

NIPPON THOMPSON CO., LTD.

Corporate Headquarters: Tokyo

Listed Code: 6480

Listed Stock Exchange: Tokyo

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

May 29, 2020

Consolidated Financial Report
for the Fiscal Year ended March 31, 2020
<Japanese GAAP>

Representative: Shigeki Miyachi, President and Representative Director

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| | |
|--|--|
| Scheduled Date of Ordinary General Meeting of Shareholders: | June 24, 2020 |
| Scheduled Date to Submit Annual Securities Report: | June 24, 2020 |
| Scheduled Date to Begin Dividend Payments: | June 25, 2020 |
| Preparation of Supplementary Explanation Material for Financial Results: | Yes |
| Holding of Presentation Meeting for 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 Fiscal Year Ended March 31, 2020
(From April 1, 2019 to March 31, 2020)

(1) Results of Consolidated Operations

Years ended March 31, 2020 and 2019

(Millions of yen)

| | Net sales | Percentage change | Operating profit | Percentage change | Ordinary profit | Percentage change | Profit attributable to owners of parent | Percentage change |
|-------------|---------------|-------------------|------------------|-------------------|-----------------|-------------------|---|-------------------|
| 2020 | 47,457 | (17.6) | 1,341 | (72.5) | 1,268 | (76.2) | (185) | — |
| 2019 | 57,570 | 4.2 | 4,883 | 84.4 | 5,325 | 122.2 | 3,718 | 121.5 |

Notes: Comprehensive income

Fiscal year ended March 31, 2020: (1,836) million yen —%

Fiscal year ended March 31, 2019: 1,695 million yen (26.8)%

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

| | Earnings per share (Yen) | Diluted earnings per share (Yen) | Return on equity (%) | Ordinary profit to total assets (%) | Operating profit to net sales (%) |
|-------------|--------------------------|----------------------------------|----------------------|-------------------------------------|-----------------------------------|
| 2020 | (2.59) | — | (0.3) | 1.3 | 2.8 |
| 2019 | 51.95 | 51.81 | 6.2 | 5.3 | 8.5 |

Reference: Equity in earnings of affiliates

Fiscal year ended March 31, 2020: — million yen

Fiscal year ended March 31, 2019: — million yen

(2) Consolidated Financial Position

Years ended March 31, 2020 and 2019

(Millions of yen)

| | Total assets | Net assets | Equity ratio (%) | Net assets per share (Yen) |
|-------------|---------------|---------------|---------------------|----------------------------------|
| 2020 | 98,118 | 57,439 | 58.4 | 796.63 |
| 2019 | 101,468 | 60,195 | 59.1 | 837.24 |

Reference: shareholders' equity

Fiscal year ended March 31, 2020: 57,291 million yen

Fiscal year ended March 31, 2019: 59,987 million yen

(3) Consolidated Cash Flows

Years ended March 31, 2020 and 2019

(Millions of yen)

| | Operating activities | Investing activities | Financing activities | Cash and cash equivalents |
|-------------|-------------------------|-------------------------|-------------------------|------------------------------|
| 2020 | (2,497) | (6,188) | 4,618 | 12,847 |
| 2019 | 5,158 | (5,061) | (1,047) | 17,023 |

2. Dividends

| Base date | Dividends per share | | | | |
|-----------------------|---------------------|-----------------------|----------------------|-------------------|---------------------------|
| | June 30 (Yen) | September 30 (Yen) | December 31 (Yen) | March 31 (Yen) | Full fiscal year (Yen) |
| 2021(Forecast) | — | — | — | — | — |
| 2020 | — | 7.50 | — | 5.00 | 12.50 |
| 2019 | — | 7.50 | — | 7.50 | 15.00 |

| Base date | Total dividends (Full fiscal year) | Dividends payout ratio (Consolidated) | Dividends on net assets (Consolidated) |
|-----------------------|---------------------------------------|---|--|
| | (Millions of yen) | (%) | (%) |
| 2021(Forecast) | | — | |
| 2020 | 900 | — | 1.5 |
| 2019 | 1,080 | 28.9 | 1.8 |

Notes: The dividend forecast for the fiscal year ended 31 March 2021 has not been determined.

3. Forecast of Consolidated Operating Performance for the Fiscal Year Ending March 31, 2021

Forecast of consolidated operating performance for the fiscal year ending March 31, 2021 is undetermined because it is difficult to reasonably calculate the impact of the novel coronavirus pandemic at this time. We will announce it as soon as it becomes possible to disclose the operating performance forecast.

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) Changes in accounting principles and accounting estimates, and restatements
- | | |
|---|------|
| Changes in accounting principles 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 “Changes in accounting principles” on page 17.

- (3) Number of shares issued (Common stock)
- | | |
|---|-------------------|
| Number of shares outstanding at period-end (Including treasury stock) | |
| Fiscal year ended March 31, 2020: | 73,501,425 shares |
| Fiscal year ended March 31, 2019: | 73,501,425 shares |
| Number of treasury stock | |
| Fiscal year ended March 31, 2020: | 1,584,793 shares |
| Fiscal year ended March 31, 2019: | 1,851,802 shares |
| Average number of shares outstanding at period-end | |
| Fiscal year ended March 31, 2020: | 71,803,155 shares |
| Fiscal year ended March 31, 2019: | 71,582,315 shares |

Note: The number of treasury stock includes treasury stock held by the ESOP trust. This resulted in the addition to treasury stock of 121,700 shares as of March 31, 2020 and 358,500 shares as of March 31, 2019. 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 233,066 shares for the fiscal year ended March 31, 2020 and 420,450 shares for the fiscal year ended March 31, 2019.

