

NIPPON THOMPSON CO., LTD.

Corporate Headquarters: Tokyo

Listed Code: 6480

Listed Stock Exchange: Tokyo

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

May 12, 2022

Consolidated Financial Report
for the Fiscal Year Ended March 31, 2022
<Japanese GAAP>

Representative: Shigeki Miyachi, President and Representative Director

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| | |
|--|--|
| Scheduled Date of Ordinary General Meeting of Shareholders: | June 27, 2022 |
| Scheduled Date to Submit Annual Securities Report: | June 27, 2022 |
| Scheduled Date to Begin Dividend Payments: | June 28, 2022 |
| 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 down to eliminate amounts less than one million yen.

1. Consolidated Operating Performance for the Fiscal Year Ended March 31, 2022
(From April 1, 2021 to March 31, 2022)

(1) Results of Consolidated Operations

Years ended March 31, 2022 and 2021

(Millions of yen)

| | Net sales | Percentage change | Operating profit | Percentage change | Ordinary profit | Percentage change | Profit attributable to owners of parent | Percentage change |
|-------------|---------------|-------------------|------------------|-------------------|-----------------|-------------------|---|-------------------|
| 2022 | 62,284 | 40.5 | 5,898 | — | 7,488 | — | 4,134 | — |
| 2021 | 44,342 | (6.6) | (559) | — | 225 | (82.2) | 215 | — |

Notes: Comprehensive income

Fiscal year ended March 31, 2022: 5,214 million yen 75.1%

Fiscal year ended March 31, 2021: 2,977 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.

| | Earnings per share (Yen) | Diluted earnings per share (Yen) | Return on equity (%) | Ordinary profit to total assets (%) | Operating profit to net sales (%) |
|-------------|--------------------------|----------------------------------|----------------------|-------------------------------------|-----------------------------------|
| 2022 | 58.27 | 58.04 | 6.7 | 7.2 | 9.5 |
| 2021 | 3.02 | 3.01 | 0.4 | 0.2 | (1.3) |

Reference: Equity in earnings of affiliates

Fiscal year ended March 31, 2022: — million yen

Fiscal year ended March 31, 2021: — million yen

(2) Consolidated Financial Position

Years ended March 31, 2022 and 2021

(Millions of yen)

| | Total assets | Net assets | Equity ratio (%) | Net assets per share (Yen) |
|-------------|----------------|---------------|---------------------|----------------------------------|
| 2022 | 107,078 | 63,974 | 59.6 | 898.58 |
| 2021 | 100,946 | 59,425 | 58.7 | 836.43 |

Reference: shareholders' equity

Fiscal year ended March 31, 2022: 63,829 million yen

Fiscal year ended March 31, 2021: 59,276 million yen

(3) Consolidated Cash Flows

Years ended March 31, 2022 and 2021

(Millions of yen)

| | Operating activities | Investing activities | Financing activities | Cash and cash equivalents |
|-------------|-------------------------|-------------------------|-------------------------|------------------------------|
| 2022 | 10,265 | (2,100) | (6,442) | 17,847 |
| 2021 | 5,658 | (3,007) | (412) | 15,346 |

2. Dividends

| Base date | Dividends per share | | | | |
|-----------------------|---------------------|-----------------------|----------------------|-------------------|---------------------------|
| | June 30 (Yen) | September 30 (Yen) | December 31 (Yen) | March 31 (Yen) | Full fiscal year (Yen) |
| 2023(Forecast) | — | 8.00 | — | 8.00 | 16.00 |
| 2022 | — | 6.00 | — | 7.00 | 13.00 |
| 2021 | — | 4.00 | — | 4.00 | 8.00 |

| Base date | Total dividends (Full fiscal year) | Dividends payout ratio (Consolidated) | Dividends on net assets (Consolidated) |
|-----------------------|---------------------------------------|---|--|
| | (Millions of yen) | (%) | (%) |
| 2023(Forecast) | — | 20.7 | — |
| 2022 | 942 | 22.3 | 1.5 |
| 2021 | 580 | 264.9 | 1.0 |

