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August 8, 2024

Consolidated Financial Results for the Three Months Ended June 30, 2024 (Under Japanese GAAP)



Company name: NIPPON THOMPSON CO., LTD.
 Listing: Tokyo Stock Exchange
 Securities code: 6480
 URL: <https://www.ikont.co.jp/eg/>
 Representative: Shigeki Miyachi, President and Representative Director
 Inquiries: Takanori Kojima, General Manager of Accounting Department
 Telephone: +81-3-3448-5824
 Scheduled date to commence dividend payments: —
 Preparation of supplementary material on financial results: Yes
 Holding of financial results briefing: None

(Yen amounts are rounded down to millions, unless otherwise noted.)

1. Consolidated financial results for the three months ended June 30, 2024 (from April 1, 2024 to June 30, 2024)

(1) Consolidated operating results (cumulative)

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Three months ended								
June 30, 2024	13,006	(10.9)	69	(93.3)	809	(52.9)	(319)	—
June 30, 2023	14,595	(12.9)	1,041	(44.4)	1,718	(46.5)	1,209	(43.5)

Note: Comprehensive income For the three months ended June 30, 2024: ¥1,599 million [(58.1)%]
 For the three months ended June 30, 2023: ¥3,818 million [19.2%]

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Three months ended		
June 30, 2024	(4.64)	—
June 30, 2023	16.95	16.90

(2) Consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of				
June 30, 2024	123,492	77,103	62.4	1,117.39
March 31, 2024	119,187	76,164	63.8	1,104.33

Reference: Equity
 As of June 30, 2024: ¥77,003 million
 As of March 31, 2024: ¥76,049 million

2. Cash dividends

	Annual dividends per share				
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2024	—	9.50	—	9.50	19.00
Fiscal year ending March 31, 2025	—				
Fiscal year ending March 31, 2025 (Forecast)		9.50	—	9.50	19.00

Note: Revisions to the forecast of cash dividends most recently announced: None

3. Consolidated financial result forecasts for the fiscal year ending March 31, 2025 (from April 1, 2024 to March 31, 2025)

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Six-month period ending September 30, 2024	26,800	(5.9)	1,000	(51.0)	1,800	(40.1)	400	(74.8)	5.80
Full year	56,000	1.7	3,100	(2.0)	4,100	(9.4)	2,100	(21.5)	30.43

Note: Revisions to the financial result forecast most recently announced: Yes

* **Notes**

(1) Significant changes in the scope of consolidation during the period: None

(2) Adoption of accounting treatment specific to the preparation of quarterly consolidated financial statements: Yes

Note: For further details, please refer to “2. Quarterly Consolidated Financial Statements and Principal Notes (3) Notes to Quarterly Consolidated Financial Statements (Accounting Methods Adopted Particularly for the Preparation of Quarterly Consolidated Financial Statements)” on page 7.

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

(i) Changes in accounting principles arising from revision of accounting standards: None

(ii) Changes other than those in above: None

(iii) Changes in accounting estimates: None

(iv) Restatements: None

(4) Number of shares issued (Common stock)

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

As of June 30, 2024	73,501,425 shares
As of March 31, 2024	73,501,425 shares

(ii) Number of treasury shares

As of June 30, 2024	4,587,217 shares
As of March 31, 2024	4,636,377 shares

(iii) Average number of shares outstanding at period-end

Three months ended June 30, 2024	68,888,035 shares
Three months ended June 30, 2023	71,350,020 shares

Note: The number of treasury shares at the end of the period includes Nippon Thompson shares held by the share-issuing trust account for executives and by the employee stock ownership plan (ESOP) trust account (1,507,500 shares as of June 30, 2024 and 1,527,800 shares as of March 31, 2024). In the calculation of the average number of shares outstanding during the period, Nippon Thompson shares held by the share-issuing trust account for executives and the ESOP trust account are included in excluded treasury stock (1,514,366 shares as of June 30, 2024 and 1,219,966 shares as of June 30, 2023).

* Review of the Japanese-language originals of the attached consolidated quarterly financial statements by certified public accountants or an audit firm: Yes (voluntary)

* Proper use of earnings forecasts, and other special matters

Performance forecasts presented herein are based on information available to the Nippon Thompson Group (the “Group”) as of the date of this document, August 8, 2024. 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. Qualitative Information on Quarterly Financial Results (3) Explanation of Consolidated Financial Results Forecast and Other Forward-looking Information” on page 2.

1. Qualitative Information on Quarterly Financial Results

(1) Explanation of Operating Results

During the three months ended June 30, 2024, countries around the world kept their monetary policies tight, and tensions in the Middle East raised geopolitical risks. The outlook for the global economy remained uncertain.

