

**NIPPON THOMPSON CO., LTD.**

Corporate Headquarters: Tokyo

Listed Code: 6480

Listed Stock Exchange: Tokyo

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

November 11, 2019

**Consolidated Financial Report**  
**for the Second Quarter of the Fiscal Year Ending March 31, 2020**  
**<Japanese GAAP>**

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Scheduled Date to Submit Quarterly Annual Securities Report:	November 12, 2019
Scheduled Date to Begin Dividend Payments:	December 11, 2019
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, 2019**  
**(From April 1, 2019 to September 30, 2019)**

**(1) Results of Consolidated Operations**

(Millions of yen)

	Net sales	Percentage change	Operating profit	Percentage change	Ordinary profit	Percentage change
<b>September 30, 2019</b>	<b>25,443</b>	<b>Δ13.2</b>	<b>1,210</b>	<b>Δ52.0</b>	<b>942</b>	<b>Δ67.0</b>
September 30, 2018	29,296	12.5	2,521	255.2	2,861	262.1

Note: Comprehensive income

Six-month period ended September 30, 2019: Δ147 million yen — %

Six-month period ended September 30, 2018: 2,151 million yen Δ7.3 %

: 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.

	Profit attributable to owners of parent	Percentage change	Earnings per share (Yen)	Diluted earnings per share (Yen)
<b>September 30, 2019</b>	<b>297</b>	<b>Δ85.6</b>	<b>4.14</b>	<b>4.13</b>
September 30, 2018	2,065	97.9	28.87	28.80

## (2) Consolidated Financial Position

	(Millions of yen)			
	Total assets	Net assets	Equity ratio (%)	Net assets per share (Yen)
<b>September 30, 2019</b>	<b>100,650</b>	<b>59,657</b>	<b>59.0</b>	<b>827.43</b>
March 31, 2019	101,468	60,195	59.1	837.24

Reference: Shareholders' equity

As of September 30, 2019:	59,405 million yen
As of March 31, 2019:	59,987 million yen

## 2. Dividends

	(Yen)				
	Dividends per share				
Base date	June 30	September 30	December 31	March 31	Full Fiscal Year
<b>2020(Forecast)</b>			—	<b>7.50</b>	<b>15.00</b>
<b>2020</b>	—	<b>7.50</b>			
2019	—	7.50	—	7.50	15.00

Note: Change in the current three-month period ended September 30, 2019, to dividend forecast: None

## 3. Forecast of Consolidated Operating Performance for the Fiscal Year Ending March 31, 2020

	(Millions of yen)					
	Net sales	Percentage change	Operating profit	Percentage change	Ordinary profit	Percentage change
Year ending March 31, 2020	48,500	(15.8)	2,000	(59.0)	1,800	(66.2)

  

	Profit attributable to owners of parent	Percentage change	Earnings per share (Yen)
Year ending March 31, 2020	600	(83.9)	8.36

Notes: 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.

: Change in the current three-month period ended September 30, 2019, 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 on page 13.
- (3) 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 on page 13.

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

Number of shares outstanding at period-end (Including treasury stock)	
As of September 30, 2019:	73,501,425 shares
As of March 31, 2019:	73,501,425 shares
Number of treasury stock	
As of September 30, 2019:	1,705,612 shares
As of March 31, 2019:	1,851,802 shares
Average number of shares outstanding at period-end	
Six-month period ended September 30, 2019:	71,737,936 shares
Six-month period ended September 30, 2018:	71,543,139 shares

Note: The number of treasury stock includes treasury stock held by the ESOP trust. This resulted in the addition to treasury stock of 242,800 shares as of September 30, 2019 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 296,083 shares for the six-month period ended September 30, 2019 and 454,016 shares for the six-month period ended September 30, 2018.

**These consolidated financial statements are not subject to quarterly review by auditors**

#### **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 11, 2019. Accordingly, for a wide variety of reasons, there remains the possibility that actual performance results may differ from projections. For performance forecasts, please refer on pages 6.

## 5. Operating Results and Financial Position

### (1) Analysis of Operating Results

In the six-month period ended September 30, 2019, despite some weakness in exports and production, the Japanese economy saw continued gradual improvement, reflecting firm personal consumption due mainly to improvement in employment and wages. Overseas economies saw growing uncertainty due to such factors as U.S.-China trade tensions and the prolongation of Brexit-related issues.