3. Forecast of Consolidated Operating Performance for the Fiscal Year Ending March 31, 2023

Six-month period ending September 30, 2022, and the fiscal year ending March 31, 2023 (Millions of yen)

| | Net sales | Percentage change | Operating profit | Percentage change | Ordinary profit | Percentage change |
|--|-----------|-------------------|------------------|-------------------|-----------------|-------------------|
| Six-month period ending September 30, 2022 | 32,500 | 8.0 | 3,700 | 63.9 | 3,900 | 53.9 |
| Year ending March 31, 2023 | 66,000 | 6.0 | 7,600 | 28.8 | 8,000 | 6.8 |

| | Profit attributable to owners of parent | Percentage change | Earnings per share (Yen) |
|--|---|-------------------|--------------------------|
| Six-month period ending September 30, 2022 | 2,700 | 24.3 | 37.99 |
| Year ending March 31, 2023 | 5,500 | 33.0 | 77.34 |

Note: 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.

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) 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 17.

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

| | |
|---|-------------------|
| Number of shares outstanding at period-end (Including treasury stock) | |
| Fiscal year ended March 31, 2022: | 73,501,425 shares |
| Fiscal year ended March 31, 2021: | 73,501,425 shares |
| Number of treasury stock | |
| Fiscal year ended March 31, 2022: | 2,467,133 shares |
| Fiscal year ended March 31, 2021: | 2,632,602 shares |
| Average number of shares outstanding at period-end | |
| Fiscal year ended March 31, 2022: | 70,962,924 shares |
| Fiscal year ended March 31, 2021: | 71,299,324 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 (1,477,400 shares as of March 31, 2022 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 (1,548,974 shares as of March 31, 2022 and 1,050,575 shares as of March 31, 2021).

Reference: Non-consolidated Operating Performance for the Fiscal Year Ended March 31, 2022
(From April 1, 2021 to March 31, 2022)

(1) Results of Non-consolidated Operations

Years ended March 31, 2022 and 2021

(Millions of yen)

| | Net sales | Percentage change | Operating profit | Percentage change | Ordinary profit | Percentage change | Profit | Percentage change |
|-------------|---------------|-------------------|------------------|-------------------|-----------------|-------------------|------------|-------------------|
| 2022 | 52,518 | 46.2 | 4,875 | — | 6,720 | — | 920 | — |
| 2021 | 35,924 | (9.0) | (2,442) | — | (1,535) | — | (1,292) | — |

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

| | Earnings per share (Yen) | Diluted earnings per share (Yen) |
|-------------|--------------------------|----------------------------------|
| 2022 | 12.97 | 12.92 |
| 2021 | (18.12) | — |

(2) Non-consolidated Financial Position

Years ended March 31, 2022 and 2021

(Millions of yen)

| | Total assets | Net assets | Equity ratio (%) | Net assets per share (Yen) |
|-------------|---------------|---------------|------------------|----------------------------|
| 2022 | 90,320 | 51,273 | 56.6 | 719.77 |
| 2021 | 89,984 | 51,427 | 57.0 | 723.57 |

Reference: shareholders' equity

Fiscal year ended March 31, 2022: 51,128 million yen

Fiscal year ended March 31, 2021: 51,278 million yen

These consolidated financial report are not subject to audit.

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 12, 2022. 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 "5. Operating Results and Financial Position (4) Outlook" on page 7.

5. Operating Results and Financial Position

(1) Analysis of Operating Results

In the consolidated fiscal year ended March 31, 2022, although uncertainty persisted due to the emergence of COVID-19 variants creating new waves of infections, economic activity resumed and showed a moderate trend toward recovery due to widespread vaccinations and the effects of various countries' government policies.

Under these circumstances, 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", "Embracing Change: Behavior Change · Organizational Capacity Change · Digital Transformation".

From a sales perspective, the Group carried out sales activities employing digital tools while partially resuming its schedule for participation in exhibitions at home and abroad in a way that gives due consideration to the status of the COVID-19 pandemic. In these and other ways, we focused on deepening trade with existing customers as well as developing new markets and 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, the Rotary Stage SK...W, which offers high accuracy, high rigidity, and a low profile; the Linear Motor Table LT with high-thrust specifications; and the expansion of our lineup of mechatronics products to include drivers compatible with the Nano Linear NT. In addition, we introduced the smallest size yet in the ultra-compact Linear Way L Series (wide rail type) linear motion rolling guides to enhance our lineup of high-value-added products that meet diversifying customer needs.

