

NIPPON THOMPSON CO., LTD.

Corporate Headquarters: Tokyo

Listed Code: 6480

Listed Stock Exchange: Tokyo

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

November 14, 2022

Consolidated Financial Report
for the Second Quarter of the Fiscal Year Ending March 31, 2023
<Japanese GAAP>

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Scheduled Date to Submit Quarterly Annual Securities Report:	November 14, 2022
Scheduled Date to Begin Dividend Payments:	December 12, 2022
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 down to eliminate amounts less than one million yen.

1. Consolidated Operating Performance for the Second Quarter of Fiscal Year Ending March 31, 2023
(From April 1, 2022 to September 30, 2022)

(1) Results of Consolidated Operations

(Millions of yen)

	Net sales	Percentage change	Operating profit	Percentage change	Ordinary profit	Percentage change
September 30, 2022	34,340	14.1	4,340	92.3	6,084	140.1
September 30, 2021	30,090	48.5	2,257	—	2,533	—

Notes: Comprehensive income

Six-month period ended September 30, 2022: 5,846 million yen 131.6%

Six-month period ended September 30, 2021: 2,524 million yen —%

: 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)
September 30, 2022	4,195	93.2	58.98	58.78
September 30, 2021	2,171	—	30.62	30.50

(2) Consolidated Financial Position

	(Millions of yen)			
	Total assets	Net assets	Equity ratio (%)	Net assets per share (Yen)
September 30, 2022	112,819	69,358	61.4	972.42
March 31, 2022	107,078	63,974	59.6	898.58

Reference: Shareholders' equity

As of September 30, 2022: 69,237 million yen

As of March 31, 2022: 63,829 million yen

2. Dividends

	(Yen)				
	Dividends per share				
Base date	June 30	September 30	December 31	March 31	Full Fiscal Year
2023(Forecast)			—	9.00	18.00
2023	—	9.00			
2022	—	6.00	—	7.00	13.00

Note: Change in the current three-month period ended September 30, 2022, to dividend forecast: Yes

3. Forecast of Consolidated Operating Performance for the Fiscal Year Ending March 31, 2023

	(Millions of yen)					
	Net sales	Percentage change	Operating profit	Percentage change	Ordinary profit	Percentage change
Year ending March 31, 2023	68,500	10.0	9,000	52.6	10,800	44.2

	Profit attributable to owners of parent	Percentage change	Earnings per share (Yen)
Year ending March 31, 2023	7,400	79.0	103.95

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, 2022, 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: | 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 September 30, 2022:	73,501,425 shares
As of March 31, 2022:	73,501,425 shares
Number of treasury stock	
As of September 30, 2022:	2,300,120 shares
As of March 31, 2022:	2,467,133 shares
Average number of shares outstanding at period-end	
Six-month period ended September 30, 2022:	71,126,620 shares
Six-month period ended September 30, 2021:	70,921,580 shares

Note: The number of treasury stock as of the fiscal year-end includes Nippon Thompson shares held by the share-issuing trust account for executives and by the employee stock ownership plan (ESOP) trust account (1,356,300 shares as of 2Q FY2023 and 1,477,400 shares as of March 31, 2022). In the calculation of the average number of shares during the fiscal year (cumulative for the quarter), Nippon Thompson shares held by the share-issuing trust account for executives and the ESOP trust account are included in excluded treasury stock (1,415,699 shares as of 2Q FY2023 and 1,590,433 shares as of 2Q FY2022).

These consolidated financial report 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 14, 2022. 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, 2022, the economy shifted to a moderate recovery track amid the relaxation of various restrictions aimed at preventing the spread of COVID-19 and resulting progress in the normalization of economic activities. On the other hand, the outlook remained unclear due mainly to surges in raw material prices and overall inflation stemming from fallout from the Ukraine situation, as well as radical fluctuations in foreign exchange rates amid global monetary tightening.

Under these circumstances, the Group embarked on the second year of "IKO Medium-term Business Plan 2023~Deepening, Expanding, Embracing Change~". We have taken various measures to solve key issues with the aim of achieving stable profit and sustainable growth under the following policies: "Deepening: Deepening Existing Businesses", "Expanding: Expanding New technologies and New markets", "Embracing Change: Behavior Change•Organizational Capacity Change•Digital Transformation".