Against this backdrop, in April this year the Group launched “IKO Medium-term Business Plan 2026 Connect for Growth —The Future of Innovation, Connected by IKO—.” In our basic policy for the plan, we aim to boost profitability and efficiency through focused enhancement in areas of strength. At the same time, we will drive growth by rebuilding the global business structure. Based on this policy, we have been working on measures to tackle our key challenges.

From a sales perspective, in April this year the Group established the Mechatronics Unit Sales Promotion Office. This new division offers solutions to the challenges our customers face as labor shortages drive growing demand for factory automation. We also proactively participated in trade exhibitions in Japan and overseas and hosted private shows as we strove to ingrain the IKO brand in the market and cultivate demand.

In terms of product development, our technical and development departments engaged directly with customers mainly through private shows. This has strengthened our market-in development approach of accurately identifying market needs and issues as we work to create innovative new products.

From a production standpoint, we moved to strengthen our global supply system. As part of this effort, we geared up for the start of operations at our new factory in Vietnam in 2026. We also worked closely with our bases in China and Japan to optimize our supply system.

Turning to the Group’s operational results, net sales decreased from the same period of the previous year. However, recent net orders have shown signs of recovery. In Japan, demand for machine tools, commercial application products, and electronics-related devices such as semiconductor manufacturing equipment slowed, leading to a drop in net sales. In North America, demand for electronics-related devices and transportation equipment slowed. However, increased demand for general industrial machinery such as robots, along with the positive impact of a weaker yen, led to higher net sales. In Europe, demand for general industrial machinery, including precision machinery, and commercial application products slowed down. This led to a decrease in net sales. In China, domestic demand remained weak, leading to a fall in net sales. Other regions, comprising mainly in Singapore, India, and South Korea, also saw declines in net sales.

As a result, consolidated net sales for the three months ended June 30, 2024 totaled ¥13,006 million, down 10.9% year on year. On the earnings front, operating profit decreased by 93.3% year on year to ¥69 million due mainly to a decrease in net sales and a decrease in production volume as well as write-downs of inventories. Ordinary profit came to ¥809 million due mainly to the recording of foreign exchange gains but decreased by 52.9% year on year. Due to an increase in tax burden caused by a reversal of deferred tax assets, however, the Group posted loss attributable to owners of parent of ¥319 million (compared with profit attributable to owners of parent of ¥1,209 million in the corresponding period of the previous fiscal year).

In the three months ended June 30, 2024, net production of Needle Roller Bearings and Linear Motion Rolling Guides was ¥11,444 million based on average sales price, down 13.0% year on year. And, net orders of Needle Roller Bearings, Linear Motion Rolling Guides and Machine Components were up 28.3% to ¥13,920 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 ¥11,615 million, down 11.7% compared with the corresponding period of the previous fiscal year. Sales of Machine Components decreased 3.3% year on year to ¥1,391 million.

Business Segment Information

	Three months ended June 30, 2024		Three months ended June 30, 2023		Change	
	Millions of yen	Component percentages	Millions of yen	Component percentages	Millions of yen	Percentage change
Needle Roller Bearings, Linear Motion Rolling Guides	11,615	89.3	13,157	90.1	(1,542)	(11.7)
Machine Components	1,391	10.7	1,438	9.9	(46)	(3.3)
Total net sales	13,006	100.0	14,595	100.0	(1,588)	(10.9)

(2) Explanation of Financial Position

Total assets as of June 30, 2024, totaled ¥123,492 million, an increase of ¥4,304 million compared with the end of the previous fiscal year. This mainly comprised increases in cash and deposits of ¥3,634 million and tangible fixed assets of ¥794 million and investment securities of ¥457 million as well as a decrease in other accounts receivable of ¥888 million.

Total liabilities amounted to ¥46,388 million, an increase of ¥3,366 million compared with the end of the previous fiscal year. This mainly comprised increases in long-term borrowings of ¥7,413 million and deferred tax liabilities of ¥646 million as well as a decrease in short-term borrowings of ¥5,000 million.

Total net assets amounted to ¥77,103 million, an increase of ¥938 million compared with the end of the previous fiscal year. This mainly comprised increases in valuation difference on available-for-sale securities of ¥316 million and foreign currency translation adjustments of ¥1,640 million as well as a decrease in retained earnings of ¥989 million.

(3) Explanation of Consolidated Financial Results Forecast and Other Forward-looking Information

For the six months ending September 30, 2024 and the fiscal year ending March 31, 2025, the Group revised the consolidated operating performance forecasts it had announced announced on May 13, 2024. For details, please refer to the “Notice on the Revision of Forecast of Consolidated Operating Performance.”

