

NIPPON THOMPSON CO., LTD.

Corporate Headquarters: Tokyo

Listed Code: 6480

Listed Stock Exchange: Tokyo

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

November 12, 2021

Consolidated Financial Report
for the Second Quarter of the Fiscal Year Ending March 31, 2022
<Japanese GAAP>

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Scheduled Date to Submit Quarterly Annual Securities Report:	November 12, 2021
Scheduled Date to Begin Dividend Payments:	December 9, 2021
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 down to eliminate amounts less than one million yen.

1. Consolidated Operating Performance for the Six-month Period Ended September 30, 2021
(From April 1, 2021 to September 30, 2021)

(1) Results of Consolidated Operations

(Millions of yen)

	Net sales	Percentage change	Operating profit	Percentage change	Ordinary profit	Percentage change
September 30, 2021	30,090	48.5	2,257	—	2,533	—
September 30, 2020	20,258	(20.4)	(748)	—	(757)	—

Note: Comprehensive income

Six-month period ended September 30, 2021: 2,524 million yen — %

Six-month period ended September 30, 2020: 99 million yen — %

: Percentage change for net sales, operating profit, ordinary profit, 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)
September 30, 2021	2,171	—	30.62	30.50
September 30, 2020	(588)	—	(8.20)	—

(2) Consolidated Financial Position

	(Millions of yen)			
	Total assets	Net assets	Equity ratio (%)	Net assets per share (Yen)
September 30, 2021	108,054	61,690	57.0	867.36
March 31, 2021	100,946	59,425	58.7	836.43

Reference: Shareholders' equity

As of September 30, 2021: 61,545 million yen

As of March 31, 2021: 59,276 million yen

2. Dividends

	(Yen)				
	Dividends per share				
Base date	June 30	September 30	December 31	March 31	Full Fiscal Year
2022(Forecast)			—	7.00	13.00
2022	—	6.00			
2021	—	4.00	—	4.00	8.00

Note: Change in the current three-month period ended September 30, 2021, to dividend forecast: Yes

3. Forecast of Consolidated Operating Performance for the Fiscal Year Ending March 31, 2022

	(Millions of yen)					
	Net sales	Percentage change	Operating profit	Percentage change	Ordinary profit	Percentage change
Year ending March 31, 2022	61,000	37.6	5,100	—	5,500	—

	Profit attributable to owners of parent	Percentage change	Earnings per share (Yen)
Year ending March 31, 2022	4,200	—	59.18

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

Notes: Change in the current three-month period ended September 30, 2021, 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 on page 13.

(3) Changes in accounting principles and accounting estimates, and restatements

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

Note: For further details, please refer on page 13.

(4) Number of shares issued (Common stock)

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

As of September 30, 2021:	73,501,425 shares
As of March 31, 2021:	73,501,425 shares

Number of treasury stock

As of September 30, 2021:	2,544,063 shares
As of March 31, 2021:	2,632,602 shares

Average number of shares outstanding at period-end

Six-month period ended September 30, 2021:	70,921,580 shares
Six-month period ended September 30, 2020:	71,772,645 shares

Note: The number of treasury stock as of the fiscal year-end includes Nippon Thompson shares held by the share-issuing trust account for executives and by the employee stock ownership plan (ESOP) trust account (1,554,500 shares as of 2Q FY2022 and 1,636,800 shares as of March 31, 2021). In the calculation of the average number of shares during the fiscal year (cumulative for the quarter), Nippon Thompson shares held by the share-issuing trust account for executives and the ESOP trust account are included in excluded treasury stock (1,590,433 shares as of 2Q FY2022 and 421,366 shares as of 2Q FY2021).

These consolidated financial report are not subject to quarterly review by auditors

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 12, 2021. Accordingly, for a wide variety of reasons, there remains the possibility that actual performance results may differ from projections. For performance forecasts, please refer on pages 6.

5. Operating Results and Financial Position

(1) Analysis of Operating Results

In the six-month period ended September 30, 2021, uncertainty due to the COVID-19 pandemic, economic activity began to normalize, reflecting the effects of various countries' government policies, and there were signs of recovery in corporate production activity and private capital investment, particularly in the manufacturing industry.

Under these circumstances, in April 2021, the Group launched the "IKO Medium-term Business Plan 2023~ Deepening, Expanding, Embracing Change~". We have taken various measures to solve key issues with the aim of achieving stable profit and sustainable growth under the following policies: "Deepening: Deepening Existing Businesses", "Expanding: Expanding New technologies and New markets", "Expanding: Expanding New technologies and New markets".

