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November 11, 2024

Consolidated Financial Results for the Six Months Ended September 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/>
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 Scheduled date to file semi-annual securities report: November 11, 2024
 Scheduled date to commence dividend payments: December 9, 2024
 Preparation of supplementary material on financial results: Yes
 Holding of financial results briefing: Yes (for institutional investors and analysts)

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

1. Consolidated financial results for the six months ended September 30, 2024 (from April 1, 2024 to September 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	%
Six months ended September 30, 2024	26,705	(6.2)	1,202	(41.1)	1,100	(63.4)	(76)	—
September 30, 2023	28,481	(17.1)	2,040	(53.0)	3,007	(50.6)	1,586	(62.2)

Note: Comprehensive income For the six months ended September 30, 2024: ¥(1,158) million [—%]
 For the six months ended September 30, 2023: ¥4,798 million [(17.9)%]

	Basic earnings per share	Diluted earnings per share
Six months ended	Yen	Yen
September 30, 2024	(1.11)	—
September 30, 2023	22.23	22.16

(2) Consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio	Net assets per share
As of	Millions of yen	Millions of yen	%	Yen
September 30, 2024	124,844	74,385	59.5	1,076.27
March 31, 2024	119,187	76,164	63.8	1,104.33

Reference: Equity
 As of September 30, 2024: ¥74,286 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	—	9.50			
Fiscal year ending March 31, 2025 (Forecast)			—	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
Full year	55,000	(0.1)	2,600	(17.8)	2,800	(38.1)	900	(66.3)	13.04

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 semi-annual consolidated financial statements: Yes

Note: For further details, please refer to “2. Semi-annual Consolidated Financial Statements and Principal Notes (4) Notes to Semi-annual Consolidated Financial Statements (Notes on the Accounting Methods Adopted Particularly for the Preparation of Semi-annual Consolidated Financial Statements)” on page 8.

- (3) Changes in accounting principles, changes in accounting estimates, and restatement
- (i) Changes in accounting principles due to revisions to accounting standards and other regulations: None
- (ii) Changes in accounting policies due to other reasons: None
- (iii) Changes in accounting estimates: None
- (iv) Restatement: None

- (4) Number of issued shares (common shares)

- (i) Total number of issued shares at the end of the period (including treasury shares)

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

- (ii) Number of treasury shares

As of September 30, 2024	4,479,417 shares
As of March 31, 2024	4,636,377 shares

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

Six months ended September 30, 2024	68,946,105 shares
Six months ended September 30, 2023	71,387,353 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 (1,399,700 shares as of September 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 (1,465,949 shares as of September 30, 2024 and 1,182,566 shares as of September 30, 2023).

* Semi-annual financial results reports are exempt from review conducted by certified public accountants or an audit firm.

* 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, November 11, 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 Semi-annual Financial Results (3) Explanation of Consolidated Financial Results Forecast and Other Forward-looking Information” on page 2.

1. Qualitative Information on Semi-annual Financial Results

(1) Explanation of Operating Results

During the six months ended September 30, 2024, changes in monetary policy around the world caused abrupt fluctuations in exchange rates, 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 made progress on measures to tackle our key challenges.

From a sales perspective, the Group accelerated activities of the Mechatronics Unit Sales Promotion Office established in April this year to offer solutions to the challenges our customers face. We also proactively participated in trade exhibitions in Japan and overseas as we strove to ingrain the IKO brand in the market and cultivate demand.

In terms of product development, we developed new models with increased thrust force and extended stroke length to the Linear Motor Table LT Series, a range of mechatronics products with a linear motor drive. This advance strengthens our lineup of high-value products to better meet diverse customer needs.

From a production standpoint, we geared up for the start of operations at our new factory in Vietnam in 2026 to strengthen our global supply system. In addition, we began stably sourcing renewable energy from agrivoltaics power stations and supplying it to the Gifu Factory Complex, our domestic production base, and thus promoted sustainable management with an eye toward environmental conservation and realization of a decarbonized society.

Turning to the Group’s operational results, net sales decreased from the same period of the previous year, but net orders remained steady. In Japan, demand rose for electronics-related devices such as practical equipment. However, demand for general industrial machinery such as precision machinery, as well as for machine tools and commercial application products slowed, reducing net sales. In North America, demand for electronics-related devices such as semiconductor manufacturing equipment and for general industrial machinery such as robots increased, leading to higher net sales. In Europe, demand for general industrial machinery, including various medical equipment, and commercial application products slowed down. This led to a decrease in net sales. In China, the recovery in domestic demand lacked force due to weak real estate investment and sluggish consumer spending, leading to a decrease in net sales. Other regions, comprising mainly in Singapore and India, also saw declines in net sales.

As a result, consolidated net sales for the six months ended September 30, 2024 totaled ¥26,705 million, down 6.2% year on year. On the earnings front, operating profit decreased by 41.1% year on year to ¥1,202 million due mainly to a decrease in net sales and a decrease in production volume. Ordinary profit decreased by 63.4% year on year to ¥1,100 million. However, due to the tax burden caused by a reversal of deferred tax assets, the Group posted loss attributable to owners of parent of ¥76 million (compared with profit attributable to owners of parent of ¥1,586 million in the corresponding period of the previous fiscal year).

