

NIPPON THOMPSON CO., LTD.

Corporate Headquarters: Tokyo

Listed Code: 6480

Listed Stock Exchange: Tokyo

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

November 8, 2010

Consolidated Financial Report
for the Second Quarter of the Fiscal Year Ending March 31, 2011
<Japanese GAAP>

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Scheduled Date to Submit Quarterly Annual Securities Report: November 12, 2010

Preparation of Supplementary Explanation Material for Quarterly Financial Results: None

Holding of Presentation Meeting for Quarterly Financial Results: None

Expected Date of Payment for Dividends: December 8, 2010

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, 2010
(From April 1, 2010 to September 30, 2010)

(1) Results of Consolidated Operations

(Millions of yen)

	Net sales	Percentage change	Operating income	Percentage change	Ordinary income	Percentage change
September 30, 2010	21,376	106.5	2,182	-	2,066	-
September 30, 2009	10,352	(59.7)	(2,726)	-	(2,656)	-

	Net income	Percentage change	Net income per share (Yen)	Diluted net income per share (Yen)
September 30, 2010	1,263	-	17.20	-
September 30, 2009	(1,789)	-	(24.36)	-

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

(2) Consolidated Financial Position

(Millions of yen)

	Total assets	Net assets	Equity ratio (%)	Net assets per share (Yen)
September 30, 2010	82,441	50,339	61.1	685.36
March 31, 2010	78,262	50,400	64.4	686.17

Reference: Shareholders' equity

As of September 30, 2010: 50,339 million yen

As of March 31, 2010: 50,400 million yen

2. Dividends

(Yen)

Base date	Dividends per share				
	June 30	September 30	December 31	March 31	Full Fiscal Year
2011 (Forecast)			-	5.50	10.00
2011	-	4.50			
2010	-	3.00	-	3.00	6.00

Note: Change in the current three-month period ended September 30, 2010, to dividend forecast: None

3. Forecast of Consolidated Operating Performance for the Fiscal Year Ending March 31, 2011

(Millions of yen)

	Net sales	Percentage change	Operating income	Percentage change	Ordinary income	Percentage change
Year ending March 31, 2011	44,000	73.4	4,000	-	3,700	-

	Net income	Percentage change	Net income per share (Yen)
Year ending March 31, 2011	2,300	-	31.31

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

Change in the current three-month period ended September 30, 2010, to consolidated operating performance forecast: None

4. Others (For further details, please refer to “2. Other Information” on page 6 to 7.)

(1) Changes in the state of significant subsidiaries during the period: Yes

Increase: None

Exclusion: 2 companies (The name of companies: Nippon Thompson Sales Co., Ltd., Mugegawa Mfg. Co., Ltd.)

Note: Changes regarding specific companies accompanying changes in the scope of consolidation in this quarter.

(2) Application of the simplified accounting method and special accounting methods for the presentation of the quarterly consolidated financial statements: Yes

Note: Application of the simplified accounting and accounting peculiar to preparation of the quarterly consolidated financial statements.

(3) Changes in principles, procedures, methods of presentation, etc. related to the quarterly consolidated financial statements

Changes related to revisions in accounting principles: Yes

Changes other than those in above: None

Note: Changes in significant items that form the basis for the preparation and presentation of the quarterly consolidated financial statements.

(4) Number of shares issued (Common stock)

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

As of September 30, 2010: 73,499,875 shares

As of March 31, 2010: 73,499,875 shares

Number of treasury stock

As of September 30, 2010: 50,421 shares

As of March 31, 2010: 47,994 shares

Average number of shares outstanding at period-end

Six-month period ended September 30, 2010: 73,450,748 shares

Six-month period ended September 30, 2009: 73,456,812 shares

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 8, 2010. 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 “(3) Outlook” of “1. Operating Results and Financial Position” on page 6.

