly increasing demand from customers for more innovative manufacturing process in terms of automation and speed-up. To make this happen, developing leading-edge devices will inevitably be integrated with innovation of analogue-based manufacturing technologies. In fact, we recently witness many cases where innovative approaches derived from the development of manufacturing equipment have helped produce “analog-digital” solutions.

Wisdom never comes into being without knowledge and experience. Our business model is to develop, build and deliver production lines combining various kinds of technological elements, expertise in production processes and materials, and leading-edge digital technologies; this business model is central to our strategy of becoming a global leader in the niche market. In new projects, through which we can keep honing our knowledge and experience, we sometimes must go through trial and error, causing our profits to fall below initially expected levels in some cases. However, we have sought to develop and deliver leading-edge systems based on the knowledge and experiences we have accumulated, through such twists and turns, in the form of know-how. During the third quarter of the fiscal year ending March 2020, many of the projects were requiring a development of new technologies and delivery of which were concentrated on the fourth quarter.

As a result, net sales decreased 4.6% year on year to 20,363 million yen with operating profit of 1,972 million yen (down 9.7% year on year), ordinary profit of 2,105 million yen (down 7.2% year on year), and profit attributable to owners of parent of 1,509 million yen (down 2.2% year on year).

Results by business segment were as follows.

Winding System & Mechatronics Business

During the first nine months of the fiscal year ending March 2020, customers in the automotive segment largely remained cautious about their investment in equipment for EV drive motors but have continued to show strong demand for in-vehicle motors related equipment for autonomous driving, safety driving and convenience. In the information and telecommunications segment, although the construction of 5G base stations has delayed in some regions, many players in the industry have launched the sale of 5G terminals. Production equipment for 5G related electronics components are still affected significantly by the U.S.-China trade dispute, but some players started capital investments in the third quarter. Under these circumstances, our production activities remained solid but the proportion of sales during the first nine months in the forecasted annual sales was relatively limited partly because many projects will be delivered in the fourth quarter. In addition, due to projects that require a development of new technologies, margins fell below projections and profits did not grow as expected.

Consequently, consolidated sales of the Winding System & Mechatronics Business, which accounts for about 95% of the Group’s net sales, were 19,420 million yen (down 6.2% year on year), and segment profit (operating profit) was 2,506 million yen (down 13.6% year on year). On a non-consolidated basis, orders received were 14,998 million yen (down 22.2% year on year), net sales were 15,891 million yen (down 8.4% year on year), and

the order backlog at the end of the third quarter of the current fiscal year was 12,969 million yen (down 30.7% year on year).

Contactless IC Tag & Card Business

During the first nine months of the fiscal year ending March 2020, the Group received a large volume of IC card related orders aimed at expansion of IC cards. Our production in connection with these orders is expected to continue into the next fiscal year; both orders and sales increased significantly year on year due partly to these orders.

Consequently, consolidated sales of the Contactless IC Tag & Card Business were 942 million yen (up 49.4% year on year), and segment profit (operating profit) was 267 million yen (compared with 24 million yen for the same period a year earlier). On a non-consolidated basis, orders received were 1,947 million yen (up 160.4% year on year), sales were 942 million yen (up 49.4% year on year), and the order backlog at the end of the third quarter of the current fiscal year was 1,236 million yen (up 307.8% year on year).

(2) Explanation of Financial Position

Assets

Current assets decreased 2,530 million yen from the end of the previous fiscal year to 25,392 million yen. This was mainly due to a decrease of 2,931 million yen in notes and accounts receivable-trade, which was partially offset by an increase of 546 million yen in cash and deposits.

Non-current assets increased 2,680 million yen from the end of the previous fiscal year to 13,485 million yen. This was mainly attributable to increases of 1,432 million yen in buildings and structures, net and 843 million yen in land.

As a result, total assets increased 150 million yen from the end of the previous fiscal year to 38,878 million yen.

Liabilities

Current liabilities decreased 1,167 million yen from the end of the previous fiscal year to 8,994 million yen. This was mainly attributable to a decrease of 1,198 million yen in electronically recorded obligations-operating.

Non-current liabilities increased 288 million yen from the end of the previous fiscal year to 627 million yen. This was mainly attributable to increases of 158 million yen in deferred tax liabilities and 91 million yen in lease obligations included in other.

As a result, total liabilities decreased 879 million yen from the end of the previous fiscal year to 9,621 million yen.

Net assets

Total net assets increased 1,029 million yen from the end of the previous fiscal year to 29,256 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 significantly from these forecasts for a number of reasons. There are no revisions to the full-year consolidated earnings forecast for the fiscal year ending March 31, 2020, which was announced on November 7, 2019.