From a production standpoint, a continuous and substantial stream of 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 machine tools. In North America, sales increased due to strong demand for general industrial machinery, including medical equipment and precision machinery, electronics-related devices as well as for commercial applications. Sales also expanded in Europe, particularly for general industrial machinery such as precision machinery, electronics-related devices and commercial applications. In China, demand for capital investment was strong, and sales increased. Sales also positively reflected a recovery in demand in other regions, such as ASEAN including Singapore and Malaysia, and South Korea.

As a result, consolidated net sales for the fiscal year under review totaled ¥62,284 million, up 40.5% year on year. On the earnings front, due in part to the increase in sales and a rise in production, operating profit came to ¥5,898 million, compared with operating loss of ¥559 million for the corresponding period of the previous fiscal year. Ordinary profit came to ¥7,488 million, due to the recording foreign exchange gains, compared with ordinary profit of ¥225 million for the corresponding period of the previous fiscal year. And profit attributable to owners of the parent amounted to ¥4,134 million, due to the recording impairment losses, compared with profit attributable to owners of the parent of ¥215 million for the previous fiscal year.

In the consolidated fiscal year under review, net production of Needle Roller Bearings and Linear Motion Rolling Guides was ¥57,166 million based on average sales price, up 51.5% year on year. And, net orders of Needle Roller Bearings, Linear Motion Rolling Guides and Machine Components were up 53.0% to ¥78,548 million.

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 ¥55,944 million, 41.4% increase compared with the corresponding period of the previous fiscal year. Sales of Machine Components rose 32.7% to ¥6,340 million.

Business Segment Information

| | March 31, 2022 | | March 31, 2021 | | Change | |
|---|--------------------|--------------------------|--------------------|--------------------------|--------------------|----------------------|
| | Millions of Yen | Component percentages | Millions of Yen | Component percentages | Millions of yen | Percentage change |
| Needle Roller Bearings, Linear Motion Rolling Guides | 55,944 | 89.8 | 39,565 | 89.2 | 16,378 | 41.4 |
| Machine Components | 6,340 | 10.2 | 4,776 | 10.8 | 1,563 | 32.7 |
| Total net sales | 62,284 | 100.0 | 44,342 | 100.0 | 17,942 | 40.5 |

(2) Summary of Financial Position

Total assets as of March 31, 2022, totaled ¥107,078 million, an increase of ¥6,132 million compared with the end of the previous fiscal year. This mainly comprised increases in cash and deposits of ¥2,512 million, notes and accounts receivable-trade of ¥3,626 million and inventories of ¥2,089 million as well as decrease in tangible fixed assets of ¥1,960 million.

Total liabilities amounted to ¥43,104 million, an increase of ¥1,582 million compared with the end of the previous fiscal year. This mainly comprised increases in notes and accounts payable-trade of ¥4,071 million, short-term borrowings of ¥1,000 million, accrued expenses of ¥766 million and income taxes payable of ¥1,784 million as well as decreases in corporate bonds of ¥5,000 million and long-term borrowings of ¥1,466 million.

Total net assets amounted to ¥63,974 million, an increase of ¥4,549 million compared with the end of the previous fiscal year. This mainly comprised an increase in retained earnings of ¥3,410 million and foreign currency translation adjustments of ¥1,520 million as well as decrease in valuation difference on available-for-sale securities of ¥407 million.

(3) Summary of Cash Flows

Cash and cash equivalents at the end of the fiscal year under review totaled ¥17,847 million, an increase of ¥2,500 million compared with the end of the previous fiscal year.

Cash Flows from Operating Activities

Net cash provided by operating activities was ¥10,265 million. The major inflows were profit before income taxes of ¥5,987 million, depreciation and amortization of ¥3,885 million, as well as an increase in trade payables of ¥3,559 million, while the major outflow was an increase in trade receivables of ¥3,105 million.

Cash Flows from Investing Activities

Net cash used in investing activities totaled ¥2,100 million. The major outflows were purchase of property, plant and equipment of ¥1,797 million, as well as payments for purchase of insurance funds of ¥365 million.