1. Operating Results and Financial Position

(1) Analysis of Operating Results

In the six-month period ended September 30, 2010, demand generated by economic growth in emerging countries, mainly those in the Asian region, brought about a trend toward expansion in the Japanese economy that was most pronounced in the export industries. Overseas, the gradual recovery in the global economy continued due to the effect of economic stimulus policies implemented and the economic growth in emerging countries. However, factors affecting business conditions, a rapid appreciation of the yen that has placed downward pressure on domestic corporate earnings and, in the global economy, a slight weakening of the economic stimulus policies, have increased uncertainty about the prospects for a sustained recovery.

Under these circumstances, the Group took measures to bring about an early recovery in sales, improve its earnings structure and build a more resilient corporate structure.

From the sales perspective, the Group endeavored to stimulate customer needs by utilizing its key “user-centered, proposal-based sales approach”. As part of its efforts to strengthen its sales structure, the Group absorbed its sales subsidiary, Nippon Thompson Sales Co., Ltd., by merger on July 1, 2010. Through this initiative, the Group has built a closer relationship to the market for its distributors, heightened its proposal capabilities and improved levels of customer satisfaction.

From the production standpoint, with regard to improving orders for electronics-related industries and machine tools, the Group made efforts to improve its supply capabilities. In addition, as part of efforts to enhance production systems, the Group absorbed Kasagami Mfg. Co., Ltd. and Mugegawa Mfg. Co., Ltd. by mergers on July 1, 2010. Through this initiative, the Group has formed a more efficient production system.

Seen from market trends by region, orders improved in Japan for electronics-related industries, such as semiconductor and electronic components mounting equipment and machine tools from the start of the current fiscal year. Demand in the Asian region, particularly China, was favorable and centered on investment in infrastructure in accordance with growing internal demand. Demand in North America and Europe was seen to increase, although gradually, with comparatively steady demand in the key electronics-related and medical equipment industries.

As a result, although negatively affected by the strong yen, the Group’s net sales for six-month period under review increased 2.1 times compared with the corresponding period of the previous fiscal year to ¥21,376 million. On the earnings front, in addition to the effects of increased earnings stemming from increased production, operating income of ¥2,182 million (compared with an operating loss of ¥2,726 million in the corresponding period of the previous fiscal year) as a result of concerted efforts to reduce expenses and costs. Ordinary income of ¥2,066 million was recorded, reversing an ordinary loss of ¥2,656 million in the previous fiscal year, while net income of ¥1,263 million (turning around a net loss of ¥1,789 million for the same period 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 ¥18,570 million, a 103.7% increase compared with the corresponding period in the previous fiscal year. Sales of Machine Components rose 127.1% to ¥2,806 million.

Business Segment Information

	Six-month period ended September 30, 2010		Six-month period ended September 30, 2009		Change	
	Millions of yen	Component percentages	Millions of yen	Component percentages	Millions of yen	Percentage change
Needle Roller Bearings, Linear Motion Rolling Guides	18,570	86.9	9,117	88.1	9,453	103.7
Machine Components	2,806	13.1	1,235	11.9	1,570	127.1
Total net sales	21,376	100.0	10,352	100.0	11,023	106.5

(2) Analysis of Financial Position

Total assets as of September 30, 2010 totaled ¥82,441 million, an increase of ¥4,178 million compared with the end of the previous fiscal year. This mainly comprised an increase of cash and deposits of ¥4,523 million, while notes and accounts receivable-trade rose ¥3,070 million, inventories fell ¥912 million, tangible fixed assets declined ¥830 million, and investments and other assets decreased ¥1,904 million.

Total liabilities totaled ¥32,101 million, an increase of ¥4,240 million compared with the end of the previous fiscal year. This increase was mainly made up of rises in notes and accounts payable-trade of ¥3,282 million and in income taxes payable of ¥965 million.

Total net assets amounted to ¥50,339 million, a decrease of ¥61 million compared with the end of the previous fiscal year. The main components were an increase in retained earnings of ¥1,031 million and a decrease in the total revaluation and translation difference of ¥1,091 million.

