

**NIPPON THOMPSON CO., LTD.**

Corporate Headquarters: Tokyo

Listed Code: 6480

Listed Stock Exchange: Tokyo

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

November 7, 2016

**Consolidated Financial Report**  
**for the Second Quarter of the Fiscal Year Ending March 31, 2017**  
**<Japanese GAAP>**

Representative: Shigeki Miyachi, President and Representative Director

For further information contact: Kesaaki Ushikoshi, General Manager of Accounting Department

Telephone: +81-3-3448-5824

Scheduled Date to Submit Quarterly Annual Securities Report:	November 8, 2016
Scheduled Date to Begin Dividend Payments:	December 7, 2016
Preparation of Supplementary Explanation Material for Quarterly Financial Results:	Yes
Holding of Presentation Meeting for Quarterly 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 Six-month Period Ended September 30, 2016**  
**(From April 1, 2016 to September 30, 2016)**

**(1) Results of Consolidated Operations**

(Millions of yen)

	Net sales	Percentage change	Operating income	Percentage change	Ordinary income	Percentage change
<b>September 30, 2016</b>	<b>21,260</b>	<b>(6.5)</b>	<b>694</b>	<b>(64.9)</b>	<b>(20)</b>	<b>—</b>
September 30, 2015	22,745	2.5	1,979	10.8	2,009	9.9

Note: Comprehensive income

Six-month period ended September 30, 2016: (2,217) million yen — %

Six-month period ended September 30, 2015: (168) 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.

	Profit attributable to owners of parent	Percentage change	Earnings per share (Yen)	Diluted earnings per share (Yen)
<b>September 30, 2016</b>	<b>(1,070)</b>	<b>—</b>	<b>(14.80)</b>	<b>—</b>
September 30, 2015	1,218	3.2	16.76	15.14

**(2) Consolidated Financial Position**

	(Millions of yen)		
	Total assets	Net assets	Equity ratio (%)
<b>September 30, 2016</b>	<b>86,285</b>	<b>55,205</b>	<b>63.9</b>
March 31, 2016	89,197	58,056	65.0

Reference: Shareholders' equity

As of September 30, 2016: 55,141 million yen

As of March 31, 2016: 58,003 million yen

**2. Dividends**

(Yen)

Base date	Dividends per share				
	June 30	September 30	December 31	March 31	Full Fiscal Year
<b>2017(Forecast)</b>			—	<b>6.50</b>	<b>13.00</b>
<b>2017</b>	—	<b>6.50</b>			
2016	—	6.50	—	6.50	13.00

Note: Change in the current three-month period ended September 30, 2016, to dividend forecast: None

**3. Forecast of Consolidated Operating Performance for the Fiscal Year Ending March 31, 2017**

(Millions of yen)

	Net sales	Percentage change	Operating income	Percentage change	Ordinary income	Percentage change
Year ending March 31, 2017	42,500	(2.7)	1,500	(50.3)	700	(74.6)

  

	Profit attributable to owners of parent	Percentage change	Earnings per share (Yen)
Year ending March 31, 2017	(500)	—	(6.94)

Notes: 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.

: Change in the current three-month period ended September 30, 2016, to consolidated operating performance forecast: Yes

**4. Others**

- (1) Changes in the state of significant subsidiaries during the period (Changes regarding specific companies accompanying changes in the scope of consolidation): None
- (2) Application of the special accounting methods for the presentation of the quarterly consolidated financial statements: Yes  
Note: For further details, please refer to “2. Summary Information” on page 7.

- (3) 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 |

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

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

As of September 30, 2016:	73,501,425 shares
As of March 31, 2016:	73,501,425 shares

Number of treasury stock

As of September 30, 2016:	1,637,110 shares
As of March 31, 2016:	1,140,077 shares

Average number of shares outstanding at period-end

Six-month period ended September 30, 2016:	72,294,627 shares
Six-month period ended September 30, 2015:	72,704,318 shares

Note: The number of treasury stock includes treasury stock held by the ESOP trust. This resulted in the addition to treasury stock of 207,400 shares as of September 30, 2016 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 267,200 shares for the six-month period ended September 30, 2016 and 456,833 shares for the six-month period ended September 30, 2015.

**Disclosure with Regard to Implementation of Quarterly Review Procedures**

Although falling outside quarterly review procedures based on the Financial Instruments and Exchange Law, these financial results are subjected to such review procedures, which are completed at the time of disclosure.

**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, November 7, 2016. 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 “1. Operating Results and Financial Position (3) Outlook” on pages 6.

