

NIPPON THOMPSON CO., LTD.

Corporate Headquarters: Tokyo

Listed Code: 6480

Listed Stock Exchange: Tokyo

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

May 15, 2017

Consolidated Financial Report
for the Fiscal Year ended March 31, 2017
<Japanese GAAP>

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|--|--|
| Scheduled Date of Ordinary General Meeting of Shareholders: | June 29, 2017 |
| Scheduled Date to Submit Annual Securities Report: | June 29, 2017 |
| Scheduled Date to Begin Dividend Payments: | June 30, 2017 |
| Preparation of Supplementary Explanation Material for Financial Results: | Yes |
| Holding of Presentation Meeting for Financial Results: | Yes (Targeted at institutional investors and analysts) |

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

1. Consolidated Operating Performance for the Fiscal Year Ended March 31, 2017
(From April 1, 2016 to March 31, 2017)

(1) Results of Consolidated Operations

Years ended March 31, 2017 and 2016

(Millions of yen)

| | Net sales | Percentage change | Operating income | Percentage change | Ordinary income | Percentage change | Profit attributable to owners of parent | Percentage change |
|-------------|---------------|-------------------|------------------|-------------------|-----------------|-------------------|---|-------------------|
| 2017 | 44,130 | 1.1 | 1,145 | (62.0) | 905 | (67.2) | (291) | — |
| 2016 | 43,664 | (2.9) | 3,018 | (22.2) | 2,756 | (42.5) | 1,569 | (47.1) |

Notes: Comprehensive income

Fiscal year ended March 31, 2017: 1,348 million yen — %

Fiscal year ended March 31, 2016: (1,194) million yen — %

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

| | Earnings per share (Yen) | Diluted earnings per share (Yen) | Return on equity (%) | Ordinary income to total assets (%) | Operating income to net sales (%) |
|-------------|--------------------------|----------------------------------|----------------------|-------------------------------------|-----------------------------------|
| 2017 | (4.04) | — | (0.5) | 1.0 | 2.6 |
| 2016 | 21.64 | 19.55 | 2.6 | 3.0 | 6.9 |

Reference: Equity in earnings of affiliates

Fiscal year ended March 31, 2017: — million yen

Fiscal year ended March 31, 2016: — million yen

(2) Consolidated Financial Position

Years ended March 31, 2017 and 2016

(Millions of yen)

| | Total assets | Net assets | Equity ratio (%) | Net assets per share (Yen) |
|-------------|---------------|---------------|---------------------|----------------------------------|
| 2017 | 99,627 | 58,605 | 58.4 | 810.11 |
| 2016 | 89,197 | 58,056 | 65.0 | 801.58 |

Reference: shareholders' equity

Fiscal year ended March 31, 2017: 58,216 million yen

Fiscal year ended March 31, 2016: 58,003 million yen

(3) Consolidated Cash Flows

Years ended March 31, 2017 and 2016

(Millions of yen)

| | Operating activities | Investing activities | Financing activities | Cash and cash equivalents |
|-------------|-------------------------|-------------------------|-------------------------|------------------------------|
| 2017 | 4,981 | (5,376) | 7,126 | 20,040 |
| 2016 | 2,521 | (4,908) | (1,944) | 13,386 |

2. Dividends

| Base date | Dividends per share | | | | |
|-----------------------|---------------------|-----------------------|----------------------|-------------------|---------------------------|
| | June 30 (Yen) | September 30 (Yen) | December 31 (Yen) | March 31 (Yen) | Full fiscal year (Yen) |
| 2018(Forecast) | — | 6.50 | — | 6.50 | 13.00 |
| 2017 | — | 6.50 | — | 6.50 | 13.00 |
| 2016 | — | 6.50 | — | 6.50 | 13.00 |

| Base date | Total dividends (Full fiscal year) | Dividends payout ratio (Consolidated) | Dividends on net assets (Consolidated) |
|------------------------|---------------------------------------|---|--|
| | (Millions of yen) | (%) | (%) |
| 2018 (Forecast) | | 42.5 | |
| 2017 | 936 | — | 1.6 |
| 2016 | 945 | 60.1 | 1.6 |

3. Forecast of Consolidated Operating Performance for the Fiscal Year Ending March 31, 2018

| Six-month period ending September 30, 2017, and the fiscal year ending March 31, 2018 | | | | | | (Millions of yen) |
|---|-----------|-------------------|------------------|-------------------|-----------------|-------------------|
| | Net sales | Percentage change | Operating income | Percentage change | Ordinary income | Percentage change |
| Six-month period ending September 30, 2017 | 25,000 | 17.6 | 1,400 | 101.7 | 1,300 | — |
| Year ending March 31, 2018 | 50,000 | 13.3 | 3,000 | 161.9 | 2,900 | 220.3 |

| | Profit attributable to owners of parent | Percentage change | Earnings per share (Yen) |
|--|---|-------------------|--------------------------|
| Six-month period ending September 30, 2017 | 1,200 | — | 16.69 |
| Year ending March 31, 2018 | 2,200 | — | 30.59 |

Note: Percentage change for net sales, operating income, ordinary income, and profit attributable to owners of parent 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): Yes

New: 1 (Company name: UBC (Suzhou) Bearing Co., Ltd.) Excluded: — (Company name: —)

- (2) Changes in accounting principles and accounting estimates, and restatements

Changes in accounting principles arising from revision of accounting standards: None
 Changes other than those in above: None
 Changes in accounting estimates: None
 Restatements: None

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

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

Fiscal year ended March 31, 2017: 73,501,425 shares

Fiscal year ended March 31, 2016: 73,501,425 shares

Number of treasury stock

Fiscal year ended March 31, 2017: 1,638,790 shares

Fiscal year ended March 31, 2016: 1,140,077 shares

Average number of shares outstanding at period-end

Fiscal year ended March 31, 2017: 72,077,206 shares

Fiscal year ended March 31, 2016: 72,515,544 shares

Note: The number of treasury stock includes treasury stock held by the ESOP trust. This resulted in the addition to treasury stock of 113,700 shares as of March 31, 2017 and 338,000 shares as of March 31, 2016. In addition, treasury stock held by the ESOP trust is excluded from the calculation of the average number of shares outstanding at period-end, as is other treasury stock. The number of shares excluded from said calculation totaled 207,766 shares for the fiscal year ended March 31, 2017 and 414,833 shares for the fiscal year ended March 31, 2016.