Cash Flows

Cash and cash equivalents as of September 30, 2010 totaled ¥20,605 million, an increase of ¥4,525 million compared with the end of the previous fiscal year.

Cash Flows from Operating Activities

Net cash provided by operating activities was ¥3,923 million. The major components were income before income taxes of ¥1,972 million, depreciation and amortization of ¥1,199 million, an increase in notes and accounts payable-trade of ¥3,379 million, a decrease in inventories of ¥433 million, and an increase in notes and accounts receivable-trade of ¥3,154 million.

Cash Flows from Investing Activities

Net cash provided by investing activities totaled ¥941 million, the principal components being ¥1,261 million in proceeds from cancellation of insurance funds, and ¥257 million for the payments for purchase of property, plant and equipment.

Cash Flows from Financing Activities

Net cash used in financing activities was ¥234 million. This was mainly due to proceeds from long-term bank loans of ¥500 million, payments of long-term bank loans of ¥537 million, and cash dividends paid of ¥220 million.

(3) Outlook

The outlook in domestic market is for a decline in export competitiveness due to a prolonged period of a strong yen, while overseas, the fading effects of economic stimulus policies implemented are causing concern. It is thought that the outlook for the global economy will remain uncertain.

As the Group, the financial results for the six-month period ended September 30, 2010 slightly exceeded the initial forecast. However, at this time, there are no changes to the full-year consolidated performance forecasts announced on May 17, 2010.

2. Other Information

- (1) Changes in the state of significant subsidiaries during the period (Changes regarding specific companies accompanying changes in the scope of consolidation)

Since the consolidated subsidiaries Nippon Thompson Sales Co., Ltd. and Mugegawa Mfg. Co., Ltd. were absorbed by merger on July 1, 2010, these have been excluded from the scope of consolidation.

- (2) Application of simplified accounting methods and special accounting methods for the presentation of the quarterly consolidated financial statements

1) Application of the simplified accounting methods

Calculation method for depreciation of fixed assets

A pro-rata amount for the period under review based on the estimated amount of fixed assets to be acquired, sold or disposed of during the fiscal year was used as the basis for calculating depreciation of fixed assets.

For assets depreciated using the declining-balance method, depreciation expenses applicable to the fiscal year are calculated on a pro-rata basis.

Method for calculating deferred tax assets and liabilities

Since no significant changes have been recognized in the business environment after the end of the previous fiscal year and in temporary differences and other items, the recoverability of deferred tax assets has been estimated using the performance forecasts and tax planning that were used in the previous fiscal year's financial statements.

2) Special accounting methods for presentation 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 income before income taxes and minority interests in the consolidated fiscal year and multiplying income before income taxes and minority interests for the six-month period of the fiscal year ending March 31, 2011, by said estimated effective tax rate.

(3) Changes in principles, procedures, methods of presentation, etc. related to the quarterly consolidated financial statements

1) Application of Accounting Standard for Asset Retirement Obligations

From the first quarter of the fiscal year ending March 31, 2011, the Group has applied the Accounting Standard for Asset Retirement Obligations (ASBJ Statement No.18, issued March 31, 2008) and the Guidance on Accounting Standard for Asset Retirement Obligations (ASBJ Guidance No 21, issued March 31, 2008).

The effect of this change on income was immaterial for the six-month period of the fiscal year ending March 31, 2011.

2) Application of Accounting Standards for Business Combinations

From the second quarter of the fiscal year ending March 31, 2011, the Group has applied the Accounting Standard for Business Combinations (ASBJ Statement No.21, issued December 26, 2008), the Accounting Standard for Consolidated Financial Statements (ASBJ Statement No.22, issued December 26, 2008), the Partial Amendments to Accounting Standard for Research and Development Costs (ASBJ Statement No.23, issued December 26, 2008), the Revised Accounting Standard for Business Divestitures (ASBJ Statement No.7, issued December 26, 2008), the Revised Accounting Standard for Equity Method of Accounting for Investments (ASBJ Statement No.16, issued December 26, 2008), and the Revised Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures (ASBJ Guidance No.10, issued December 26, 2008).

