

**NIPPON THOMPSON CO., LTD.**

Corporate Headquarters: Tokyo

Listed Code: 6480

Listed Stock Exchange: Tokyo

(URL: <http://www.ikont.co.jp/eg/>)

May 14, 2007

**Consolidated Financial Report  
for the Fiscal Year ended March 31, 2007**

Representative: Akira Yamashita, President and Representative Director

For further information contact: Toshio Kondo, General Manager of Management Planning Department and Director  
Telephone: +81-3-3448-5831

Scheduled date of Ordinary General Meeting of Shareholders: June 28, 2007

Scheduled date to submit Annual Security Report: June 28, 2007

Scheduled date to begin Dividend payments: June 29, 2007

Figures have been rounded off to eliminate amounts less than one million yen.

**1. Consolidated Operating Performance for the Fiscal Year Ended March 31, 2007****(From April 1, 2006 to March 31, 2007)****(1) Results of Consolidated Operations**

Years ended March 31, 2007 and 2006

(Millions of yen)

	Net sales	Percentage change	Operating income	Percentage change	Ordinary income	Percentage change	Net income	Percentage change
<b>2007</b>	<b>50,414</b>	<b>10.0</b>	<b>9,853</b>	<b>25.2</b>	<b>9,989</b>	<b>27.6</b>	<b>6,333</b>	<b>34.4</b>
2006	45,812	4.3	7,871	16.0	7,829	17.8	4,713	20.1

Note: Percentage change for net sales, operating income, ordinary income, and net income indicate percentage increase/decrease compared to the same period in the previous year.

	Net income per share (yen)	Diluted net income per share (yen)	Return on equity (%)	Ordinary income to total assets (%)	Ordinary income to net sales (%)
<b>2007</b>	<b>85.07</b>	<b>76.85</b>	<b>11.3</b>	<b>12.1</b>	<b>19.5</b>
2006	62.47	56.13	9.3	9.7	17.1

Reference: Equity in earnings of affiliates

Fiscal year ended March 31, 2007: - million yen

Fiscal year ended March 31, 2006: - million yen

## (2) Consolidated Financial Position

Years ended March 31, 2007 and 2006

(Millions of yen)

	Total assets	Net assets	Equity ratio (%)	Net assets per share (yen)
<b>2007</b>	<b>86,003</b>	<b>58,893</b>	<b>68.5</b>	<b>790.68</b>
2006	79,326	53,675	67.7	723.24

Reference: shareholders' equity

As of March 31, 2007: 58,893 million yen

As of March 31, 2006: - million yen

## (3) Consolidated Cash Flows

Years ended March 31, 2007 and 2006

(Millions of yen)

	Operating activities	Investing activities	Financing activities	Cash and cash equivalents
<b>2007</b>	<b>7,059</b>	<b>(2,749)</b>	<b>(1,343)</b>	<b>17,858</b>
2006	6,166	(1,831)	(11,525)	14,857

## 2. Dividends

Base date	Dividends per share			Total dividends (full fiscal year) (Millions of yen)	Dividends payout ratio (consolidated) (%)	Dividends on net assets (consolidated) (%)
	September 30 (Yen)	March 31 (Yen)	Full fiscal year (Yen)			
<b>2008 (Forecast)</b>	<b>8.00</b>	<b>8.00</b>	<b>16.00</b>	-	<b>19.9</b>	-
<b>2007</b>	<b>6.00</b>	<b>8.00</b>	<b>14.00</b>	<b>1,044</b>	<b>16.5</b>	<b>1.8</b>
2006	5.50	5.50	11.00	815	17.6	1.6

## 3. Forecast of Consolidated Operating Performance for the Fiscal Year Ending March 31, 2008

Six-month period ending September 30, 2007, and the fiscal year ending March 31, 2008

(Millions of yen)

	Net sales	Percentage change (%)	Operating income	Percentage change (%)	Ordinary income	Percentage change (%)
Six-month period ending September 30, 2007	25,000	(3.0)	4,250	(18.4)	4,250	(18.4)
Year ending March 31, 2008	52,000	3.1	9,900	0.5	9,900	0.1

	Net income	Percentage change (%)	Net income per share (yen)
Six-month period ending September 30, 2007	2,550	(18.2)	34.24
Year ending March 31, 2008	6,000	(5.3)	80.55

Note: Percentage change for net sales, operating income, ordinary income, and net income indicate percentage increase/decrease compared to the same period in the previous year.

#### 4. Others

- (1) Changes in the state of significant subsidiaries during the period (Changes regarding specific companies accompanying changes in the scope of consolidation)

Increase: 1 company (The name of company: IKO Thompson Vietnam Co., Ltd.)

Note: For further details, please refer to "Business Flows within the Group" on page 9.

- (2) Changes in principles, procedures, methods of presentation, etc. related to the consolidated financial statements (Changes in significant items that form the basis for the preparation and presentation of the consolidated financial statements)

Changes related to revisions in accounting principles: Yes

Changes other than those in above: None

Note: For further details, please refer to "Changes in Accounting Method Related to the Preparation of the Consolidated Financial Statements" on page 21.

- (3) Number of shares issued (Common stock)

Number of shares outstanding at period-end (Including treasury stock)

Fiscal year ended March 31, 2007: 74,599,875 shares

Fiscal year ended March 31, 2006: 74,198,621 shares

Number of treasury stock

Fiscal year ended March 31, 2007: 115,121 shares

Fiscal year ended March 31, 2006: 100,674 shares

Note: For an explanation of the number of shares used for calculating consolidated net income per share, please refer to "Per Share Information" on page 30.

#### Reference: Non-consolidated Operating Performance for the Fiscal Year Ended March 31, 2007 (From April 1, 2006 to March 31, 2007)

##### (1) Results of Non-consolidated Operations

Years ended March 31, 2007 and 2006

(Millions of yen)

	Net sales	Percentage change	Operating income	Percentage change	Ordinary income	Percentage change	Net income	Percentage change
<b>2007</b>	<b>44,915</b>	<b>10.8</b>	<b>8,754</b>	<b>28.9</b>	<b>8,817</b>	<b>29.4</b>	<b>5,355</b>	<b>28.4</b>
2006	40,551	3.1	6,791	17.4	6,815	18.6	4,170	22.4

Note: Percentage change for net sales, operating income, ordinary income, and net income indicate percentage increase/decrease compared to the same period in the previous year.