Reference: Non-consolidated Operating Performance for the Fiscal Year Ended March 31, 2020
(From April 1, 2019 to March 31, 2020)

(1) Results of Non-consolidated Operations

Years ended March 31, 2020 and 2019

(Millions of yen)

| | Net sales | Percentage change | Operating profit | Percentage change | Ordinary profit | Percentage change | Profit | Percentage change |
|-------------|---------------|-------------------|------------------|-------------------|-----------------|-------------------|-----------|-------------------|
| 2020 | 39,496 | (22.7) | 216 | (95.2) | 375 | (92.5) | 41 | (98.8) |
| 2019 | 51,075 | 11.3 | 4,487 | 365.2 | 4,978 | 305.4 | 3,373 | 316.3 |

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

| | Earnings per share (Yen) | Diluted earnings per share (Yen) |
|-------------|--------------------------|----------------------------------|
| 2020 | 0.57 | 0.57 |
| 2019 | 47.13 | 47.01 |

(2) Non-consolidated Financial Position

Years ended March 31, 2020 and 2019

(Millions of yen)

| | Total assets | Net assets | Equity ratio (%) | Net assets per share (Yen) |
|-------------|---------------|---------------|------------------|----------------------------|
| 2020 | 90,247 | 51,685 | 57.1 | 716.62 |
| 2019 | 92,936 | 53,693 | 57.7 | 747.80 |

Reference: shareholders' equity

Fiscal year ended March 31, 2020: 51,536 million yen

Fiscal year ended March 31, 2019: 53,579 million yen

These consolidated financial statements are not subject to audit.

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, May 29, 2020. 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 "5. Operating Results and Financial Position (4) Outlook" on page 7.

5. Operating Results and Financial Position

(1) Analysis of Operating Results

In the consolidated fiscal year ended March 31, 2020, the Japanese economy continued to gradually recover against a backdrop of improving employment figures. Toward the end of the fiscal year, however, the emergence of the novel coronavirus pandemic caused the Japanese and other economies worldwide to stall and concerns about economic deceleration heightened, adding to the existing economic turmoil overseas attributable to U.S.-China trade tensions and Brexit issues.

Under these circumstances, in line with “IKO Mid-term business plan 2020 (three-year-plan) CHANGE & CHALLENGE ~Next Stage –ACCOMPLISH–,” the Group has been focused on realizing sustainable growth and establishing a highly profitable organization. To this end, we are pushing ahead with measures to solve priority issues through inter-departmental efforts and to improve efficiency in all operations.

From a sales perspective, the Group focused on further cultivating business ties with existing customers and developing new markets and customers by holding private shows and exhibitions in Japan and overseas. The Group also worked to reinforce customer management using a new system and expanded sales of strategic products for which demand is expected to grow going forward.

In terms of product development, the Group took a proactive stance toward R&D aimed at reducing environmental burdens. For example, the Group engaged in developing and beginning sales of 『LCL Linear way with liquid crystal lubricant』, which uses the world's first liquid crystal lubricant that does not evaporate and enhances the durability of machinery and bearings, as well as 『PM-Coat』, which is a new surface treatment for the needle cases used with connecting rods that reduces energy loss from friction.

From a production standpoint, the Group worked to expand its production capacity in part by expanding facilities to meet growing demand over the medium to long term and beginning production of IKO brand products at our production subsidiary UBC (Suzhou) Bearing Co., Ltd. At the same time, the Group strove to create an even more efficient production system and, to this end, promoted on-site improvement activities aimed at realizing ideal production processes.

Turning to the Group's operational results, in the domestic market, net sales decreased due mainly to demand for semiconductor manufacturing equipment and other electronics-related devices and precision machinery. In North America, net sales fell in the face of continued weak demand for general industrial machinery and precision equipment. In Europe, although demand for machine tools was steady, demand for general industrial machinery stagnated, and net sales decreased. In China, net sales declined due to the difficulty in pursuing proactive sales efforts amid the spread of the novel coronavirus in the fourth quarter as well as U.S.-China trade tensions. In other regions, net sales decreased amid signs of investment restrictions in Taiwan, Singapore, and other countries.

As a result, consolidated net sales for the fiscal year under review totaled ¥47,457 million, down 17.6% year on year. On the earnings front, due mainly to decreased revenue and production, operating profit came to ¥1,341 million, down 72.5% year on year, and ordinary profit came to ¥1,268 million, down 76.2% year on year. Reflecting an increase in the Company's tax burden as a result of the reversal of deferred tax assets, loss attributable to owners of the parent amounted to ¥185 million, compared with profit attributable to owners of the parent of ¥3,718 million for the previous fiscal year.

In the consolidated fiscal year under review, net production of Needle Roller Bearings and Linear Motion Rolling Guides was ¥44,707 million based on average sales price, down 20.1% year on year. However, net orders of Needle Roller Bearings, Linear Motion Rolling Guides and Machine Components were down 29.1% to ¥40,779 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 ¥42,230 million, a 16.9% decrease compared with the corresponding period in the previous fiscal year. Sales of Machine Components fell 22.6% to ¥5,226 million.