3) Changes in disclosure methods

As a result of applying the Cabinet Office Ordinance Partially Revising Regulations on the Terminology, Format and Preparation of Financial Statements (Cabinet Office Ordinance No.5, issued March 24, 2009), as per the Accounting Standard for Consolidated Financial Statements (ASBJ Statement No 22, issued December 26, 2008), the Group has included “Income before minority interests” in the consolidated statements of income for the six-month period of the fiscal year ending March 31, 2011.

3. Consolidated Financial Statements

(1) Consolidated Balance Sheets

As of September 30, 2010 and March 31, 2010

	Millions of yen	
ASSETS	September 30, 2010	March 31, 2010
Current Assets:		
Cash and deposits	20,683	16,160
Notes and accounts receivable-trade	10,356	7,285
Finished products	10,809	12,173
Material in process	8,768	8,237
Raw material	5,964	6,044
Others	3,505	3,250
Less: Allowance for doubtful accounts	(37)	(39)
Total current assets	<u>60,050</u>	<u>53,112</u>
Fixed Assets:		
Tangible fixed assets:		
Machinery and vehicles	6,509	7,118
Others	8,566	8,787
Total tangible fixed assets	<u>15,075</u>	<u>15,906</u>
Intangible fixed assets	169	194
Investments and other assets:		
Investment securities	5,324	6,142
Others	1,888	3,011
Less: Allowance for doubtful accounts	(68)	(105)
Total investments and other assets	<u>7,144</u>	<u>9,048</u>
Total fixed assets	<u>22,390</u>	<u>25,149</u>
 TOTAL ASSETS	 <u><u>82,441</u></u>	 <u><u>78,262</u></u>

LIABILITIES	Millions of yen	
	September 30, 2010	March 31, 2010
Current Liabilities:		
Notes and accounts payable-trade	8,478	5,195
Short-term bank loans	149	153
Current portion of long-term bank loans	1,440	1,195
Income taxes payable	1,031	66
Allowance for directors' and corporate auditors' bonuses	40	0
Others	2,692	2,372
Total current liabilities	13,832	8,984
Long-Term Liabilities:		
Corporate bonds	4,000	4,000
Long-term bank loans	12,429	12,712
Accrued retirement benefits	1,567	1,577
Others	271	587
Total long-term liabilities	18,269	18,877
TOTAL LIABILITIES	32,101	27,861
NET ASSETS		
Shareholders' Equity:		
Common stock	9,532	9,532
Capital surplus	12,886	12,886
Retained earnings	29,459	28,428
Treasury stock	(42)	(41)
Total shareholders' equity	51,835	50,805
Revaluation and Translation difference:		
Net unrealized holding gains on available-for-sale securities	738	1,230
Deferred gains or losses on hedges	(2)	-
Foreign currency translation adjustments	(2,231)	(1,635)
Total revaluation and translation difference	(1,496)	(405)
TOTAL NET ASSETS	50,339	50,400
TOTAL LIABILITIES AND NET ASSETS	82,441	78,262

(2) Consolidated Statements of Income

For the six-month period ended September 30, 2010 and 2009

	Millions of yen	
	September 30, 2010	September 30, 2009
Net Sales	21,376	10,352
Cost of Sales	14,804	8,799
Gross Profit	6,571	1,553
Selling, General and Administrative Expenses	4,389	4,280
Operating Income (Loss)	2,182	(2,726)
Non-Operating Income:		
Interest income	4	8
Dividend income	49	63
Insurance income	52	-
Subsidy income	-	149
Others	62	89
	168	310
Non-Operating Expenses:		
Interest expenses	136	114
Sales discount	27	13
Loss on retirement of tangible fixed assets	13	34
Foreign currency translation loss	97	30
Others	9	47
	284	240
Ordinary Income (Loss)	2,066	(2,656)
Extraordinary Loss:		
Loss from write-down of investment in securities	63	52
Loss on adjustment for changes of accounting standard for asset retirement obligations	30	-
	93	52
Income (Loss) before Income Taxes	1,972	(2,709)
Income Taxes	709	(920)
Income before Minority Interests	1,263	-
Net Income (Loss)	1,263	(1,789)