	Net income per share (yen)	Diluted net income per share (yen)
<b>2007</b>	<b>71.93</b>	<b>64.97</b>
2006	55.15	49.55

##### (2) Non-consolidated Financial Position

Years ended March 31, 2007 and 2006

(Millions of yen)

	Total assets	Net assets	Equity ratio (%)	Net assets per share (yen)
<b>2007</b>	<b>77,497</b>	<b>53,136</b>	<b>68.6</b>	<b>713.38</b>
2006	72,061	49,071	68.1	661.10

Note: shareholders' equity

As of March 31, 2007: 53,136 million yen

As of March 31, 2006: - million yen

**(3) Forecast of Non-consolidated Operating Performance for the Fiscal Year Ending March 31, 2008**

Six-month period ending September 30, 2007 and the fiscal year ending March 31, 2008 (Millions of yen)

	Net sales	Percentage change (%)	Operating income	Percentage change (%)	Ordinary income	Percentage change (%)
Six-month period ending September 30, 2007	22,000	(3.9)	3,780	(15.6)	3,730	(16.4)
Year ending March 31, 2008	46,000	2.4	8,840	1.0	8,840	0.3

	Net income	Percentage change (%)	Net income per share (yen)
Six-month period ending September 30, 2007	2,230	(16.2)	29.94
Year ending March 31, 2008	5,290	(1.2)	71.02

Note: Percentage change for net sales, operating income, ordinary income, and net income indicate percentage increase/decrease compared to the same period in the previous year.

For consolidated performance forecasts, please refer to “(1) Analysis of Operating Results [Outlook]” on page 6 to 7.

The reader should be aware that actual results might be materially different from any future results expressed herein due to a variety of factors.

## Operating Results and Financial Position

### (1) Analysis of Operating Results

#### *Overview for the Fiscal Year Ended March 31, 2007*

Despite the effect of high crude oil and raw material costs, as well as inventory adjustments in some IT-related fields from the summer onward, Japan's economy saw stronger exports on the back of steady growth in the global economy as well as an increase in private capital investment that reflected strong corporate performance. In addition, personal consumption continued to make a gentle recovery as the effects of improvements in corporate earnings manifested themselves in employment conditions and household incomes.

Overseas, the U.S. economy continued to exhibit steady growth despite concerns of a slowdown brought about by deterioration in the housing market. The European and Asian economies also expanded steadily thanks to healthy exports and high internal demand.

Under these business conditions, Nippon Thompson Group (the "Group") net sales increased 10.0% compared with the previous fiscal year to ¥50,414 million. On the earnings front, the Group ordinary income climbed 27.6% year on year to ¥9,989 million and net income surged 34.4% to ¥6,333 million. Contributing factors included an increase in sales and improved productivity, both of which helped to allay fixed costs, as well as initiatives focused on reducing costs and streamlining administrative operations.

#### *Business Segment Information*

Because the Group manufactures and sells Needle Roller Bearings, Linear Motion Rolling Guides and machine components on an integrated basis, business segment information is not provided.

#### **Business Segment Information**

	March 31, 2006		March 31, 2007		Change	
	Millions of yen	Component percentages (%)	Millions of yen	Component percentages (%)	Millions of yen	Percentage change (%)
Needle Roller Bearings, Linear Motion Rolling Guides	39,206	85.6	<b>43,464</b>	<b>86.2</b>	4,258	10.9
Machine components	6,606	14.4	<b>6,950</b>	<b>13.8</b>	344	5.2
Total net sales	45,812	100.0	<b>50,414</b>	<b>100.0</b>	4,602	10.0

With regard to sales, we are working to develop new markets and to further cultivate business in our existing markets both domestically and overseas through the user-centered, proposal-based sales approach that constitutes the linchpin of our marketing strategy. In addition, there was a significant expansion in sales to the Group's major customers in the semiconductor production equipment and machine tools, which were buoyed by robust capital investment.

In product development, which is essential to augmenting business performance, the Group developed the new product "Linear Roller Way Super X" (LRXD10•••SL), a smooth-motion, high-rigidity, highly reliable and accurate Four rows of Cylindrical Roller-type Linear Motion Guide that is the smallest such guide in the world. In addition, the Group worked to further enhance its "Maintenance-Free Series lineup"—the Group's proprietary, eco-friendly series of strategic products

developed with the phrase “Oil Minimum” functioning as the inspirational keyword—which is designed to contribute to environmental protection and to reduce the number of maintenance work hours needed for lubrication in the course of normal machine operation. Moreover, the Group brought to market 17 new products during the fiscal year under review, spurring demand and contributing to society.

From the production standpoint, active capital investment was implemented to revamp and strengthen the production system in response to increased domestic and overseas demand for Needle Roller Bearings. With regard to Linear Motion Rolling Guides, the Group took active steps to shore up its global production system by proceeding with streamlining of production at plants in Japan and launching full-fledged operations from February 2007 at Vietnamese manufacturing subsidiary “IKO Thompson Vietnam Co., Ltd.,” which was established last year.

As a result, sales in Needle Roller Bearings and Linear Motion Rolling Guides totaled ¥43,464 million, a 10.9% increase compared with the previous fiscal year. Sales in machine components climbed 5.2% to ¥6,950 million.

### ***Geographic Segment Information***

#### ***Japan***

In the domestic market, sales of machine tools, textile machinery and general industrial machinery increased due to such factors as strong private capital investment and corporate performance. Despite the significant increase in demand enjoyed by semiconductor equipment manufacturers in the first half of the fiscal year under review, sales slowed in the second half due to inventory adjustments carried out in some IT-related fields from summer onward. In addition, robust sales in Asia, particularly the Chinese market, increased exports. As a result, net sales climbed 8.9% compared with the previous fiscal year to ¥41,077 million and operating income leapt 25.8% to ¥9,580 million.

#### ***North America***

In North America, overall private capital investment and personal consumption remained robust despite the downward trend in housing investment. The Group, which enjoyed stronger earnings owing to foreign currency rate fluctuations, recorded sales growth in the semiconductor equipment manufacturers, precision equipment and medical equipment industries, as well as for general industrial machinery. As a result, net sales rose 14.5% year on year to ¥5,028 million, while operating income climbed 29.2% from the previous year to ¥572 million.

#### ***Europe***

Economic conditions in Europe remained favorable amid strong domestic and overseas demand in countries within the region. Growth in demand for semiconductor equipment manufacturers, precision equipment, medical equipment and general industrial machinery, as well as increased revenues generated by foreign exchange transactions, led to a 16.0% rise in net sales to ¥4,308 million and a 28.9% climb in operating income to ¥346 million.