Business Segment Information

| | March 31, 2020 | | March 31, 2019 | | Change | |
|---|--------------------|--------------------------|--------------------|--------------------------|--------------------|----------------------|
| | Millions of Yen | Component percentages | Millions of Yen | Component percentages | Millions of yen | Percentage change |
| Needle Roller Bearings, Linear Motion Rolling Guides | 42,230 | 89.0 | 50,820 | 88.3 | (8,589) | (16.9) |
| Machine Components | 5,226 | 11.0 | 6,750 | 11.7 | (1,523) | (22.6) |
| Total net sales | 47,457 | 100.0 | 57,570 | 100.0 | (10,133) | (17.6) |

(2) Summary of Financial Position

Total assets as of March 31, 2020, totaled ¥98,118 million, a decrease of ¥3,349 million compared with the end of the previous fiscal year. This mainly comprised increases in inventories of ¥3,963 million and tangible fixed assets of ¥2,312 million as well as decreases in cash and deposits of ¥4,099 million, notes and accounts receivable-trade of ¥3,784 million and investment securities of ¥1,676 million.

Total liabilities amounted to ¥40,679 million, a decrease of ¥593 million compared with the end of the previous fiscal year. This mainly comprised increases in short-term loans payable of ¥1,200 million, corporate bonds of ¥5,000 million as well as decreases in notes and accounts payable-trade of ¥3,605 million, accrued expenses of ¥568 million, accounts payable-other of ¥781 million and income taxes payable of ¥1,521 million.

Total net assets amounted to ¥57,439 million, a decrease of ¥2,755 million compared with the end of the previous fiscal year. This mainly comprised decreases in retained earnings of ¥1,265 million, valuation difference on available-for-sale securities of ¥1,202 million and foreign currency translation adjustment of ¥331 million.

(3) Summary of Cash Flows

Cash and cash equivalents at the end of the fiscal year under review totaled ¥12,847 million, a decrease of ¥4,175 million compared with the end of the previous fiscal year.

Cash Flows from Operating Activities

Net cash used in operating activities was ¥2,497 million. The major inflows were depreciation and amortization of ¥3,800 million and decrease in notes and accounts receivable-trade of ¥3,642 million while the major outflows was an increase in inventories of ¥4,266 million, a decrease in notes and accounts payable-trade of ¥3,446 million and income taxes paid of ¥2,540 million.

Cash Flows from Investing Activities

Net cash used in investing activities totaled ¥6,188 million. This was mainly due to payments for purchase of property, plant and equipment of ¥6,048 million and payments for purchase of intangible assets of ¥181 million.

Cash Flows from Financing Activities

Net cash provided by financing activities totaled ¥4,618 million. The major inflows was proceeds from long-term loans payable of ¥3,000 million and proceeds from issuance of bonds of ¥5,000 million, while the major outflows were repayments of long-term loans payable of ¥3,489 million.

The trend of cash flow indices is as follows:

| | For the periods ended | | | |
|--|-----------------------|-------------------|-------------------|-------------------|
| | March 31, 2017 | March 31, 2018 | March 31, 2019 | March 31, 2020 |
| Equity ratio (%) | 58.4 | 60.1 | 59.1 | 58.4 |
| Equity ratio on market value basis (%) | 43.6 | 60.9 | 35.9 | 27.0 |
| Debt repayment period (Years) | 5.4 | 3.5 | 4.2 | — |
| Interest coverage ratio (Times) | 43.4 | 43.3 | 60.0 | — |

Notes:

| | |
|-------------------------------------|---|
| Equity ratio: | Total shareholders' equity / total assets |
| Equity ratio on market value basis: | Aggregate market value of common stock / total assets |
| Debt repayment period: | Interest-bearing liabilities / cash flows from operating activities |
| Interest coverage ratio: | Cash flows from operating activities / interest payments |

1. All indices based on consolidated financial figures.

2. Aggregate market value of common stock:

Market price at the period-end x number of shares outstanding at the period-end (excluding treasury stock)

3. Cash flows from operating activities corresponds to the cash flow from operating activities in the consolidated statement of cash flows. Interest-bearing liabilities include all liabilities reported on the consolidated balance sheet for which the Group is paying interest. Interest payments correspond to the interest paid in the consolidated statement of cash flows.

(4) Outlook

Regarding the forecast for the current fiscal year, the economies in Japan and overseas are expected to rapidly deteriorate due to the novel coronavirus pandemic, and the Group anticipates that this will have a major impact on its business environment.

The Group has refrained from issuing a consolidated results forecast for the full fiscal year ending March 2021 due to the difficulty of reasonably calculating the impact of the novel coronavirus pandemic on the its business activities. When the forecast calculations become possible, the forecast will be swiftly disclosed.

Even during these circumstances, we will continue to implement “IKO Medium-term business plan 2020 CHANGE & CHALLENGE ~Next Stage –ACCOMPLISH–” as we strive to achieve sustainable growth and strengthen our earnings base.

(5) Fundamental Earnings Distribution Policy and Dividends for the Current and Next Fiscal Periods

With regard to the distribution of profits, Nippon Thompson Co., Ltd. (the “Company”) positions the return of profits to shareholders as one of its major management issues, having as its basic policy continuing stable dividends while taking performance levels into overall consideration.

In addition, while giving heed to such factors as the future business environment, the Group intends to retain sufficient internal reserves. Specifically in this regard, the Group works to strengthen its management base and improve earnings power to maximize corporate value. Simultaneously, it reviews production systems that respond to rapid technological innovation and fluctuating demand and makes such investments as new product development.