Under these circumstances, the Group entered the second year of its “IKO Mid-term business plan 2020 (three-year-plan) CHANGE & CHALLENGE ~Next Stage –ACCOMPLISH–.” With the aims of realizing sustainable growth and establishing a highly profitable organization, the Group has been implementing a range of measures to solve priority issues through inter-departmental efforts and improve efficiency in all operations.

From a sales perspective, the Group worked to further cultivate business ties with existing customers while developing new markets and customers. The Group also focused on reinforcing customer management using a new system and finding opportunities related to strategic products for which demand is expected to expand.

From a production standpoint, the Group worked to expand its facilities to meet medium- to long-term demand growth and reinforced its production capacity by such means as beginning production of IKO brand products at production subsidiary UBC (Suzhou) Bearing Co., Ltd. In addition, the Group strove to improve productivity by continuing to implement on-site improvement measures.

Turning to the Group’s operational results, in the domestic market, due in part to sluggish semiconductor-related demand, net sales, especially those of electronics-related devices, decreased year on year. Overseas, in North America, while demand for medical equipment grew, sales of general industrial machinery and electronics-related devices slowed, and net sales decreased. In Europe, demand for general industrial machinery and precision machinery was weak, and the appreciation of the yen exerted a negative effect, leading to a decrease in net sales. In China, due to economic deceleration resulting in large part from trade tensions with the United States, net sales decreased. In other regions, customers in Taiwan and South Korea took a cautious stance with regard to capital investment, and net sales decreased.

As a result, consolidated net sales for the six-month period under review totaled ¥25,443 million, down 13.2% year on year. On the earnings front, due in part to the decrease in sales and a fall in production, operating profit came to ¥1,210 million, down 52.0% year on year, and ordinary profit was ¥942 million, down 67.0% year on year. Profit attributable to owners of the parent amounted to ¥297 million, down 85.6% year on year.

In addition, the value of needle roller bearings and linear motion rolling guides produced during the six-month period under review, totaled ¥24,706 million, down 11.8% year on year (based on average sales prices). The value of orders placed for these products and other machine components amounted to ¥20,602 million, down 37.8% year on year.

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 ¥22,642 million, a 12.6% decrease compared with the corresponding period in the previous fiscal year. Sales of Machine Components decline 17.2% to ¥2,800 million.

### Business Segment Information

	Six-month period ended September 30, 2019		Six-month period ended September 30, 2018		Change	
	Millions of yen	Component percentages	Millions of yen	Component percentages	Millions of yen	Percentage change
Needle Roller Bearings, Linear Motion Rolling Guides	<b>22,642</b>	<b>89.0</b>	25,913	88.5	△3,270	△12.6
Machine Components	<b>2,800</b>	<b>11.0</b>	3,382	11.5	△582	△17.2
Total net sales	<b>25,443</b>	<b>100.0</b>	29,296	100.0	△3,853	△13.2

### (2) Analysis of Financial Position

Total assets as of September 30, 2019, totaled ¥100,650 million, a decrease of ¥817 million compared with the end of the previous fiscal year. This mainly comprised growth in inventories of ¥3,067 million and tangible fixed assets of ¥2,638 million as well as decreases in cash and deposits of ¥3,696 million and notes and accounts receivable-trade of ¥2,693 million.

Total liabilities amounted to ¥40,993 million, a decrease of ¥279 million compared with the end of the previous fiscal year. This mainly comprised growth in accounts payable of ¥643 million and long-term loans payable of ¥1,321 million as well as decreases in notes and accounts payable-trade of ¥1,071 million and income taxes payable of ¥1,224 million.

Total net assets stood at ¥59,657 million, a decrease of ¥537 million compared with the end of the previous fiscal year. This mainly comprised decreases in retained earnings of ¥242 million, treasury stock of ¥115 million and foreign currency translation adjustments of ¥405 million.

### Cash Flows

Cash and cash equivalents as of September 30, 2019 totaled ¥13,751 million, a decrease of ¥3,272 million compared with the end of the previous fiscal year.

### Cash Flows from Operating Activities

Net cash used in operating activities amounted to ¥525 million. This was inflow of ¥3,654 million at the corresponding period of the previous fiscal year. The major inflows were depreciation and amortization of ¥1,895 million and a decrease in notes and accounts receivable-trade of ¥2,522 million while the major outflows were an increase in inventories of ¥3,477 million and income taxes paid of ¥1,493 million.

