

NIPPON THOMPSON CO., LTD.

Corporate Headquarters: Tokyo

Listed Code: 6480

Listed Stock Exchange: Tokyo

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

November 11, 2013

Consolidated Financial Report
for the Second Quarter of the Fiscal Year Ending March 31, 2014
<Japanese GAAP>

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Scheduled Date to Submit Quarterly Annual Securities Report:	November 13, 2013
Scheduled Date to Begin Dividend Payments:	December 11, 2013
Preparation of Supplementary Explanation Material for Quarterly Financial Results:	Yes
Holding of Presentation Meeting for Quarterly Financial Results:	Yes (Targeted at institutional investors and analysts)

Figures have been rounded off to eliminate amounts less than one million yen.

1. Consolidated Operating Performance for the Six-month Period Ended September 30, 2013
(From April 1, 2013 to September 30, 2013)

(1) Results of Consolidated Operations

(Millions of yen)

	Net sales	Percentage change	Operating income	Percentage change	Ordinary income	Percentage change
September 30, 2013	19,372	1.1	605	(36.9)	1,187	37.5
September 30, 2012	19,157	(17.3)	958	(55.5)	863	(54.9)

Note: Comprehensive income

Six-month period ended September 30, 2013:	3,118 million yen	- %
Six-month period ended September 30, 2012:	(515) million yen	- %

	Net income	Percentage change	Net income per share (Yen)	Diluted net income per share (Yen)
September 30, 2013	1,174	285.8	15.99	14.47
September 30, 2012	304	(83.1)	4.15	3.75

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, 2013	87,587	56,018	64.0
March 31, 2013	84,343	53,167	63.0

Reference: Shareholders' equity

As of September 30, 2013: 56,018 million yen

As of March 31, 2013: 53,167 million yen

2. Dividends

(Yen)

Base date	Dividends per share				
	June 30	September 30	December 31	March 31	Full Fiscal Year
2014 (Forecast)			-	5.00	10.00
2014	-	5.00			
2013	-	5.00	-	4.00	9.00

Note: Change in the current three-month period ended September 30, 2013, to dividend forecast: None

3. Forecast of Consolidated Operating Performance for the Fiscal Year Ending March 31, 2014

(Millions of yen)

	Net sales	Percentage change	Operating income	Percentage change	Ordinary income	Percentage change
Year ending March 31, 2014	39,000	8.4	1,200	1.3	1,800	22.8

	Net income	Percentage change	Net income per share (Yen)
Year ending March 31, 2014	1,400	-	19.06

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

Change in the current three-month period ended September 30, 2013, 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:	None
Changes other than those in above:	None
Changes in accounting estimates:	None
Restatements:	None

(4) Number of shares issued (Common stock)

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

As of September 30, 2013: 73,499,875 shares

As of March 31, 2013: 73,499,875 shares

Number of treasury stock

As of September 30, 2013: 60,195 shares

As of March 31, 2013: 59,769 shares

Average number of shares outstanding at period-end

Six-month period ended September 30, 2013: 73,439,989 shares

Six-month period ended September 30, 2012: 73,441,619 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 11, 2013. 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, 2013, the Japanese economy saw the yen depreciate and stock price rise, reflecting government-led economic policies and the Bank of Japan's implementation of monetary easing. This, in turn, brought an upturn in exports and personal consumption, leading to gradual economic recovery. Overseas, despite the ongoing trend toward recovery in the United States, the European economy remained stagnant, while China and other emerging countries continued to see growth deceleration. As a result, the world economy has yet to see signs of overall recovery.

Under these circumstances, the Group undertook various initiatives aimed at strengthening global expansion even further. Specifically, the Group focused on emerging countries, which still have room for high economic growth, while searching promising regions in Europe and the Americas for potential demand.

From the sales perspective, the Group actively employed its key "user-centered, proposal-based sales approach," wherein it cultivates relationships with existing customers worldwide while looking to develop new overseas markets.

From the production standpoint, the Group endeavored to reduce production costs by promoting global procurement and raising production capacity at its manufacturing subsidiary IKO Thompson Vietnam Co., LTD.

Turning to the Group's operational results, sales in domestic markets were sluggish due to lackluster demand recovery in the fields of electronics-related industries and machine tools, the Group's main areas of demand. Overseas, the Group enjoyed firm sales through its network of European and the Americas distributors, particularly in the areas of medical equipment and precision machinery. This was attributable to an improvement in the Group's export competitiveness due to the depreciation of yen. In Asia, despite the Group's proactive marketing activities, demand remained sluggish in China due to a strong sense of economic stagnation. However, the Group saw sales growth in other Asian countries thanks to its active market development efforts.