In keeping with the basic policy and as a result of a general review of, for example, the level of performance over the fiscal year and internal reserves, the Company plans a year-end dividend of ¥5.0 per share. Including the interim dividend of ¥7.5 per share, the planned full-year dividend payment ¥12.5 per share.

The Group has yet to determine its dividend forecast for the fiscal year ending March 31, 2021, but the forecast will be swiftly disclosed once it becomes possible.

6. Basic Stance on Selection of Accounting Methods

The Group applies “Japanese GAAP” to facilitate the comparison of consolidated financial statements with different reporting periods.

As for the adoption of “International Financial Reporting Standards (IFRS)”, the Group maintains a policy of continuing to appropriately respond to the situation going forward.

7. Consolidated Financial Statements

Consolidated Balance Sheets

As of March 31, 2020 and 2019

| ASSETS | Millions of yen | |
|---------------------------------------|--------------------------|---------------------------|
| | March 31, 2020 | March 31, 2019 |
| Current Assets: | | |
| Cash and deposits | 12,924 | 17,023 |
| Notes and accounts receivable-trade | 11,671 | 15,455 |
| Finished products | 16,196 | 14,461 |
| Material in process | 11,122 | 9,667 |
| Raw material | 6,414 | 5,642 |
| Others | 2,624 | 1,389 |
| Less: Allowance for doubtful accounts | (14) | (19) |
| Total current assets | <u>60,940</u> | <u>63,619</u> |
| Fixed Assets: | | |
| Tangible fixed assets: | | |
| Buildings and structures | 7,855 | 5,235 |
| Machinery and vehicles | 11,500 | 9,767 |
| Tools and fixtures | 1,119 | 888 |
| Land | 2,951 | 2,951 |
| Lease assets | 549 | 596 |
| Construction in progress | 355 | 2,991 |
| Others | 410 | — |
| Total tangible fixed assets | <u>24,742</u> | <u>22,430</u> |
| Intangible fixed assets: | | |
| Goodwill | 243 | 287 |
| Others | 1,863 | 2,279 |
| Total intangible fixed assets | <u>2,107</u> | <u>2,566</u> |
| Investments and other assets: | | |
| Investment securities | 6,708 | 8,385 |
| Deferred tax assets | 1,381 | 1,863 |
| Others | 2,294 | 2,652 |
| Less: Allowance for doubtful accounts | (56) | (49) |
| Total investments and other assets | <u>10,328</u> | <u>12,851</u> |
| Total fixed assets | <u>37,178</u> | <u>37,848</u> |
| TOTAL ASSETS | <u><u>98,118</u></u> | <u><u>101,468</u></u> |

| LIABILITIES | Millions of yen | |
|---|-------------------|-------------------|
| | March 31, 2020 | March 31, 2019 |
| Current Liabilities: | | |
| Notes and accounts payable-trade | 7,832 | 11,438 |
| Short-term borrowings | 1,200 | — |
| Current portion of long-term loans payable | 4,130 | 3,179 |
| Lease obligations | 162 | 69 |
| Accrued expenses | 2,123 | 2,691 |
| Income taxes payable | 225 | 1,747 |
| Allowance for directors' and corporate auditors' bonuses | 63 | 60 |
| Provision for loss on guarantees | 170 | — |
| Others | 1,847 | 2,952 |
| Total current liabilities | 17,754 | 22,138 |
| Long-Term Liabilities: | | |
| Corporate bonds | 15,000 | 10,000 |
| Long-term loans payable | 6,876 | 8,317 |
| Lease obligations | 678 | 435 |
| Deferred tax liabilities | 246 | 279 |
| Net defined benefit liabilities | 33 | 13 |
| Others | 89 | 87 |
| Total long-term liabilities | 22,924 | 19,134 |
| TOTAL LIABILITIES | 40,679 | 41,273 |
| NET ASSETS | | |
| Shareholders' Equity: | | |
| Common stock | 9,533 | 9,533 |
| Capital surplus | 12,886 | 12,875 |
| Retained earnings | 34,988 | 36,253 |
| Treasury stock | (828) | (1,048) |
| Total shareholders' equity | 56,579 | 57,614 |
| Accumulated Other Comprehensive Income: | | |
| Net unrealized holding gains on available-for-sale securities | 1,365 | 2,568 |
| Deferred gains or losses on hedges | 0 | (0) |
| Foreign currency translation adjustments | (494) | (162) |
| Remeasurements of defined benefit plans | (160) | (32) |
| Total accumulated other comprehensive income | 711 | 2,373 |
| Subscription rights to shares | 148 | 114 |
| Non-controlling interests | — | 93 |
| TOTAL NET ASSETS | 57,439 | 60,195 |
| TOTAL LIABILITIES AND NET ASSETS | 98,118 | 101,468 |

