

NIPPON THOMPSON CO., LTD.

Corporate Headquarters: Tokyo

Listed Code: 6480

Listed Stock Exchange: Tokyo

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

November 12, 2012

Consolidated Financial Report
for the Second Quarter of the Fiscal Year Ending March 31, 2013
<Japanese GAAP>

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Scheduled Date to Submit Quarterly Annual Securities Report: November 13, 2012

Scheduled Date to Begin Dividend Payments: December 12, 2012

Preparation of Supplementary Explanation Material for Quarterly Financial Results: None

Holding of Presentation Meeting for Quarterly Financial Results: None

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, 2012
(From April 1, 2012 to September 30, 2012)

(1) Results of Consolidated Operations

(Millions of yen)

	Net sales	Percentage change	Operating income	Percentage change	Ordinary income	Percentage change
September 30, 2012	19,157	(17.3)	958	(55.5)	863	(54.9)
September 30, 2011	23,162	8.4	2,156	(1.2)	1,913	(7.4)

Note: Comprehensive income

Six-month period ended September 30, 2012: (515) million yen - %

Six-month period ended September 30, 2011: 1,520 million yen 786.8%

	Net income	Percentage change	Net income per share (Yen)	Diluted net income per share (Yen)
September 30, 2012	304	(83.1)	4.15	3.75
September 30, 2011	1,806	43.0	24.60	22.25

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 (%)
September 30, 2012	89,532	52,355	58.5
March 31, 2012	92,990	53,349	57.4

Reference: Shareholders' equity

As of September 30, 2012: 52,355 million yen

As of March 31, 2012: 53,349 million yen

2. Dividends

(Yen)

Base date	Dividends per share				
	June 30	September 30	December 31	March 31	Full Fiscal Year
2013 (Forecast)			-	4.00	9.00
2013	-	5.00			
2012	-	6.50	-	6.50	13.00

Note: Change in the current three-month period ended September 30, 2012, to dividend forecast: Yes

3. Forecast of Consolidated Operating Performance for the Fiscal Year Ending March 31, 2013

(Millions of yen)

	Net sales	Percentage change	Operating income	Percentage change	Ordinary income	Percentage change
Year ending March 31, 2013	37,500	(11.8)	1,000	(67.2)	800	(72.0)

	Net income	Percentage change	Net income per share (Yen)
Year ending March 31, 2013	200	(92.9)	2.72

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

Change in the current three-month period ended September 30, 2012, to consolidated operating performance forecast: Yes

4. Others

- (1) Changes in the state of significant subsidiaries during the period (Changes regarding specific companies accompanying changes in the scope of consolidation): None
- (2) Application of the special accounting methods for the presentation of the quarterly consolidated financial statements: Yes

Note: For further details, please refer to “2. Other Information” on page 6.

- (3) Changes in accounting policies and accounting estimates, and restatements
- | | |
|---|------|
| Changes in accounting policies arising from revision of accounting standards: | Yes |
| Changes other than those in above: | None |
| Changes in accounting estimates: | Yes |
| Restatements: | None |

Note: Effective for the first quarter of the consolidated fiscal period ending March 31, 2013, Nippon Thompson Co., Ltd. (the “Company”) and its domestic consolidated subsidiary have changed the depreciation method. Such changes fall under “Changes in accounting policies which are difficult to distinguish from changes in accounting estimates”. For further details, please refer to “2. Other Information” on page 6.

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

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

As of September 30, 2012: 73,499,875 shares

As of March 31, 2012: 73,499,875 shares

Number of treasury stock

As of September 30, 2012: 58,879 shares

As of March 31, 2012: 57,172 shares

Average number of shares outstanding at period-end

Six-month period ended September 30, 2012: 73,441,619 shares

Six-month period ended September 30, 2011: 73,443,784 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 12, 2012. Accordingly, for a wide variety of reasons, there remains the possibility that actual performance results may differ from projections. For performance forecasts, please refer to “1. Operating Results and Financial Position (3) Outlook” on pages 6.

