

NIPPON THOMPSON CO., LTD.

Corporate Headquarters: Tokyo

Listed Code: 6480

Listed Stock Exchange: Tokyo

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

February 10, 2017

Consolidated Financial Report
for the Nine-Month Period Ended December 31, 2016
<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:	February 13, 2017
Scheduled Date to Begin Dividend Payments:	—
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 Nine-Month Period Ended December 31, 2016
(From April 1, 2016 to December 31, 2016)

(1) Results of Consolidated Operations

(Millions of yen)

	Net sales	Percentage change	Operating income	Percentage change	Ordinary income	Percentage change
December 31, 2016	32,007	(2.7)	627	(75.2)	599	(78.0)
December 31, 2015	32,903	(1.8)	2,528	(18.4)	2,729	(34.1)

Note: Comprehensive income

Nine-month period ended December 31, 2016: 675 million yen (29.2) %

Nine-month period ended December 31, 2015: 953 million yen (71.2) %

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

	Profit attributable to owners of parent	Percentage change	Earnings per share (Yen)	Diluted earnings per share (Yen)
December 31, 2016	(686)	—	(9.51)	—
December 31, 2015	1,635	(41.1)	22.54	20.36

(2) Consolidated Financial Position

	(Millions of yen)		
	Total assets	Net assets	Equity ratio (%)
December 31, 2016	89,089	57,612	64.6
March 31, 2016	89,197	58,056	65.0

Reference: Shareholders' equity

As of December 31, 2016: 57,541 million yen

As of March 31, 2016: 58,003 million yen

2. Dividends

(Yen)

Base date	Dividends per share				
	June 30	September 30	December 31	March 31	Full Fiscal Year
2017(Forecast)				6.50	13.00
2017	—	6.50	—		
2016	—	6.50	—	6.50	13.00

Note: Change in the current three-month period ended December 31, 2016, to dividend forecast: None

3. Forecast of Consolidated Operating Performance for the Fiscal Year Ending March 31, 2017

(Millions of yen)

	Net sales	Percentage change	Operating income	Percentage change	Ordinary income	Percentage change
Year ending March 31, 2017	42,500	(2.7)	1,500	(50.3)	700	(74.6)

	Profit attributable to owners of parent	Percentage change	Earnings per share (Yen)
Year ending March 31, 2017	(500)	—	(6.94)

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

: Change in the current three-month period ended December 31, 2016, to consolidated operating performance forecast: None

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 “1. Summary Information” on page 4.

- (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 December 31, 2016:	73,501,425 shares
As of March 31, 2016:	73,501,425 shares

Number of treasury stock

As of December 31, 2016:	1,660,890 shares
As of March 31, 2016:	1,140,077 shares

Average number of shares outstanding at period-end

Nine-month period ended December 31, 2016:	72,151,863 shares
Nine-month period ended December 31, 2015:	72,570,378 shares

Note: The number of treasury stock includes treasury stock held by the ESOP trust. This resulted in the addition to treasury stock of 135,900 shares as of December 31, 2016 and 338,000 shares as of March 31, 2016. 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 number of shares excluded from said calculation totaled 235,988 shares for the nine-month period ended December 31, 2016 and 437,000 shares for the nine-month period ended December 31, 2015.

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, February 10, 2017. Accordingly, for a wide variety of reasons, there remains the possibility that actual performance results may differ from projections.

1. Summary 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 profit before income taxes in the current consolidated fiscal year, including the third quarter, and multiplying profit before income taxes by said estimated effective tax rate. However, in cases where tax expense calculations using the estimated effective tax rate produce results that are notably unreasonable, tax expenses are calculated by multiplying profit (loss) before income taxes by the statutory tax rate, with consideration given to the recoverability of deferred tax assets.

- (2) Additional information

Application of the “Implementation Guidance on Recoverability of Deferred Tax Assets”

The Group has adopted the “Implementation Guidance on Recoverability of Deferred Tax Assets” (ASBJ Guidance No. 26, March 28, 2016) from the first quarter of the fiscal year under review.