Consolidated Statements of Income

Years ended March 31, 2020 and 2019

| | Millions of yen | |
|--|---------------------------|-------------------|
| | March 31, 2020 | March 31, 2019 |
| Net Sales | 47,457 | 57,570 |
| Cost of Sales | 32,690 | 39,333 |
| Gross Profit | 14,766 | 18,237 |
| Selling, General and Administrative Expenses | 13,425 | 13,353 |
| Operating Profit | 1,341 | 4,883 |
| Non-Operating Income: | | |
| Interest income | 16 | 19 |
| Dividend income | 231 | 256 |
| Insurance income | 122 | 53 |
| Others | 324 | 364 |
| | 694 | 694 |
| Non-Operating Expenses: | | |
| Interest expenses | 97 | 87 |
| Sales discounts | 53 | 77 |
| Loss on retirement of fixed assets | 32 | 25 |
| Foreign exchange losses | 480 | — |
| Others | 102 | 61 |
| | 767 | 252 |
| Ordinary Profit | 1,268 | 5,325 |
| Extraordinary income: | | |
| Gain on sales of fixed assets | — | 1 |
| Gain on sales of investment securities | 52 | — |
| | 52 | 1 |
| Extraordinary Losses: | | |
| Impairment loss | — | 141 |
| Loss on valuation of investment securities | 132 | 69 |
| Provision for loss on guarantees | 170 | — |
| | 302 | 211 |
| Profit Before Income Taxes | 1,019 | 5,115 |
| Income Taxes: | | |
| Current | 225 | 1,816 |
| Deferred | 963 | (442) |
| | 1,188 | 1,373 |
| Profit (loss) | (169) | 3,742 |
| Profit attributable to non-controlling interests | 16 | 23 |
| Profit (loss) attributable to owners of parent | (185) | 3,718 |

Consolidated Statements of Comprehensive Income

Years ended March 31, 2020 and 2019

| | Millions of yen | |
|--|---------------------------|---------------------------|
| | <u>March 31, 2020</u> | <u>March 31, 2019</u> |
| Profit (loss) | (169) | 3,742 |
| Other Comprehensive Income: | | |
| Net unrealized holding gains on available-for-sale securities | (1,202) | (1,882) |
| Deferred gains or losses on hedges | 0 | (0) |
| Foreign currency translation adjustments | (336) | (5) |
| Remeasurements of defined benefit plans | (127) | (158) |
| Total Other Comprehensive Income | <u>(1,666)</u> | <u>(2,046)</u> |
| Comprehensive Income | <u>(1,836)</u> | <u>1,695</u> |
| Breakdown: | | |
| Comprehensive income attributable to owners of the parent | (1,847) | 1,669 |
| Comprehensive income attributable to non-controlling interests | 11 | 25 |

Statement of Changes in Consolidated Shareholders' Equity

For the fiscal year ended March 31, 2020

(Millions of yen)

| | Shareholders' Equity | | | | |
|---|----------------------|-----------------|-------------------|----------------|----------------------------|
| | Common stock | Capital Surplus | Retained earnings | Treasury stock | Total shareholders' equity |
| As of April 1, 2019 | 9,533 | 12,875 | 36,253 | (1,048) | 57,614 |
| Changes during the period | | | | | |
| Cash dividends | — | — | (1,080) | — | (1,080) |
| Profit attributable to owners of parent | — | — | (185) | — | (185) |
| Acquisition of treasury stock | — | — | — | (0) | (0) |
| Disposal of treasury stock | — | — | 0 | 220 | 221 |
| Change in ownership interest of parent due to transactions with non-controlling interests | — | 10 | — | — | 10 |
| Net changes in items other than shareholders' capital | — | — | — | — | — |
| Total changes during the period | — | 10 | (1,265) | 220 | (1,034) |
| As of March 31, 2020 | 9,533 | 12,886 | 34,988 | (828) | 56,579 |

| | Accumulated other comprehensive income | | | | | Subscription rights to shares | Non-controlling interests | Total net assets |
|---|---|------------------------------------|--|---|--|-------------------------------|---------------------------|------------------|
| | Net unrealized holding gains on available-for-sale securities | Deferred gains or losses on hedges | Foreign currency translation adjustments | Remeasurements of defined benefit plans | Total Accumulated other comprehensive income | | | |
| As of April 1, 2019 | 2,568 | (0) | (162) | (32) | 2,373 | 114 | 93 | 60,195 |
| Changes during the period | | | | | | | | |
| Cash dividends | — | — | — | — | — | — | — | (1,080) |
| Profit attributable to owners of parent | — | — | — | — | — | — | — | (185) |
| Acquisition of treasury stock | — | — | — | — | — | — | — | (0) |
| Disposal of treasury stock | — | — | — | — | — | — | — | 221 |
| Change in ownership interest of parent due to transactions with non-controlling interests | — | — | — | — | — | — | — | 10 |
| Net changes in items other than shareholders' capital | (1,202) | 0 | (331) | (127) | (1,661) | 34 | (93) | (1,720) |
| Total changes during the period | (1,202) | 0 | (331) | (127) | (1,661) | 34 | (93) | (2,755) |
| As of March 31, 2020 | 1,365 | 0 | (494) | (160) | 711 | 148 | — | 57,439 |

For the fiscal year ended March 31, 2019

(Millions of yen)

| | Shareholders' Equity | | | | |
|---|----------------------|-----------------|-------------------|----------------|----------------------------|
| | Common stock | Capital Surplus | Retained earnings | Treasury stock | Total shareholders' equity |
| As of April 1, 2018 | 9,533 | 12,887 | 33,544 | (1,169) | 54,795 |
| Changes during the period | | | | | |
| Cash dividends | — | — | (1,007) | — | (1,007) |
| Profit attributable to owners of parent | — | — | 3,718 | — | 3,718 |
| Acquisition of treasury stock | — | — | — | (0) | (0) |
| Disposal of treasury stock | — | — | (1) | 121 | 120 |
| Change in ownership interest of parent due to transactions with non-controlling interests | — | (11) | — | — | (11) |
| Net changes in items other than shareholders' capital | — | — | — | — | — |
| Total changes during the period | — | (11) | 2,709 | 121 | 2,819 |
| As of March 31, 2019 | 9,533 | 12,875 | 36,253 | (1,048) | 57,614 |