1. Operating Results and Financial Position

(1) Analysis of Operating Results

In the six-month period ended September 30, 2012, the Japanese economy was negatively impacted by a widening slowdown of production and exports despite indications of a recovery primarily in internal demand due to such factors as disaster recovery-related demand. Overseas, while the United States economy grew gradually, Europe experienced an ongoing sluggishness amid prolonged debt problems and economic growth further slowed in China and other emerging countries. Consequently, the global economy remained severe overall.

Under these circumstances, the Group promoted various initiatives focused on steadily exploiting demand in global markets and strengthening its international competitiveness.

From the sales perspective, the Group worked to grow its business with existing customers while focusing efforts on cultivating new customers, particularly in overseas markets, by continuing to actively develop its key “user-centered, proposal-based sales approach” both in Japan and abroad. This approach mainly involves visiting customers directly and holding “small-scale exhibitions and technical seminars”.

From the production standpoint, the Group has positioned its manufacturing subsidiary, IKO Thompson Vietnam Co., Ltd., as a key production base in its global strategy, and has taken steps to augment IKO Thompson Vietnam’s production processes in order to boost the production capacity of Linear Motion Rolling Guides.

Looking at the Group’s operating conditions, domestic markets weakened due largely to deteriorating export conditions caused by the prolonged strength of the yen as well as a lower demand mainly from the semiconductor manufacturing equipment industry. In overseas markets, net sales were on an upward trend thanks to favorable medical equipment and machine tool sales in North America. In Europe, overall demand was sluggish with regard to the Group’s network of sales agencies and in other industries despite brisk sales in such areas as machine tool and precision machinery. In Asia, net sales were stagnant primarily due to the marked slowdown in economic growth in emerging countries. This occurred despite the Group’s efforts to bolster operations mainly by opening new offices of its Chinese sales subsidiary.

As a result, the Group’s net sales for six-month period under review decreased 17.3% compared with the corresponding period of the previous fiscal year, to ¥19,157 million. On the earnings front, operating income declined 55.5%, to ¥958 million, ordinary income fell 54.9%, to ¥863 million and net income dropped 83.1%, to ¥304 million. These decreases reflected lower revenue along with the impact of currency exchange losses in line with the strong yen.

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 ¥16,940 million, a 17.0% decrease compared with the corresponding period in the previous fiscal year. Sales of Machine Components decline 19.6% to ¥2,216 million.

Business Segment Information

	Six-month period ended September 30, 2012		Six-month period ended September 30, 2011		Change	
	Millions of yen	Component percentages	Millions of yen	Component percentages	Millions of yen	Percentage change
Needle Roller Bearings, Linear Motion Rolling Guides	16,940	88.4	20,404	88.1	(3,463)	(17.0)
Machine Components	2,216	11.6	2,757	11.9	(541)	(19.6)
Total net sales	19,157	100.0	23,162	100.0	(4,005)	(17.3)

(2) Analysis of Financial Position

Total assets as of September 30, 2012 totaled ¥89,532 million, a decrease of ¥3,457 million compared with the end of the previous fiscal year. This mainly comprised decreases of cash and deposits of ¥1,501 million, inventories of ¥275 million, and investment securities of ¥1,503 million.

Total liabilities amounted to ¥37,177 million, a decrease of ¥2,463 million compared with the end of the previous fiscal year. This mainly comprised an increase in corporate bonds of ¥3,000 million as well as decreases of notes and accounts payable-trade of ¥2,730 million, and income taxes payable of ¥1,013 million.

Total net assets amounted to ¥52,355 million, a decrease of ¥993 million compared with the end of the previous fiscal year. The main components were a fall in retained earnings of ¥173 million and a decrease in net unrealized holding gains on available-for-sale securities of ¥900 million.

Cash Flows

Cash and cash equivalents as of September 30, 2012 totaled ¥13,225 million, a decrease of ¥1,481 million compared with the end of the previous fiscal year.

Cash Flows from Operating Activities

Net cash used in operating activities was ¥1,639 million. The major components were income before income taxes of ¥759 million, depreciation and amortization of ¥1,463 million, a decrease in notes and accounts payable-trade of ¥2,754 million, and in income taxes paid of ¥1,235 million.