Reference: Non-consolidated Operating Performance for the Fiscal Year Ended March 31, 2017
(From April 1, 2016 to March 31, 2017)

(1) Results of Non-consolidated Operations

Years ended March 31, 2017 and 2016

(Millions of yen)

| | Net sales | Percentage change | Operating income | Percentage change | Ordinary income | Percentage change | Profit | Percentage change |
|-------------|---------------|-------------------|------------------|-------------------|-----------------|-------------------|--------------|-------------------|
| 2017 | 38,276 | 0.8 | (82) | — | (72) | — | (534) | — |
| 2016 | 37,982 | (4.3) | 2,665 | (18.2) | 2,631 | (36.3) | 1,658 | (34.4) |

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

| | Earnings per share (Yen) | Diluted earnings per share (Yen) |
|-------------|--------------------------|----------------------------------|
| 2017 | (7.41) | — |
| 2016 | 22.87 | 20.65 |

(2) Non-consolidated Financial Position

Years ended March 31, 2017 and 2016

(Millions of yen)

| | Total assets | Net assets | Equity ratio (%) | Net assets per share (Yen) |
|-------------|---------------|---------------|------------------|----------------------------|
| 2017 | 91,446 | 53,026 | 58.0 | 737.47 |
| 2016 | 82,758 | 52,881 | 63.9 | 730.55 |

Reference: shareholders' equity

Fiscal year ended March 31, 2017: 52,996 million yen

Fiscal year ended March 31, 2016: 52,863 million yen

These consolidated financial statements are not subject to audit by an independent audit corporation

Explanations or Other Items Pertaining to Appropriate use of Operating Performance Forecasts

Performance forecasts presented herein are based on information available to the Nippon Thompson Group (the "Group") as of the date of this document, May 15, 2017. Accordingly, for a wide variety of reasons, there remains the possibility that actual performance results may differ from projections. For performance forecasts, please refer to "Overview of Operating Results (4) Outlook" on page 7.

Overview of Operating Results

(1) Summary of Operating Results

Overview for the Fiscal Year Ended March 31, 2017

In the consolidated fiscal year ended March 31, 2017, the Japanese economy saw continued gradual improvement due mainly to a pickup in personal consumption amid higher employment figures and income levels. Overseas, the U.S. economy remained firm, backed by an improved labor market, and European economies continued to gradually recover. The economies of China and other emerging countries decelerated in the first half of the fiscal year but appeared to recover in the latter half.

Under these circumstances, the Group launched its "IKO Mid-term business plan 2017 (three-year-plan) CHANGE & CHALLENGE" in April 2015. Aiming to bolster its competitiveness and presence in global markets, the Group has implemented a wide range of initiatives to grow its businesses and reinforce its earnings base. In addition, to accelerate its future-oriented strategies for greater growth, the Group turned two companies that manufacture and sell bearings in China into subsidiaries in January 2017: UBC (Shanghai) Precision Bearing Manufacturing Co., Ltd. and UBC (Suzhou) Bearing Co., Ltd.

From a sales perspective, the Group held private shows and exhibitions worldwide as it worked to achieve further market penetration of the IKO brand and cultivate new demand. The Group focused on expanding sales of its strategic products by aggressively embracing a "customer-centered, proposal-based sales approach" as a pillar of its sales policy. In addition, in an effort to reinforce its sales capabilities in overseas markets, the Group established the sales subsidiary IKO Thompson Bearings Canada, Inc. in April 2016 in Canada.

In terms of product development, the Group worked to enhance its lineup of products that provide high added value from a customer perspective. To this end, the Group introduced the MX Master Grade roller-type linear motion rolling guide, which achieves running precision among the best in the series, and CRBHV/CRBFV crossed roller bearings, which offer quick delivery and excellent cost performance.

From a production standpoint, the Group focused on the improvement of production management methods and the global procurement of parts and materials with the aim of being more responsive to delivery deadlines and boosting profitability by reducing costs. In addition, the Group expanded both the production capacity and range of products produced by overseas subsidiary IKO Thompson Vietnam Co., Ltd.

Turning to the Group's operational results, although domestic demand for machine tools and related products was flat, demand remained firm, especially for electronics-related devices, including semiconductor manufacturing equipment. Overseas, in Europe and the United States, demand for electronics-related devices and precision machinery rose and sales increased year on year on a local currency basis, but revenue fell due to the negative effects of a stronger yen. In Asia, sales grew due to aggressive sales activities promoted mainly by local sales subsidiaries in China and Thailand.

As a result, consolidated net sales for the fiscal year under review totaled ¥44,130 million, up 1.1% year on year. On the earnings front, the impact of the yen's appreciation as well as general and administrative expenses increased as additional hiring to expand the business base and system development costs. As a result, operating income came to ¥1,145 million, down 62.0% year on year, and ordinary income came to ¥905 million, down 67.2% year on year. Reflecting an increase in the

Company's tax burden as a result of the reversal of deferred tax assets, loss attributable to owners of the parent amounted to ¥291 million, compared with profit attributable to owners of the parent of ¥1,569 million for the previous fiscal year.

Because the Group manufactures and sells Needle Roller Bearings, Linear Motion Rolling Guides and Machine Components on an integrated basis, disclosure of segment information has been omitted. Sales of Needle Roller Bearings and Linear Motion Rolling Guides totaled ¥38,797 million, a 1.7% increase compared with the corresponding period in the previous fiscal year. Sales of Machine Components decline 3.2% to ¥5,332 million.

Business Segment Information

| | March 31, 2017 | | March 31, 2016 | | Change | |
|---|--------------------|--------------------------|--------------------|--------------------------|--------------------|----------------------|
| | Millions of yen | Component percentages | Millions of Yen | Component percentages | Millions of yen | Percentage change |
| Needle Roller Bearings, Linear Motion Rolling Guides | 38,797 | 87.9 | 38,154 | 87.4 | 643 | 1.7 |
| Machine Components | 5,332 | 12.1 | 5,509 | 12.6 | (176) | (3.2) |
| Total net sales | 44,130 | 100.0 | 43,664 | 100.0 | 466 | 1.1 |

(2) Summary of Financial Position

Total assets as of March 31, 2017, totaled ¥99,627 million, an increase of ¥10,429 million compared with the end of the previous fiscal year. This mainly comprised increases in cash and deposits of ¥6,306 million, notes and accounts receivable-trade of ¥2,872 million, goodwill of ¥384 million, leasehold right of ¥436 million, investment securities of ¥2,526 million as well as a decrease in inventories of ¥2,469 million.

Total liabilities amounted to ¥41,021 million, an increase of ¥9,880 million compared with the end of the previous fiscal year. This mainly comprised increases in notes and accounts payable-trade of ¥1,592 million, corporate bonds of ¥10,000 million, long-term loans payable of ¥3,275 million, deferred tax liabilities of ¥1,165 million as well as decreases in current portion of convertible bond with subscription rights of ¥4,999 million, accounts payable-other of ¥1,600 million.

Total net assets amounted to ¥58,605 million, an increase of ¥549 million compared with the end of the previous fiscal year. The main components was an increase in net unrealized holding gains on available-for-sale securities of ¥1,797 million as well as a decrease in retained earnings of ¥1,232 million.

(3) Summary of Cash Flows

Cash and cash equivalents at the end of the fiscal year under review totaled ¥20,040 million, an increase of ¥6,653 million compared with the end of the previous fiscal year.