In the six months ended September 30, 2024, net production of Needle Roller Bearings and Linear Motion Rolling Guides was ¥22,700 million based on average sales price, down 13.4% year on year. And, net orders of Needle Roller Bearings, Linear Motion Rolling Guides and Machine Components were up 21.7% year on year to ¥26,878 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 ¥23,649 million, down 6.9% compared with the corresponding period of the previous fiscal year. Sales of Machine Components decreased 0.6% year on year to ¥3,055 million.

Business Segment Information

	Six months ended September 30, 2024		Six months ended September 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	23,649	88.6	25,406	89.2	(1,756)	(6.9)
Machine Components	3,055	11.4	3,075	10.8	(19)	(0.6)
Total net sales	26,705	100.0	28,481	100.0	(1,776)	(6.2)

(2) Explanation of Financial Position

1) Assets, liabilities and net assets

Total assets as of September 30, 2024, totaled ¥124,844 million, an increase of ¥5,657 million compared with the end of the previous fiscal year. This mainly comprised an increase in cash and deposits of ¥7,832 million as well as decreases in inventories of ¥1,203 million and other accounts receivable of ¥782 million.

Total liabilities amounted to ¥50,458 million, an increase of ¥7,436 million compared with the end of the previous fiscal year. This mainly comprised increases in corporate bonds of ¥5,000 million and long-term borrowings of ¥7,294 million as well as a decrease in short-term borrowings of ¥5,000 million.

Total net assets amounted to ¥74,385 million, a decrease of ¥1,778 million compared with the end of the previous fiscal year. This mainly comprised decreases in retained earnings of ¥746 million, valuation difference on available-for-sale securities of ¥214 million, and foreign currency translation adjustments of ¥810 million.

2) Cash flows

Cash and cash equivalents as of September 30, 2024 totaled ¥26,488 million, an increase of ¥7,507 million compared with the end of the previous fiscal year.

(Cash flows from operating activities)

Net cash provided by operating activities amounted to ¥4,041 million, an increase of ¥3,051 million at the corresponding period of the previous fiscal year. The major inflows were profit before income taxes of ¥1,032 million, depreciation and amortization of ¥1,613 million, decrease in inventories of ¥592 million, and decrease in other accounts receivable of ¥784 million.

(Cash flows from investing activities)

Net cash used in investing activities amounted to ¥2,788 million, an increase of ¥1,536 million at the corresponding period of the previous fiscal year. The major outflows were payments into time deposits of ¥610 million and payments for purchase of property, plant and equipment of ¥1,918 million.

(Cash flows from financing activities)

Net cash provided by financing activities amounted to ¥6,563 million, an increase of ¥3,688 million at the corresponding period of the previous fiscal year. The major inflows were proceeds from long-term borrowings of ¥10,000 million and proceeds from issuance of bonds of ¥5,000 million, while the major outflows were repayments of short-term borrowings of ¥5,000 million, repayments of long-term borrowings of ¥2,705 million, and cash dividends paid of ¥661 million.

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

For the fiscal year ending March 31, 2025, the Group revised the consolidated operating performance forecasts it had announced on August 8, 2024. For details, please refer to the “Notice on the Difference between Consolidated Financial Results Forecast and the Actual Results for the Six Months Ended September 30, 2024 and the Revision of Forecast of Consolidated Operating Performance for the fiscal year ending March 31, 2025.”

2. Semi-annual Consolidated Financial Statements and Principal Notes

(1) Semi-annual Consolidated Balance Sheets

(Millions of yen)

	As of September 30, 2024	As of March 31, 2024
Assets		
Current assets		
Cash and deposits	27,605	19,773
Notes and accounts receivable-trade	13,605	13,435
Finished products	19,785	20,262
Work in process	11,823	12,101
Raw material	8,990	9,439
Others	1,308	2,484
Less: Allowance for doubtful accounts	(11)	(10)
Total current assets	83,108	77,486
Non-current assets		
Tangible fixed assets		
Machinery and vehicles	11,331	10,804
Others	12,706	13,122
Total tangible fixed assets	24,038	23,926
Intangible fixed assets	1,773	1,650
Investments and other assets		
Investment securities	11,554	11,826
Others	4,396	4,323
Less: Allowance for doubtful accounts	(26)	(26)
Total investments and other assets	15,924	16,122
Total non-current assets	41,736	41,700
Total assets	124,844	119,187

(Millions of yen)