***Cash Flows from Investing Activities***

Net cash used in investing activities amounted to ¥3,432 million, an increase of ¥1,277 million compared with the corresponding period of the previous fiscal year. This result was purchase of property, plant and equipment of ¥3,226 million and purchase of intangible assets of ¥91 million.

***Cash Flows from Financing Activities***

Net cash provided by financing activities was ¥800 million. This was outflow of ¥2,147 million at the corresponding period of the previous fiscal year. The major inflow was proceeds from long-term loans payable of ¥3,000 million, while the major outflows were repayments of long-term loans payable of ¥1,678 million and cash dividends paid of ¥539 million.

**(3) Outlook**

Looking forward, such factors as the growing impact of the prolonged U.S.-China trade tensions and softening demand for private capital investment in and outside Japan are prompting concerns of a possible economic downturn. In light of these conditions and the results of the first half of the fiscal year, the Group is forecasting consolidated net sales of ¥48,500 million, operating profit of ¥2,000 million, ordinary profit of ¥1,800 million and profit attributable to owners of the parent of ¥600 million for the year ending March 31, 2020.

## 6. Consolidated Financial Statements

### (1) Consolidated Balance Sheets

As of September 30, 2019 and March 31, 2019

ASSETS	Millions of yen	
	September 30, 2019	March 31, 2019
Current Assets:		
Cash and deposits	13,327	17,023
Notes and accounts receivable-trade	12,761	15,455
Securities	500	—
Finished products	15,892	14,461
Material in process	10,832	9,667
Raw material	6,113	5,642
Others	1,334	1,389
Less: Allowance for doubtful accounts	(16)	(19)
Total current assets	<u>60,745</u>	<u>63,619</u>
Non-Current Assets:		
Tangible fixed assets:		
Machinery and vehicles	11,319	9,767
Others	13,749	12,663
Total tangible fixed assets	<u>25,069</u>	<u>22,430</u>
Intangible fixed assets	2,295	2,566
Investments and other assets:		
Investment securities	8,333	8,385
Others	4,256	4,515
Less: Allowance for doubtful accounts	(49)	(49)
Total investments and other assets	<u>12,540</u>	<u>12,851</u>
Total non-current assets	<u>39,905</u>	<u>37,848</u>
 TOTAL ASSETS	 <u><u>100,650</u></u>	 <u><u>101,468</u></u>

LIABILITIES	Millions of yen	
	September 30, 2019	March 31, 2019
Current Liabilities:		
Notes and accounts payable-trade	10,366	11,438
Current portion of long-term loans payable	3,622	3,179
Income taxes payable	523	1,747
Allowance for directors' and corporate auditors' bonuses	36	60
Others	6,062	5,713
Total current liabilities	20,610	22,138
Non-Current Liabilities:		
Corporate bond	10,000	10,000
Long-term loans payable	9,195	8,317
Net defined benefit liabilities	13	13
Others	1,172	803
Total non-current liabilities	20,382	19,134
<b>TOTAL LIABILITIES</b>	<b>40,993</b>	<b>41,273</b>
NET ASSETS		
Shareholders' Equity:		
Common stock	9,533	9,533
Capital surplus	12,875	12,875
Retained earnings	36,011	36,253
Treasury stock	(933)	(1,048)
Total shareholders' equity	57,487	57,614
Accumulated Other Comprehensive Income:		
Net unrealized holding gains on available-for-sale securities	2,531	2,568
Deferred gains or losses on hedges	(1)	(0)
Foreign currency translation adjustments	(568)	(162)
Remeasurements of defined benefit plans	(43)	(32)
Total accumulated other comprehensive income	1,918	2,373
Subscription rights to shares	148	114
Non-controlling interests	103	93
<b>TOTAL NET ASSETS</b>	<b>59,657</b>	<b>60,195</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>100,650</b>	<b>101,468</b>

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

**Consolidated Statements of Income**

For the six-month period ended September 30, 2019 and 2018

	Millions of yen	
	September 30, 2019	September 30, 2018
Net Sales	25,443	29,296
Cost of Sales	17,172	20,089
Gross Profit	8,270	9,206
Selling, General and Administrative Expenses	7,059	6,684
Operating Profit	1,210	2,521
Non-Operating Income:		
Interest income	7	7
Dividend income	129	137
Foreign exchange gains	—	202
Others	241	162
	377	509
Non-Operating Expenses:		
Interest expenses	44	43
Sales discounts	29	88
Foreign exchange loss	549	—
Others	22	38
	645	170
Ordinary Profit	942	2,861
Extraordinary Losses:		
Impairment loss	—	142
	—	142
Profit Before Income Taxes	942	2,718
Income Taxes	636	644
Profit	305	2,074
Profit attributable to non-controlling interests	8	8
Profit attributable to owners of parent	297	2,065