2. Consolidated Financial Statements

(1) Consolidated Balance Sheets

As of December 31, 2016 and March 31, 2016

ASSETS	Millions of yen	
	December 31, 2016	March 31, 2016
Current Assets:		
Cash and deposits	12,022	13,933
Notes and accounts receivable-trade	11,231	10,240
Short-term investment securities	1,763	—
Finished products	13,403	13,814
Material in process	8,120	9,013
Raw material	5,077	5,558
Others	2,596	3,691
Less: Allowance for doubtful accounts	(13)	(15)
Total current assets	<u>54,202</u>	<u>56,236</u>
Fixed Assets:		
Tangible fixed assets:		
Machinery and vehicles	10,666	10,566
Others	9,974	10,177
Total tangible fixed assets	<u>20,640</u>	<u>20,744</u>
Intangible fixed assets	2,267	1,974
Investments and other assets:		
Investment securities	9,707	7,914
Others	2,316	2,373
Less: Allowance for doubtful accounts	(45)	(45)
Total investments and other assets	<u>11,978</u>	<u>10,242</u>
Total fixed assets	<u>34,886</u>	<u>32,961</u>
TOTAL ASSETS	<u><u>89,089</u></u>	<u><u>89,197</u></u>

LIABILITIES	Millions of yen	
	December 31, 2016	March 31, 2016
Current Liabilities:		
Notes and accounts payable-trade	6,698	6,551
Current portion of bonds	5,000	—
Current portion of convertible bond with subscription rights	—	4,999
Current portion of long-term bank loans	2,585	2,876
Income taxes payable	56	187
Allowance for directors' and corporate auditors' bonuses	52	70
Others	3,233	5,043
Total current liabilities	17,626	19,728
Long-Term Liabilities:		
Corporate bond	5,000	5,000
Long-term bank loans	7,060	5,114
Net defined benefit liabilities	351	539
Others	1,439	758
Total long-term liabilities	13,850	11,412
TOTAL LIABILITIES	31,477	31,141
NET ASSETS		
Shareholders' Equity:		
Common stock	9,533	9,533
Capital surplus	12,887	12,887
Retained earnings	32,406	34,034
Treasury stock	(810)	(620)
Total shareholders' equity	54,016	55,833
Accumulated Other Comprehensive Income:		
Net unrealized holding gains on available-for-sale securities	3,444	2,177
Deferred gains or losses on hedges	(39)	(4)
Foreign currency translation adjustments	259	163
Remeasurements of defined benefit plans	(138)	(167)
Total accumulated other comprehensive income	3,525	2,169
Subscription rights to shares	30	18
Non-controlling interests	40	35
TOTAL NET ASSETS	57,612	58,056
TOTAL LIABILITIES AND NET ASSETS	89,089	89,197

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

For the nine-month period ended December 31, 2016 and 2015

	Millions of yen	
	December 31, 2016	December 31, 2015
Net Sales	32,007	32,903
Cost of Sales	22,543	21,831
Gross Profit	9,463	11,071
Selling, General and Administrative Expenses	8,836	8,543
Operating Income	627	2,528
Non-Operating Income:		
Interest income	6	16
Dividend income	160	147
Foreign exchange gains	—	80
Others	119	166
	286	410
Non-Operating Expenses:		
Interest expenses	92	88
Sales discounts	103	78
Foreign exchange losses	50	—
Others	68	42
	314	209
Ordinary Income	599	2,729
Extraordinary losses		
Loss on sales of fixed assets	—	2
	—	2
Profit before Income Taxes	599	2,726
Income Taxes	1,281	1,088
Profit (loss)	(681)	1,638
Profit attributable to non-controlling interests	4	2
Profit (loss) attributable to owners of parent	(686)	1,635

Consolidated Statements of Comprehensive Income

For the nine-month period ended December 31, 2016 and 2015

	Millions of yen	
	<u>December 31, 2016</u>	<u>December 31, 2015</u>
Profit (loss)	(681)	1,638
Other Comprehensive Income:		
Net unrealized holding gains on available-for-sale securities	1,266	(240)
Deferred gains or losses on hedges	(34)	(0)
Foreign currency translation adjustments	96	(408)
Remeasurements of defined benefit plans	28	(35)
Total Other Comprehensive Income	<u>1,356</u>	<u>(684)</u>
Comprehensive Income	<u>675</u>	<u>953</u>
Breakdown:		
Comprehensive income attributable to owners of the parent	669	955
Comprehensive income attributable to non-controlling interests	5	(1)

(3) Notes on the Premise of a Going Concern

There are no applicable articles.

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

There are no applicable articles.