

NIPPON THOMPSON CO., LTD.

Corporate Headquarters: Tokyo

Listed Code: 6480

Listed Stock Exchange: Tokyo

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

November 10, 2014

Consolidated Financial Report
for the Second Quarter of the Fiscal Year Ending March 31, 2015
<Japanese GAAP>

Representative: Shigeki Miyachi, President and Representative Director

For further information contact: Kesaaki Ushikoshi, General Manager of Accounting Department

Telephone: +81-3-3448-5824

Scheduled Date to Submit Quarterly Annual Securities Report:	November 12, 2014
Scheduled Date to Begin Dividend Payments:	December 10, 2014
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, 2014
(From April 1, 2014 to September 30, 2014)

(1) Results of Consolidated Operations

(Millions of yen)

	Net sales	Percentage change	Operating income	Percentage change	Ordinary income	Percentage change
September 30, 2014	22,193	14.6	1,786	195.2	1,827	54.0
September 30, 2013	19,372	1.1	605	(36.9)	1,187	37.5

Note: Comprehensive income

Six-month period ended September 30, 2014:	1,344 million yen	(56.9) %
Six-month period ended September 30, 2013:	3,118 million yen	- %

	Net income	Percentage change	Net income per share (Yen)	Diluted net income per share (Yen)
September 30, 2014	1,180	0.5	16.20	14.65
September 30, 2013	1,174	285.8	16.16	14.60

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.

: Changes in accounting policies arising from a revision of accounting standards have been retrospectively applied to the results of consolidated operations for the six-month period ended September 30, 2013.

(2) Consolidated Financial Position

(Millions of yen)

	Total assets	Net assets	Equity ratio (%)
September 30, 2014	89,292	57,096	63.9
March 31, 2014	86,891	56,121	64.6

Reference: Shareholders' equity

As of September 30, 2014: 57,072 million yen

As of March 31, 2014: 56,121 million yen

2. Dividends

(Yen)

Base date	Dividends per share				
	June 30	September 30	December 31	March 31	Full Fiscal Year
2015(Forecast)			-	5.00	10.00
2015	-	5.00			
2014	-	5.00	-	5.00	10.00

Note: Change in the current three-month period ended September 30, 2014, to dividend forecast: None

3. Forecast of Consolidated Operating Performance for the Fiscal Year Ending March 31, 2015

(Millions of yen)

	Net sales	Percentage change	Operating income	Percentage change	Ordinary income	Percentage change
Year ending March 31, 2015	44,000	12.1	3,700	-	3,700	331.6

	Net income	Percentage change	Net income per share (Yen)
Year ending March 31, 2015	2,400	321.9	32.94

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, 2014, 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: | None |
| Restatements: | None |

Note: 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, 2014: 73,499,875 shares

As of March 31, 2014: 73,499,875 shares

Number of treasury stock

As of September 30, 2014: 633,533 shares

As of March 31, 2014: 710,420 shares

Average number of shares outstanding at period-end

Six-month period ended September 30, 2014: 72,832,661 shares

Six-month period ended September 30, 2013: 72,691,822 shares

Note: From the consolidated accounting period ended June 30, 2014, in tandem with changes in accounting policies arising from a revision of accounting standards, the number of treasury stock includes treasury stock held by the ESOP trust. This resulted in the addition to treasury stock of 566,000 shares as of September 30, 2014 and 721,000 shares as of September 30, 2013. In addition, treasury stock held by the ESOP trust is excluded from the calculation of the average number of shares outstanding at period-end, as is other treasury stock. The difference between the old and new calculation of the average number of shares is thus 602,333 shares for the six-month period ended September 30, 2014 and 748,166 shares for the six-month period ended September 30, 2013.

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 10, 2014. 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 5.

1. Operating Results and Financial Position

(1) Analysis of Operating Results

In the six-month period ended September 30, 2014, the Japanese economy continued to gradually recover. Corporate performance improved, backed by the depreciation of the yen, despite a temporary drop in personal consumption caused by a market recoil following the last minute surge in demand preceding the consumption tax hike at the start of the period. Overseas, the economy of the United States remained firm, and growth stayed steady in Asia. However, despite some signs of improvement, recovery in Europe remained weak.

Under these circumstances, the Group worked to cultivate demand in global markets and implemented various initiatives aimed at strengthening competitiveness in future growth markets.