| | Accumulated other comprehensive income | | | | | Subscription rights to shares | Non-controlling interests | Total net assets |
|---|---|------------------------------------|--|---|--|-------------------------------|---------------------------|------------------|
| | Net unrealized holding gains on available-for-sale securities | Deferred gains or losses on hedges | Foreign currency translation adjustments | Remeasurements of defined benefit plans | Total Accumulated other comprehensive income | | | |
| As of April 1, 2018 | 4,450 | 0 | (154) | 125 | 4,422 | 76 | 372 | 59,666 |
| Changes during the period | | | | | | | | |
| Cash dividends | — | — | — | — | — | — | — | (1,007) |
| Profit attributable to owners of parent | — | — | — | — | — | — | — | 3,718 |
| Acquisition of treasury stock | — | — | — | — | — | — | — | (0) |
| Disposal of treasury stock | — | — | — | — | — | — | — | 120 |
| Change in ownership interest of parent due to transactions with non-controlling interests | — | — | — | — | — | — | — | (11) |
| Net changes in items other than shareholders' capital | (1,882) | (0) | (7) | (158) | (2,048) | 38 | (279) | (2,289) |
| Total changes during the period | (1,882) | (0) | (7) | (158) | (2,048) | 38 | (279) | 529 |
| As of March 31, 2019 | 2,568 | (0) | (162) | (32) | 2,373 | 114 | 93 | 60,195 |

Consolidated Statements of Cash Flows

Years ended March 31, 2020 and 2019

| | Millions of yen | |
|--|---------------------------|-------------------|
| | March 31, 2020 | March 31, 2019 |
| Cash Flows from Operating Activities: | | |
| Profit before income taxes | 1,019 | 5,115 |
| Depreciation and amortization | 3,800 | 3,297 |
| Increase (Decrease) in allowance for doubtful accounts | 4 | (5) |
| Impairment loss | — | 141 |
| Decrease in net defined benefit liabilities | (46) | (45) |
| Interest and dividend income | (247) | (276) |
| Interest expenses | 97 | 87 |
| Loss on retirement of fixed assets | 32 | 25 |
| Loss (gain) on valuation of investment securities | 132 | 69 |
| Decrease (Increase) in notes and accounts receivable-trade | 3,642 | 861 |
| Decrease (Increase) in inventories | (4,266) | (4,266) |
| Decrease (Increase) in other accounts receivable | (360) | (175) |
| Increase (Decrease) in notes and accounts payable-trade | (3,446) | 587 |
| Increase (Decrease) in accrued expenses | (561) | 111 |
| Others-net | 88 | 264 |
| Subtotal | (112) | 5,794 |
| Interest and dividend income received | 247 | 276 |
| Interest expenses paid | (93) | (85) |
| Dismantlement expenses paid | — | (197) |
| Income taxes paid | (2,540) | (628) |
| Net cash provided by (used in) operating activities | (2,497) | 5,158 |

| | Millions of yen | |
|---|----------------------|----------------------|
| | March 31, 2020 | March 31, 2019 |
| Cash Flows from Investing Activities: | | |
| Payments for purchase of property, plant and equipment | (6,048) | (4,588) |
| Payments for purchase of intangible assets | (181) | (239) |
| Payments for purchase of investment securities | (203) | (31) |
| Payments for purchase of insurance funds | (279) | (279) |
| Proceeds from cancellation of insurance funds | 400 | 66 |
| Others-net | 124 | 9 |
| Net cash used in investing activities | <u>(6,188)</u> | <u>(5,061)</u> |
| Cash Flows from Financing Activities: | | |
| Net increase (decrease) in short-term borrowings | 1,200 | — |
| Proceeds from long-term loans payable | 3,000 | 3,000 |
| Repayments of long-term loans payable | (3,489) | (2,798) |
| Proceeds from issuance of bonds | 5,000 | — |
| Cash dividends paid | (1,079) | (1,007) |
| Payments for purchase of treasury stock | (0) | (0) |
| Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation | (93) | (316) |
| Others-net | 82 | 76 |
| Net cash provided by (used in) financing activities | <u>4,618</u> | <u>(1,047)</u> |
| Effect of exchange rate change on cash and cash equivalents | (108) | (44) |
| Net decrease in cash and cash equivalents | <u>(4,175)</u> | <u>(995)</u> |
| Cash and cash equivalents at beginning of year | <u>17,023</u> | <u>18,019</u> |
| Cash and cash equivalents at end of year | <u><u>12,847</u></u> | <u><u>17,023</u></u> |

7. Notes

(Notes on the Premise of a Going Concern)

There are no applicable articles.

(Additional Information)

(Accounting procedures for the ESOP trust)

With the aim of ensuring employee benefits, the Company provides shares of the Company to the Nippon-Thompson Employee Stock Ownership Association (hereafter referred to as the Company's Stock Ownership Association) through the ESOP Trust.