As a result, the Group's net sales for six-month period under review increased 1.1% compared with the corresponding period of the previous fiscal year, to ¥19,372 million. On the earning front, operating income fell 36.9% year on year to ¥605 million due to the continued adjustments in production. Ordinary income rose 37.5% year on year to ¥1,187 million, reflecting such factors as recent trends in foreign exchange rate, which resulted in the depreciation of yen. Net income jumped 285.8% year on year to ¥1,174 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 ¥17,028 million, a 0.5% increase compared with the corresponding period in the previous fiscal year. Sales of Machine Components rose 5.8% to ¥2,344 million.

Business Segment Information

	Six-month period ended September 30, 2013		Six-month period ended September 30, 2012		Change	
	Millions of yen	Component percentages	Millions of yen	Component percentages	Millions of yen	Percentage change
Needle Roller Bearings, Linear Motion Rolling Guides	17,028	87.9	16,940	88.4	87	0.5
Machine Components	2,344	12.1	2,216	11.6	128	5.8
Total net sales	19,372	100.0	19,157	100.0	215	1.1

(2) Analysis of Financial Position

Total assets as of September 30, 2013, totaled ¥87,587 million, an increase of ¥3,244 million compared with the end of the previous fiscal year. This mainly comprised increases of cash and deposits of ¥2,660 million and investment securities of ¥1,296 million as well as a decrease in inventories of ¥1,958 million.

Total liabilities amounted to ¥31,569 million, an increase of ¥393 million compared with the end of the previous fiscal year. This mainly comprised increases of notes and accounts payable-trade of ¥1,121 million and income taxes payable of ¥524 million as well as a decrease of long-term bank loans of ¥1,528 million.

Total net assets amounted to ¥56,018 million, an increase of ¥2,850 million with the end of the previous fiscal year. The main components were an increase in retained earnings of ¥880 million, net unrealized holding gains on available-for-sale securities of ¥834 million, and foreign currency translation adjustments of ¥1,110 million.

Cash Flows

Cash and cash equivalents as of September 30, 2013 totaled ¥12,709 million, an increase of ¥2,741 million compared with the end of the previous fiscal year.

Cash Flows from Operating Activities

Net cash provided by operating activities was ¥5,371 million. The major components were income before income taxes of ¥1,347 million, depreciation and amortization of ¥1,303 million, a decrease in inventories of ¥2,622 million and an increase in notes and accounts payable-trade of ¥924 million.

Cash Flows from Investing Activities

Net cash used in investing activities totaled ¥1,032 million. This result was primarily attributable to the purchase of property, plant and equipment.

Cash Flows from Financing Activities

Net cash used in financing activities was ¥1,796 million. This was mainly due to repayments of long-term bank loans of ¥1,528 million and cash dividends paid of ¥293 million.

(3) Outlook

Regarding future forecasts, although the Japanese economy is anticipated to enjoy a steady recovery, domestic manufacturers will continue to promote a shift to overseas production and remain cautious about investing capital in Japan. Because of these trends, such recovery is expected to remain gradual. The global economy, on the other hand, will lack momentum for recovery due to a number of factors, including the slowdown in economic growth in China. Reflecting this, a strong sense of uncertainty will continue to prevail in the business environment surrounding the Group.

In light of these economic conditions, the Group is forecasting consolidated net sales of ¥39.0 billion, operating income of ¥1.2 billion, ordinary income of ¥1.8 billion and net income of ¥1.4 billion for the year ending March 31, 2014, based on U.S. dollar exchange rates of ¥98.

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.

3. Consolidated Financial Statements

(1) Consolidated Balance Sheets

As of September 30, 2013 and March 31, 2013

	Millions of yen	
ASSETS	September 30, 2013	March 31, 2013
Current Assets:		
Cash and deposits	12,755	10,095
Notes and accounts receivable-trade	9,021	8,696
Finished products	14,297	15,614
Material in process	10,462	10,672
Raw material	7,558	7,990
Others	4,063	3,108
Less: Allowance for doubtful accounts	(7)	(25)
Total current assets	<u>58,151</u>	<u>56,151</u>
Fixed Assets:		
Tangible fixed assets:		
Machinery and vehicles	9,464	9,451
Others	9,742	9,378
Total tangible fixed assets	<u>19,207</u>	<u>18,829</u>
Intangible fixed assets	588	396
Investments and other assets:		
Investment securities	7,403	6,106
Others	2,278	2,922
Less: Allowance for doubtful accounts	(41)	(64)
Total investments and other assets	<u>9,640</u>	<u>8,965</u>
Total fixed assets	<u>29,435</u>	<u>28,191</u>
TOTAL ASSETS	<u><u>87,587</u></u>	<u><u>84,343</u></u>