From a sales perspective, the Group held numerous private shows and small-scale exhibitions, actively implementing its “user-centered, proposal-based sales approach”. In overseas markets, the Group worked to expand its sales network in emerging economies, including those in the Middle East and Central and South America.

From a production standpoint, the Group enhanced the production capacity and product lineup of manufacturing subsidiary IKO Thompson Vietnam Co., Ltd. and strove to strengthen cost competitiveness by optimizing global procurement operations.

Turning to the Group’s operational results, domestic demand was firm, particularly in electronics-related industries in the areas of semiconductor manufacturing equipment and electronic component mounting equipment, as well as for machine tools. Overseas, supported by heightened export competitiveness due to the depreciation of the yen, demand, especially that related to electronics, such as, semiconductor manufacturing equipment and electronic component mounting equipment, and precision machinery, improved steadily in Europe and the United States. In Asia, sales rose as the Group pursued aggressive sales activities in China and through a sales subsidiary newly established in Thailand in April 2014.

As a result, the Group’s net sales for the six-month period under review increased 14.6% compared with the corresponding period of the previous fiscal year to ¥22,193 million. On the earnings front, operating income jumped 195.2% to ¥1,786 million, due largely to increased production and sales. Ordinary income rose 54.0% to ¥1,827 million, and net income edged up 0.5% to ¥1,180 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 ¥19,618 million, a 15.2% increase compared with the corresponding period in the previous fiscal year. Sales of Machine Components rose 9.8% to ¥2,574 million.

Business Segment Information

	Six-month period ended September 30, 2014		Six-month period ended September 30, 2013		Change	
	Millions of yen	Component percentages	Millions of yen	Component percentages	Millions of yen	Percentage change
Needle Roller Bearings, Linear Motion Rolling Guides	19,618	88.4	17,028	87.9	2,590	15.2
Machine Components	2,574	11.6	2,344	12.1	230	9.8
Total net sales	22,193	100.0	19,372	100.0	2,820	14.6

(2) Analysis of Financial Position

Total assets as of September 30, 2014, totaled ¥89,292 million, an increase of ¥2,400 million compared with the end of the previous fiscal year. This mainly comprised growth in cash and deposits of ¥924 million, notes and accounts receivable-trade of ¥1,390 million and investment securities of ¥1,515 million as well as a decrease in inventories of ¥1,999 million.

Total liabilities amounted to ¥32,195 million, an increase of ¥1,425 million compared with the end of the previous fiscal year. This mainly comprised growth in notes and accounts payable-trade of ¥1,068 million and long-term bank loans of ¥448 million as well as a decrease in short-term bank loans of ¥600 million.

Total net assets amounted to ¥57,096 million, an increase of ¥975 million compared with the end of the previous fiscal year. The main components were increases in retained earnings of ¥769 million and net unrealized holding gains on available-for-sale securities of ¥718 million as well as a decrease in foreign currency translation adjustments of ¥538 million.

Cash Flows

Cash and cash equivalents as of September 30, 2014 totaled ¥15,840 million, an increase of ¥1,549 million compared with the end of the previous fiscal year.

Cash Flows from Operating Activities

Net cash provided by operating activities was ¥3,565 million. The major components were income before income taxes of ¥1,889 million, depreciation and amortization of ¥1,277 million, a decrease in inventories of ¥1,742 million, an increase in notes and accounts payable-trade of ¥1,155 million and an increase in notes and accounts receivable-trade of ¥1,458 million.

Cash Flows from Investing Activities

Net cash used in investing activities totaled ¥1,498 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 ¥485 million. This was mainly due to a decrease in short-term bank loans of ¥600 million, proceeds from long-term bank loans of ¥2,000 million, repayments of long-term bank loans of ¥1,551 million and cash dividends paid of ¥367 million.

(3) Outlook

Going forward, concerns remains about economic stagnation in Europe and the slowing of growth in China, but overall demand is forecast to remain steady. In light of these factors and the operating results for the six-month period ended September 30, 2014, the Group is forecasting consolidated net sales of ¥44.0 billion, operating income of ¥3.7 billion, ordinary income of ¥3.7 billion and net income of ¥2.4 billion for the year ending March 31, 2015.

2. Other Information

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

There are no applicable articles. While there was no change in the state of significant subsidiaries, IKO Thompson Asia Co., Ltd. was established in the three-month period ended June 30, 2014 and included in the scope of consolidation.