### **Outlook**

There are no grounds for optimism with regard to the Japanese economy as crude oil prices seem poised to remain high and a sense of uncertainty lingers over U.S. economic prospects. The U.S. economy is expected to display moderate growth centered

on personal consumption, and growth in exports and regional demand in the Asian and European economies is expected to sustain its momentum. Considering these factors, the steady expansion of the global economy is expected to continue for the most part. Particularly in the second half of the coming year, greater investment and strengthening demand for IT-related products is expected in the run-up to the Beijing Olympics to be held in August 2008. The improvements in corporate earnings that this kind of corporate activity engenders are expected to lend impetus to corporate investment and personal consumption.

Under these conditions, forecasts of consolidated performance for the fiscal year ending March 31, 2008 are for net sales of ¥52.0 billion, ordinary income of ¥10.0 billion and net income of ¥6.0 billion. These forecasts assume exchange rates of ¥115=US\$1 and ¥150=€1.

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

Total assets as of March 31, 2007, totaled ¥86,003 million, an increase of ¥6,677 million compared with the end of the previous fiscal year. Under current assets, cash and deposits rose to ¥18,058 million, an increase of ¥3,201 million, as a result of increased profit, and notes and accounts receivable-trade amounted to ¥13,040 million, an increase of ¥872 million, as a result of increased income. Inventories rose ¥2,273 million to ¥25,353 million, primarily due to higher levels of work in process and raw materials.

Under liabilities, notes and accounts payable-trade increased ¥1,002 million to ¥9,009 million, due to the expanded procurement of raw materials to meet higher demand. Loans, including corporate bonds, fell ¥715 million yen, from ¥9,493 million to ¥8,777 million, due to the repayment of long-term debt and conversion of first series unsecured convertible bonds. In addition, an agreement covering a ¥3.6 billion commitment line of the type signed in the previous fiscal year was concluded to provide flexible fund-raising.

Thanks to the Group's favorable performance, net assets amounted to ¥58,893 million. The main component was an increase in retained earnings of ¥5,394 million. The shareholders' equity ratio was 68.5%, an increase of 0.8 percentage points compared with the previous fiscal year and serving to heighten the soundness of the Group. Net assets per share were ¥790.68 compared with ¥723.24 in the previous fiscal year, an increase of ¥67.44.

### **Cash Flows**

Cash and cash equivalents at the end of this fiscal year totaled ¥17,858 million, an increase of ¥3,001 million from the same period of the previous year.

### **Cash Flows from Operating Activities**

Net cash provided by operating activities was ¥7,059 million. This was mainly due to income before income taxes of ¥10,538 million, depreciation and amortization of ¥2,466 million, income taxes paid of ¥3,441 million, increase in inventories of ¥1,930 million, and increase in notes and accounts receivable-trade of ¥803 million.

### **Cash Flows from Investing Activities**

Net cash used in investing activities totaled ¥2,749 million, of which the principal component was the acquisition of plant and equipment.

### Cash Flows from Financing Activities

Net cash provided by financing activities was ¥1,343 million. This was mainly due to cash dividends paid of ¥854 million, and repayments of long-term bank loans of ¥260 million.

The trend of cash flow indices is as follows:

	For the periods ended			
	March 31, 2004	March 31, 2005	March 31, 2006	March 31, 2007
Equity ratio (%)	55.3	57.7	67.7	<b>68.5</b>
Equity ratio on market value basis (%)	67.6	66.2	130.2	<b>94.5</b>
Debt repayment period (years)	1.5	1.6	0.3	<b>0.2</b>
Interest coverage ratio (times)	37.9	34.8	37.1	<b>110.1</b>

Notes:

Equity ratio:	total shareholders' equity / total assets
Equity ratio on market value basis:	aggregate market value of common stock / total assets
Debt repayment period:	interest-bearing liabilities / cash flows from operating activities
Interest coverage ratio:	cash flows from operating activities / interest payments

1. All indices based on consolidated financial figures.
2. Aggregate market value of common stock:  
Market price at the period-end x number of shares outstanding at the period-end (excluding treasury stock)
3. Cash flow from operating activities corresponds to the cash flow from operating activities in the consolidated statement of cash flows. Interest-bearing liabilities include all liabilities reported on the consolidated balance sheet for which the Group is paying interest. Interest payments correspond to the interest paid in the consolidated statement of cash flows.

### (3) Fundamental Earnings Distribution Policy and Dividends for the Current and Next Fiscal Periods

Shareholder returns are one of the most important management issues Nippon Thompson Co., Ltd. (the "Company"). The Company's fundamental policy is to maintain stable dividends with due consideration given to earnings and overall business performance. While paying close heed to such factors as the business environment, the Company uses internal reserves to maximize corporate value, increase earning power and strengthen its business base, as well as to invest in manufacturing facility expansion or renovation to develop new products in response to rapid technological innovation and changes in demand.