2. Quarterly Consolidated Financial Statements and Principal Notes

(1) Quarterly Consolidated Balance Sheets

(Millions of yen)

	As of June 30, 2024	As of March 31, 2024
Assets		
Current assets		
Cash and deposits	23,407	19,773
Notes and accounts receivable-trade	13,268	13,435
Finished products	20,480	20,262
Work in process	12,379	12,101
Raw material	9,329	9,439
Others	1,600	2,484
Less: Allowance for doubtful accounts	(11)	(10)
Total current assets	80,454	77,486
Non-current assets		
Tangible fixed assets		
Machinery and vehicles	11,797	10,804
Others	12,923	13,122
Total tangible fixed assets	24,721	23,926
Intangible fixed assets	1,802	1,650
Investments and other assets		
Investment securities	12,283	11,826
Others	4,257	4,323
Less: Allowance for doubtful accounts	(26)	(26)
Total investments and other assets	16,514	16,122
Total non-current assets	43,037	41,700
Total assets	123,492	119,187

(Millions of yen)

	As of June 30, 2024	As of March 31, 2024
Liabilities		
Current liabilities		
Notes and accounts payable-trade	4,271	4,590
Short-term borrowings	–	5,000
Current portion of bonds	5,000	5,000
Current portion of long-term borrowings	7,293	5,054
Income taxes payable	588	361
Allowance for directors' and corporate auditors' bonuses	13	65
Others	5,674	5,312
Total current liabilities	22,839	25,383
Non-current liabilities		
Corporate bonds	5,000	5,000
Long-term borrowings	16,341	11,166
Net defined benefit liabilities	33	32
Provision for share-based remuneration for directors	201	179
Others	1,972	1,261
Total non-current liabilities	23,548	17,639
Total liabilities	46,388	43,022
Net assets		
Shareholders' equity		
Common stock	9,533	9,533
Capital surplus	12,886	12,886
Retained earnings	44,461	45,451
Treasury stock	(2,406)	(2,430)
Total shareholders' equity	64,474	65,440
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	5,324	5,007
Deferred gains or losses on hedges	(8)	(1)
Foreign currency translation adjustments	7,034	5,394
Remeasurements of defined benefit plans	178	208
Total accumulated other comprehensive income	12,528	10,609
Subscription rights to shares	99	114
Total net assets	77,103	76,164
Total liabilities and net assets	123,492	119,187

(2) Quarterly Consolidated Statements of Income and Comprehensive Income
Quarterly Consolidated Statements of Income
Three Months Ended June 30

(Millions of yen)

	For the three months ended June 30, 2024	For the three months ended June 30, 2023
Net sales	13,006	14,595
Cost of sales	9,129	9,763
Gross profit	3,877	4,832
Selling, general and administrative expenses	3,807	3,791
Operating profit	69	1,041
Non-operating income		
Interest income	20	9
Dividend income	152	140
Foreign exchange gains	547	498
Others	70	69
Total non-operating income	792	717
Non-operating expenses		
Interest expenses	41	23
Others	10	16
Total non-operating expenses	52	39
Ordinary profit	809	1,718
Profit before income taxes	809	1,718
Income taxes	1,129	508
Profit (loss)	(319)	1,209
Profit attributable to non-controlling interests	–	–
Profit (loss) attributable to owners of parent	(319)	1,209

Quarterly Consolidated Statements of Comprehensive Income

Three Months Ended June 30

(Millions of yen)

	For the three months ended June 30, 2024	For the three months ended June 30, 2023
Profit (loss)	(319)	1,209
Other comprehensive income		
Net unrealized holding gains on available-for-sale securities	316	985
Deferred gains or losses on hedges	(7)	0
Foreign currency translation adjustments	1,640	1,622
Remeasurements of defined benefit plans	(30)	(0)
Total other comprehensive income	1,919	2,608
Comprehensive income	1,599	3,818
Breakdown:		
Comprehensive income attributable to owners of parent	1,599	3,818
Comprehensive income attributable to non-controlling interests	–	–

(3) Notes to Quarterly Consolidated Financial Statements

(Notes on the Framework for Financial Reporting)

The Group prepares quarterly consolidated financial statements in accordance with Article 4 (1) of the Standards for Preparation of Quarterly Financial Statements, etc. issued by Tokyo Stock Exchange, Inc. and accounting standards for quarterly financial statements generally accepted in Japan, applying the omissions prescribed in Article 4 (2) of the Standards for Preparation of Quarterly Financial Statements, etc.

(Notes on the Premise of a Going Concern)

Not applicable.

(Notes in Case of Significant Changes in Shareholders' Equity)

Not applicable.

(Accounting Methods Adopted Particularly for the Preparation of 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 first quarter, and multiplying profit before income taxes by said estimated effective tax rate.

(Notes on Segment Information)

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

(Notes on Statements of Cash Flows)

We have not prepared a quarterly consolidated statements of cash flows for the three months ended June 30, 2024. During the three-month period, depreciation and amortization, including those for intangible fixed assets, were as follows.

(Millions of yen)

	For the three months ended June 30, 2024	For the three months ended June 30, 2023
Depreciation and amortization	812	822