(2) 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) Changes in accounting policies and accounting estimates, and restatements

(Changes in accounting policies)

- As of April 1, 2014, the Group adopted the provisions stipulated in the main clause of Article 35 of the Accounting Standard for Retirement Benefits (Accounting Standards Board of Japan (ASBJ), Statement No. 26, issued on May 17, 2012; hereinafter “Retirement Benefits Accounting Standards”) and in the main clause of Article 67 of the Guidance on Accounting Standard for Retirement Benefits (ASBJ Guidance No. 25, issued on May 17, 2012; hereinafter the “Guidance”). The Group also revised the determination of retirement benefit liabilities and current service cost. Accordingly, the Group changed the method of attributing expected benefit to periods from the straight-line basis to the benefit formula basis as well as amended the determination method of the discount rate from that based on the remaining working lives to a single weighted average discount rate.

The adoption of the Retirement Benefits Accounting Standards and its Guidance is subject to the transitional treatment stipulated by Article 37 of the Retirement Benefits Accounting Standards. Accordingly, the impact of the abovementioned revision in calculation methods of retirement benefit liability and current service cost was included in retained earnings at the beginning of the fiscal year under review.

As a result, as of April 1, 2014, net defined benefit liabilities increased ¥67 million, and retained earnings decreased ¥43 million. The influence of these changes on profit or loss for the six-month period ended September 30, 2014 was immaterial.

- As of April 1, 2014, Nippon Thompson Co., Ltd. (the “Company”) adopted the “Practical Solution on Transactions of Delivering the Company’s Own Stock to Employees etc. through Trusts” (Practical Issue Task Force (PITF) No. 30, December 25, 2013). When treasury stock is delivered to the trust, the Company recognizes the balance. The following are recorded as liabilities: profit or loss related to sales of shares by the trust to the Employee Stock Ownership Association, dividends paid from the Company on shares held by the trust, and net expenses related to the trust. These changes in accounting policies have been retrospectively applied to the quarterly consolidated financial statement for the six-month period ended September 30, 2013 and consolidated financial statement for the fiscal year ended March 31, 2014. Furthermore, the effect of the retrospective application to the six-month period ended September 30, 2013 and the fiscal year ended March 31, 2014 was immaterial.

3. Consolidated Financial Statements

(1) Consolidated Balance Sheets

As of September 30, 2014 and March 31, 2014

ASSETS	Millions of yen	
	September 30, 2014	March 31, 2014
Current Assets:		
Cash and deposits	15,673	14,748
Notes and accounts receivable-trade	10,968	9,577
Short-term investment securities	1,400	-
Finished products	12,763	14,028
Material in process	9,304	9,613
Raw material	5,513	5,938
Others	4,184	3,986
Less: Allowance for doubtful accounts	(17)	(19)
Total current assets	<u>59,789</u>	<u>57,873</u>
Fixed Assets:		
Tangible fixed assets:		
Machinery and vehicles	8,650	9,309
Others	9,128	9,392
Total tangible fixed assets	<u>17,778</u>	<u>18,701</u>
Intangible fixed assets	814	609
Investments and other assets:		
Investment securities	9,106	7,591
Others	1,852	2,164
Less: Allowance for doubtful accounts	(49)	(49)
Total investments and other assets	<u>10,909</u>	<u>9,706</u>
Total fixed assets	<u>29,502</u>	<u>29,017</u>
TOTAL ASSETS	<u><u>89,292</u></u>	<u><u>86,891</u></u>

	Millions of yen	
LIABILITIES	September 30, 2014	March 31, 2014
Current Liabilities:		
Notes and accounts payable-trade	6,981	5,913
Short-term bank loans	-	600
Current portion of long-term bank loans	3,971	2,859
Income taxes payable	673	742
Allowance for directors' and corporate auditors' bonuses	40	70
Others	3,486	2,821
Total current liabilities	<u>15,152</u>	<u>13,007</u>
Long-Term Liabilities:		
Corporate bond	5,000	5,000
Convertible bond	5,000	5,000
Long-term bank loans	5,656	6,319
Net defined benefit liabilities	749	786
Others	637	656
Total long-term liabilities	<u>17,043</u>	<u>17,762</u>
TOTAL LIABILITIES	<u>32,195</u>	<u>30,770</u>
NET ASSETS		
Shareholders' Equity:		
Common stock	9,532	9,532
Capital surplus	12,886	12,886
Retained earnings	32,547	31,777
Treasury stock	(290)	(322)
Total shareholders' equity	<u>54,676</u>	<u>53,874</u>
Accumulated Other Comprehensive Income:		
Net unrealized holding gains on available-for-sale securities	2,884	2,165
Deferred gains or losses on hedges	(0)	-
Foreign currency translation adjustments	(485)	53
Remeasurements of defined benefit plans	(3)	27
Total accumulated other comprehensive income	<u>2,395</u>	<u>2,246</u>
Minority interests	<u>24</u>	<u>-</u>
TOTAL NET ASSETS	<u>57,096</u>	<u>56,121</u>
TOTAL LIABILITIES AND NET ASSETS	<u>89,292</u>	<u>86,891</u>