From a sales perspective, we focused on discovering new projects and expanding sales of strategic products as set out in the medium-term management plan, including using digital tools to deepen trade with existing customers. Amid a continuous and substantial stream of orders, we worked closely with the production division to strengthen our ability to meet delivery deadlines.

In terms of product development, we have expanded our lineup of compact, high-precision linear motor-driven mechatronics products, such as the "Linear Motor Table LT," with its high-thrust specifications, and the "Nano Linear NT," with added compatible drivers, in order to enhance high-value-added products that meet diverse customer needs.

From a production standpoint, given the trend toward soaring orders, we upgraded our supply system in domestic factories and at IKO THOMPSON VIETNAM CO.,LTD which is a production subsidiary, and worked hard to improve the efficiency of our production system across the entire Group, including the supply chain.

Turning to the Group's operational results, in the domestic market, sales increased mainly for electronics-related devices such as semiconductor manufacturing equipment and electronic components mounting equipment as well as in machine tools. In North America, sales increased due to strong demand for electronics-related devices and general industrial machinery, including medical equipment and precision machinery, as well as for commercial applications. Sales also expanded in Europe, particularly for electronics-related devices and general industrial machinery. In China, demand has generally recovered, and sales have grown significantly. Sales also positively reflected a recovery in demand in other regions, such as ASEAN and South Korea.

As a result, consolidated net sales for the six-month period under review totaled ¥30,090 million, up 48.5% year on year. On the earnings front, due in part to the increase in sales and a rise in production, operating profit came to ¥2,257 million, compared with operating loss of ¥748 million for the corresponding period of the previous fiscal year, and ordinary profit was ¥2,533 million, compared with ordinary loss of ¥757 million for the corresponding period of the previous fiscal year. Profit attributable to owners of the parent amounted to ¥2,171 million, compared with loss attributable to owners of the parent of ¥588 million for the corresponding period of the previous fiscal year.

In addition, the value of needle roller bearings and linear motion rolling guides produced during the six-month

period under review, totaled ¥26,379 million, up 44.4% year on year (based on average sales prices). The value of orders placed for these products and other machine components amounted to ¥38,539 million, up 107.1% year on 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 ¥26,872 million, a 48.4% increase compared with the corresponding period of the previous fiscal year. Sales of Machine Components incline 49.6% to ¥3,217 million.

Business Segment Information

	Six-month period ended September 30, 2021		Six-month period ended September 30, 2020		Change	
	Millions of Yen	Component percentages	Millions of Yen	Component percentages	Millions of Yen	Percentage change
Needle Roller Bearings, Linear Motion Rolling Guides	26,872	89.3	18,107	89.4	8,765	48.4
Machine Components	3,217	10.7	2,150	10.6	1,067	49.6
Total net sales	30,090	100.0	20,258	100.0	9,832	48.5

(2) Summary of Financial Position

Total assets as of September 30, 2021, totaled ¥108,054 million, an increase of ¥7,107 million compared with the end of the previous fiscal year. This mainly comprised increases in cash and deposits of ¥5,038 million, notes and accounts receivable-trade of ¥2,701 million and deferred tax assets of ¥640 million as well as decreases in inventories of ¥371 million and tangible fixed assets of ¥439 million.

Total liabilities amounted to ¥46,363 million, an increase of ¥4,842 million compared with the end of the previous fiscal year. This mainly comprised increases in notes and accounts payable-trade of ¥3,201 million and long-term borrowings of ¥1,786 million.

Total net assets stood at ¥61,690 million, an increase of ¥2,265 million compared with the end of the previous fiscal year. This mainly comprised increases in retained earnings of ¥1,882 million and foreign currency translation adjustments of ¥299 million.

Cash Flows

Cash and cash equivalents as of September 30, 2021 totaled ¥20,210 million, an increase of ¥4,863 million compared with the end of the previous fiscal year.

Cash Flows from Operating Activities

Net cash provided by operating activities amounted to ¥5,829 million. This was inflow of ¥3,329 million at the corresponding period of the previous fiscal year. The major inflows were profit before income taxes of ¥2,533 million, depreciation and amortization of ¥1,944 million and an increase in notes and accounts payable-trade of ¥3,093 million, while the major outflow was notes and accounts receivable-trade of ¥2,577 million.

Cash Flows from Investing Activities

Net cash used in investing activities amounted to ¥1,242 million, a decrease of ¥113 million compared with the corresponding period of the previous fiscal year. This result was purchase of property, plant and equipment of ¥961 million.

