

NIPPON THOMPSON CO., LTD.

Corporate Headquarters: Tokyo

Listed Code: 6480

Listed Stock Exchange: Tokyo

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

February 9, 2016

Consolidated Financial Report
for the Nine-Month Period Ended December 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:	February 10, 2016
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, 2015
(From April 1, 2015 to December 31, 2015)

(1) Results of Consolidated Operations

(Millions of yen)

	Net sales	Percentage change	Operating income	Percentage change	Ordinary income	Percentage change
December 31, 2015	32,903	(1.8)	2,528	(18.4)	2,729	(34.1)
December 31, 2014	33,512	14.4	3,097	156.2	4,142	94.2

Note: Comprehensive income

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

Nine-month period ended December 31, 2014: 3,310 million yen (19.5) %

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

	Net income attributable to owners of parent	Percentage change	Net income per share (Yen)	Diluted net income per share (Yen)
December 31, 2015	1,635	(41.1)	22.54	20.36
December 31, 2014	2,777	59.8	38.12	34.45

(2) Consolidated Financial Position

(Millions of yen)

	Total assets	Net assets	Equity ratio (%)
December 31, 2015	92,897	60,198	64.7
March 31, 2015	93,411	61,099	65.4

Reference: Shareholders' equity

As of December 31, 2015: 60,144 million yen

As of March 31, 2015: 61,062 million yen

2. Dividends

(Yen)

Base date	Dividends per share				
	June 30	September 30	December 31	March 31	Full Fiscal Year
2016(Forecast)				6.50	13.00
2016	—	6.50	—		
2015	—	5.00	—	6.00	11.00

Note: Change in the current three-month period ended December 31, 2015, to dividend forecast: None

3. Forecast of Consolidated Operating Performance for the Fiscal Year Ending March 31, 2016

(Millions of yen)

	Net sales	Percentage change	Operating income	Percentage change	Ordinary income	Percentage change
Year ending March 31, 2016	43,200	(3.9)	2,800	(27.8)	3,000	(37.4)

	Net income attributable to owners of parent	Percentage change	Net income per share (Yen)
Year ending March 31, 2016	1,800	(39.3)	24.82

Notes: Percentage change for net sales, operating income, ordinary income, and net income 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, 2015, 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 “1. Other Information” on page 4.
- (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: | Yes |
| Changes in accounting estimates: | Yes |
| Restatements: | None |

Note: For further details, please refer to “1. Other Information” on page 4.

- (4) Number of shares issued (Common stock)

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

As of December 31, 2015:	73,501,425 shares
As of March 31, 2015:	73,499,875 shares

Number of treasury stock

As of December 31, 2015:	1,169,221 shares
As of March 31, 2015:	562,594 shares

Average number of shares outstanding at period-end

Nine-month period ended December 31, 2015:	72,570,378 shares
Nine-month period ended December 31, 2014:	72,852,262 shares

Note: The number of treasury stock includes treasury stock held by the ESOP trust. This resulted in the addition to treasury stock of 367,000 shares as of December 31, 2015 and 493,000 shares as of March 31, 2015. 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 437,000 shares for the nine-month period ended December 31, 2015 and 581,555 shares for the nine-month period ended December 31, 2014.

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 9, 2016. Accordingly, for a wide variety of reasons, there remains the possibility that actual performance results may differ from projections.

1. Other Information

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

There are no applicable articles.

Changes in the definition of the fiscal period at consolidated subsidiaries:

Previously, the fiscal period of some of consolidated overseas subsidiaries had been 12 months ending December 31. Due to the inclusion of these subsidiaries' performance results settled on that day, the Group's consolidated financial statements had been adjusted when significant transactions were executed during the period from January 1 to March 31. However, from the first quarter of fiscal year ending March 31, 2016, with the aim of further improving the accuracy of its consolidated financial information disclosure, the Group decided to change the fiscal period of IKO International, Inc.; Nippon Thompson Europe B.V.; and IKO Thompson Vietnam Co., Ltd., to 12 months ending March 31. In addition, the Group decided to perform provisional account settlements for the performance results of IKO-Thompson (Shanghai) Ltd. on March 31, in concert with its consolidated account settlement.

In step with these changes, third-quarter consolidated retained earnings have been adjusted to reflect gains and losses recorded by the aforementioned overseas consolidated subsidiaries during the three-month period from January 1 to March 31, 2015.

(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 third 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)

Adoption of the Accounting Standard for Business Combinations:

From the first quarter of fiscal year ending March 31, 2016, the Group adopted the Accounting Standard for Business Combinations (Accounting Standards Board of Japan (ASBJ) Statement No. 21, dated September 13, 2013), Accounting Standard for Consolidated Financial Statements (ASBJ Statement No. 22, dated September 13, 2013) and Accounting Standard for Business Divestitures (ASBJ Statement No. 7, dated September 13, 2013). Accordingly, methods for presenting "Net income" etc. were changed, while "Minority interests" was relabeled as

“Non-controlling interests.” To reflect these changes, certain items presented in the consolidated financial statements regarding the nine-month and full-year operating results for the previous fiscal year have been reclassified.

(Changes in accounting principles that are difficult to distinguish from changes in accounting estimates)

Changes in the depreciation method for property, plant and equipment:

Previously, the depreciation of property, plant and equipment held by Nippon Thompson Co., Ltd. (the “Company”) had been calculated using the declining-balance method, except for that held by its overseas consolidated subsidiaries, which had been calculated using the straight-line method. However, the Company decided to use the latter method for calculating the depreciation of all of its property, plant and equipment from the first quarter of the fiscal year ending March 31, 2016 onward.

In line with the three-year mid-term business plan that was launched in the first quarter of the fiscal year under review, the Group is planning to expand its overseas production network by undertaking additional capital investment in Vietnam.