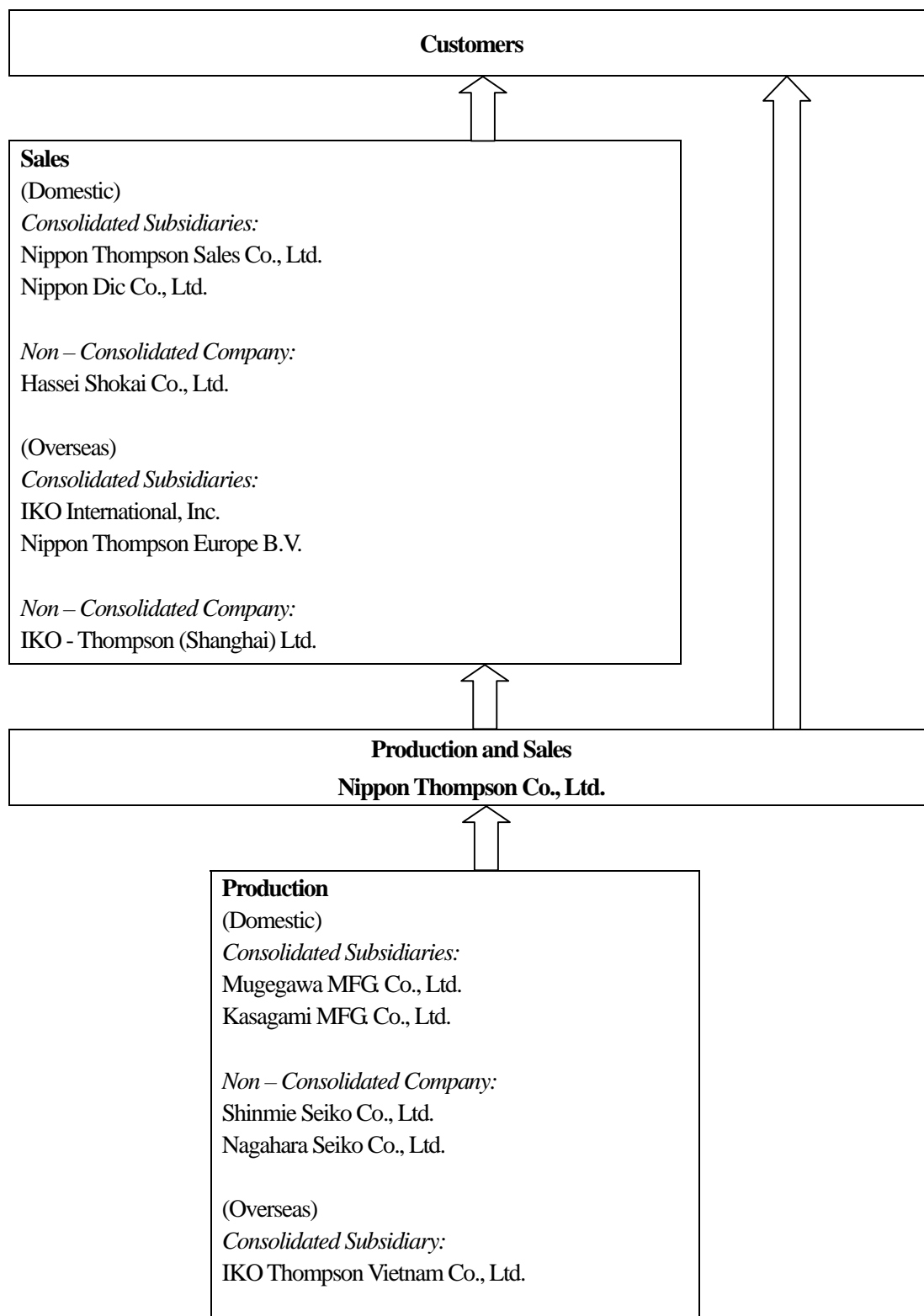
Having thoroughly considered business performance and internal reserves as per the fundamental policy, the Company plans a year-end dividend of ¥8 per share, making a total of ¥14 per share for the year when combined with the interim dividend and an increase of ¥3 compared with the previous fiscal year.

The Company is forecasting a dividend of ¥16 per share (including an interim dividend of ¥8) for the fiscal year ending March 31, 2008.

## Business Flows within the Group

The Group is composed of the Company and its subsidiaries, and engages in the manufacture and sale of Needle Roller Bearings, Linear Motion Rolling Guides, and machine components.

The Group's business is outlined in the following diagram.



## **Management Policies**

### **1. Fundamental Management Policies**

Based on the corporate philosophy of “contributing to society as an R&D-oriented company,” the Group—a trusted international enterprise—is committed to serving domestic and overseas markets through the manufacture and sale of Needle Roller Bearings and Linear Motion Rolling Guides. Our emphasis is on quality rather than scale, as we see our mission as developing high-value-added products that meet customer needs. The entire Company is engaged in an effort to associate the Nippon Thompson brand with the acronym IKO—“**I**” for Innovation, because the Company’s products are always innovative; “**K**” for Know-how, because they incorporate a high level of technological expertise; and “**O**” for Originality, because they are highly creative.

The Group believes that contributing to the development of society is one of its most important management policies. While thoroughly instilling corporate ethics, we make every effort to ensure compliance in management and contribute to the preservation of the global environment as a good corporate citizen. Our corporate activities take into account this social mission.

### **2. Management Targets and Performance Indicators**

Raising shareholder return on equity (ROE), in an effort to maximize shareholder value, is the principal indicator for the Group. Management also focuses on improving cash flows to enhance stability and to strengthen the Group’s financial position.

### **3. Medium-Term Management Strategies**

To remain a creative and competitive corporate group in this era of economic globalization, the Group is strengthening ties among domestic and overseas Group companies, and concentrating management resources into Linear Motion Rolling Guides and other high-growth strategic businesses. Strengthening the Group’s ability to meet demand in this way will allow improved earning power and strengthen the Group’s financial position.

### **4. Issues to Be Resolved**

The Group is engaged in a number of corporate activities intended to allow it to accurately grasp rapidly changing demand trends in domestic and overseas markets, and to nimbly respond to these changes amid rapid advances in technology around the world. The Group’s concrete measures are as follows.

Through the user-centered, proposal-based sales activities that are the linchpin of our marketing strategy, we are working to develop new markets and to increase our market share. As a foundation for this, we are building a rational and efficient sales system that is adaptable to the changes in domestic and overseas markets.

In Japan’s domestic markets, the Group’s strategies do not only concentrate on emerging industries in principal markets, but also recognize the necessity to applying proposal-based sales activities for niche markets. The cornerstone of proposal-based sales activities will include directly visiting users where small-scale exhibitions can be held and actively hosting technology-training sessions and workshops. Through the cultivation of a broad-range

manufacturing industry, the Group is striving for the formation of a well-balanced sales structure that will not be easily influenced by the economic trends of one specific industry.

In overseas markets, strengthening overseas sales is indispensable if the Group is to advance the market penetration of its products and further expand its business capacity. Toward this end, the Group will work to further cultivate business throughout its principal target markets of Europe and the United States, and endeavor to upgrade and strengthen the sales network of subsidiary “IKO-Thompson (Shanghai) Ltd.” in China, where rapid development is continuing. By taking this global perspective and enhancing its sales network, the Group will tap into the needs of the market and make progress with sales expansion.

The Group recognizes that improving new product development capabilities is essential if the Group is to contribute to society through its products and increase its corporate value. The Group is employing its user-oriented product development system, which was established as an internal structure, to develop proprietary high-value-added products that provide customer satisfaction. The Group is also working to accelerate more widespread customer demand for IKO brand products by further differentiating these products and accentuating the various advantages that they offer.

In the fiscal year ended March 31, 2007, the Company launched 17 new products to stimulate that demand. We will continue to focus on the development of products that are optimally suited to the needs of the market.

In its manufacturing operations, the Group is working to establish a highly profitable production system in an increasingly competitive global market while improving on and building up domestic production bases that can respond flexibly to changes in demand. In the fiscal year under review, capital investment was implemented in order to improve the Company’s ability to supply products. In addition to ensuring that production capacity will be able to respond to demand, the Company will establish a rational system capable of ensuring high profitability amid intense international competition. Toward these ends, the Group will boost overall market competitiveness by enhancing the already close collaboration between production departments in Japan and overseas manufacturing subsidiaries and by realizing a product supply system that responds to changes in demand.