From a sales perspective, the Group resumed participation in exhibitions at home and abroad in a phased manner, simultaneously leveraging sales and marketing support tools with the aim of both discovering new projects and expanding sales of strategic products. At the same time, the Group focused on deepening trade with existing customers and developing growth markets.

In terms of product development, in August 2022 the Group initiated the marketing of an upgraded model of "Alignment Stage SA series," which is capable of realizing low profile and compact XYθ movement. In this way, the Group has striven to expand its lineup of high-value-added products designed to help promote energy saving for machines and devices and improve their productivity.

From a production standpoint, in light of the robustness of the recent trend in demand, the Group developed a global production system encompassing domestic factories, as well as IKO THOMPSON VIETNAM CO.,LTD and UBC (Suzhou) Bearing Co., Ltd , both of which are production subsidiaries, while working hard to improve the efficiency of its supply system in tandem with the entire supply chain.

Turning to the Group's operational results, net sales increased in all regions on the back of strong demand associated with capital investment, especially in the fields of semiconductor manufacturing equipment and other electronics-related devices, along with favorable foreign exchange trends involving the depreciation of the yen. In the domestic market, sales grew higher for products related to general industrial machinery, including precision machinery and various medical equipment, as well as for machine tools. In North America, although demand for machine tools was stagnant, sales were robust for precision machinery, medical equipment and other general industrial machinery, contributing to higher net sales in this region, as did sales of products for commercial applications. In Europe, net sales grew thanks to constantly strong demand in a broad range of sectors, including machine tools and commercial application products. In China, following temporary fallout from lockdowns, which led to partial delays in shipping in the first quarter, net sales increased due in part to the positive effect of yen depreciation. In other regions, net sales increased mainly in

Singapore, South Korea and India.

As a result, consolidated net sales for the six-month period under review totaled ¥34,340 million, up 14.1% year on year. On the earnings front, due mainly to growth in net sales, an increase in production volume and the depreciation of the yen, operating profit came to ¥4,340 million, up 92.3% year on year, and ordinary profit came to ¥6,084 million, up 140.1% year on year. Profit attributable to owners of the parent amounted to ¥4,195 million, up 93.2% 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 ¥33,214 million, up 25.9% year on year (based on average sales prices). The value of orders placed for these products and Machine Components amounted to ¥35,104 million, down 8.9% 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 ¥31,027 million, a 15.5% increase compared with the corresponding period of the previous fiscal year. Sales of Machine Components incline 3.0% to ¥3,313 million.

Business Segment Information

	Six-month period ended September 30, 2022		Six-month period ended September 30, 2021		Change	
	Millions of Yen	Component percentages	Millions of Yen	Component percentages	Millions of Yen	Percentage change
Needle Roller Bearings, Linear Motion Rolling Guides	31,027	90.4	26,872	89.3	4,154	15.5
Machine Components	3,313	9.6	3,217	10.7	95	3.0
Total net sales	34,340	100.0	30,090	100.0	4,250	14.1

(2) Summary of Financial Position

Total assets as of September 30, 2022, totaled ¥112,819 million, an increase of ¥5,741 million compared with the end of the previous fiscal year. This mainly comprised increases in cash and deposits of ¥1,167 million, notes and accounts receivable-trade of ¥2,118 million and inventories of ¥3,113 million as well as decrease in investment securities of ¥1,085 million.

Total liabilities amounted to ¥43,461 million, an increase of ¥357 million compared with the end of the previous fiscal year. This mainly comprised increases in Income taxes payable of ¥368 million and long-term borrowings of ¥2,162 million as well as decrease in short-term borrowings of ¥2,200 million.

Total net assets amounted to ¥69,358 million, an increase of ¥5,383 million compared with the end of the previous fiscal year. This mainly comprised an increases in retained earnings of ¥3,688 million and foreign currency translation adjustments of ¥2,457 million as well as decrease in valuation difference on available-for-sale securities of ¥761 million.