Cash Flows from Financing Activities

Net cash used in financing activities totaled ¥6,442 million. The major inflows were proceeds from long-term borrowings of ¥4,000 million and proceeds from issuance of bonds of ¥5,000 million, while the major outflows were repayments of long-term borrowings of ¥5,466 million and redemption of bonds of ¥10,000 million.

The trend of cash flow indices is as follows:

| | For the periods ended | | | |
|--|-----------------------|-------------------|-------------------|-------------------|
| | March 31, 2022 | March 31, 2021 | March 31, 2020 | March 31, 2019 |
| Equity ratio (%) | 59.6 | 58.7 | 58.4 | 59.1 |
| Equity ratio on market value basis (%) | 35.9 | 46.5 | 27.0 | 35.9 |
| Debt repayment period (Years) | 2.2 | 5.0 | — | 4.2 |
| Interest coverage ratio (Times) | 86.8 | 49.3 | — | 60.0 |

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 |

- All indices based on consolidated financial figures.
- Aggregate market value of common stock:
Market price at the period-end x number of shares outstanding at the period-end (excluding treasury stock)
- 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, although there is uncertainty about the future due to the prolonged spread of COVID-19 and soaring raw material and energy prices associated with the worsening situation in Ukraine, capital investment demand, especially for electronics-related equipment, is expected to remain firm.

In light of these economic conditions, the Group is forecasting consolidated net sales of ¥66,000 million, operating profit of ¥7,600 million, ordinary profit of ¥8,000 million and profit attributable to owners of parent of ¥5,500 million for the year ending March 31, 2023.

(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 ¥7.0 per share. Including the interim dividend of ¥6.0 per share, the planned full-year dividend payment ¥13.0 per share.

The Company is forecasting a dividend of ¥16.0 per share (including an interim dividend of ¥8.0 per share) for the fiscal year ending March 31, 2023.

6. 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.

7. Consolidated Financial Statements

(1) Consolidated Balance Sheets

As of March 31, 2022 and 2021

| ASSETS | Millions of yen | |
|---------------------------------------|---------------------------|---------------------------|
| | March 31, 2022 | March 31, 2021 |
| Current Assets: | | |
| Cash and deposits | 18,001 | 15,489 |
| Notes and accounts receivable-trade | 17,159 | 13,533 |
| Finished products | 14,393 | 14,517 |
| Material in process | 12,773 | 10,576 |
| Raw material | 6,408 | 6,391 |
| Others | 1,682 | 1,413 |
| Less: Allowance for doubtful accounts | (7) | (7) |
| Total current assets | <u>70,412</u> | <u>61,914</u> |
| Non-Current Assets: | | |
| Tangible fixed assets: | | |
| Buildings and structures | 6,843 | 7,477 |
| Machinery and vehicles | 10,338 | 11,608 |
| Tools and fixtures | 782 | 914 |
| Land | 2,983 | 2,951 |
| Lease assets | 464 | 511 |
| Construction in progress | 168 | 256 |
| Others | 984 | 806 |
| Total tangible fixed assets | <u>22,565</u> | <u>24,526</u> |
| Intangible fixed assets: | | |
| Goodwill | — | 211 |
| Others | 1,093 | 1,490 |
| Total intangible fixed assets | <u>1,093</u> | <u>1,702</u> |
| Investments and other assets: | | |
| Investment securities | 9,021 | 9,619 |
| Deferred tax assets | 1,438 | 823 |
| Others | 2,583 | 2,411 |
| Less: Allowance for doubtful accounts | (36) | (51) |
| Total investments and other assets | <u>13,006</u> | <u>12,803</u> |
| Total non-current assets | <u>36,666</u> | <u>39,032</u> |
| TOTAL ASSETS | <u><u>107,078</u></u> | <u><u>100,946</u></u> |