## Consolidated Statements of Comprehensive Income

For the six-month period ended September 30, 2019 and 2018

	Millions of yen	
	<u>September 30, 2019</u>	<u>September 30, 2018</u>
Profit	<b>305</b>	2,074
Other Comprehensive Income:		
Net unrealized holding gains on available-for-sale securities	<b>(36)</b>	(332)
Deferred gains or losses on hedges	<b>(1)</b>	(1)
Foreign currency translation adjustments	<b>(404)</b>	453
Remeasurements of defined benefit plans	<b>(10)</b>	(42)
Total Other Comprehensive Income	<b>(453)</b>	77
Comprehensive Income	<b>(147)</b>	2,151
Breakdown:		
Comprehensive income attributable to owners of the parent	<b>(157)</b>	2,140
Comprehensive income attributable to non-controlling interests	<b>9</b>	11

**(3) Consolidated Statements of Cash Flows**

For the six-month period ended September 30, 2019 and 2018

	Millions of yen	
	<b>September 30, 2019</b>	September 30, 2018
<b>Cash Flows from Operating Activities:</b>		
Profit before Income Taxes	<b>942</b>	2,718
Depreciation and amortization	<b>1,895</b>	1,638
Impairment loss	—	142
Decrease in account reserve	<b>(27)</b>	(27)
Decrease in net defined benefit liabilities	<b>(25)</b>	(21)
Interest and dividend income	<b>(136)</b>	(144)
Interest expenses	<b>44</b>	43
Foreign exchange gains	<b>247</b>	(104)
Loss on retirement of fixed assets	<b>14</b>	12
Decrease(Increase) in notes and accounts receivable-trade	<b>2,522</b>	904
Decrease(Increase) in inventories	<b>(3,477)</b>	(1,237)
Increase(Decrease) in notes and accounts payable-trade	<b>(865)</b>	(214)
Increase in accrued expenses	<b>(56)</b>	19
Others-net	<b>(200)</b>	394
Subtotal	<b>876</b>	4,124
Interest and dividend income received	<b>136</b>	144
Interest expenses paid	<b>(44)</b>	(43)
Dismantlement expenses paid	—	(197)
Income taxes paid	<b>(1,493)</b>	(373)
Net cash provided by (used in) operating activities	<b>(525)</b>	3,654
<b>Cash Flows from Investing Activities:</b>		
Purchase of property, plant and equipment	<b>(3,226)</b>	(1,942)
Purchase of intangible assets	<b>(91)</b>	(120)
Others-net	<b>(114)</b>	(92)
Net cash used in investing activities	<b>(3,432)</b>	(2,155)

	Millions of yen	
	<u>September 30, 2019</u>	<u>September 30, 2018</u>
Cash Flows from Financing Activities:		
Proceeds from long-term loans payable	3,000	—
Repayments of long-term loans payable	(1,678)	(1,389)
Cash dividends paid	(539)	(468)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	—	(316)
Others-net	18	27
Net cash provided by (used in) financing activities	<u>800</u>	<u>(2,147)</u>
Effect of exchange rate change on cash and cash equivalents	<u>(114)</u>	<u>34</u>
Net decrease in cash and cash equivalents	<u>(3,272)</u>	<u>(613)</u>
Cash and cash equivalents at beginning of year	<u>17,023</u>	<u>18,019</u>
Cash and cash equivalents at end of period	<u><u>13,751</u></u>	<u><u>17,405</u></u>

**(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.

**(6) 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 second quarter, and multiplying profit before income taxes by said estimated effective tax rate.

**(7) Changes in accounting policies**

Parts of consolidated overseas subsidiaries adopted IFRS 16 "Leases" from April 1, 2019 and recognize all leases as a lessee in principle as assets and liabilities on the balance sheets. In adopting the accounting standards, in accordance with the transitional treatment, the Group recognizes the cumulative effect of initially applying the accounting standards at the date of initial application.

As a result, others included in tangible fixed assets, others included in current liabilities, and others included in long-term liabilities at the end of the current second quarter increased by ¥490 million, ¥68 million, and ¥421 million, respectively. The effects of these revisions on the quarterly consolidated statements of income for the current second quarter are immaterial.