Cash Flows from Operating Activities

Net cash provided by operating activities was ¥4,981 million. The major inflows were income before income taxes of ¥905 million, depreciation and amortization of ¥2,596 million, a decrease in inventories of ¥2,984 million, a decrease in accounts receivable-other of ¥329 million, and an increase in notes and accounts payable-trade of ¥686 million while the major outflows were an increase in notes and accounts receivable-trade of ¥2,264 million and income taxes paid of ¥451 million.

Cash Flows from Investing Activities

Net cash used in investing activities totaled ¥5,376 million. This result was payments for the purchase of property, plant and equipment of ¥3,756 million and purchase of shares of subsidiaries resulting in change in scope of consolidation of ¥1,211 million.

Cash Flows from Financing Activities

Net cash provided in financing activities was ¥7,126 million. This was mainly due to proceeds from long-term loans payable of ¥7,098 million and proceeds from issuance of bonds of 10,000 million, while the major outflows were repayments of long-term loans payable of ¥3,818 million, redemption of convertible bonds with subscription rights to shares of ¥4,999 million, and cash dividends paid of ¥941 million.

The trend of cash flow indices is as follows:

| | For the periods ended | | | |
|--|-----------------------|-------------------|-------------------|-------------------|
| | March 31, 2014 | March 31, 2015 | March 31, 2016 | March 31, 2017 |
| Equity ratio (%) | 64.6 | 65.4 | 65.0 | 58.4 |
| Equity ratio on market value basis (%) | 42.3 | 46.3 | 32.6 | 43.6 |
| Debt repayment period (Years) | 2.2 | 2.4 | 7.1 | 5.4 |
| Interest coverage ratio (Times) | 50.3 | 74.6 | 21.6 | 43.4 |

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 flows 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.

(4) Outlook

Regarding the forecast for the current fiscal year, the world economy is expected to gradually improve, driven by conditions in developed nations, despite uncertainty arising mainly from BREXIT and the shifting policies in the United States. The Japanese economy is expected to continue recovering due to improving employment figures and income levels as well as rising corporate earnings and exports supported by the upturn in overseas economies.

In light of these economic conditions, the Group is forecasting consolidated net sales of ¥50.0 billion, ordinary income of ¥2.9 billion and profit attributable to owners of parent of ¥2.2 billion for the year ending March 31, 2018.

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

With regard to the distribution of profits, Nippon Thompson Co., Ltd. (the “Company”) positions the return of profits to shareholders as one of its major management issues, having as its basic policy continuing stable dividends while taking performance levels into overall consideration.

In addition, while giving heed to such factors as the future business environment, the Group intends to retain sufficient internal reserves. Specifically in this regard, the Group works to strengthen its management base and improve earnings power to maximize corporate value. Simultaneously, it reviews production systems that respond to rapid technological innovation and fluctuating demand and makes such investments as new product development.

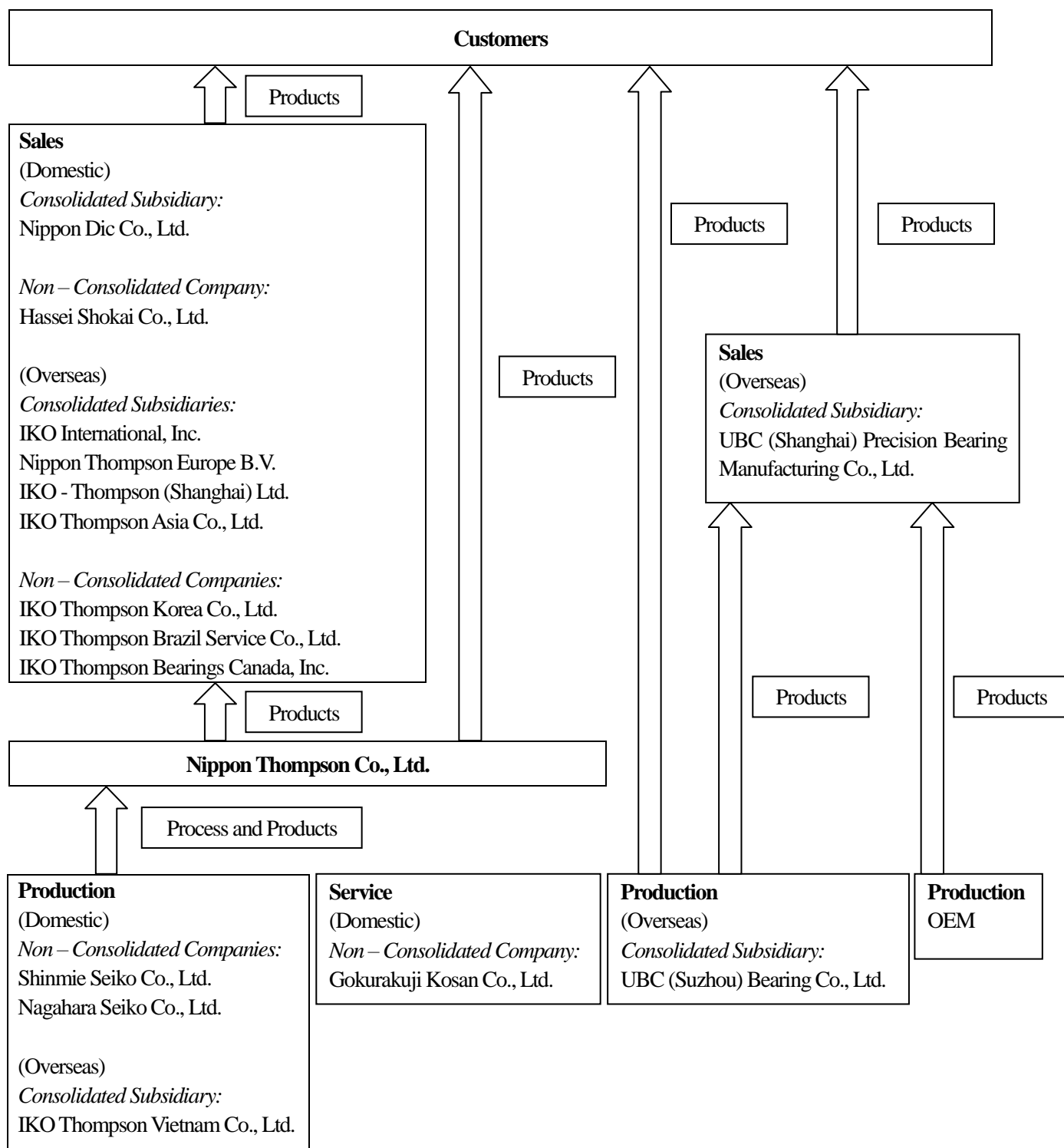
In keeping with the basic policy and as a result of a general review of, for example, the level of performance over the fiscal year and internal reserves, the Company plans a year-end dividend of ¥6.5 per share. Including the interim dividend of ¥6.5 per share, the planned full-year dividend payment ¥13 per share.

The Company is forecasting a dividend of ¥13 per share (including an interim dividend of ¥6.5 per share) for the fiscal year ending March 31, 2017.