## 1. Operating Results and Financial Position

### (1) Analysis of Operating Results

In the six-month period ended September 30, 2016, the Japanese economy gradually recovered, backed by ongoing improvement in hiring and wages, despite weakness in corporate earnings and capital investment. Overseas, the economies of developed countries, especially that of the United States, continued to recover, but the outlook for the global economy grew more unclear, reflecting concerns about economic slowdown in China and other emerging countries.

Under these circumstances, the Group worked toward achieving the consolidated numerical goals of the “IKO Mid-term business plan 2017 (three-year plan) CHANGE & CHALLENGE,” launched in April 2015, aiming to enhance the Group’s competitiveness and presence in global markets. To this end, the Group implemented various measures to expand its businesses and reinforce profitability.

From a sales perspective, the Group held private shows and exhibitions in and outside Japan, striving to deepen relationships with existing customers while also cultivating new markets and relationships. The Group also worked to further the penetration of the IKO brand by promoting the sales expansion of strategic products under the mid-term business plan.

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 continued global procurement of materials and components to reinforce its price competitiveness and worked to shorten delivery lead times.

Turning to the Group’s operational results, domestic demand for devices for electronics-related industries, including semiconductor manufacturing equipment, continued to recover, but demand for products for machine tools stagnated, and overall sales in Japan fell year on year. Overseas, demand for devices for electronics-related industries and products for precision machinery was firm in North America and Europe, and sales increased compared with the same period of the previous fiscal year on a local currency basis. However, the negative impact of the appreciation of the yen caused revenues in these regions to decline. In Asia, the Group worked to cultivate markets through aggressive sales efforts, especially through sales subsidiaries in China. As a result, sales increased compared with the same period of the previous fiscal year on a local currency basis, but revenues fell due to the appreciation of the yen.

As a result, the Group’s net sales for the six-month period under review decreased 6.5% compared with the corresponding period of the previous fiscal year to ¥21,260 million. On the earnings front, operating income fell 64.9% to ¥694 million, due largely to decreased production and sales as well as the impact of the yen’s appreciation. Ordinary loss came to ¥20 million, compared with ordinary income of ¥2,009 million in the corresponding period of the previous fiscal 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 ¥1,070 million, compared with profit attributable to owners of the parent of ¥1,218 million in the first half of 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 ¥18,682 million, a 6.2% decrease compared with the corresponding period in the previous fiscal year. Sales of Machine Components decline 9.2% to ¥2,578 million.

### Business Segment Information

	Six-month period ended September 30, 2016		Six-month period ended September 30, 2015		Change	
	Millions of yen	Component percentages	Millions of yen	Component percentages	Millions of yen	Percentage change
Needle Roller Bearings, Linear Motion Rolling Guides	18,682	87.9	19,906	87.5	(1,224)	(6.2)
Machine Components	2,578	12.1	2,839	12.5	(261)	(9.2)
Total net sales	21,260	100.0	22,745	100.0	(1,485)	(6.5)

### (2) Analysis of Financial Position

Total assets as of September 30, 2016, totaled ¥86,285 million, a decrease of ¥2,912 million compared with the end of the previous fiscal year. This mainly comprised growth in notes and accounts receivable-trade of ¥536 million, short-term investment securities of ¥1,260 million as well as decreases in cash and deposits of ¥920 million, inventories of ¥2,068 million, accounts receivable-other of ¥488 million, deferred tax assets of ¥761 million and tangible fixed assets of ¥642 million.

Total liabilities amounted to ¥31,080 million, a decrease of ¥61 million compared with the end of the previous fiscal year. This mainly comprised growth in bonds payable of ¥5,000 million and long-term bank loans of ¥1,438 million as well as decreases in notes and accounts payable-trade of ¥275 million, current portion of bonds with subscription rights to shares of ¥4,999 million and accounts payable-other of ¥1,239 million.

Total net assets stood at ¥55,205 million, a decrease of ¥2,850 million compared with the end of the previous fiscal year. The main components were increases in treasury stock of ¥172 million as well as decreases in retained earnings of ¥1,542 million and foreign currency translation adjustments of ¥1,141 million.

#### Cash Flows

Cash and cash equivalents as of September 30, 2016 totaled ¥13,726 million, an increase of ¥340 million compared with the end of the previous fiscal year.

#### Cash Flows from Operating Activities

Net cash provided by operating activities amounted to ¥2,452 million, an increase of ¥47 million compared with the corresponding period of the previous fiscal year. The major inflows were depreciation and amortization of ¥1,268 million, a decrease in inventories of ¥1,345 million and a decrease in accounts receivable-other of ¥468 million, while the major outflows were an increase in notes and accounts receivable-trade of ¥748 million.

#### Cash Flows from Investing Activities

Net cash used in investing activities amounted to ¥2,766 million, a decrease of ¥78 million compared with the corresponding period of the previous fiscal year. This result was primarily attributable to the purchase of property, plant and equipment.