## Consolidated Financial Statements

### Consolidated Balance Sheets

As of March 31, 2007 and 2006

	Millions of yen	
ASSETS	<u>March 31, 2007</u>	<u>March 31, 2006</u>
Current Assets:		
Cash and deposits	18,058	14,857
Notes and accounts receivable - trade	13,040	12,168
Inventories	25,353	23,080
Deferred tax assets	1,789	1,743
Others	1,196	680
Less: Allowance for doubtful accounts	(35)	(51)
Total current assets	<u>59,401</u>	<u>52,478</u>
Fixed Assets:		
Tangible fixed assets:		
Buildings and structures	5,368	5,170
Machinery and vehicles	7,956	6,609
Tools and fixtures	1,300	1,191
Land	1,506	1,507
Construction in progress	431	299
Net property, plant and equipment	<u>16,563</u>	<u>14,777</u>
Intangible fixed assets	334	243
Investments and other assets:		
Investment securities	6,540	8,028
Deferred tax assets	13	-
Others	3,210	3,843
Less: Allowance for doubtful accounts	(60)	(44)
Total investments and other assets	<u>9,703</u>	<u>11,827</u>
Total fixed assets	<u>26,601</u>	<u>26,848</u>
TOTAL ASSETS	<u><u>86,003</u></u>	<u><u>79,326</u></u>

LIABILITIES	Millions of yen	
	March 31, 2007	March 31, 2006
Current Liabilities:		
Notes and accounts payable - trade	9,009	8,007
Short-term bank loans	1,191	1,265
Current portion of long-term bank loans	-	260
Accrued expenses	2,749	2,430
Income taxes payable	2,606	1,788
Allowance for directors' and corporate auditors' bonuses	70	-
Others	1,931	859
Total current liabilities	17,558	14,611
Long-Term Liabilities:		
Convertible bond	7,586	7,968
Deferred tax liabilities	897	1,458
Accrued retirement benefits	743	1,050
Liability for retirement benefits for directors and corporate auditors	298	534
Others	27	27
Total long-term liabilities	9,551	11,040
TOTAL LIABILITIES	27,110	25,651
NET ASSETS		
Shareholders' Equity:		
Common stock	9,532	-
Capital surplus	12,887	-
Retained earnings	34,196	-
Treasury stock	(77)	-
Total shareholders' equity	56,538	-
Revaluation and Translation difference:		
Net unrealized holding gains on available-for-sale securities	2,190	-
Foreign currency translation adjustments	164	-
Total revaluation and translation difference	2,354	-
Minority Interests in Consolidated Subsidiaries:	-	-
TOTAL NET ASSETS	58,893	-
TOTAL LIABILITIES AND NET ASSETS	86,003	-

	Millions of yen	
	<u>March 31, 2007</u>	<u>March 31, 2006</u>
MINORITY INTERESTS IN CONSOLIDATED SUBSIDIARIES	<u>-</u>	<u>-</u>
SHAREHOLDERS' EQUITY		
Common stock	-	9,341
Capital surplus	-	12,695
Retained earnings	-	28,802
Net unrealized holding gains on available-for-sale securities	-	3,049
Foreign currency translation adjustments	-	(154)
Treasury stock	-	(59)
	<u>-</u>	<u>53,675</u>
TOTAL SHAREHOLDERS' EQUITY	<u>-</u>	<u>53,675</u>
TOTAL LIABILITIES, MINORITY INTERESTS AND SHAREHOLDERS' EQUITY	<u><u>-</u></u>	<u><u>79,326</u></u>

## Consolidated Statements of Income

Years ended March 31, 2007 and 2006

	Millions of yen	
	March 31, 2007	March 31, 2006
Net sales	50,414	45,812
Cost of sales	30,926	28,802
Gross profit	19,488	17,010
Selling, general and administrative expenses	9,634	9,138
Operating income	9,853	7,871
Non-Operating Income:		
Interest income	163	39
Dividend income	89	72
Others	166	181
	419	293
Non-Operating Expenses:		
Interest expenses	11	123
Others	271	211
	282	335
Ordinary income	9,989	7,829
Extraordinary income:	548	249
Extraordinary losses:	-	69
Income before income taxes	10,538	8,009
Income taxes:		
Current	4,215	3,044
Deferred	(10)	251
Net income	6,333	4,713

## Consolidated Statements of Shareholders' equity

For the fiscal year ended March 31, 2006

	<u>Millions of yen</u>
	<u>March 31,</u>
	<u>2006</u>
(Capital surplus)	
Capital surplus at beginning of period	12,679
Increase in capital surplus	
Conversion of convertible bond	<u>15</u>
Total	<u>15</u>
Capital surplus at end of period	<u><u>12,695</u></u>
(Retained earnings)	
Retained earnings at beginning of period	24,984
Increase in retained earnings	
Net income	<u>4,713</u>
Total	<u>4,713</u>
Decrease in retained earnings	
Cash dividends	814
Directors' bonus	<u>80</u>
Total	<u>894</u>
Retained earnings at end of period	<u><u>28,802</u></u>

## Statement of Changes in Consolidated Shareholders' Equity

For the fiscal year ended March 31, 2007

(Millions of yen)

	Shareholders' Equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
As of March 31, 2006	9,341	12,695	28,802	(59)	50,780
Changes during the period					
Conversion of convertible bond	190	190	-	-	381
Cash dividends (Note)	-	-	(407)	-	(407)
Cash dividends	-	-	(446)	-	(446)
Directors' bonus (Note)	-	-	(85)	-	(85)
Net income	-	-	6,333	-	6,333
Acquisition of treasury stock	-	-	-	(18)	(18)
Sales of treasury stock	-	0	-	1	1
Net changes in items other than shareholders' capital	-	-	-	-	-
Total changes during the period	190	191	5,393	(17)	5,758
As of March 31, 2007	9,532	12,887	34,196	(77)	56,538

	Revaluation and Translation difference			Minority interests in consolidated subsidiaries	Total net assets
	Net unrealized holding gains on available-for-sale securities	Foreign currency translation adjustments	Total revaluation and translation difference		
As of March 31, 2006	3,049	(154)	2,894	-	53,675
Changes during the period					
Conversion of convertible bond	-	-	-	-	381
Cash dividends (Note)	-	-	-	-	(407)
Cash dividends	-	-	-	-	(446)
Directors' bonus (Note)	-	-	-	-	(85)
Net income	-	-	-	-	6,333
Acquisition of treasury stock	-	-	-	-	(18)
Sales of treasury stock	-	-	-	-	1
Net changes in items other than shareholders' capital	(858)	318	(540)	-	(540)
Total changes during the period	(858)	318	(540)	-	5,218
As of March 31, 2007	2,190	164	2,354	-	58,893