Status of the Group

The Group is composed of the Company and its subsidiaries, and engages in the manufactures and sells Needle Roller Bearings, Linear Motion Rolling Guides and Machine Components.

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



Note: The Group established IKO Thompson Bearings Canada, Inc. in Canada and kicked off operations there April 1, 2016.

The Group turned UBC (Shanghai) Precision Bearing Manufacturing Co., Ltd. and UBC (Suzhou) Bearing Co., Ltd. into subsidiaries there January 13, 2017.

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. 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

Through the manufacture and sale of bearings and other products, the Group aims to gain a reputation of trustworthiness and dependability in the global market while further strengthening its presence and achieving continuous growth. In its every action, the Group strives to realize this vision and help customers resolve their problems. To achieve these aims, in April 2015 we launched “IKO Mid-term business plan 2017 (three-year plan) CHANGE & CHALLENGE” under which we are strengthening our corporate governance and implementing measures covering the following range of issues to realize a proactive management approach.

1. Improving return on invested capital (ROIC)
2. Pursuing technological development to meet customer expectations
3. Pursuing technological development aimed at new markets and fields
4. Implementing a “customer-centered, proposal-based sales approach”
5. Establishing and enhancing a robust system platform
6. Strengthen global management

(4) Issues to Be Resolved

The main businesses of the Group are expected to experience a steady increase in demand from various sectors, centered on the machine tools and semiconductor manufacturing equipment industry. This forecasted rise in demand is attributable to the global

growth of the machinery and electronics industry. In step with worldwide trends toward the prevention of global warming, the Company's products, which meet the need for compact, power-saving machinery, are present in business fields that possess growth potential. In addition, with the decline in the working age population in Japan and the rise in wages in emerging economies, there is a growing call for factories that can operate with fewer workers. The factory automation (FA) market is expanding, and products for industrial robot applications are expected to become a major growth field.

The Group will respond flexibly to changes in the businesses environment while conducting focused investment of management resources based on careful analysis of the abovementioned promising markets and implementing a range of measures to heighten its global competitiveness.

From the sales perspective, the Group will further promote the IKO brand by actively developing on a global scale a "customer-centered, proposal-based sales approach" as a pillar of its sales policy. In addition, we are revamping our sales systems to improve efficiency and also aim to increase sales by cultivating existing markets and nurturing new ones. In particular, the Group will work to expand its market share in such growth markets as China, Southeast Asia and India, where demand is expected to grow. Specifically, in these areas, the Group will provide technical support to sales agencies through its sales subsidiaries including UBC (Shanghai) Precision Bearing Manufacturing Co., Ltd. which was turned into subsidiaries in January 2017 and cultivate new demand while working to precisely understand the unique needs of each market in order to advance swift, flexible strategies for growing sales.

Regarding product development, the Group is continually working to create high-value-added products that meet customer needs. By assessing demand trends and needs in various regions worldwide, sharing customer values and taking advantage of our superior technological capabilities, we will develop products that anticipate customer needs.

Turning to production activities, the Group will strive toward the optimal global procurement of parts and materials and work toward improving the international competitiveness of production subsidiary IKO Thompson Vietnam Co., Ltd, a key production base in the Group's global strategy, by expanding the range of products the company produces, increasing production capacity, and achieving stable quality at reduced cost. In terms of domestic manufacturing bases, we will improve customer satisfaction by quickly responding to our customers' diversifying and increasingly stringent needs through shorter production lead times while leveraging our production system for diverse product lines.

Basic Stance on Selection of Accounting Methods

The Group applies "Japanese GAAP" to facilitate the comparison of consolidated financial statements with different reporting periods.

As for the adoption of "International Financial Reporting Standards (IFRS)", the Group maintains a policy of continuing to appropriately respond to the situation going forward.

Consolidated Financial Statements**Consolidated Balance Sheets**

As of March 31, 2017 and 2016

| ASSETS | Millions of yen | |
|---------------------------------------|--------------------------|--------------------------|
| | March 31, 2017 | March 31, 2016 |
| Current Assets: | | |
| Cash and deposits | 20,240 | 13,933 |
| Notes and accounts receivable-trade | 13,113 | 10,240 |
| Finished products | 13,186 | 13,814 |
| Material in process | 7,892 | 9,013 |
| Raw material | 4,837 | 5,558 |
| Deferred tax assets | 1,907 | 2,404 |
| Others | 1,462 | 1,287 |
| Less: Allowance for doubtful accounts | (11) | (15) |
| Total current assets | <u>62,629</u> | <u>56,236</u> |
| Fixed Assets: | | |
| Tangible fixed assets: | | |
| Buildings and structures | 5,691 | 5,553 |
| Machinery and vehicles | 10,548 | 10,566 |
| Tools and fixtures | 587 | 620 |
| Land | 2,965 | 2,965 |
| Lease assets | 680 | 719 |
| Construction in progress | 399 | 319 |
| Total tangible fixed assets | <u>20,872</u> | <u>20,744</u> |
| Intangible fixed assets: | | |
| Goodwill | 384 | — |
| Others | 2,989 | 1,974 |
| Total intangible fixed assets | <u>3,374</u> | <u>1,974</u> |
| Investments and other assets: | | |
| Investment securities | 10,440 | 7,914 |
| Deferred tax assets | — | 268 |
| Others | 2,356 | 2,104 |
| Less: Allowance for doubtful accounts | (45) | (45) |
| Total investments and other assets | <u>12,751</u> | <u>10,242</u> |
| Total fixed assets | <u>36,998</u> | <u>32,961</u> |
| TOTAL ASSETS | <u><u>99,627</u></u> | <u><u>89,197</u></u> |

| LIABILITIES | Millions of yen | |
|---|-------------------|-------------------|
| | March 31, 2017 | March 31, 2016 |
| Current Liabilities: | | |
| Notes and accounts payable-trade | 8,143 | 6,551 |
| Short-term loans payable | 400 | — |
| Current portion of bonds | 5,000 | — |
| Current portion of convertible bonds with subscription rights | — | 4,999 |
| Current portion of long-term loans payable | 3,133 | 2,876 |
| Lease obligations | 68 | 67 |
| Accrued expenses | 2,256 | 2,371 |
| Income taxes payable | 202 | 187 |
| Allowance for directors' and corporate auditors' bonuses | 60 | 70 |
| Others | 1,595 | 2,604 |
| Total current liabilities | 20,861 | 19,728 |
| Long-Term Liabilities: | | |
| Corporate bonds | 10,000 | 5,000 |
| Long-term loans payable | 8,133 | 5,114 |
| Lease obligations | 561 | 624 |
| Deferred tax liabilities | 1,177 | 11 |
| Net defined benefit liabilities | 182 | 539 |
| Others | 105 | 122 |
| Total long-term liabilities | 20,160 | 11,412 |
| TOTAL LIABILITIES | 41,021 | 31,141 |
| NET ASSETS | | |
| Shareholders' Equity: | | |
| Common stock | 9,533 | 9,533 |
| Capital surplus | 12,887 | 12,887 |
| Retained earnings | 32,801 | 34,034 |
| Treasury stock | (801) | (620) |
| Total shareholders' equity | 54,420 | 55,833 |
| Accumulated other comprehensive income: | | |
| Net unrealized holding gains on available-for-sale securities | 3,975 | 2,177 |
| Deferred gains or losses on hedges | 6 | (4) |
| Foreign currency translation adjustments | (104) | 163 |
| Remeasurements of defined benefit plans | (82) | (167) |
| Total accumulated other comprehensive income | 3,795 | 2,169 |
| Subscription rights to shares | 30 | 18 |
| Non-controlling interests | 359 | 35 |
| TOTAL NET ASSETS | 58,605 | 58,056 |
| TOTAL LIABILITIES AND NET ASSETS | 99,627 | 89,197 |