Millions of yen

| LIABILITIES | March 31, 2022 | March 31, 2021 |
|--|---------------------------|-------------------|
| Current Liabilities: | | |
| Notes and accounts payable-trade | 11,845 | 7,773 |
| Short-term borrowings | 2,200 | 1,200 |
| Current portion of bonds | — | 10,000 |
| Current portion of long-term borrowings | 3,455 | 5,047 |
| Lease obligations | 358 | 277 |
| Accrued expenses | 2,906 | 2,139 |
| Income taxes payable | 2,182 | 398 |
| Allowance for directors' and corporate auditors' bonuses | 85 | 55 |
| Others | 1,769 | 1,514 |
| Total current liabilities | 24,802 | 28,405 |
| Non-Current Liabilities: | | |
| Corporate bonds | 10,000 | 5,000 |
| Long-term borrowings | 6,928 | 6,803 |
| Lease obligations | 917 | 894 |
| Deferred tax liabilities | 255 | 266 |
| Net defined benefit liabilities | 20 | 19 |
| Provision for share-based remuneration for directors | 79 | 37 |
| Others | 100 | 93 |
| Total non-current liabilities | 18,301 | 13,115 |
| TOTAL LIABILITIES | 43,104 | 41,521 |
| NET ASSETS | | |
| Shareholders' Equity: | | |
| Common stock | 9,533 | 9,533 |
| Capital surplus | 12,886 | 12,886 |
| Retained earnings | 37,881 | 34,471 |
| Treasury stock | (1,024) | (1,087) |
| Total shareholders' equity | 59,276 | 55,803 |
| Accumulated Other Comprehensive Income: | | |
| Valuation difference on available-for-sale securities | 3,017 | 3,424 |
| Foreign currency translation adjustments | 1,470 | (50) |
| Remeasurements of defined benefit plans | 65 | 99 |
| Total accumulated other comprehensive income | 4,552 | 3,473 |
| Subscription rights to shares | 144 | 148 |
| TOTAL NET ASSETS | 63,974 | 59,425 |
| TOTAL LIABILITIES AND NET ASSETS | 107,078 | 100,946 |

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

Consolidated Statements of Income

Years ended March 31, 2022 and 2021

| | Millions of yen | |
|--|-------------------|-------------------|
| | March 31, 2022 | March 31, 2021 |
| Net Sales | 62,284 | 44,342 |
| Cost of Sales | 42,947 | 32,696 |
| Gross Profit | 19,337 | 11,645 |
| Selling, General and Administrative Expenses | 13,438 | 12,204 |
| Operating Profit(Loss) | 5,898 | (559) |
| Non-Operating Income: | | |
| Interest income | 39 | 17 |
| Dividend income | 204 | 158 |
| Foreign exchange gains | 1,219 | 399 |
| Insurance income | 40 | 97 |
| Subsidies for employment adjustment | — | 271 |
| Others | 293 | 252 |
| | 1,797 | 1,196 |
| Non-Operating Expenses: | | |
| Interest expenses | 122 | 117 |
| Sales discounts | — | 45 |
| Bond issuance costs | 32 | — |
| Loss on retirement of fixed assets | 23 | 22 |
| Furlough expenses | — | 194 |
| Others | 28 | 32 |
| | 206 | 411 |
| Ordinary Profit | 7,488 | 225 |
| Extraordinary income: | | |
| Gain on sales of investment securities | 28 | 24 |
| | 28 | 24 |
| Extraordinary Losses: | | |
| Impairment losses | 1,529 | 125 |
| | 1,529 | 125 |
| Profit Before Income Taxes | 5,987 | 125 |
| Income Taxes: | | |
| Current | 1,979 | 284 |
| Income taxes for prior periods | 271 | — |
| Deferred | (398) | (374) |
| | 1,852 | (90) |
| Profit | 4,134 | 215 |
| Profit attributable to non-controlling interests | — | — |
| Profit attributable to owners of parent | 4,134 | 215 |

Consolidated Statements of Comprehensive Income

Years ended March 31, 2022 and 2021

| | Millions of yen | |
|--|---------------------------|-------------------|
| | March 31, 2022 | March 31, 2021 |
| Profit | 4,134 | 215 |
| Other Comprehensive Income: | | |
| Net unrealized holding gains on available-for-sale securities | (407) | 2,058 |
| Deferred gains or losses on hedges | — | (0) |
| Foreign currency translation adjustments | 1,520 | 443 |
| Remeasurements of defined benefit plans | (33) | 259 |
| Total Other Comprehensive Income | 1,079 | 2,761 |
| Comprehensive Income | 5,214 | 2,977 |
| Breakdown: | | |
| Comprehensive income attributable to owners of the parent | 5,214 | 2,977 |
| Comprehensive income attributable to non-controlling interests | — | — |