(1) Outline of Trades

The ESOP trust (hereafter referred to as the Trust Account) was established by the Company to cover employees enrolled in the Company's Stock Ownership Association who fulfill certain criteria for becoming beneficiaries. Within a predetermined acquisition period, the Trust Account acquires shares of treasury stock in a number equivalent to that which the Company's Stock Ownership Association expects to acquire over the five years, and then sells on said stock to the Company's Stock Ownership Association on a set day every subsequent month. At the end of the term of the trust, if the Trust Account records a profit due to higher share prices, this profit shall be distributed to the beneficiaries in proportion to their individual contributions. If the Trust Account records a loss on transfer due to lower share prices and debt is incurred on trust assets, no additional burden will be imposed on employees as the Company will repay the bank in one lump sum in accordance with the warranty of the loan agreement.

(2) Treasury Shares Remaining in the Trust

Shares of the Company remaining in the trust are recorded as treasury shares under net assets at carrying value (net of associated costs). The carrying value and number of such treasury shares were ¥310 million and 358,000 shares respectively at March 31, 2019 and ¥105 million and 121,000 shares respectively at March 31, 2020.

(3) Carrying Value of Loans Recorded through Application of the Gross Price Method

As of March 31, 2019: ¥336 million; As of March 31, 2020: ¥252 million

(Changes in accounting principles)

Some foreign subsidiaries have applied IFRS 16 "Leases" from April 1, 2019. Accordingly, as a lessee, in principle, the Company booked all leased assets and liabilities as assets and liabilities in the Balance Sheet. In respect to the application of this new standard pursuant to the provisional treatment stipulated in this standard, the cumulative effect was recognized at the beginning of 2019.

As a result, "Others" in tangible fixed assets at the end of the current consolidated fiscal year increased by ¥ 410 million, "Lease obligations" in current liabilities increased by ¥ 93 million and "Lease obligations" in long-term liabilities increased by ¥ 316 million. The impact on profit and loss for the current consolidated fiscal year is immaterial.

(Statement of Changes in Consolidated Shareholders' Equity)

For the fiscal Year ended March 31, 2020

1. Class and Number of Shares Issued

| | As of April 1, 2019 (Shares) | Increased shares during the fiscal year (Shares) | Decreased shares during the fiscal year (Shares) | As of March 31, 2020 (Shares) |
|--------------|---------------------------------|--|--|----------------------------------|
| Common stock | 73,501,425 | — | — | 73,501,425 |

2. Class and Number of Treasury stock

| | As of April 1, 2019 (Shares) | Increased shares during the fiscal year (Shares) | Decreased shares during the fiscal year (Shares) | As of March 31, 2020 (Shares) |
|--------------|---------------------------------|--|--|----------------------------------|
| Common stock | 1,851,802 | 611 | 267,620 | 1,584,793 |

Notes: 1. The 121,700 shares held by the ESOP trust are included in treasury stock at March 31, 2020

2. The increase of 611 shares of treasury stock is due to purchase of odd lot shares of less than one trading unit.

3. The decrease of 20 shares of treasury stock is due to sales claims of odd lot shares of less than one trading unit.

4. The decrease of 30,800 shares of treasury stock is due to exercise of the share option rights.

5. The decrease of 236,800 shares of treasury stock is due to sales of shares by the ESOP trust to the Employee Stock Ownership Association.

3. Subscription rights

| | Breakdown of subscription rights | Type of shares subject to subscription rights | Number of shares subject to subscription rights (Shares) | | | | Balance as of March 31,2020 (Millions of yen) |
|----------------|---|---|--|--|--|-------------------------|---|
| | | | As of April 1, 2019 | Increased shares during the fiscal year | Decreased shares during the fiscal year | As of March 31, 2020 | |
| The Company | Stock Options as Subscription Rights | — | — | — | — | — | 148 |
| Total | | | — | — | — | — | 148 |

4. Dividend

(1) Dividend Paid

| Resolution | Class of Stock | Total Dividend (Millions of yen) | Dividend per share (Yen) | Record date | Effective Date |
|---|---------------------|-------------------------------------|--------------------------------|-------------------------------|------------------------------|
| Ordinary general meeting of shareholders on June 27, 2019 | Common stock | 540 | 7.50 | March 31, 2019 | June 28, 2019 |
| Board of directors on November 11, 2019 | Common stock | 540 | 7.50 | September 30, 2019 | December 11, 2019 |

Notes: 1. Total dividends, based on a resolution at the ordinary general meeting of shareholders held on June 27, 2019, include ¥2 million to be paid as dividends on the 358,500 shares of treasury stock held to date by the ESOP trust.

2. Total dividends, based on a resolution at a meeting of Board of Directors held on November 11, 2019, include ¥1 million to be paid as dividends on the 242,800 shares of treasury stock held to date by the ESOP trust.

(2) Dividend with a record date that falls within the current fiscal period under review and an effective date in the following fiscal period

| Resolution | Class of stock | Resource of dividend | Total Dividend (Millions of yen) | Dividend per share (Yen) | Record date | Effective Date |
|---|---------------------|--------------------------|----------------------------------|--------------------------|-----------------------|----------------------|
| Ordinary general meeting of shareholders on June 24, 2020 | Common stock | Retained earnings | 360 | 5.00 | March 31, 2020 | June 25, 2020 |

Note: Total dividends include ¥0 million to be paid as dividends on the 121,700 shares of treasury stock held to date by the ESOP trust.