Consolidated Statements of Income

Years ended March 31, 2017 and 2016

| | Millions of yen | |
|--|---------------------------|---------------------------|
| | <u>March 31, 2017</u> | <u>March 31, 2016</u> |
| Net Sales | 44,130 | 43,664 |
| Cost of Sales | <u>31,206</u> | <u>29,288</u> |
| Gross Profit | <u>12,924</u> | <u>14,376</u> |
| Selling, General and Administrative Expenses | <u>11,778</u> | <u>11,357</u> |
| Operating Income | 1,145 | 3,018 |
| Non-Operating Income: | | |
| Interest income | 14 | 28 |
| Dividend income | 199 | 185 |
| Real estate rent | 18 | 19 |
| Subsidy income | 35 | 111 |
| Others | <u>119</u> | <u>94</u> |
| | <u>388</u> | <u>439</u> |
| Non-Operating Expenses: | | |
| Interest expenses | 123 | 115 |
| Sales discounts | 139 | 119 |
| Loss on retirement of fixed assets | 37 | 25 |
| Foreign exchange losses | 240 | 415 |
| Bond issuance cost | 65 | — |
| Others | <u>23</u> | <u>25</u> |
| | <u>628</u> | <u>701</u> |
| Ordinary Income | 905 | 2,756 |
| Extraordinary Losses: | | |
| Loss on sales of fixed assets | — | <u>2</u> |
| | <u>—</u> | <u>2</u> |
| Income before Income Taxes | 905 | 2,754 |
| Income Taxes: | | |
| Current | 134 | 701 |
| Deferred | <u>1,050</u> | <u>480</u> |
| Profit (loss) | <u>(278)</u> | <u>1,572</u> |
| Profit attributable to non-controlling interests | <u>12</u> | <u>2</u> |
| Profit (loss) attributable to owners of parent | <u>(291)</u> | <u>1,569</u> |

Consolidated Statements of Comprehensive Income

Years ended March 31, 2017 and 2016

| | Millions of yen | |
|--|---------------------------|---------------------------|
| | <u>March 31, 2017</u> | <u>March 31, 2016</u> |
| Profit (loss) | (278) | 1,572 |
| Other Comprehensive Income: | | |
| Net unrealized holding gains on available-for-sale securities | 1,797 | (1,456) |
| Deferred gains or losses on hedges | 11 | (4) |
| Foreign currency translation adjustments | (266) | (1,025) |
| Remeasurements of defined benefit plans | 85 | (280) |
| Total Other Comprehensive Income | <u>1,627</u> | <u>(2,767)</u> |
| Comprehensive Income | <u>1,348</u> | <u>(1,194)</u> |
| Breakdown: | | |
| Comprehensive income attributable to owners of the parent | 1,334 | (1,192) |
| Comprehensive income attributable to non-controlling interests | 13 | (2) |

Statement of Changes in Consolidated Shareholders' Equity

For the fiscal year ended March 31, 2017

(Millions of yen)

| | Shareholders' Equity | | | | |
|---|----------------------|-----------------|-------------------|----------------|---------------------------|
| | Common stock | Capital Surplus | Retained earnings | Treasury stock | Total shareholder' equity |
| As of April 1, 2016 | 9,533 | 12,887 | 34,034 | (620) | 55,833 |
| Changes during the period | | | | | |
| Cash dividends | — | — | (941) | — | (941) |
| Loss attributable to owners of parent | — | — | (291) | — | (291) |
| Acquisition of treasury stock | — | — | — | (280) | (280) |
| Disposal of treasury stock | — | — | (0) | 99 | 99 |
| Net changes in items other than shareholders' capital | — | — | — | — | — |
| Total changes during the period | 0 | 0 | (1,232) | (180) | (1,413) |
| As of March 31, 2017 | 9,533 | 12,887 | 32,801 | (801) | 54,420 |

| | Accumulated other comprehensive income | | | | | Subscription rights to shares | Non-controlling interests | Total net assets |
|---|---|------------------------------------|--|---|--|-------------------------------|---------------------------|------------------|
| | Net unrealized holding gains on available-for-sale securities | Deferred gains or losses on hedges | Foreign currency translation adjustments | Remeasurements of defined benefit plans | Total Accumulated other comprehensive income | | | |
| As of April 1, 2016 | 2,177 | (4) | 163 | (167) | 2,169 | 18 | 35 | 58,056 |
| Changes during the period | | | | | | | | |
| Cash dividends | — | — | — | — | — | — | — | (941) |
| Loss attributable to owners of parent | — | — | — | — | — | — | — | (291) |
| Acquisition of treasury stock | — | — | — | — | — | — | — | (280) |
| Disposal of treasury stock | — | — | — | — | — | — | — | 99 |
| Net changes in items other than shareholders' capital | 1,797 | 11 | (268) | 85 | 1,626 | 11 | 324 | 1,962 |
| Total changes during the period | 1,797 | 11 | (268) | 85 | 1,626 | 11 | 324 | 549 |
| As of March 31, 2017 | 3,975 | 6 | (104) | (82) | 3,795 | 30 | 359 | 58,605 |

For the fiscal year ended March 31, 2016

(Millions of yen)

| | Shareholders' Equity | | | | |
|--|----------------------|-----------------|-------------------|----------------|---------------------------|
| | Common stock | Capital Surplus | Retained earnings | Treasury stock | Total shareholder' equity |
| As of April 1, 2015 | 9,532 | 12,886 | 33,966 | (260) | 56,125 |
| Changes during the period | | | | | |
| Issuance of new shares | 0 | 0 | — | — | 1 |
| Cash dividends | — | — | (913) | — | (913) |
| Profit attributable to owners of parent | — | — | 1,569 | — | 1,569 |
| Acquisition of treasury stock | — | — | — | (425) | (425) |
| Disposal of treasury stock | — | — | (0) | 65 | 65 |
| Effect of change in closing dates of consolidated subsidiaries | — | — | (588) | — | (588) |
| Net changes in items other than shareholders' capital | — | — | — | — | — |
| Total changes during the period | 0 | 0 | 67 | (359) | (291) |
| As of March 31, 2016 | 9,533 | 12,887 | 34,034 | (620) | 55,833 |