(3) Statement of Changes in Consolidated Shareholders' Equity

For the fiscal year ended March 31, 2022

(Millions of yen)

| | Shareholders' Equity | | | | |
|---|----------------------|-----------------|-------------------|----------------|----------------------------|
| | Common stock | Capital Surplus | Retained earnings | Treasury stock | Total shareholders' equity |
| As of April 1, 2021 | 9,533 | 12,886 | 34,471 | (1,087) | 55,803 |
| Changes during the period | | | | | |
| Cash dividends | — | — | (725) | — | (725) |
| Profit attributable to owners of parent | — | — | 4,134 | — | 4,134 |
| Acquisition of treasury stock | — | — | — | (0) | (0) |
| Disposal of treasury stock | — | — | 0 | 63 | 64 |
| Net changes in items other than shareholders' capital | — | — | — | — | — |
| Total changes during the period | — | — | 3,410 | 63 | 3,473 |
| As of March 31, 2022 | 9,533 | 12,886 | 37,881 | (1,024) | 59,276 |

| | Accumulated other comprehensive income | | | | Subscription rights to shares | Total net assets |
|---|---|--|---|--|-------------------------------|------------------|
| | Net unrealized holding gains on available-for-sale securities | Foreign currency translation adjustments | Remeasurements of defined benefit plans | Total Accumulated other comprehensive income | | |
| As of April 1, 2021 | 3,424 | (50) | 99 | 3,473 | 148 | 59,425 |
| Changes during the period | | | | | | |
| Cash dividends | — | — | — | — | — | (725) |
| Profit attributable to owners of parent | — | — | — | — | — | 4,134 |
| Acquisition of treasury stock | — | — | — | — | — | (0) |
| Disposal of treasury stock | — | — | — | — | — | 64 |
| Net changes in items other than shareholders' capital | (407) | 1,520 | (33) | 1,079 | (3) | 1,075 |
| Total changes during the period | (407) | 1,520 | (33) | 1,079 | (3) | 4,549 |
| As of March 31, 2022 | 3,017 | 1,470 | 65 | 4,552 | 144 | 63,974 |

For the fiscal year ended March 31, 2021

(Millions of yen)

| | Shareholders' Equity | | | | |
|---|----------------------|-----------------|-------------------|----------------|----------------------------|
| | Common stock | Capital Surplus | Retained earnings | Treasury stock | Total shareholders' equity |
| As of April 1, 2020 | 9,533 | 12,886 | 34,988 | (828) | 56,579 |
| Changes during the period | | | | | |
| Cash dividends | — | — | (650) | — | (650) |
| Profit attributable to owners of parent | — | — | 215 | — | 215 |
| Acquisition of treasury stock | — | — | — | (649) | (649) |
| Disposal of treasury stock | — | — | (82) | 390 | 307 |
| Net changes in items other than shareholders' capital | — | — | — | — | — |
| Total changes during the period | — | — | (517) | (259) | (776) |
| As of March 31, 2021 | 9,533 | 12,886 | 34,471 | (1,087) | 55,803 |

| | Accumulated other comprehensive income | | | | | Subscription rights to shares | 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, 2020 | 1,365 | 0 | (494) | (160) | 711 | 148 | 57,439 |
| Changes during the period | | | | | | | |
| Cash dividends | — | — | — | — | — | — | (650) |
| Profit attributable to owners of parent | — | — | — | — | — | — | 215 |
| Acquisition of treasury stock | — | — | — | — | — | — | (649) |
| Disposal of treasury stock | — | — | — | — | — | — | 307 |
| Net changes in items other than shareholders' capital | 2,058 | (0) | 443 | 259 | 2,761 | — | 2,761 |
| Total changes during the period | 2,058 | (0) | 443 | 259 | 2,761 | — | 1,985 |
| As of March 31, 2021 | 3,424 | — | (50) | 99 | 3,473 | 148 | 59,425 |