Cash Flows from Investing Activities

Net cash used in investing activities totaled ¥2,217 million. This result was primarily attributable to the purchase of property, plant and equipment.

Cash Flows from Financing Activities

Net cash provided by financing activities was ¥2,333 million. This was mainly due to proceeds from corporate bond of ¥5,000 million, proceeds from long-term bank loans of ¥1,500 million, repayments of corporate bond of ¥2,000 million, repayments of long-term bank loans of ¥1,486 million, and cash dividends paid of ¥477 million.

(3) Outlook

Regarding future forecasts, we expect the operating conditions surrounding the Group to remain severe. This is attributable to the deteriorating export environment accompanying the entrenched strength of the yen as well as increasing uncertainty in the overall global economy due mainly to economic recession amid the debt crisis in Europe and the slowdown of economic growth in China.

In light of these economic conditions, the Group is forecasting consolidated net sales of ¥37.5 billion, operating income of ¥1.0 billion, ordinary income of ¥0.8 billion and net income of ¥0.2 billion for the year ending March 31, 2013, based on U.S. dollar exchange rates of ¥80.

2. Other Information

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

Calculation of tax expenses

Tax expenses are calculated by reasonably estimating the effective tax rate after the application of deferred tax accounting on income before income taxes and minority interests in the current consolidated fiscal year, including the second quarter, and multiplying income before income taxes and minority interests by said estimated effective tax rate.

- (2) Changes in accounting policies and accounting estimates, and restatements
(Changes in accounting policies which are difficult to distinguish from changes in accounting estimates)

From the first quarter of the consolidated fiscal period ending March 31, 2013, the Company and its domestic consolidated subsidiary have changed the method of depreciation for tangible fixed assets acquired after April 1, 2012 in accordance with the revised Corporation Tax Act.

The effect of this change on income was immaterial for the six-month period of the consolidated fiscal year ending March 31, 2013.

3. Consolidated Financial Statements

(1) Consolidated Balance Sheets

As of September 30, 2012 and March 31, 2012

	Millions of yen	
ASSETS	September 30, 2012	March 31, 2012
Current Assets:		
Cash and deposits	13,242	14,744
Notes and accounts receivable-trade	9,631	9,463
Finished products	16,423	17,628
Material in process	10,728	10,368
Raw material	8,091	7,522
Others	3,051	3,606
Less: Allowance for doubtful accounts	(31)	(31)
Total current assets	<u>61,138</u>	<u>63,301</u>
Fixed Assets:		
Tangible fixed assets:		
Machinery and vehicles	10,785	10,453
Others	9,576	10,189
Total tangible fixed assets	<u>20,361</u>	<u>20,643</u>
Intangible fixed assets	361	302
Investments and other assets:		
Investment securities	4,387	5,890
Others	3,352	2,919
Less: Allowance for doubtful accounts	(67)	(67)
Total investments and other assets	<u>7,671</u>	<u>8,743</u>
Total fixed assets	<u>28,394</u>	<u>29,688</u>
TOTAL ASSETS	<u><u>89,532</u></u>	<u><u>92,990</u></u>

LIABILITIES	Millions of yen	
	September 30, 2012	March 31, 2012
Current Liabilities:		
Notes and accounts payable-trade	6,659	9,390
Short-term bank loans	-	231
Current portion of corporate bonds	2,000	4,000
Current portion of long-term bank loans	2,990	2,915
Income taxes payable	276	1,289
Allowance for directors' and corporate auditors' bonuses	35	80
Others	2,921	4,140
Total current liabilities	14,883	22,047
Long-Term Liabilities:		
Corporate bond	5,000	-
Convertible bond	5,000	5,000
Long-term bank loans	10,907	10,969
Accrued retirement benefits	1,287	1,351
Others	98	273
Total long-term liabilities	22,293	17,593
TOTAL LIABILITIES	37,177	39,640
NET ASSETS		
Shareholders' Equity:		
Common stock	9,532	9,532
Capital surplus	12,886	12,886
Retained earnings	32,666	32,840
Treasury stock	(47)	(46)
Total shareholders' equity	55,038	55,212
Accumulated Other Comprehensive Income:		
Net unrealized holding gains on available-for-sale securities	64	964
Deferred gains or losses on hedges	0	(2)
Foreign currency translation adjustments	(2,747)	(2,824)
Total accumulated other comprehensive income	(2,683)	(1,862)
TOTAL NET ASSETS	52,355	53,349
TOTAL LIABILITIES AND NET ASSETS	89,532	92,990