| | Accumulated other comprehensive income | | | | | Subscription rights to shares | Non-controlling interests | Total net assets |
|--|---|------------------------------------|--|---|--|-------------------------------|---------------------------|------------------|
| | Net unrealized holding gains on available-for-sale securities | Deferred gains or losses on hedges | Foreign currency translation adjustments | Remeasurements of defined benefit plans | Total Accumulated other comprehensive income | | | |
| As of April 1, 2015 | 3,634 | 0 | 1,189 | 113 | 4,937 | — | 37 | 61,099 |
| Changes during the period | | | | | | | | |
| Issuance of new shares | — | — | — | — | — | — | — | 1 |
| Cash dividends | — | — | — | — | — | — | — | (913) |
| Profit attributable to owners of parent | — | — | — | — | — | — | — | 1,569 |
| Acquisition of treasury stock | — | — | — | — | — | — | — | (425) |
| Disposal of treasury stock | — | — | — | — | — | — | — | 65 |
| Effect of change in closing dates of consolidated subsidiaries | — | — | — | — | — | — | — | (588) |
| Net changes in items other than shareholders' capital | (1,456) | (4) | (1,026) | (280) | (2,767) | 18 | (2) | (2,752) |
| Total changes during the period | (1,456) | (4) | (1,026) | (280) | (2,767) | 18 | (2) | (3,043) |
| As of March 31, 2016 | 2,177 | (4) | 163 | (167) | 2,169 | 18 | 35 | 58,056 |

Consolidated Statements of Cash Flows

Years ended March 31, 2017 and 2016

| | Millions of yen | |
|--|---------------------------|-------------------|
| | March 31, 2017 | March 31, 2016 |
| Cash Flows from Operating Activities: | | |
| Income before income taxes | 905 | 2,754 |
| Depreciation and amortization | 2,596 | 2,272 |
| Decrease in allowance for doubtful accounts | (4) | (10) |
| Decrease in allowance for directors' and corporate auditors' bonuses | (10) | (10) |
| Decrease in net defined benefit liabilities | (255) | (236) |
| Interest and dividend income | (214) | (213) |
| Interest expenses | 123 | 115 |
| Loss on retirement of fixed assets | 37 | 25 |
| Decrease (Increase) in notes and accounts receivable-trade | (2,264) | 735 |
| Decrease (Increase) in inventories | 2,984 | (864) |
| Decrease (Increase) in other accounts receivable | 329 | (270) |
| Increase (Decrease) in notes and accounts payable-trade | 686 | (757) |
| Decrease in accrued expenses | (133) | (19) |
| Others-net | 552 | 438 |
| Subtotal | 5,333 | 3,958 |
| Interest and dividend income received | 214 | 213 |
| Interest paid | (114) | (116) |
| Income taxes paid | (451) | (1,533) |
| Net cash provided by operating activities | 4,981 | 2,521 |

| | Millions of yen | |
|--|----------------------|----------------------|
| | March 31, 2017 | March 31, 2016 |
| Cash Flows from Investing Activities: | | |
| Payments into time deposits | (247) | (678) |
| Proceeds from time deposits | 571 | 919 |
| Payments for purchase of property, plant and equipment | (3,756) | (3,881) |
| Payments for purchase of intangible assets | (439) | (721) |
| Payments for purchase of investment securities | (17) | (118) |
| Payments for purchase of insurance funds | (268) | (283) |
| Purchase of shares of subsidiaries resulting in change in scope of consolidation | (1,211) | — |
| Others-net | (6) | (144) |
| Net cash used in investing activities | <u>(5,376)</u> | <u>(4,908)</u> |
| Cash Flows from Financing Activities: | | |
| Increase in short-term loans payable | 1,800 | 1,800 |
| Decrease in short-term loans payable | (1,800) | (1,800) |
| Proceeds from long-term loans payable | 7,098 | 3,200 |
| Repayments of long-term loans payable | (3,818) | (3,792) |
| Proceeds from issuance of bonds | 10,000 | — |
| Redemption of convertible bonds with subscription rights to shares | (4,999) | — |
| Cash dividends paid | (941) | (913) |
| Payments for purchase of treasury stock | (280) | (425) |
| Others-net | 67 | (11) |
| Net cash provided (used) in financing activities | <u>7,126</u> | <u>(1,944)</u> |
| Foreign currency translation adjustments on cash and cash equivalents | <u>(78)</u> | <u>(80)</u> |
| Net increase (decrease) in cash and cash equivalents | <u>6,653</u> | <u>(4,410)</u> |
| Cash and cash equivalents at beginning of year | <u>13,386</u> | <u>18,038</u> |
| Decrease in cash and cash equivalents due to change in fiscal period of consolidated subsidiaries | — | (240) |
| Cash and cash equivalents at end of year | <u><u>20,040</u></u> | <u><u>13,386</u></u> |

Notes on the Premise of a Going Concern

There are no applicable articles.

Basis of presenting the consolidated financial statements

(Changes in the scope of consolidation)

In the fiscal year ended March 31, 2017, the Group acquired equity in UBC (Shanghai) Precision Bearing Manufacturing Co., Ltd., turning it into a subsidiary and including it in the scope of consolidation. At the same time, the UBC Shanghai subsidiary UBC (Suzhou) Bearing Co., Ltd. was also made a consolidated subsidiary. Furthermore, because the acquisition date of record was March 31, 2017, only the balance sheets for the fiscal year ended March 31, 2017, have been included in consolidated results.

Additional Information

(Accounting procedures for the ESOP trust)

With the aim of ensuring employee benefits, the Company provides shares of the Company to the Nippon-Thompson Employee Stock Ownership Association (hereafter referred to as the Company's Stock Ownership Association) through the ESOP Trust.

(1) Outline of Trades

The ESOP trust (hereafter referred to as the Trust Account) was established by the Company to cover employees enrolled in the Company's Stock Ownership Association who fulfill certain criteria for becoming beneficiaries. Within a predetermined acquisition period, the Trust Account acquires shares of treasury stock in a number equivalent to that which the Company's Stock Ownership Association expects to acquire over the five years, and then sells on said stock to the Company's Stock Ownership Association on a set day every subsequent month. At the end of the term of the trust, if the Trust Account records a profit due to higher share prices, this profit shall be distributed to the beneficiaries in proportion to their individual contributions. If the Trust Account records a loss on transfer due to lower share prices and debt is incurred on trust assets, no additional burden will be imposed on employees as the Company will repay the bank in one lump sum in accordance with the warranty of the loan agreement.

(2) Treasury Shares Remaining in the Trust

Shares of the Company remaining in the trust are recorded as treasury shares under net assets through the carrying value (net of associated costs) in the trust. The carrying value and number of such treasury shares were ¥143 million and 338,000 shares respectively at March 31, 2016 and ¥48 million and 113,000 shares respectively at March 31, 2017.