	As of September 30, 2024	As of March 31, 2024
Liabilities		
Current liabilities		
Notes and accounts payable-trade	4,599	4,590
Short-term borrowings	–	5,000
Current portion of bonds	5,000	5,000
Current portion of long-term borrowings	7,212	5,054
Income taxes payable	404	361
Allowance for directors' and corporate auditors' bonuses	26	65
Others	4,983	5,312
Total current liabilities	22,226	25,383
Non-current liabilities		
Corporate bonds	10,000	5,000
Long-term borrowings	16,302	11,166
Net defined benefit liabilities	31	32
Provision for share-based remuneration for directors	206	179
Others	1,691	1,261
Total non-current liabilities	28,232	17,639
Total liabilities	50,458	43,022
Net assets		
Shareholders' equity		
Common stock	9,533	9,533
Capital surplus	12,886	12,886
Retained earnings	44,704	45,451
Treasury stock	(2,365)	(2,430)
Total shareholders' equity	64,759	65,440
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	4,793	5,007
Deferred gains or losses on hedges	(1)	(1)
Foreign currency translation adjustments	4,583	5,394
Remeasurements of defined benefit plans	151	208
Total accumulated other comprehensive income	9,527	10,609
Subscription rights to shares	99	114
Total net assets	74,385	76,164
Total liabilities and net assets	124,844	119,187

(2) Semi-annual Consolidated Statements of Income and Comprehensive Income
Semi-annual Consolidated Statements of Income

(Millions of yen)

	For the six months ended September 30, 2024	For the six months ended September 30, 2023
Net sales	26,705	28,481
Cost of sales	17,940	18,966
Gross profit	8,764	9,514
Selling, general and administrative expenses	7,562	7,474
Operating profit	1,202	2,040
Non-operating income		
Interest income	36	21
Dividend income	160	155
Foreign exchange gains	–	722
Others	153	142
Total non-operating income	351	1,043
Non-operating expenses		
Interest expenses	100	52
Bond issuance costs	33	–
Foreign exchange losses	302	–
Others	16	23
Total non-operating expenses	453	76
Ordinary profit	1,100	3,007
Extraordinary losses		
Loss on disaster	67	–
Total extraordinary losses	67	–
Profit before income taxes	1,032	3,007
Income taxes	1,109	1,420
Profit (loss)	(76)	1,586
Profit attributable to non-controlling interests	–	–
Profit (loss) attributable to owners of parent	(76)	1,586

Semi-annual Consolidated Statements of Comprehensive Income

(Millions of yen)

	For the six months ended September 30, 2024	For the six months ended September 30, 2023
Profit (loss)	(76)	1,586
Other comprehensive income		
Net unrealized holding gains on available-for-sale securities	(214)	1,012
Deferred gains or losses on hedges	(0)	2
Foreign currency translation adjustments	(810)	2,196
Remeasurements of defined benefit plans	(57)	0
Total other comprehensive income	(1,081)	3,211
Comprehensive income	(1,158)	4,798
Breakdown:		
Comprehensive income attributable to owners of parent	(1,158)	4,798
Comprehensive income attributable to non-controlling interests	—	—

(3) Semi-annual Consolidated Statements of Cash Flows

(Millions of yen)

	For the six months ended September 30, 2024	For the six months ended September 30, 2023
Cash flows from operating activities		
Profit before income taxes	1,032	3,007
Depreciation and amortization	1,613	1,652
Increase (decrease) in account reserve	(38)	(55)
Increase (decrease) in net defined benefit liabilities	(37)	(32)
Interest and dividend income	(197)	(177)
Interest expenses	100	52
Foreign exchange losses (gains)	290	(395)
Loss on retirement of fixed assets	8	5
Decrease (increase) in trade receivables	(210)	2,987
Decrease (increase) in inventories	592	(1,985)
Increase (decrease) in trade payables	74	(2,200)
Increase (decrease) in accrued expenses	(239)	(249)
Others-net	829	738
Subtotal	3,819	3,346
Interest and dividend income received	197	177
Interest expenses paid	(81)	(49)
Income taxes refund (paid)	107	(2,484)
Net cash provided by (used in) operating activities	4,041	990
Cash flows from investing activities		
Payments for purchase of property, plant and equipment	(1,918)	(1,063)
Payments for purchase of intangible assets	(199)	(92)
Others-net	(671)	(96)
Net cash provided by (used in) investing activities	(2,788)	(1,252)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(5,000)	–
Proceeds from long-term borrowings	10,000	5,600
Repayments of long-term borrowings	(2,705)	(1,932)
Proceeds from issuance of bonds	5,000	–
Cash dividends paid	(661)	(726)
Payments for purchase of treasury stock	(0)	(0)
Others-net	(69)	(65)
Net cash provided by (used in) financing activities	6,563	2,874
Effect of exchange rate change on cash and cash equivalents	(308)	613
Net increase (decrease) in cash and cash equivalents	7,507	3,226
Cash and cash equivalents at beginning of period	18,980	18,593
Cash and cash equivalents at end of period	26,488	21,820

(4) Notes to Semi-annual Consolidated Financial Statements

(Notes on the Premise of a Going Concern)

Not applicable.

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

Not applicable.

(Notes on the Accounting Methods Adopted Particularly for the Preparation of Semi-annual 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 six months ended September 30, 2024, and multiplying profit before income taxes by said estimated effective tax rate. However, if using the estimated effective tax rate results in unreasonable tax expenses, we multiply profit (loss) before income taxes by the statutory effective tax rate, while factoring in the recoverability of deferred tax assets.