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

Consolidated Statements of Income

For the six-month period ended September 30, 2012 and 2011

	Millions of yen	
	September 30, 2012	September 30, 2011
Net Sales	19,157	23,162
Cost of Sales	13,816	16,513
Gross Profit	5,340	6,648
Selling, General and Administrative Expenses	4,381	4,492
Operating Income	958	2,156
Non-Operating Income:		
Interest income	4	9
Dividend income	65	139
Others	58	56
	129	205
Non-Operating Expenses:		
Interest expenses	112	129
Sales discount	27	33
Loss on retirement of tangible fixed assets	10	26
Others	73	258
	224	448
Ordinary Income	863	1,913
Extraordinary Income:		
Gain on sales of investment securities	-	79
	-	79
Extraordinary Loss:		
Loss from write-down of investment in securities	103	0
	103	0
Income before Income Taxes	759	1,992
Income Taxes	455	186
Income before Minority Interests	304	1,806
Net Income	304	1,806

Consolidated Statements of Comprehensive Income

For the six-month period ended September 30, 2012 and 2011

	Millions of yen	
	September 30, 2012	September 30, 2011
Income before Minority Interests	304	1,806
Other Comprehensive Income:		
Net unrealized holding gains on available-for-sale securities	(900)	(457)
Deferred gains or losses on hedges	2	5
Foreign currency translation adjustments	77	166
Total Other Comprehensive Income	(820)	(285)
Comprehensive Income	(515)	1,520
Comprehensive income attributable to:		
Comprehensive income attributable to owners of the parent	(515)	1,520

(3) Consolidated Statements of Cash Flows

For the six-month period ended September 30, 2012 and 2011

	Millions of yen	
	September 30, 2012	September 30, 2011
Cash Flows from Operating Activities:		
Income before income taxes	759	1,992
Depreciation and amortization	1,463	1,422
Decrease in account reserve	(108)	(187)
Interest and dividend income	(70)	(149)
Interest expenses	112	129
Loss on retirement of tangible fixed assets	10	26
Gain on sales of investment in securities	-	(79)
Loss from write-down of investment in securities	103	0
Decrease (Increase) in notes and accounts receivable-trade	(166)	5
Decrease (Increase) in inventories	285	(3,630)
Increase (Decrease) in notes and accounts payable-trade	(2,754)	2,235
Increase (Decrease) in accrued expenses	(214)	258
Others-net	209	(276)
Subtotal	(369)	1,749
Interest and dividend income received	70	72
Interest paid	(105)	(134)
Income taxes paid	(1,235)	(227)
Net cash provided by (used in) operating activities	(1,639)	1,460
Cash Flows from Investing Activities:		
Payments for purchase of property, plant and equipment	(1,648)	(4,165)
Proceeds from sales of investment in securities	20	172
Others-net	(588)	(853)
Net cash used in investing activities	(2,217)	(4,847)

	Millions of yen	
	September 30, 2012	September 30, 2011
Cash Flows from Financing Activities:		
Net decrease in short-term bank loans	(202)	(37)
Proceeds from long-term bank loans	1,500	-
Repayments of long-term bank loans	(1,486)	(770)
Proceeds from corporate bond	5,000	-
Repayments of corporate bond	(2,000)	-
Proceeds from convertible bond	-	5,000
Cash dividends paid	(477)	(404)
Others-net	(0)	(0)
Net cash provided by financing activities	2,333	3,788
Foreign currency translation adjustments on cash and cash equivalents	42	57
Net increase (decrease) in cash and cash equivalents	(1,481)	457
Cash and cash equivalents at beginning of year	14,707	21,837
Cash and cash equivalents at end of period	13,225	22,295

(4) Notes on the Premise of a Going Concern

There are no applicable articles.

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

There are no applicable articles.