	Millions of yen	
LIABILITIES	September 30, 2013	March 31, 2013
Current Liabilities:		
Notes and accounts payable-trade	5,609	4,487
Current portion of long-term bank loans	3,556	3,556
Income taxes payable	649	125
Allowance for directors' and corporate auditors' bonuses	35	70
Others	2,453	2,575
Total current liabilities	<u>12,304</u>	<u>10,815</u>
Long-Term Liabilities:		
Corporate bond	5,000	5,000
Convertible bond	5,000	5,000
Long-term bank loans	7,650	9,179
Accrued retirement benefits	943	1,096
Others	670	84
Total long-term liabilities	<u>19,265</u>	<u>20,360</u>
TOTAL LIABILITIES	<u>31,569</u>	<u>31,176</u>
NET ASSETS		
Shareholders' Equity:		
Common stock	9,532	9,532
Capital surplus	12,886	12,886
Retained earnings	32,750	31,870
Treasury stock	(351)	(378)
Total shareholders' equity	<u>54,817</u>	<u>53,911</u>
Accumulated Other Comprehensive Income:		
Net unrealized holding gains on available-for-sale securities	2,007	1,173
Deferred gains or losses on hedges	-	0
Foreign currency translation adjustments	(807)	(1,918)
Total accumulated other comprehensive income	<u>1,200</u>	<u>(744)</u>
TOTAL NET ASSETS	<u>56,018</u>	<u>53,167</u>
TOTAL LIABILITIES AND NET ASSETS	<u>87,587</u>	<u>84,343</u>

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

Consolidated Statements of Income

For the six-month period ended September 30, 2013 and 2012

	Millions of yen	
	September 30, 2013	September 30, 2012
Net Sales	19,372	19,157
Cost of Sales	14,215	13,816
Gross Profit	5,157	5,340
Selling, General and Administrative Expenses	4,552	4,381
Operating Income	605	958
Non-Operating Income:		
Interest income	5	4
Dividend income	55	65
Foreign currency translation gain	520	-
Others	138	58
	719	129
Non-Operating Expenses:		
Interest expenses	86	112
Others	51	111
	137	224
Ordinary Income	1,187	863
Extraordinary Income:		
Gain on sales of investment securities	160	-
	160	-
Extraordinary Loss:		
Loss from write-down of investment in securities	-	103
	-	103
Income before Income Taxes	1,347	759
Income Taxes	172	455
Income before Minority Interests	1,174	304
Net Income	1,174	304

Consolidated Statements of Comprehensive Income

For the six-month period ended September 30, 2013 and 2012

	Millions of yen	
	September 30, 2013	September 30, 2012
Income before Minority Interests	1,174	304
Other Comprehensive Income:		
Net unrealized holding gains on available-for-sale securities	834	(900)
Deferred gains or losses on hedges	(0)	2
Foreign currency translation adjustments	1,110	77
Total Other Comprehensive Income	1,944	(820)
Comprehensive Income	3,118	(515)
Comprehensive income attributable to:		
Comprehensive income attributable to owners of the parent	3,118	(515)

(3) Consolidated Statements of Cash Flows

For the six-month period ended September 30, 2013 and 2012

	Millions of yen	
	September 30, 2013	September 30, 2012
Cash Flows from Operating Activities:		
Income before income taxes	1,347	759
Depreciation and amortization	1,303	1,463
Decrease in account reserve	(231)	(108)
Interest and dividend income	(60)	(70)
Interest expenses	86	112
Foreign currency translation gain	(395)	-
Loss on retirement of tangible fixed assets	13	10
Gain on sales of investment in securities	(160)	-
Loss from write-down of investment in securities	-	103
Increase in notes and accounts receivable-trade	(126)	(166)
Decrease in inventories	2,622	285
Increase (Decrease) in notes and accounts payable-trade	924	(2,754)
Increase (Decrease) in accrued expenses	20	(214)
Others-net	171	209
Subtotal	5,514	(369)
Interest and dividend income received	59	70
Interest paid	(83)	(105)
Income taxes paid	(119)	(1,235)
Net cash provided by (used in) operating activities	5,371	(1,639)
Cash Flows from Investing Activities:		
Payments for purchase of property, plant and equipment	(626)	(1,648)
Proceeds from sales of investment securities	248	20
Others-net	(655)	(588)
Net cash used in investing activities	(1,032)	(2,217)

	Millions of yen	
	September 30, 2013	September 30, 2012
Cash Flows from Financing Activities:		
Net decrease in short-term bank loans	-	(202)
Proceeds from long-term bank loans	-	1,500
Repayments of long-term bank loans	(1,528)	(1,486)
Proceeds from corporate bond	-	5,000
Repayments of corporate bond	-	(2,000)
Cash dividends paid	(293)	(477)
Others-net	26	(0)
Net cash provided by (used in) financing activities	(1,796)	2,333
Foreign currency translation adjustments on cash and cash equivalents	199	42
Net increase (decrease) in cash and cash equivalents	2,741	(1,481)
Cash and cash equivalents at beginning of year	9,967	14,707
Cash and cash equivalents at end of period	12,709	13,225

(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.