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

	(Thousands of yen)	
	FY3/19 (As of Mar. 31, 2019)	Third quarter of FY3/20 (As of Dec. 31, 2019)
Assets		
Current assets		
Cash and deposits	10,125,865	10,672,034
Notes and accounts receivable-trade	7,899,694	4,968,210
Electronically recorded monetary claims-operating	1,256,936	1,222,937
Securities	200,158	200,222
Work in process	5,944,591	6,062,975
Raw materials and supplies	1,418,812	1,313,596
Other	1,114,577	988,435
Allowance for doubtful accounts	(37,544)	(35,465)
Total current assets	27,923,090	25,392,945
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	3,413,044	4,845,886
Machinery, equipment and vehicles, net	574,135	572,041
Land	1,968,801	2,812,027
Other, net	836,752	1,067,258
Total property, plant and equipment	6,792,733	9,297,212
Intangible assets		
Goodwill	3,769	-
Other	170,039	166,758
Total intangible assets	173,808	166,758
Investments and other assets		
Investment securities	2,850,374	2,919,549
Other	988,308	1,102,190
Total investments and other assets	3,838,683	4,021,739
Total non-current assets	10,805,225	13,485,711
Total assets	38,728,315	38,878,656

	(Thousands of yen)	
	FY3/19 (As of Mar. 31, 2019)	Third quarter of FY3/20 (As of Dec. 31, 2019)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	2,129,647	2,179,267
Electronically recorded obligations-operating	4,420,531	3,221,692
Income taxes payable	657,314	57,887
Provision for bonuses	538,105	350,393
Other	2,415,879	3,184,992
Total current liabilities	10,161,478	8,994,234
Non-current liabilities		
Deferred tax liabilities	25,317	184,006
Retirement benefit liability	87,291	106,987
Other	226,964	336,659
Total non-current liabilities	339,573	627,653
Total liabilities	10,501,052	9,621,887
Net assets		
Shareholders' equity		
Share capital	6,884,928	6,884,928
Capital surplus	2,535,775	2,535,775
Retained earnings	17,608,874	18,576,658
Treasury shares	(25,341)	(25,507)
Total shareholders' equity	27,004,236	27,971,855
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	594,710	799,318
Foreign currency translation adjustment	460,029	279,721
Remeasurements of defined benefit plans	24,553	29,894
Total accumulated other comprehensive income	1,079,293	1,108,934
Non-controlling interests	143,733	175,980
Total net assets	28,227,263	29,256,769
Total liabilities and net assets	38,728,315	38,878,656

(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 FY3/19 (Apr. 1, 2018 – Dec. 31, 2018)	First nine months of FY3/20 (Apr. 1, 2019 – Dec. 31, 2019)
Net sales	21,338,312	20,363,479
Cost of sales	15,867,975	15,059,356
Gross profit	5,470,336	5,304,122
Selling, general and administrative expenses	3,286,866	3,331,565
Operating profit	2,183,469	1,972,557
Non-operating income		
Dividend income	40,286	48,339
Other	94,781	97,651
Total non-operating income	135,067	145,991
Non-operating expenses		
Loss on transfer of receivables	7,194	2,853
Loss on retirement of non-current assets	32,487	3,162
Depreciation	3,301	3,008
Other	8,010	4,266
Total non-operating expenses	50,993	13,290
Ordinary profit	2,267,544	2,105,258
Profit before income taxes	2,267,544	2,105,258
Income taxes-current	581,833	495,993
Income taxes-deferred	113,771	68,555
Total income taxes	695,605	564,549
Profit	1,571,938	1,540,708
Profit attributable to non-controlling interests	27,916	30,895
Profit attributable to owners of parent	1,544,022	1,509,813

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

	(Thousands of yen)	
	First nine months of FY3/19 (Apr. 1, 2018 – Dec. 31, 2018)	First nine months of FY3/20 (Apr. 1, 2019 – Dec. 31, 2019)
Profit	1,571,938	1,540,708
Other comprehensive income		
Valuation difference on available-for-sale securities	(517,942)	204,607
Foreign currency translation adjustment	(119,104)	(179,301)
Remeasurements of defined benefit plans, net of tax	13,973	5,341
Total other comprehensive income	(623,073)	30,646
Comprehensive income	948,865	1,571,355
Comprehensive income attributable to:		
Owners of parent	922,656	1,539,453
Non-controlling interests	26,208	31,901

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

Not applicable.

Significant Changes in Shareholders' Equity

First nine months of FY3/20 (Apr. 1, 2019 – Dec. 31, 2019)

Not applicable.

Segment and Other Information

I. 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 segments.

II. First nine months of FY3/20 (Apr. 1, 2019 – Dec. 31, 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	19,420,566	942,913	20,363,479
Inter-segment sales and transfers	-	-	-
Total	19,420,566	942,913	20,363,479
Segment profit	2,506,387	267,957	2,774,345

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	2,774,345
Corporate expenses (Note)	(801,787)
Operating profit on the quarterly consolidated statement of income	1,972,557

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

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.