Note: These items were approved at the ordinary general meeting of shareholders in June 2006

## Consolidated Statements of Cash Flows

Years ended March 31, 2007 and 2006

	Millions of yen	
	March 31, 2007	March 31, 2006
Cash Flows from Operating Activities:		
Income before income taxes	10,538	8,009
Depreciation and amortization	2,466	2,316
Interest and dividend income	(252)	(112)
Interest expenses	11	123
Gain on sales of investment securities	(127)	(249)
Increase in notes and accounts receivable - trade	(803)	(1,564)
Decrease (Increase) in inventories	(1,930)	571
Increase in notes and accounts payable - trade	975	588
Decrease in accrued retirement benefits	(308)	(507)
Others - net	(255)	248
Subtotal	<u>10,312</u>	<u>9,423</u>
Interest and dividend income received	252	112
Interest paid	(64)	(166)
Income taxes paid	(3,441)	(3,203)
Net cash provided by operating activities	<u>7,059</u>	<u>6,166</u>
Cash Flows from Investing Activities:		
Payments into time deposits	(200)	-
Payments for purchase of property, plant and equipment	(3,221)	(2,060)
Others - net	672	228
Net cash used in investing activities	<u>(2,749)</u>	<u>(1,831)</u>
Cash Flows from Financing Activities:		
Net increase (decrease) in short-term bank loans	(211)	123
Repayments of long-term bank loans	(260)	(820)
Redemption of bond	-	(10,000)
Cash dividends paid	(854)	(813)
Others - net	(17)	(15)
Net cash used in financing activities	<u>(1,343)</u>	<u>(11,525)</u>
Foreign currency translation adjustments on cash and cash equivalents	<u>34</u>	<u>148</u>
Net increase (decrease) in cash and cash equivalents	<u>3,001</u>	<u>(7,042)</u>
Cash and cash equivalents at beginning of year	14,857	21,900
Cash and cash equivalents at end of year	<u><u>17,858</u></u>	<u><u>14,857</u></u>

## Basis for Presenting Consolidated Financial Statements

### 1. Scope of Consolidation

Number of consolidated subsidiaries: 7 companies  
Consolidated and non-consolidated subsidiaries are listed under “Business Flows within the Group.”  
IKO Thompson Vietnam Co., Ltd. was established in March 2006 and is included in the scope of consolidation from this consolidated accounting period under review.

The name of principal non-consolidated subsidiary: Shinmie Seiko Co., Ltd.  
The impact of Shinmie Seiko Co., Ltd. and other non-consolidated subsidiaries are immaterial on the consolidated financial statements including total assets, net sales, net income or retained earnings.

### 2. Application of Equity Method of Accounting:

None  
The impact of Shinmie Seiko Co., Ltd. and other non-consolidated subsidiaries is immaterial on net income and retained earnings, so they are excluded from equity method accounting.

### 3. Consolidated Subsidiaries with Different Fiscal Year-Ends

IKO International, Inc. and Nippon Thompson Europe B.V. and IKO Thompson Vietnam Co., Ltd. adopt a fiscal year ending on December 31. For consolidation, subsidiaries whose fiscal years do not correspond to that of the Company have necessary adjustments made on significant inter-company transactions that occurred during the periods between the fiscal period-ends of the respective consolidated subsidiaries and that of the Company.

### 4. Significant Accounting Policies

#### (1) Valuation policy and method of significant assets

##### a) Valuation of securities

Available-for-sale securities:

Marketable securities

Market value method based on the fair market value as of the balance sheet date. (Net unrealized gains or losses on these securities are reported as a separate item in the shareholders’ equity at net-of-tax amounts. Costs of sales of these securities are principally calculated based on a moving-average cost method.)

Non-marketable securities

Mainly moving-average cost method

##### b) Inventories valuation

Mainly inventories are stated at cost as determined by the weighted-average method.

#### (2) Depreciation method of significant depreciable assets

Tangible fixed assets:

Mainly declining-balance method

Intangible fixed assets:

Straight-line method

The software used in the Group is depreciated using the straight-line method with an effective life of five years of mainly internal usability.

(3) Calculation method of significant allowances

a) Allowance for doubtful accounts

The Company and consolidated subsidiaries principally provide the allowance for doubtful accounts by the method that uses the percentage of its own actual experience of bad-debt loss written off against the balance of general receivables, plus the amount deemed necessary to cover individual accounts estimated to be uncollectible.

b) Allowance for directors' and corporate auditors' bonuses

To provide for payment of bonuses to directors and corporate auditors, the Company reported the burden for the current fiscal year.

c) Accrued retirement benefits

Pension and severance costs for employees are principally accrued on the estimates of the pension obligations and the plan assets at the end of the current fiscal year. The actuarial difference is amortized for three years using the straight-line method from the fiscal year when the difference was generated.

c) Liability for retirement benefits for directors and corporate auditors

The Company's provision of retirement benefits for directors and corporate auditors is determined based on its pertinent rules, which are calculated as the estimated amount to be paid if all directors and corporate auditors retired at each balance-sheet date.

(4) Rules for conversion of outstanding foreign-currency-denominated assets or liabilities into Japanese yen

Monetary claims or debt denominated in a foreign currency are converted to Japanese yen according to the spot exchange rate, usually at the closing date. The difference arising from the conversion is treated as a deductible expense. Assets and liabilities of overseas subsidiaries are converted into yen by the spot exchange rate on the closing dates of subsidiaries; earnings and expenses are converted into yen by using average market rates during the period. The difference arising from the conversion is added to the "Foreign currency translation adjustments" under Net assets.

(5) Accounting method of significant lease transactions

Finance lease transactions, except for lease items of which the title is recognized as moving to the borrower, are accounted for based on regular lease contracts.

(6) Accounting method of significant hedge transactions

To those exchange contracts that meet the requirements for appropriation, appropriation treatment is applied. To those interest rate swaps that meet the requirements for exceptional treatment, exceptional treatment is applied.

(7) Accounting method of consumption tax and local consumption tax

Consumption tax and local consumption tax are accounted for by the tax-exclusion method.

**5. Items Concerning Valuation of Assets and Liabilities of Consolidated Subsidiaries**

All valuation of assets and liabilities of consolidated subsidiaries are based on the current price method.

**6. Nature of Fund on Consolidated Statements of Cash Flows**

The fund (cash and cash equivalents) consists of cash on hand, and deposits that can be easily withdrawn and converted to cash with maturity within three months of its acquisition date.