***Cash Flows from Financing Activities***

Net cash provided by financing activities was ¥874 million. This was outflow of ¥3,064 million at the corresponding period of the previous fiscal year. The major inflows were proceeds from long-term bank loans of ¥3,400 million and proceeds from issuance of bonds of ¥5,000 million, while the major outflows were repayments of long-term bank loans of ¥1,863 million, redemption of bonds with subscription rights to shares of ¥4,999 million, payments for purchase of treasury stock of ¥232 million and cash dividends paid of ¥472 million.

**(3) Outlook**

Regarding future forecasts, the resilience of the global economy is expected to be weak, reflecting such factors as the slowing of economic growth in China. Furthermore, the Group expects to record expenses related to the acquisition of equity interest, as described in the October 17, 2016 press release titled “Notice of acquisition of equity interest of UBC (Shanghai) Precision Bearing Manufacturing Co., Ltd. as the subsidiary.” In light of these economic conditions and the results of the first half of the fiscal year, the Group is forecasting consolidated net sales of ¥42.5 billion, operating income of ¥1.5 billion, ordinary income of ¥0.7 billion and loss attributable to owners of the parent of ¥0.5 billion for the year ending March 31, 2017.

## 2. Summary Information

- (1) Application of the special accounting methods for the presentation of the quarterly consolidated financial statements

### Calculation of tax expenses

Tax expenses are calculated by reasonably estimating the effective tax rate after the application of deferred tax accounting on profit before income taxes in the current consolidated fiscal year, including the second quarter, and multiplying profit before income taxes by said estimated effective tax rate. However, in cases where tax expense calculations using the estimated effective tax rate produce results that are notably unreasonable, tax expenses are calculated by multiplying profit (loss) before income taxes by the statutory tax rate, with consideration given to the recoverability of deferred tax assets.

- (2) Additional information

### 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.

**3. Consolidated Financial Statements****(1) Consolidated Balance Sheets**

As of September 30, 2016 and March 31, 2016

	Millions of yen	
ASSETS	<u>September 30, 2016</u>	<u>March 31, 2016</u>
Current Assets:		
Cash and deposits	13,012	13,933
Notes and accounts receivable-trade	10,776	10,240
Short-term investment securities	1,260	—
Finished products	13,032	13,814
Material in process	8,078	9,013
Raw material	5,206	5,558
Others	2,581	3,691
Less: Allowance for doubtful accounts	(13)	(15)
Total current assets	<u>53,936</u>	<u>56,236</u>
Fixed Assets:		
Tangible fixed assets:		
Machinery and vehicles	10,340	10,566
Others	9,762	10,177
Total tangible fixed assets	<u>20,102</u>	<u>20,744</u>
Intangible fixed assets	2,142	1,974
Investments and other assets:		
Investment securities	7,918	7,914
Others	2,231	2,373
Less: Allowance for doubtful accounts	(45)	(45)
Total investments and other assets	<u>10,104</u>	<u>10,242</u>
Total fixed assets	<u>32,349</u>	<u>32,961</u>
<b>TOTAL ASSETS</b>	<u><u>86,285</u></u>	<u><u>89,197</u></u>

LIABILITIES	Millions of yen	
	September 30, 2016	March 31, 2016
Current Liabilities:		
Notes and accounts payable-trade	6,276	6,551
Current portion of bonds	5,000	—
Current portion of convertible bond with subscription rights	—	4,999
Current portion of long-term bank loans	2,780	2,876
Income taxes payable	173	187
Allowance for directors' and corporate auditors' bonuses	35	70
Others	3,811	5,043
Total current liabilities	18,076	19,728
Long-Term Liabilities:		
Corporate bond	5,000	5,000
Long-term bank loans	6,649	5,114
Net defined benefit liabilities	413	539
Others	939	758
Total long-term liabilities	13,003	11,412
TOTAL LIABILITIES	31,080	31,141
NET ASSETS		
Shareholders' Equity:		
Common stock	9,533	9,533
Capital surplus	12,887	12,887
Retained earnings	32,491	34,034
Treasury stock	(792)	(620)
Total shareholders' equity	54,118	55,833
Accumulated Other Comprehensive Income:		
Net unrealized holding gains on available-for-sale securities	2,146	2,177
Deferred gains or losses on hedges	2	(4)
Foreign currency translation adjustments	(978)	163
Remeasurements of defined benefit plans	(146)	(167)
Total accumulated other comprehensive income	1,022	2,169
Subscription rights to shares	30	18
Non-controlling interests	34	35
TOTAL NET ASSETS	55,205	58,056
TOTAL LIABILITIES AND NET ASSETS	86,285	89,197