Cash Flows from Financing Activities

Net cash provided by financing activities was ¥179 million, a decrease of ¥1,214 million compared with the corresponding period of the previous fiscal year. The major inflow was proceeds from long-term borrowings of ¥4,000 million, while the major outflows were net decrease short-term borrowings of ¥1,200 million, repayments of long-term borrowings of ¥2,213 million and cash dividends paid of ¥290 million.

(3) Outlook

Looking to the future, we expect to exceed the full-year consolidated earnings forecast announced on May 13, 2021. This is due to the fact that, despite the rising costs of steel and logistics, private capital investment demand in electronics-related devices has been strong.

In light of these conditions and the results of the first half of the fiscal year, the Group is forecasting consolidated net sales of ¥61,000 million, operating profit of ¥5,100 million, ordinary profit of ¥5,500 million and profit attributable to owners of the parent of ¥4,200 million for the year ending March 31, 2022.

6. Consolidated Financial Statements

(1) Consolidated Balance Sheets

As of September 30, 2021 and March 31, 2021

	Millions of yen	
ASSETS	September 30, 2021	March 31, 2021
Current Assets:		
Cash and deposits	20,527	15,489
Notes and accounts receivable-trade	16,235	13,533
Finished products	13,129	14,517
Material in process	11,830	10,576
Raw material	6,153	6,391
Others	1,009	1,413
Less: Allowance for doubtful accounts	(7)	(7)
Total current assets	68,879	61,914
Non-Current Assets:		
Tangible fixed assets:		
Machinery and vehicles	11,144	11,608
Others	12,942	12,917
Total tangible fixed assets	24,086	24,526
Intangible fixed assets	1,555	1,702
Investments and other assets:		
Investment securities	9,733	9,619
Others	3,850	3,234
Less: Allowance for doubtful accounts	(51)	(51)
Total investments and other assets	13,532	12,803
Total non-current assets	39,175	39,032
TOTAL ASSETS	108,054	100,946

	Millions of yen	
LIABILITIES	September 30, 2021	March 31, 2021
Current Liabilities:		
Notes and accounts payable-trade	10,975	7,773
Short-term borrowings	—	1,200
Current portion of bonds	5,000	10,000
Current portion of long-term borrowings	5,090	5,047
Income taxes payable	1,103	398
Allowance for directors' and corporate auditors' bonuses	36	55
Others	4,163	3,930
Total current liabilities	26,369	28,405
Non-Current Liabilities:		
Corporate bonds	10,000	5,000
Long-term borrowings	8,546	6,803
Net defined benefit liabilities	19	19
Provision for share-based remuneration for directors	57	37
Others	1,370	1,255
Total non-current liabilities	19,994	13,115
TOTAL LIABILITIES	46,363	41,521
NET ASSETS		
Shareholders' Equity:		
Common stock	9,533	9,533
Capital surplus	12,886	12,886
Retained earnings	36,353	34,471
Treasury stock	(1,053)	(1,087)
Total shareholders' equity	57,719	55,803
Accumulated Other Comprehensive Income:		
Valuation difference on available-for-sale securities	3,494	3,424
Foreign currency translation adjustments	248	(50)
Remeasurements of defined benefit plans	82	99
Total accumulated other comprehensive income	3,826	3,473
Subscription rights to shares	144	148
TOTAL NET ASSETS	61,690	59,425
TOTAL LIABILITIES AND NET ASSETS	108,054	100,946

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

Consolidated Statements of Income

For the six-month period ended September 30, 2021 and 2020

	Millions of yen	
	September 30, 2021	September 30, 2020
Net Sales	30,090	20,258
Cost of Sales	21,337	14,786
Gross Profit	8,753	5,471
Selling, General and Administrative Expenses	6,495	6,219
Operating Profit (Loss)	2,257	(748)
Non-Operating Income:		
Interest income	8	5
Dividend income	99	92
Foreign exchange gains	141	—
Subsidies for employment adjustment	—	97
Others	166	152
	415	348
Non-Operating Expenses:		
Interest expenses	63	59
Sales discounts	—	22
Foreign exchange losses	—	108
Bond issuance costs	32	—
Furlough expenses	—	124
Others	43	42
	138	357
Ordinary Profit (Loss)	2,533	(757)
Extraordinary Income:		
Gain on sales of investment securities	—	4
	—	4
Profit (Loss) Before Income Taxes	2,533	(752)
Income Taxes	362	(164)
Profit (Loss)	2,171	(588)
Profit (Loss) attributable to non-controlling interests	—	—
Profit (Loss) attributable to owners of parent	2,171	(588)