Cash Flows

Cash and cash equivalents as of September 30, 2022 totaled ¥19,009 million, an increase of ¥1,162 million compared with the end of the previous fiscal year.

Cash Flows from Operating Activities

Net cash provided by operating activities amounted to ¥2,037 million, a decrease of ¥3,792 million at the corresponding period of the previous fiscal year. The major inflows were profit before income taxes of ¥6,084 million and depreciation and amortization of ¥1,785 million, while the major outflows were increase in trade receivables of ¥1,631 million, increase in inventories of ¥1,320 million and Income taxes paid of ¥2,205 million.

Cash Flows from Investing Activities

Net cash used in investing activities amounted to ¥1,190 million, a decrease of ¥52 million at the corresponding period of the previous fiscal year. This result was payments for purchase of property, plant and equipment of ¥973 million.

Cash Flows from Financing Activities

Net cash used in financing activities was ¥661 million. This was inflow of ¥179 million at the corresponding period of the previous fiscal year. The major inflow was proceeds from long-term borrowings of ¥4,000 million, while the major outflows were net decrease in short-term borrowings of ¥2,200 million, repayments of long-term borrowings of ¥1,837 million and cash dividends paid of ¥505 million.

(3) Outlook

Looking to the future, the Group expects to exceed its full-year consolidated earnings forecasts announced on May 12, 2022, in light of the ongoing robustness of capital investment now undertaken in customer sectors and the effect of the depreciation of the yen, despite rising costs attributable to steel prices, logistics costs and other expenses.

In light of these conditions and the results of the first half of the fiscal year, the Group is forecasting consolidated net sales of ¥68,500 million, operating profit of ¥9,000 million, ordinary profit of ¥10,800 million and profit attributable to owners of the parent of ¥7,400 million for the year ending March 31, 2023.

6. Consolidated Financial Statements

(1) Consolidated Balance Sheets

As of September 30, 2022 and March 31, 2022

	Millions of yen	
ASSETS	September 30, 2022	March 31, 2022
Current Assets:		
Cash and deposits	19,169	18,001
Notes and accounts receivable-trade	19,278	17,159
Finished products	15,990	14,393
Material in process	11,870	12,773
Raw material	8,828	6,408
Others	1,248	1,682
Less: Allowance for doubtful accounts	(7)	(7)
Total current assets	76,377	70,412
Non-Current Assets:		
Tangible fixed assets:		
Machinery and vehicles	10,142	10,338
Others	12,283	12,227
Total tangible fixed assets	22,425	22,565
Intangible fixed assets	1,063	1,093
Investments and other assets:		
Investment securities	7,936	9,021
Others	5,053	4,022
Less: Allowance for doubtful accounts	(36)	(36)
Total investments and other assets	12,953	13,006
Total non-current assets	36,442	36,666
TOTAL ASSETS	112,819	107,078

	Millions of yen	
LIABILITIES	September 30, 2022	March 31, 2022
Current Liabilities:		
Notes and accounts payable-trade	11,758	11,845
Short-term borrowings	—	2,200
Current portion of long-term borrowings	3,966	3,455
Income taxes payable	2,551	2,182
Allowance for directors' and corporate auditors' bonuses	35	85
Others	5,459	5,034
Total current liabilities	23,771	24,802
Non-Current Liabilities:		
Corporate bonds	10,000	10,000
Long-term borrowings	8,579	6,928
Net defined benefit liabilities	21	20
Provision for share-based remuneration for directors	92	79
Others	995	1,273
Total non-current liabilities	19,689	18,301
TOTAL LIABILITIES	43,461	43,104
NET ASSETS		
Shareholders' Equity:		
Common stock	9,533	9,533
Capital surplus	12,886	12,886
Retained earnings	41,570	37,881
Treasury stock	(956)	(1,024)
Total shareholders' equity	63,032	59,276
Accumulated Other Comprehensive Income:		
Valuation difference on available-for-sale securities	2,255	3,017
Foreign currency translation adjustments	3,927	1,470
Remeasurements of defined benefit plans	21	65
Total accumulated other comprehensive income	6,204	4,552
Subscription rights to shares	121	144
TOTAL NET ASSETS	69,358	63,974
TOTAL LIABILITIES AND NET ASSETS	112,819	107,078