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

For the six-month period ended September 30, 2016 and 2015

	Millions of yen	
	<b>September 30, 2016</b>	September 30, 2015
Net Sales	<b>21,260</b>	22,745
Cost of Sales	<b>14,769</b>	15,089
Gross Profit	<b>6,491</b>	7,655
Selling, General and Administrative Expenses	<b>5,796</b>	5,675
Operating Income	<b>694</b>	1,979
Non-Operating Income:		
Interest income	<b>5</b>	10
Dividend income	<b>96</b>	89
Foreign exchange gain	—	20
Others	<b>89</b>	59
	<b>191</b>	180
Non-Operating Expenses:		
Interest expenses	<b>60</b>	63
Sales discounts	<b>61</b>	53
Foreign exchange losses	<b>730</b>	—
Others	<b>52</b>	33
	<b>906</b>	150
Ordinary Income (loss)	<b>(20)</b>	2,009
Extraordinary losses		
Loss on sales of fixed assets	—	2
	—	2
Profit (loss) before Income Taxes	<b>(20)</b>	2,006
Income Taxes	<b>1,047</b>	787
Profit (loss)	<b>(1,067)</b>	1,219
Profit attributable to non-controlling interests	<b>2</b>	1
Profit (loss) attributable to owners of parent	<b>(1,070)</b>	1,218

**Consolidated Statements of Comprehensive Income**

For the six-month period ended September 30, 2016 and 2015

	Millions of yen	
	<u>September 30, 2016</u>	<u>September 30, 2015</u>
Profit (loss)	(1,067)	1,219
Other Comprehensive Income:		
Net unrealized holding gains on available-for-sale securities	(31)	(1,016)
Deferred gains or losses on hedges	6	(0)
Foreign currency translation adjustments	(1,145)	(347)
Remeasurements of defined benefit plans	20	(23)
Total Other Comprehensive Income	<u>(1,149)</u>	<u>(1,387)</u>
Comprehensive Income	<u>(2,217)</u>	<u>(168)</u>
Breakdown:		
Comprehensive income attributable to owners of the parent	(2,216)	(164)
Comprehensive income attributable to non-controlling interests	(0)	(3)

**(3) Consolidated Statements of Cash Flows**

For the six-month period ended September 30, 2016 and 2015

	Millions of yen	
	<b>September 30, 2016</b>	September 30, 2015
Cash Flows from Operating Activities:		
Profit (loss) before Income Taxes	(20)	2,006
Depreciation and amortization	1,268	1,089
Decrease in account reserve	(37)	(25)
Decrease in net defined benefit liabilities	(125)	(118)
Interest and dividend income	(101)	(99)
Interest expenses	60	63
Foreign exchange losses	232	5
Loss on retirement of tangible fixed assets	15	14
Decrease(Increase) in notes and accounts receivable-trade	(748)	542
Decrease(Increase) in inventories	1,345	(852)
Increase(Decrease)in notes and accounts payable-trade	(53)	549
Decrease in accrued expenses	(231)	(4)
Others-net	887	43
Subtotal	<b>2,491</b>	3,215
Interest and dividend income received	101	99
Interest paid	(52)	(63)
Income taxes paid	(88)	(846)
Net cash provided by operating activities	<b>2,452</b>	2,405
Cash Flows from Investing Activities:		
Purchase of property, plant and equipment	(2,371)	(1,532)
Purchase of intangible assets	(210)	(384)
Others-net	(184)	(927)
Net cash used in investing activities	<b>(2,766)</b>	(2,844)

	Millions of yen	
	<b>September 30, 2016</b>	September 30, 2015
Cash Flows from Financing Activities:		
Proceeds from long-term bank loans	<b>3,400</b>	—
Repayments of long-term bank loans	<b>(1,863)</b>	(2,224)
Proceeds from issuance of bonds	<b>5,000</b>	—
Redemption of bonds with subscription rights to shares	<b>(4,999)</b>	—
Payments for purchase of treasury stock	<b>(232)</b>	(425)
Cash dividends paid	<b>(472)</b>	(440)
Others-net	<b>41</b>	25
Net cash provided by (used in) financing activities	<b>874</b>	(3,064)
Effect of exchange rate change on cash and cash equivalents	<b>(220)</b>	1
Net increase(decrease) in cash and cash equivalents	<b>340</b>	(3,501)
Cash and cash equivalents at beginning of year	<b>13,386</b>	18,038
Decrease in cash and cash equivalents due to change in fiscal period of consolidated subsidiaries	—	(240)
Cash and cash equivalents at end of period	<b>13,726</b>	14,295

**(4) Notes on the Premise of a Going Concern**

There are no applicable articles.

**(5) Notes on the Statement of Changes in Consolidated Shareholders' Equity**

There are no applicable articles.