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

Consolidated Statements of Income

For the six-month period ended September 30, 2014 and 2013

	Millions of yen	
	September 30, 2014	September 30, 2013
Net Sales	22,193	19,372
Cost of Sales	15,338	14,215
Gross Profit	6,855	5,157
Selling, General and Administrative Expenses	5,068	4,552
Operating Income	1,786	605
Non-Operating Income:		
Interest income	15	5
Dividend income	64	55
Foreign currency translation gain	-	520
Others	98	138
	178	719
Non-Operating Expenses:		
Interest expenses	66	86
Sales discounts	54	26
Others	15	24
	136	137
Ordinary Income	1,827	1,187
Extraordinary Income:		
Gain on sales of fixed assets	48	-
Gain on sales of investment securities	12	160
	61	160
Income before Income Taxes	1,889	1,347
Income Taxes	695	172
Income before Minority Interests	1,193	1,174
Minority Interests in Income	13	-
Net Income	1,180	1,174

Consolidated Statements of Comprehensive Income

For the six-month period ended September 30, 2014 and 2013

	Millions of yen	
	September 30, 2014	September 30, 2013
Income before Minority Interests	1,193	1,174
Other Comprehensive Income:		
Net unrealized holding gains on available-for-sale securities	718	834
Deferred gains or losses on hedges	(0)	(0)
Foreign currency translation adjustments	(537)	1,110
Remeasurements of defined benefit plans	(30)	-
Total Other Comprehensive Income	150	1,944
Comprehensive Income	1,344	3,118
Comprehensive income attributable to:		
Comprehensive income attributable to owners of the parent	1,329	3,118
Comprehensive income attributable to minority interests	14	-

(3) Consolidated Statements of Cash Flows

For the six-month period ended September 30, 2014 and 2013

	Millions of yen	
	September 30, 2014	September 30, 2013
Cash Flows from Operating Activities:		
Income before income taxes	1,889	1,347
Depreciation and amortization	1,277	1,303
Decrease in account reserve	(31)	(231)
Decrease in net defined benefit liabilities	(150)	-
Interest and dividend income	(80)	(60)
Interest expenses	66	86
Foreign currency translation gain	(58)	(395)
Loss on retirement of tangible fixed assets	10	13
Gain on sales of investment securities	(12)	(160)
Increase in notes and accounts receivable-trade	(1,458)	(126)
Decrease in inventories	1,742	2,622
Increase in notes and accounts payable-trade	1,155	924
Increase in accrued expenses	221	20
Others-net	(331)	171
Subtotal	4,240	5,514
Interest and dividend income received	80	59
Interest paid	(34)	(83)
Income taxes paid	(720)	(119)
Net cash provided by operating activities	3,565	5,371
Cash Flows from Investing Activities:		
Payments for purchase of property, plant and equipment	(571)	(626)
Proceeds from sales of investment securities	19	248
Others-net	(946)	(655)
Net cash used in investing activities	(1,498)	(1,032)

	Millions of yen	
	September 30, 2014	September 30, 2013
Cash Flows from Financing Activities:		
Net decrease in short-term bank loans	(600)	-
Proceeds from long-term bank loans	2,000	-
Repayments of long-term bank loans	(1,551)	(1,528)
Proceeds from share issuance to minority shareholders	9	-
Cash dividends paid	(367)	(293)
Others-net	23	26
Net cash used in financing activities	(485)	(1,796)
Foreign currency translation adjustments on cash and cash equivalents	(31)	199
Net increase in cash and cash equivalents	1,549	2,741
Cash and cash equivalents at beginning of year	14,290	9,967
Cash and cash equivalents at end of period	15,840	12,709

(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.