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

Consolidated Statements of Income

For the six-month period ended September 30, 2022 and 2021

	Millions of yen	
	September 30, 2022	September 30, 2021
Net Sales	34,340	30,090
Cost of Sales	22,553	21,337
Gross Profit	11,787	8,753
Selling, General and Administrative Expenses	7,446	6,495
Operating Profit	4,340	2,257
Non-Operating Income:		
Interest income	13	8
Dividend income	147	99
Foreign exchange gains	1,444	141
Others	207	166
	1,813	415
Non-Operating Expenses:		
Interest expenses	52	63
Bond issuance costs	—	32
Others	17	43
	69	138
Ordinary Profit	6,084	2,533
Profit Before Income Taxes	6,084	2,533
Income Taxes	1,889	362
Profit	4,195	2,171
Profit attributable to non-controlling interests	—	—
Profit attributable to owners of parent	4,195	2,171

Consolidated Statements of Comprehensive Income

For the six-month period ended September 30, 2022 and 2021

	Millions of yen	
	<u>September 30, 2022</u>	<u>September 30, 2021</u>
Profit	4,195	2,171
Other Comprehensive Income:		
Net unrealized holding gains on available-for-sale securities	(761)	70
Foreign currency translation adjustments	2,457	299
Remeasurements of defined benefit plans	<u>(44)</u>	<u>(16)</u>
Total Other Comprehensive Income	<u>1,651</u>	<u>352</u>
Comprehensive Income	<u>5,846</u>	<u>2,524</u>
Breakdown:		
Comprehensive income attributable to owners of the parent	5,846	2,524
Comprehensive income attributable to non-controlling interests	—	—

(3) Consolidated Statements of Cash Flows

For the six-month period ended September 30, 2022 and 2021

	Millions of yen	
	September 30, 2022	September 30, 2021
Cash Flows from Operating Activities:		
Profit before Income Taxes	6,084	2,533
Depreciation and amortization	1,785	1,944
Increase (Decrease) in account reserve	(50)	(19)
Increase (Decrease) in net defined benefit liabilities	(36)	(31)
Interest and dividend income	(161)	(108)
Interest expenses	52	63
Foreign exchange losses (gains)	(922)	(114)
Loss on retirement of fixed assets	1	8
Decrease (Increase) in trade receivables	(1,631)	(2,577)
Decrease (Increase) in inventories	(1,320)	507
Increase (Decrease) in trade payables	(537)	3,093
Increase (Decrease) in accrued expenses	191	261
Others-net	691	447
Subtotal	4,147	6,009
Interest and dividend income received	161	108
Interest expenses paid	(65)	(57)
Income taxes paid	(2,205)	(230)
Net cash provided by (used in) operating activities	2,037	5,829

	Millions of yen	
	September 30, 2022	September 30, 2021
Cash Flows from Investing Activities:		
Payments for purchase of property, plant and equipment	(973)	(961)
Payments for purchase of intangible assets	(18)	(97)
Others-net	(198)	(182)
Net cash provided by (used in) investing activities	(1,190)	(1,242)
Cash Flows from Financing Activities:		
Net increase (decrease) in short-term borrowings	(2,200)	(1,200)
Proceeds from long-term borrowings	4,000	4,000
Repayments of long-term borrowings	(1,837)	(2,213)
Proceeds from issuance of bonds	—	5,000
Redemption of bonds	—	(5,000)
Cash dividends paid	(505)	(290)
Payments for purchase of treasury stock	(0)	(0)
Others-net	(118)	(117)
Net cash provided by (used in) financing activities	(661)	179
Effect of exchange rate change on cash and cash equivalents	976	96
Net increase (decrease) in cash and cash equivalents	1,162	4,863
Cash and cash equivalents at beginning of year	17,847	15,346
Cash and cash equivalents at end of period	19,009	20,210

(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.