(3) Carrying Value of Loans Recorded through Application of the Gross Price Method

As of March 31, 2016: ¥133 million; As of March 31, 2017: ¥66 million

(Application of the “Implementation Guidance on Recoverability of Deferred Tax Assets”)

The Group has adopted the “Implementation Guidance on Recoverability of Deferred Tax Assets” (ASBJ Guidance No. 26, March 28, 2016) from the first quarter of the fiscal year under review.

Notes

(Statement of Changes in Consolidated Shareholders' Equity)

For the fiscal Year ended March 31, 2017

1. Class and Number of Shares Issued

| | As of April 1, 2016 (Shares) | Increased shares during the fiscal year (Shares) | Decreased shares during the fiscal year (Shares) | As of March 31, 2017 (Shares) |
|--------------|---------------------------------|--|--|----------------------------------|
| Common stock | 73,501,425 | — | — | 73,501,425 |

2. Class and Number of Treasury stock

| | As of April 1, 2016 (Shares) | Increased shares during the fiscal year (Shares) | Decreased shares during the fiscal year (Shares) | As of March 31, 2017 (Shares) |
|--------------|---------------------------------|--|--|----------------------------------|
| Common stock | 1,140,077 | 730,513 | 231,800 | 1,638,790 |

Notes: 1. The 113,700 shares held by the ESOP trust are included in treasury stock at March 31, 2017.

2. The increase of 513 shares of treasury stock is due to purchase of odd lot shares of less than one trading unit.

3. The increase of 730,000 shares of treasury stock is due to the acquisition of treasury stock based on a resolution passed at a meeting of Board of Directors.

4. The decrease of 7,500 shares of treasury stock is due to the exercise of the share option rights.

5. The decrease of 224,300 shares of treasury stock is due to sales of shares by the ESOP trust to the Employee Stock Ownership Association.

3. Subscription rights

| | Breakdown of subscription rights | Type of shares subject to subscription rights | Number of shares subject to subscription rights (Shares) | | | | Balance as of March 31, 2017 (Millions of yen) |
|----------------|--|---|--|--|--|-------------------------|--|
| | | | As of April 1, 2016 | Increased shares during the fiscal year | Decreased shares during the fiscal year | As of March 31, 2017 | |
| The Company | Second Series of Unsecured Convertible Bonds with Subscription Rights (Issued April 19, 2011) | Common stock | 7,750,387 | — | 7,750,387 | — | Note |
| | Stock Options as Subscription Rights | — | — | — | — | — | 30 |
| Total | | | 7,750,387 | — | 7,750,387 | — | 30 |

Notes: 1. The total amount of convertible bonds with subscription rights shall be recorded as liabilities at the time of issuance pursuant to the issuance of straight bonds.

2. The decrease of 7,750,387 shares of treasury stock is due to redemption of convertible bonds with subscription rights.

4. 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, 2016 | Common stock | 472 | 6.50 | March 31, 2016 | June 30, 2016 |
| Board of directors on November 7, 2016 | Common stock | 468 | 6.50 | September 30, 2016 | December 7, 2016 |

Notes: 1. Total dividends, based on a resolution at the ordinary general meeting of shareholders held on June 29, 2016, include ¥2 million to be paid as dividends on the 338,000 shares of treasury stock held to date by the ESOP trust.

2. Total dividends, based on a resolution at a meeting of Board of Directors held on November 7, 2016, include ¥1 million to be paid as dividends on the 207,400 shares of treasury stock held to date by the ESOP trust.

(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 29, 2017 | Common stock | Retained earnings | 467 | 6.50 | March 31, 2017 | June 30, 2017 |

Note: Total dividends include ¥0 million to be paid as dividends on the 113,700 shares of treasury stock held to date by the ESOP trust.

For the fiscal Year ended March 31, 2016

1. Class and Number of Shares Issued

| | As of April 1, 2015 (Shares) | Increased shares during the fiscal year (Shares) | Decreased shares during the fiscal year (Shares) | As of March 31, 2016 (Shares) |
|--------------|------------------------------|--|--|-------------------------------|
| Common stock | 73,499,875 | 1,550 | — | 73,501,425 |

Note: 1. The increase of 1,550 shares of treasury stock is due to the exercise of the subscription rights of convertible bonds with subscription rights.

2. Class and Number of Treasury stock

| | As of April 1, 2015 (Shares) | Increased shares during the fiscal year (Shares) | Decreased shares during the fiscal year (Shares) | As of March 31, 2016 (Shares) |
|--------------|------------------------------|--|--|-------------------------------|
| Common stock | 562,594 | 733,107 | 155,624 | 1,140,077 |

Notes: 1. The 338,000 shares held by the ESOP trust are included in treasury stock at March 31, 2016.

2. The increase of 3,107 shares of treasury stock is due to purchase of odd lot shares of less than one trading unit.

3. The increase of 730,000 shares of treasury stock is due to the acquisition of treasury stock based on a resolution passed at a meeting of Board of Directors.

4. The decrease of 624 shares of treasury stock is due to sales claims of odd lot shares of less than one trading unit.

5. The decrease of 155,000 shares of treasury stock is due to sales of shares by the ESOP trust to the Employee Stock Ownership Association.

3.Subscription rights

| | Breakdown of subscription rights | Type of shares subject to subscription rights | Number of shares subject to subscription rights (Shares) | | | | Balance as of March 31,2016 (Millions of yen) |
|-------------|---|---|--|---|---|----------------------|---|
| | | | As of April 1, 2015 | Increased shares during the fiscal year | Decreased shares during the fiscal year | As of March 31, 2016 | |
| The Company | Second Series of Unsecured Convertible Bonds with Subscription Rights (Issued April 19, 2011) | Common stock | 7,751,937 | — | 1,550 | 7,750,387 | Note |
| | Stock Options as Subscription Rights | — | — | — | — | — | 18 |
| Total | | | 7,751,937 | — | 1,550 | 7,750,387 | 18 |

Notes: 1. The total amount of convertible bonds with subscription rights shall be recorded as liabilities at the time of issuance pursuant to the issuance of straight bonds.

2. The decrease of 1,550 shares of treasury stock is due to the exercise of the subscription rights of convertible bonds with subscription rights.

4. 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 26, 2015 | Common stock | 440 | 6.00 | March 31, 2015 | June 29, 2015 |
| Board of directors on November 9, 2015 | Common stock | 472 | 6.50 | September 30, 2015 | December 9, 2015 |

Notes: 1. Total dividends, based on a resolution at the ordinary general meeting of shareholders held on June 26, 2015, include ¥2 million to be paid as dividends on the 493,000 shares of treasury stock held to date by the ESOP trust.

2. Total dividends, based on a resolution at a meeting of Board of Directors held on November 9, 2015, include ¥2 million to be paid as dividends on the 424,000 shares of treasury stock held to date by the ESOP trust.

(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 29, 2016 | Common stock | Retained earnings | 472 | 6.50 | March 31, 2016 | June 30, 2016 |

Note: Total dividends include ¥2 million to be paid as dividends on the 338,000 shares of treasury stock held to date by the ESOP trust.