Consolidated Statements of Comprehensive Income

For the six-month period ended September 30, 2021 and 2020

	Millions of yen	
	<u>September 30, 2021</u>	<u>September 30, 2020</u>
Profit (Loss)	2,171	(588)
Other Comprehensive Income:		
Net unrealized holding gains on available-for-sale securities	70	868
Deferred gains or losses on hedges	—	(0)
Foreign currency translation adjustments	299	(224)
Remeasurements of defined benefit plans	<u>(16)</u>	<u>44</u>
Total Other Comprehensive Income	<u>352</u>	<u>687</u>
Comprehensive Income	<u>2,524</u>	<u>99</u>
Breakdown:		
Comprehensive income attributable to owners of the parent	2,524	99
Comprehensive income attributable to non-controlling interests	—	—

(3) Consolidated Statements of Cash Flows

For the six-month period ended September 30, 2021 and 2020

	Millions of yen	
	September 30, 2021	September 30, 2020
Cash Flows from Operating Activities:		
Profit (Loss) before Income Taxes	2,533	(752)
Depreciation and amortization	1,944	1,945
Decrease in account reserve	(19)	(25)
Decrease in net defined benefit liabilities	(31)	(23)
Interest and dividend income	(108)	(98)
Interest expenses	63	59
Foreign exchange gains(losses)	(114)	92
Loss on retirement of fixed assets	8	19
Decrease(Increase) in notes and accounts receivable-trade	(2,577)	1,026
Decrease in inventories	507	176
Increase(Decrease) in notes and accounts payable-trade	3,093	(1,270)
Increase in accrued expenses	261	46
Others-net	447	638
Subtotal	6,009	1,833
Interest and dividend income received	108	98
Interest expenses paid	(57)	(55)
Income taxes paid (refund)	(230)	624
Net cash provided by operating activities	5,829	2,500
Cash Flows from Investing Activities:		
Payments for purchase of property, plant and equipment	(961)	(1,310)
Payments for purchase of intangible assets	(97)	(81)
Others-net	(182)	35
Net cash used in investing activities	(1,242)	(1,355)

	Millions of yen	
	September 30, 2021	September 30, 2020
Cash Flows from Financing Activities:		
Net decrease in short-term borrowings	(1,200)	(1,200)
Proceeds from long-term borrowings	4,000	5,501
Repayments of long-term borrowings	(2,213)	(2,021)
Proceeds from issuance of bonds	5,000	—
Redemption of bonds	(5,000)	—
Cash dividends paid	(290)	(361)
Payments for purchase of treasury stock	(0)	(649)
Others-net	(117)	124
Net cash provided by financing activities	179	1,393
Effect of exchange rate change on cash and cash equivalents	96	(61)
Net increase in cash and cash equivalents	4,863	2,476
Cash and cash equivalents at beginning of year	15,346	12,847
Cash and cash equivalents at end of period	20,210	15,324

(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.

(6) 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.

(7) Changes in accounting policies

Adoption of Accounting Standard for Revenue Recognition

The Company has adopted the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020) from the beginning of the first quarter of the fiscal year under review, and recognizes revenue for goods or services based on the amount estimated to be received in exchange for such goods or services at the point when control of the promised goods or services is transferred to the customer.

As a result of this adoption, expenses (other than payments for individual goods or services) included in sales promotion expenses, which previously had been recorded as selling, general and administrative expenses, and sales discounts, which previously had been recorded as operating expenses, are processed under net sales as decreases in transaction prices.

The adoption of the Accounting Standard for Revenue Recognition is subject to the transitional treatment provided for in the proviso to Paragraph 84 of the Accounting Standard for Revenue Recognition. This has had no impact on the balance of retained earnings as of April 1, 2021.

The effects of these revisions on the quarterly consolidated statements of income for the current second quarter are immaterial.

Adoption of Accounting Standard for Fair Value Measurement

The Company has adopted the Accounting Standard for Fair Value Measurement (ASBJ Statement No. 30, July 4, 2019) from the beginning of the first quarter of the fiscal year under review. The Company has prospectively adopted new accounting policies based on the Accounting Standard for Fair Value Measurement in accordance with the transition provisions in Paragraph 19 of the Accounting Standard for Fair Value Measurement and Paragraph 44-2 of the Accounting Standard for Financial Instruments (ASBJ Statement No. 10, July 4, 2019). These changes have no impact on quarterly financial statements.