(3) Consolidated Statements of Cash Flows

For the six-month period ended September 30, 2010 and 2009

	Millions of yen	
	September 30, 2010	September 30, 2009
Cash Flows from Operating Activities:		
Income (Loss) before income taxes	1,972	(2,709)
Depreciation and amortization	1,199	1,425
Increase (Decrease) in account reserve	(5)	15
Interest and dividend income	(54)	(72)
Interest expenses	136	114
Loss on retirement of tangible fixed assets	13	34
Loss from write-down of investment in securities	63	52
Loss on adjustment for changes of accounting standard for asset retirement obligations	30	-
Insurance income	(52)	-
Decrease (Increase) in notes and accounts receivable-trade	(3,154)	1,772
Decrease in inventories	433	1,644
Increase (Decrease) in notes and accounts payable-trade	3,379	(3,944)
Increase (Decrease) in accrued expenses	244	(640)
Others-net	(32)	664
Subtotal	4,173	(1,641)
Interest and dividend income received	54	72
Interest paid	(138)	(123)
Income taxes (paid) refund	(166)	1,182
Net cash provided (used) by operating activities	3,923	(510)
Cash Flows from Investing Activities:		
Payments for purchase of property, plant and equipment	(257)	(2,844)
Proceeds from cancellation of insurance funds	1,261	-
Others-net	(62)	(55)
Net cash provided (used) by investing activities	941	(2,899)

	Millions of yen	
	September 30, 2010	September 30, 2009
Cash Flows from Financing Activities:		
Net increase (decrease) in short-term bank loans	25	(111)
Proceeds from long-term bank loans	500	2,000
Repayments of long-term bank loans	(537)	(277)
Proceeds from corporate bonds	-	2,000
Cash dividends paid	(220)	(221)
Others-net	(1)	(1)
Net cash provided (used) by financing activities	(234)	3,387
Foreign currency translation adjustments on cash and cash equivalents	(104)	99
Net increase in cash and cash equivalents	4,525	77
Cash and cash equivalents at beginning of year	16,079	12,559
Increase in cash and cash equivalents from newly consolidated subsidiary	-	315
Cash and cash equivalents at end of period	20,605	12,951

(4) Notes on the Premise of a Going Concern

There are no applicable articles.

(5) Segment Information

Segment Information by Geographic Areas

(Millions of yen)

	For the six-month period ended September 30, 2009						
	Japan	North America	Europe	Other Areas	Total	Corporate or Eliminations	Consolidated
(1) Net sales to customers	7,236	1,365	1,338	412	10,352	-	10,352
(2) Inter-segment sales	1,746	2	2	43	1,795	(1,795)	-
Total net sales	8,982	1,367	1,341	456	12,148	(1,795)	10,352
Operating income (loss)	(2,484)	(29)	(41)	1	(2,553)	(172)	(2,726)

Overseas Sales Information

(Millions of yen)

	For the six-month period ended September 30, 2009			
	Americas	Europe	Asia and Other areas	Total
(1) Overseas sales	1,555	1,371	1,484	4,411
(2) Consolidated sales				10,352
(3) Ratio of overseas sales to consolidated sales	15.0%	13.2%	14.4%	42.6%

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.

(Additional information)

From the first quarter of the fiscal year ending March 31, 2011, the Group has applied the Accounting Standard for Disclosures about Segments of an Enterprise and Related Information (ASBJ Statement No.17, issued March 27, 2009) and the Guidance on the Accounting Standard for Disclosures about Segments of an Enterprise and Related Information (ASBJ Guidance No.20, issued March 21, 2008).

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

There are no applicable articles.