(4) Consolidated Statements of Cash Flows

Years ended March 31, 2022 and 2021

| | Millions of yen | |
|--|---------------------------|-------------------|
| | March 31, 2022 | March 31, 2021 |
| Cash Flows from Operating Activities: | | |
| Profit before income taxes | 5,987 | 125 |
| Depreciation and amortization | 3,885 | 3,833 |
| Increase (Decrease) in allowance for doubtful accounts | (15) | (11) |
| Impairment losses | 1,529 | 125 |
| Increase (Decrease) in net defined benefit liabilities | (60) | (43) |
| Interest and dividend income | (243) | (175) |
| Interest expenses | 122 | 117 |
| Loss on retirement of fixed assets | 23 | 22 |
| Foreign exchange losses (gains) | (752) | (246) |
| Decrease (Increase) in trade receivables | (3,105) | (1,605) |
| Decrease (Increase) in inventories | (1,021) | 2,637 |
| Decrease (Increase) in other accounts receivable | (291) | 513 |
| Increase (Decrease) in trade payables | 3,559 | (329) |
| Increase (Decrease) in accrued expenses | 724 | 2 |
| Others-net | 335 | 69 |
| Subtotal | 10,677 | 5,035 |
| Interest and dividend income received | 243 | 175 |
| Interest expenses paid | (118) | (114) |
| Income taxes refund (paid) | (537) | 562 |
| Net cash provided by (used in) operating activities | 10,265 | 5,658 |

Millions of yen

| | March 31, 2022 | March 31, 2021 |
|---|---------------------------|-------------------|
| Cash Flows from Investing Activities: | | |
| Payments for purchase of property, plant and equipment | (1,797) | (2,950) |
| Payments for purchase of intangible assets | (176) | (157) |
| Payments for purchase of investment securities | (8) | (30) |
| Payments for purchase of insurance funds | (365) | (326) |
| Proceeds from cancellation of insurance funds | 231 | 490 |
| Others-net | 16 | (33) |
| Net cash provided by (used in) investing activities | (2,100) | (3,007) |
| Cash Flows from Financing Activities: | | |
| Net increase (decrease) in short-term borrowings | 1,000 | — |
| Proceeds from long-term borrowings | 4,000 | 5,501 |
| Repayments of long-term borrowings | (5,466) | (4,657) |
| Proceeds from issuance of bonds | 5,000 | — |
| Redemption of bonds | (10,000) | — |
| Cash dividends paid | (725) | (650) |
| Payments for purchase of treasury stock | (0) | (649) |
| Others-net | (249) | 42 |
| Net cash provided by (used in) financing activities | (6,442) | (412) |
| Effect of exchange rate change on cash and cash equivalents | 777 | 261 |
| Net increase (decrease) in cash and cash equivalents | 2,500 | 2,498 |
| Cash and cash equivalents at beginning of year | 15,346 | 12,847 |
| Cash and cash equivalents at end of year | 17,847 | 15,346 |

(5) Notes

(Notes on the Premise of a Going Concern)

There are no applicable articles.

(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 current consolidated 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 consolidated statements of income for the current consolidated fiscal year 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 current 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 consolidated financial statements.

(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, 2022 | March 31, 2021 |
| Net assets per share | 898.58 | 836.43 |
| Earnings per share | 58.27 | 3.02 |
| Diluted earnings per share | 58.04 | 3.01 |

Notes: 1. Basis for calculations of earnings per share and diluted earnings per share is as follows.

| | Millions of yen | |
|---|--|------------------------------------|
| | March 31, 2022 | March 31, 2021 |
| Earnings per share | | |
| Profit attributable to owners of parent | 4,134 | 215 |
| Value not attributed to common stock | — | — |
| Profit attributable to owners of parent pertaining to common stock | 4,134 | 215 |
| Average number of shares outstanding at period-end | 70,962,924shares | 71,299,324shares |
| Diluted earnings per share | | |
| Adjustment value of profit attributable to owners of parent | — | — |
| Increase in number of shares outstanding (of which subscription rights to shares) | 275,518 shares (275,518 shares) | 281,758 shares (281,758 shares) |
| Residual shares not included in the calculation of diluted earnings income per share because they have no dilutive effect | — | — |

2. 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 share-issuing trust for executives and the ESOP trust are included in treasury stock.

(Important Subsequent Events)

There are no applicable articles.