**Changes in Accounting Method Related to the Preparation of the Consolidated Financial Statements**

**Accounting policies for bonuses to directors and corporate auditors**

From the current fiscal year, the Company have adopted Accounting Standards Board of Japan (ASBJ) statement No.4 “Accounting Standard for Directors’ Bonus” issued on November 29, 2005 by the ASBJ.

This resulted in a ¥70 million decline in operating income, ordinary income and income before income taxes, respectively.

**Accounting standards for presentation of net assets in the balance sheet**

Since the current fiscal year, the Company and the domestic consolidated subsidiaries have applied the Accounting standards for Presentation of Net Assets in the Balance Sheet (ASBJ Statement No. 5 issued on December 9, 2005 by the ASBJ). It has also applied the Implementation Guidance for the Accounting Standard for Presentation of Net Assets in the Balance Sheet (ASBJ Implementation Guidance No. 8 issued on December 9, 2005 by the ASBJ).

The amount corresponding to previous total shareholders’ equity is 58,893 million yen.

Net assets in the consolidated balance sheet for the current fiscal year are presented in accordance with previous of the new regulations concerning consolidated financial statements after revision.

## Notes

### (Consolidated Balance Sheets)

	Millions of yen	
	March 31, 2007	March 31, 2006
1. Accumulated depreciation of tangible fixed assets	48,226	46,887
2. Items for non-consolidated subsidiaries		
Investment securities	136	116
Investment	150	150
3. Net discount on notes receivable - trade	-	256
4. Notes matured at period-end	<b>In general, the settlement of notes is recorded on the clearing date. Because the closing date of the period under review was a holiday for financial institutions, matured notes are excluded in the balance as of March 31, 2007.</b>	-
Notes receivable - trade	450	-

### (Consolidated Statements of Income)

	Millions of yen	
	March 31, 2007	March 31, 2006
1. Major items of Selling, general and administrative expenses		
Employees' salaries	3,839	3,641
Packing and distribution expenses	612	579
Welfare expenses	663	636
Rent expenses	553	555
Business consignment expenses	685	581
2. Research and development costs	1,315	1,233

**(Statement of Changes in Consolidated Shareholders' Equity)**

For the fiscal Year ended March 31, 2007

## 1. Class and Number of Shares Issued

	As of March 31, 2006 (Shares)	Increased shares during the fiscal year (Shares)	Decreased shares during the fiscal year (Shares)	As of March 31, 2007 (Shares)
Common stock	74,198,621	401,254	-	74,599,875

Note: The increase of 401,254 shares of common stock is due to transfer of convertible bond.

## 2. Class and Number of Treasury stock

	As of March 31, 2006 (Shares)	Increased shares during the fiscal year (Shares)	Decreased shares during the fiscal year (Shares)	As of March 31, 2007 (Shares)
Common stock	100,674	15,979	1,532	115,121

Notes:

1. The increase of 15,979 shares of treasury stock is due to purchase of odd lot shares of less than one trading unit.
2. The decrease of 1,532 shares of treasury stock is due to sales claims of odd lot shares of less than one trading unit.

## 3. Dividend

## (1) Dividend Paid

Resolution	Class of stock	Total Dividend (Millions of yen)	Dividend per share (yen)	Record date	Effective date
Ordinary general meeting of shareholders on June 29, 2006	Common stock	407	5.50	March 31, 2006	June 30, 2006
Board of directors on November 13, 2006	Common stock	446	6.00	Sep. 30, 2006	Dec. 8, 2006

## (2) Dividend with a record date that falls within the current fiscal period under review and an effective date in the following fiscal period

Resolution	Class of stock	Resource of dividend	Total Dividend (Millions of yen)	Dividend per share (Yen)	Record date	Effective date
Ordinary general meeting of shareholders on June 28, 2007	Common stock	Retained earnings	595	8.00	March 31, 2008	June 29, 2007

**(Consolidated Cash Flow)**

	Millions of yen	
	<b>March 31, 2007</b>	March 31, 2006
Relationship between cash and cash equivalents year ended and the amount of the account stated in the consolidated balance sheets.		
Cash and deposits	<b>18,058</b>	14,857
Time deposits with maturity exceeding three months	<b>(200)</b>	-
Cash and cash equivalents at end of period	<b>17,858</b>	14,857
Contents of significant non-fund transactions.		
Increase in common stock by conversion of convertible bonds	<b>190</b>	15
Increase in capital surplus by conversion of convertible bonds	<b>190</b>	15
Redemption of fractional amounts	<b>0</b>	0
Decrease in convertible bonds by conversion of convertible bonds	<b>382</b>	32

## Segment Information

### 1. Segment Information by Geographic Areas

(Millions of yen)

	Fiscal Year ended March 31, 2007					
	Japan	North America	Europe	Total	Corporate or Eliminations	Consolidated
(1) Net sales to customers	41,077	5,028	4,308	50,414	-	50,414
(2) Inter-segment sales	6,097	3	21	6,122	(6,122)	-
Total net sales	47,175	5,032	4,329	56,537	(6,122)	50,414
Operating expenditure	37,594	4,460	3,982	46,037	(5,476)	40,561
Operating income	9,580	572	346	10,499	(645)	9,853
Assets	57,110	4,360	4,702	66,173	19,830	86,003

(Millions of yen)

	Fiscal Year ended March 31, 2006					
	Japan	North America	Europe	Total	Corporate or Eliminations	Consolidated
(1) Net sales to customers	37,706	4,393	3,712	45,812	-	45,812
(2) Inter-segment sales	5,162	1	16	5,180	(5,180)	-
Total net sales	42,869	4,394	3,729	50,993	(5,180)	45,812
Operating expenditure	35,255	3,951	3,460	42,668	(4,726)	37,941
Operating income	7,613	442	268	8,325	(453)	7,871
Assets	52,075	4,102	3,537	59,715	19,611	79,326

Notes:

- Categorization of countries and area is based on geographical adjacency.
- Main countries or areas other than Japan:
  - North America: United States
  - Europe: The Netherlands, Germany, United Kingdom, Spain
- Indistributable operating expenditure (¥353 million as of March 31, 2007, and ¥356 million as of March 31, 2006) included in "Corporate or Eliminations" are mainly concerned with administrative sectors such as personnel and general affairs of the head offices of data-offering units.
- Overall corporate assets (¥23,891 million as of March 31, 2007, and ¥23,304 million as of March 31, 2006) included in "Corporate or Eliminations" are mainly concerned with surplus funds for investment, long-term investment funds, and administrative sectors.