Through such action, the Group is accelerating its global expansion and is accordingly aiming to step up overseas production and sales through the development of a balanced production system backed by two flagship manufacturing bases in Japan and Vietnam that, supplementing one another’s operations, ensure the Group’s ability to withstanding fluctuations in demand. It is therefore expected that all the Group’s property, plant and equipment will be steadily utilized during their useful lives. Moreover, plans call for upgrading in-house IT system platforms to realize even more accurate sales estimates and facilitate closer cooperation between the production and sales functions. This upgrading will help equalize the utilization status of the Group’s production facilities. Taking these changes into account, the Company reviewed its methods for depreciating property, plant and equipment held by the Group.

Based on this review, the Company forecast that the Group’s production facilities will be utilized in a more stable manner going forward. The Company thus decided to adopt the straight-line method for all consolidated Group companies, thereby unifying the method used from the first quarter of the fiscal year under review, in line with its belief that this method will better reflect the actual status of the use of its property, plant and equipment.

As a result, depreciation during the nine-month period ended December 31, 2015 decreased ¥375 million compared with the figure calculated using previous methods. Also, operating income increased ¥160 million, while ordinary income and net income before income taxes each increased ¥161 million.

2. Consolidated Financial Statements

(1) Consolidated Balance Sheets

As of December 31, 2015 and March 31, 2015

ASSETS	Millions of yen	
	December 31, 2015	March 31, 2015
Current Assets:		
Cash and deposits	12,529	18,871
Notes and accounts receivable-trade	9,948	10,839
Short-term investment securities	2,699	—
Finished products	13,919	13,111
Material in process	9,773	9,327
Raw material	5,677	5,413
Others	3,782	4,503
Less: Allowance for doubtful accounts	(25)	(13)
Total current assets	<u>58,305</u>	<u>62,052</u>
Fixed Assets:		
Tangible fixed assets:		
Machinery and vehicles	10,418	8,850
Others	10,538	9,447
Total tangible fixed assets	<u>20,957</u>	<u>18,297</u>
Intangible fixed assets	1,824	1,320
Investments and other assets:		
Investment securities	9,751	9,995
Others	2,117	1,803
Less: Allowance for doubtful accounts	(58)	(58)
Total investments and other assets	<u>11,810</u>	<u>11,740</u>
Total fixed assets	<u>34,591</u>	<u>31,358</u>
TOTAL ASSETS	<u><u>92,897</u></u>	<u><u>93,411</u></u>

LIABILITIES	Millions of yen	
	December 31, 2015	March 31, 2015
Current Liabilities:		
Notes and accounts payable-trade	7,087	7,368
Current portion of convertible bond	4,999	—
Current portion of long-term bank loans	3,516	3,732
Income taxes payable	533	930
Allowance for directors' and corporate auditors' bonuses	63	80
Others	5,191	3,786
Total current liabilities	21,392	15,898
Long-Term Liabilities:		
Corporate bond	5,000	5,000
Convertible bond	—	5,000
Long-term bank loans	5,050	4,915
Net defined benefit liabilities	152	333
Others	1,102	1,164
Total long-term liabilities	11,306	16,412
TOTAL LIABILITIES	32,698	32,311
NET ASSETS		
Shareholders' Equity:		
Common stock	9,533	9,532
Capital surplus	12,887	12,886
Retained earnings	34,100	33,966
Treasury stock	(632)	(260)
Total shareholders' equity	55,887	56,125
Accumulated Other Comprehensive Income:		
Net unrealized holding gains on available-for-sale securities	3,393	3,634
Deferred gains or losses on hedges	(0)	0
Foreign currency translation adjustments	785	1,189
Remeasurements of defined benefit plans	78	113
Total accumulated other comprehensive income	4,256	4,937
Subscription rights to shares	18	—
Non-controlling interests	35	37
TOTAL NET ASSETS	60,198	61,099
TOTAL LIABILITIES AND NET ASSETS	92,897	93,411

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

Consolidated Statements of Income

For the nine-month period ended December 31, 2015 and 2014

	Millions of yen	
	December 31, 2015	December 31, 2014
Net Sales	32,903	33,512
Cost of Sales	21,831	22,811
Gross Profit	11,071	10,700
Selling, General and Administrative Expenses	8,543	7,603
Operating Income	2,528	3,097
Non-Operating Income:		
Interest income	16	28
Dividend income	147	107
Foreign currency translation gain	80	812
Subsidy income	83	200
Others	83	107
	410	1,255
Non-Operating Expenses:		
Interest expenses	88	99
Sales discounts	78	83
Others	42	27
	209	210
Ordinary Income	2,729	4,142
Extraordinary Income:		
Gain on sales of fixed assets	—	102
Gain on sales of investment securities	—	12
	—	115
Extraordinary losses		
Loss on sales of fixed assets	2	—
	2	—
Income before Income Taxes	2,726	4,257
Income Taxes	1,088	1,460
Net Income	1,638	2,797
Net Income attributable to non-controlling interests	2	19
Net Income attributable to owners of the parent	1,635	2,777

Consolidated Statements of Comprehensive Income

For the nine-month period ended December 31, 2015 and 2014

	Millions of yen	
	December 31, 2015	December 31, 2014
Net Income	1,638	2,797
Other Comprehensive Income:		
Net unrealized holding gains on available-for-sale securities	(240)	778
Deferred gains or losses on hedges	(0)	—
Foreign currency translation adjustments	(408)	(219)
Remeasurements of defined benefit plans	(35)	(45)
Total Other Comprehensive Income	(684)	513
Comprehensive Income	953	3,310
Comprehensive income attributable to:		
Comprehensive income attributable to owners of the parent	955	3,287
Comprehensive income attributable to non-controlling interests	(1)	23

(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.