(Consolidated Statements of Cash Flows)

1. Relationship between cash and cash equivalents year ended and the amount of the account stated in the consolidated balance sheets

| | Millions of yen | |
|--|---------------------------|-------------------|
| | March 31, 2017 | March 31, 2016 |
| Cash and deposits | 20,240 | 13,933 |
| Time deposits with maturity exceeding three months | (200) | (547) |
| Cash and cash equivalents at end of year | 20,040 | 13,386 |

2. Assets and liabilities of new consolidated subsidiaries

The table below lists the assets and liabilities of UBC (Shanghai) Precision Bearing Manufacturing Co., Ltd. and UBC (Suzhou) Bearing Co., Ltd. at the time of their consolidation through equity acquisition. Also presented are the acquisition price of UBC (Shanghai) Precision Bearing Manufacturing and net expenditure for the acquisition after accounting for cash and cash equivalents.

| | (Millions of yen) |
|---|-------------------|
| Current assets | 1,720 |
| Fixed assets | 1,245 |
| Goodwill | 384 |
| Current liabilities | (1,632) |
| Long-term liabilities | (91) |
| Non-controlling interests | (310) |
| Foreign currency translation adjustments | (9) |
| Acquisition price of equity | 1,306 |
| Cash and cash equivalents | (94) |
| Acquisition price, less cash and cash equivalents | 1,211 |

Notes: 1. Based on the agreement, the Group is currently taking into consideration working capital and other variables at the time of the equity acquisition to determine what adjustments in values may need to be made. As of March 31, 2017, the acquisition price had not yet been definitively determined so the amounts listed above are provisional.

2. As of March 31, 2017, the Group was engaged in a detailed assessment of identifiable assets and liabilities on the day of the business combination, and the purchase price allocation had not yet been completed. Accordingly, the amounts listed above are provisional.

3. Major non-cash transactions

Assets and liabilities related to finance leases are as follows.

| | Millions of yen | |
|---------------------------------------|---------------------------|-------------------|
| | March 31, 2017 | March 31, 2016 |
| Assets related to finance leases | 814 | 808 |
| Liabilities related to finance leases | 629 | 691 |

(Business combination related data)

Business combination through acquisition

1. Overview of business combination

(1) Names and operations of acquired companies

- ① Name: UBC (Shanghai) Precision Bearing Manufacturing Co., Ltd.
Operations: Manufacture and sale of precision bearings and specialized bearings for various machines
- ② Name: UBC (Suzhou) Bearing Co., Ltd.
Operations: R&D, manufacture and sale of bearings

(2) Reason for business combination

The Group aims to expand business through improved corporate value and the generation of synergistic effects.

(3) Date of business combination

January 13, 2017 (date of acquisition of equity)

(4) Legal form of business combination

Acquisition of equity with cash as consideration

(5) Names of companies after combination

No change in names.

(6) Percentage of voting rights acquired

75%

(7) Grounds for indentifying the acquirer

Nippon Thompson is the acquirer because it used cash as consideration to acquire an equity stake.

2. Period of results of acquired company included in consolidated financial statements

Because the deemed acquisition date is March 31, 2017, the operating results of the acquired company are not included in the fiscal year ended March 31, 2017.

3. Acquisition cost of acquired company and breakdown thereof

| | | |
|--------------------------------|------|----------------|
| Consideration for acquisition* | Cash | US\$11,304,000 |
| Acquisition cost | | US\$11,304,000 |

*Based on the agreement, the Group is currently taking into consideration working capital and other variables at the time of the equity acquisition to determine what adjustments in values may need to be made. As of March 31, 2017, the acquisition price had not yet been definitively determined so the amounts listed above are provisional.

4. Amounts and breakdown of major expenses related to the acquisition

Advisory expenses, etc.: ¥246 million

5. Amount of goodwill recognized and related matters

(1) Amount of goodwill recognized

¥384 million

Because purchase price allocation has not yet been completed as of March 31, 2017, the amount has been provisionally calculated based on information available at the time.

(2) Reason for recognition

In light of the acquired businesses' expected excess earnings power in the context of future business expansion, goodwill has been recognized.

(3) Amortization method and period

The Group uses the straight-line method.

The Group intends to base its determination of the amortization period on the results of the purchase price allocation.

6. Assets accepted and liabilities assumed on the date of business combination

| | (Millions of yen) |
|--------------------------|-------------------|
| Current assets | 1,720 |
| Fixed assets | 1,245 |
| Total assets | 2,965 |
| Current liabilities | 1,632 |
| Long-term liabilities | 91 |
| Total liabilities | 1,723 |

Note: As of March 31, 2017, the Group was engaged in a detailed assessment of identifiable assets and liabilities on the day of the business combination, and the purchase price allocation had not yet been completed. Accordingly, the amounts listed above are provisional.

7. Purchase price allocation

Because the purchase price allocation had not yet been completed as of March 31, 2017, the Group used provisional accounting methods based on reasonable information available at the time.

8. Calculation method and estimated amount of impact on consolidated statements of income for the fiscal year ended March 31, 2017, assuming the business combination was completed on April 1, 2016.

The estimated amount is not listed due to the difficulty of calculation in the fiscal year ended March 31, 2017.

(Segment Information)

Because the Group manufactures and sells Needle Roller Bearings, Linear Motion Rolling Guides and Machine Components on an integrated basis, the disclosure of segment information has been omitted.

(Per Share Information)

| | Yen | |
|----------------------------|-------------------|-------------------|
| | March 31, 2017 | March 31, 2016 |
| Net assets per share | 810.11 | 801.58 |
| Earnings per share | (4.04) | 21.64 |
| Diluted earnings per share | — | 19.55 |

Notes: 1. Diluted earnings per share for the fiscal year ending March 31, 2017 has not been recorded, because, although there are residual securities, the Group posted a net loss per share.

2. Basis for calculations of earnings per share and diluted earnings per share is as follows.

| | Millions of yen | |
|--|-------------------------|--------------------------------------|
| | March 31, 2017 | March 31, 2016 |
| Earnings per share | | |
| Profit (loss) attributable to owners of parent | (291) | 1,569 |
| Value not attributed to common stock | — | — |
| Profit (loss) attributable to owners of parent pertaining to common stock | (291) | 1,569 |
| Average number of shares outstanding at period-end | 72,077,206shares | 72,515,544shares |
| Diluted earnings per share | | |
| Adjustment value of profit attributable to owners of parent | — | — |
| Increase in number of shares outstanding (of which convertible bonds with subscription rights) | — | 7,773,595shares (7,750,387shares) |
| (of which subscription rights to shares) | — | (23,208shares) |
| Residual shares not included in the calculation of diluted net income per share because they have no dilutive effect | — | — |

3. With regard to the computation of the number of shares outstanding at period-end, which is used to determine net assets per share, and the average number of shares outstanding at period-end, which is used to determine earnings per share for the period, the shares held by the ESOP trust are included in treasury stock.

(Important Subsequent Events)

There are no applicable articles.