## 2. Overseas Sales Information

(Millions of yen)

	Fiscal Year ended March 31, 2007			
	Americas	Europe	Asia and Other areas	Total
(1) Overseas sales	5,762	4,399	5,562	15,724
(2) Consolidated sales				50,414
(3) Ratio of overseas sales to consolidated sales	11.4%	8.7%	11.1%	31.2%

Notes:

1. Categorization of countries and areas is based on geographical adjacency.
2. Major countries or areas that belong to a category:
  - (1) Americas: United States, Canada, and Latin America
  - (2) Europe: The Netherlands, Germany, United Kingdom, Spain
  - (3) Asia and Other areas: Singapore, China, Taiwan, and Middle and near east
3. Overseas sales indicate the amount of sales made by the Group in foreign countries and areas except Japan.
4. During the current consolidated accounting period under review, the Company revised the classification of areas, changing "North America" to "Americas," and "Other areas" to "Asia and Other areas."

(Millions of yen)

	Fiscal Year ended March 31, 2006			
	North America	Europe	Other areas	Total
(1) Overseas sales	4,669	3,780	5,246	13,695
(2) Consolidated sales				45,812
(3) Ratio of overseas sales to consolidated sales	10.1%	8.3%	11.5%	29.9%

Notes:

1. Categorization of countries and areas is based on geographical adjacency.
2. Major countries or areas that belong to a category:
  - (1) Americas: United States, Canada
  - (2) Europe: The Netherlands, Germany, United Kingdom, Spain
  - (3) Other areas: Asia, Latin America, Oceania
3. Overseas sales indicate the amount of sales made by the Group in foreign countries and areas except Japan.

## Lease Transactions

Explanatory notes on lease transactions were omitted, as their inclusion in a consolidated financial report was deemed unnecessary.

## Transactions with Related Parties

There are no applicable articles.

## Deferred Tax Assets

### 1. Factors of Deferred Tax Assets and Liabilities

	Millions of yen	
	March 31, 2007	March 31, 2006
Deferred Tax Assets:		
Inventories	1,145	994
Pension and severance costs	293	423
Accrued expenditures	381	354
Reserve for directors' and corporate auditors retirement benefits	122	218
Other investments	160	160
Tangible fixed assets	170	157
Others	308	257
Subtotal	2,581	2,565
Valuation allowance	(173)	(170)
Others	(604)	(651)
Total	1,802	1,743
Deferred Tax Liabilities:		
Unrealized holding gain on available-for-sale securities	(1,501)	(2,110)
Others	604	651
Total	(897)	(1,458)
Net deferred tax assets	905	284

### 2. Breakdown of Primary Factors Underlying the Difference Between the Statutory Effective Tax Rate and the Corporate Tax Rate after Application of Tax Accounting.

The Company and consolidated subsidiaries have omitted a breakdown of primary factors underlying the difference between the statutory effective tax rate and the corporate tax rate after application of tax accounting since the difference between the two rates was less than 5% of the effective corporate tax rate.

## Securities

### 1. Other Marketable Securities at Market Value

	Millions of yen					
	March 31, 2007			March 31, 2006		
	Acquisition cost	Balance sheet amount	Unrealized gain	Acquisition cost	Balance sheet amount	Unrealized gain
Securities whose consolidated balance sheet amount exceeds their acquisition cost						
Stocks	<b>1,954</b>	<b>5,651</b>	<b>3,696</b>	2,108	7,269	5,160
Subtotal	<b>1,954</b>	<b>5,651</b>	<b>3,696</b>	2,108	7,269	5,160
Securities whose acquisition cost exceeds consolidated balance sheet amount.						
Stocks	<b>127</b>	<b>122</b>	<b>(4)</b>	14	12	(1)
Subtotal	<b>127</b>	<b>122</b>	<b>(4)</b>	14	12	(1)
Total	<b>2,081</b>	<b>5,773</b>	<b>3,691</b>	2,122	7,281	5,159

### 2. Other Securities Sold during the Fiscal year

	Millions of yen	
	March 31, 2007	March 31, 2006
Sales Value	<b>179</b>	410
Profit on Sales	<b>127</b>	249

### 3. Book Value of Securities without Market Value

	Millions of yen	
	March 31, 2007	March 31, 2006
Non-listed shares (except OTC shares)	<b>610</b>	610

## Derivative transactions

There are no applicable articles.

## Retirement Benefits

### Retirement benefit system

In addition to retirement lump-sum benefits, the Company and its major domestic consolidated subsidiaries introduced the approved retirement annuity system applicable to employees with three or more years of service, on April 1, 1966.

	Millions of yen	
	March 31, 2007	March 31, 2006
Breakdown of Benefit Obligations:		
Benefit obligations	7,882	8,004
Unrecognized actuarial differences	(470)	(725)
Pension assets	7,610	7,680
Accrued retirement benefits	743	1,050
Breakdown of Retirement Benefit Costs:		
Service costs	340	343
Interest costs	161	158
Expected return on plan assets	(153)	(126)
Recognized actuarial loss	(453)	(486)
Retirement benefit costs	(104)	(111)
Basic Assumptions for Calculating Benefit Obligations:		
Period allocation method for estimated retirement benefits	<b>Fixed-period standard</b>	Fixed-period standard
Discount rate	<b>2.0%</b>	2.0%
Expected return on plan assets	<b>2.0%</b>	2.0%
Period of amortizing actuarial differences	<b>3 years</b>	3 years
(Actuarial differences are expensed using the proportional division based on the employees' average remaining service period as at the time such differences arise.)		

## Stock Option

There are no applicable articles.

## Corporate Marriage

There are no applicable articles.

## Per Share Information

	Yen	
	March 31, 2007	March 31, 2006
Net assets per share	790.68	723.24
Net income per share	85.07	62.47
Diluted net income per share	76.85	56.13

Note: Basis for calculations of net income per share and diluted net income per share is as follows.

	Millions of yen	
	March 31, 2007	March 31, 2006
Net income in the consolidated statements of income	6,333	4,713
Net income pertaining to common stock	6,333	4,628
Value not attributed to common stock		
Portion distributed as directors' bonuses	-	85
Value not attributed to common stock	-	85
Average number of shares outstanding during period	74,451,714 shares	74,080,136 shares
Net income adjustment value for calculations of diluted net income per share	-	-
Net income adjustment value	-	-
Increase in number of shares outstanding for calculations of diluted net income per share		
First series unsecured convertible bonds	7,968,487 shares	8,369,747 shares
Increase in number of shares outstanding	7,968,487 shares	8,369,747 shares
Residual shares not included in the calculation of diluted net income per share because they have no dilutive effect	-	-

## Important Subsequent Events

There are no applicable articles.