For the fiscal Year ended March 31, 2019

1. Class and Number of Shares Issued

| | As of April 1, 2018 (Shares) | Increased shares during the fiscal year (Shares) | Decreased shares during the fiscal year (Shares) | As of March 31, 2019 (Shares) |
|--------------|------------------------------|--|--|-------------------------------|
| Common stock | 73,501,425 | — | — | 73,501,425 |

2. Class and Number of Treasury stock

| | As of April 1, 2018 (Shares) | Increased shares during the fiscal year (Shares) | Decreased shares during the fiscal year (Shares) | As of March 31, 2019 (Shares) |
|--------------|------------------------------|--|--|-------------------------------|
| Common stock | 2,005,532 | 1,030 | 154,760 | 1,851,802 |

Notes: 1. The 358,500 shares held by the ESOP trust are included in treasury stock at March 31, 2019

- The increase of 1,030 shares of treasury stock is due to purchase of odd lot shares of less than one trading unit.
- The decrease of 60 shares of treasury stock is due to sales claims of odd lot shares of less than one trading unit.
- The decrease of 33,100 shares of treasury stock is due to exercise of the share option rights.
- The decrease of 121,600 shares of treasury stock is due to sales of shares by the ESOP trust to the Employee Stock Ownership Association.

3. Subscription rights

| | Breakdown of subscription rights | Type of shares subject to subscription rights | Number of shares subject to subscription rights (Shares) | | | | Balance as of March 31, 2019 (Millions of yen) |
|-------------|--------------------------------------|---|--|---|---|----------------------|--|
| | | | As of April 1, 2018 | Increased shares during the fiscal year | Decreased shares during the fiscal year | As of March 31, 2019 | |
| The Company | Stock Options as Subscription Rights | — | — | — | — | — | 114 |
| Total | | | — | — | — | — | 114 |

4. Dividend

(1) Dividend Paid

| Resolution | Class of Stock | Total Dividend (Millions of yen) | Dividend per share (Yen) | Record date | Effective Date |
|---|----------------|----------------------------------|--------------------------|--------------------|-------------------|
| Ordinary general meeting of shareholders on June 28, 2018 | Common stock | 467 | 6.50 | March 31, 2018 | June 29, 2018 |
| Board of directors on November 12, 2018 | Common stock | 540 | 7.50 | September 30, 2018 | December 12, 2018 |

Notes: 1. Total dividends, based on a resolution at the ordinary general meeting of shareholders held on June 28, 2018, include ¥3 million to be paid as dividends on the 480,100 shares of treasury stock held to date by the ESOP trust.

2. Total dividends, based on a resolution at a meeting of Board of Directors held on November 12, 2018, include ¥3 million to be paid as dividends on the 431,900 shares of treasury stock held to date by the ESOP trust.

(2) Dividend with a record date that falls within the current fiscal period under review and an effective date in the following fiscal period

| Resolution | Class of stock | Resource of dividend | Total Dividend (Millions of yen) | Dividend per share (Yen) | Record date | Effective Date |
|---|----------------|----------------------|----------------------------------|--------------------------|----------------|----------------|
| Ordinary general meeting of shareholders on June 27, 2019 | Common stock | Retained earnings | 540 | 7.50 | March 31, 2019 | June 28, 2019 |

Note: Total dividends include ¥2 million to be paid as dividends on the 358,500 shares of treasury stock held to date by the ESOP trust.

(Consolidated Statements of Cash Flows)

1. Relationship between cash and cash equivalents year ended and the amount of the account stated in the consolidated balance sheets

| | Millions of yen | |
|--|-------------------|-------------------|
| | March 31, 2020 | March 31, 2019 |
| Cash and deposits | 12,924 | 17,023 |
| Time deposits with maturity exceeding three months | (76) | — |
| Cash and cash equivalents at end of year | 12,847 | 17,023 |

2. Major non-cash transactions

Assets and liabilities related to finance leases are as follows.

| | Millions of yen | |
|---------------------------------------|-------------------|-------------------|
| | March 31, 2020 | March 31, 2019 |
| Assets related to finance leases | 821 | 821 |
| Liabilities related to finance leases | 430 | 505 |

(Segment Information)

Because the Group manufactures and sells Needle Roller Bearings, Linear Motion Rolling Guides and Machine Components on an integrated basis, the disclosure of segment information has been omitted.

(Per Share Information)

| | Yen | |
|----------------------------|---------------------------|-------------------|
| | March 31, 2020 | March 31, 2019 |
| Net assets per share | 796.63 | 837.24 |
| Earnings per share | (2.59) | 51.95 |
| Diluted earnings per share | — | 51.81 |

Notes: 1. Basis for calculations of earnings per share and diluted earnings per share is as follows.

| | Millions of yen | |
|--|---------------------------|----------------------|
| | March 31, 2020 | March 31, 2019 |
| Earnings per share | | |
| Profit (loss) attributable to owners of parent | (185) | 3,718 |
| Value not attributed to common stock | — | — |
| Profit (loss) attributable to owners of parent pertaining to common stock | (185) | 3,718 |
| Average number of shares outstanding at period-end | 71,803,155shares | 71,582,315shares |
| Diluted earnings per share | | |
| Adjustment value of profit attributable to owners of parent | — | — |
| Increase in number of shares outstanding (of which subscription rights to shares) | — | 189,563 (189,563) |
| Residual shares not included in the calculation of diluted net income per share because they have no dilutive effect | — | — |

2. With regard to the computation of the number of shares outstanding at period-end, which is used to determine net assets per share, and the average number of shares outstanding at period-end, which is used to determine earnings per share for the period, the shares held by the ESOP trust are included in treasury stock.

(Important Subsequent Events)

There are no applicable articles.