

Consolidated Financial Results for the First Quarter Ended March 31, 2018 under Japanese GAAP

Company Name : THK CO., LTD.
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 URL : <http://www.thk.com>
 Stock exchange listing : Tokyo Stock Exchange-First Section
 Code number : 6481
 Representative : Akihiro Teramachi, President and CEO
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 Scheduled date of filing quarterly
 report (Japanese version only) : May 15, 2018
 Scheduled starting date of
 dividend payment : n/a

1. Consolidated operating results and financial position as of and for the three months ended March 31, 2018 (January 1, 2018 to March 31, 2018)

(1) Consolidated Operating Results

First Quarter Ended (Millions of Yen)	Net Sales		Operating Income		Ordinary Income		Net Income attributable to owners of the parent	
March 31, 2018	¥87,395	—%	¥12,163	—%	¥12,207	—%	¥9,187	—%
June 30, 2017	122,663	—	11,184	—	11,999	—	8,735	—
<i>(Note) Comprehensive income</i>		<i>First quarter ended March 31, 2018:</i>		<i>¥3,285 million</i>		<i>—</i>		<i>%</i>
		<i>First quarter ended June 30, 2017:</i>		<i>8,739 million</i>		<i>—</i>		

First Quarter Ended (Yen)	Net Income Per Share-Basic	Net Income Per Share-Diluted
March 31, 2018	¥72.59	¥ —
June 30, 2017	69.02	—

(Note) In accordance with the partial amendments to the Articles of Incorporation approved at the 47th Ordinary General Meeting of Shareholders held on June 17, 2017, THK changed its closing date of each fiscal year from March 31 to December 31. The previous fiscal year was an irregular accounting period of transition that covered nine months from April 1, 2017 to December 31, 2017. The consolidated operating results for the three months ended June 30, 2017 in the above table included the three-month period (from April 1, 2017 to June 30, 2017) of consolidated subsidiaries whose closing date is March 31 and the six-month period (from January 1, 2017 to June 30, 2017) of consolidated subsidiaries whose closing date is December 31. Therefore, year-on-year percentage changes are not presented.

(2) Consolidated Financial Position

	Total Assets (Millions of Yen)	Net Assets (Millions of Yen)	Net Worth Ratio (%)	Net Assets Per Share (Yen)
March 31, 2018	¥460,323	¥281,739	58.9 %	¥2,141.13
December 31, 2017	436,664	281,754	62.0	2,140.71

(Note) Net worth ratio is defined as net worth divided by total assets. Net worth consists of shareholders' equity and accumulated other comprehensive income in net assets.

Net worth : As of March 31, 2018: ¥270,999 million
 As of December 31, 2017: 270,948 million

2. Dividends

	Dividend Per Share (Yen)				
	First Quarter End	Second Quarter End	Third Quarter End	Year end	Total
Year ended December 31, 2017 (Actual)	¥ —	¥36.00	¥ —	¥26.00	¥62.00
Year ending December 31, 2018 (Actual)	—	n/a	n/a	n/a	n/a
Year ending December 31, 2018 (Projected)	n/a	—	—	—	—

(Note) Change in dividend projection: none

The amount of dividends for the year ending December 31, 2018 is planned to be determined in accordance with the targeted payout ratio of 30% on a consolidated basis and will be disclosed as soon as it is determined.

3. Forecasts for the year ending December 31, 2018 (January 1, 2018 to December 31, 2018)

	Net Sales (Millions of Yen)	Operating Income (Millions of Yen)	Ordinary Income (Millions of Yen)	Net Income attributable to owners of the parent (Millions of Yen)	Net Income per Share (Yen)
Six months ending June 30, 2018					
(amount)	¥173,000	¥21,500	¥22,700	¥16,600	¥131.15
(percentage)	—%	—%	—%	—%	n/a
Year ending December 31, 2018					
(amount)	¥350,000	¥45,000	¥46,900	¥34,100	¥269.42
(percentage)	—%	—%	—%	—%	n/a

(Note 1) Change in forecasts: none

(Note 2) The above forecasts are based upon the information currently available at the time of the announcement of this report. Actual performance may differ from the estimates due to various unforeseen factors.

In accordance with the partial amendments to the Articles of Incorporation approved at the 47th Ordinary General Meeting of Shareholders held on June 17, 2017, THK changed its closing date of each fiscal year from March 31 to December 31. The previous fiscal year was an irregular accounting period of transition that covered nine months from April 1, 2017 to December 31, 2017. Therefore, year-on-year percentage changes are not presented.

If the previous fiscal year was a full-year (twelve months) period that covered January 1, 2017 to December 31, 2017, the year-on-year percentage changes of the consolidated forecasts would be as follows:

(Millions of Yen)	Net Sales		Operating Income		Ordinary Income		Net Income attributable to owners of the parent	
Year ending December 31, 2018	¥350,000	9.8 %	¥45,000	23.6 %	¥46,900	23.1%	¥34,100	12.5 %

4. Other financial information

(1) Significant change in scope of consolidation: None

(2) Simplified or particular accounting treatment for quarterly financial statements:

(Income taxes)

Certain consolidated subsidiaries determine their income tax expenses by multiplying net income for the quarter period by the estimated effective tax rate applicable to the fiscal year.

(3) Changes in accounting policy and estimates, and restatement due to:

- | | |
|-----------------------------------|------|
| a. Changes in accounting standard | None |
| b. Other changes | None |

(4) Number of shares

		(shares)
a. Common stock issued, including treasury stock, as of:	March 31, 2018	133,856,903
	December 31, 2017	133,856,903
b. Treasury stock as of:	March 31, 2018	7,288,188
	December 31, 2017	7,287,650
c. Average number of common stock for the three months ended:	March 31, 2018	126,569,019
	June 30, 2017	126,570,797

Management's Discussion and Analysis

1. Operating results (from January 1, 2018 to March 31, 2018)

In accordance with the partial amendments to the Articles of Incorporation approved at the 47th Ordinary General Meeting of Shareholders held on June 17, 2017, THK changed its closing date of each fiscal year from March 31 to December 31. The previous fiscal year was an irregular accounting period of transition that covered nine months from April 1, 2017 to December 31, 2017. The consolidated operating results for the three months ended June 30, 2017 included the three months period (from April 1, 2017 to June 30, 2017) of consolidated subsidiaries whose closing date is March 31 and the six months period (from January 1, 2017 to June 30, 2017) of consolidated subsidiaries whose closing date is December 31. Therefore, year-on-year percentage changes are not presented.

During this three months period, while the economy in developed countries such as Europe and the United States of America continuously rallied, the economy in emerging countries such as China was robust and the world economy continued its modest recovery. In Japan, while exports and capital investments were robust because of the recovery of the world economy, the economy continued its recovery trend.

The THK Group has identified "Full-Scale Globalization," the "Development of New Business Areas," and "Change in Business Style" as cornerstones of its growth strategy to expand the markets of its products such as LM Guide (Linear Motion Guide). As to Full-Scale Globalization, while the markets in emerging countries such as China are growing by dint of the factory automation progress, which is also spreading to developed-country users, the THK Group endeavors to expand its global sales network to meet such demand. Regarding Development of New Business Areas, while the THK Group's products are getting widely adopted in new business fields such as automobile parts, seismic isolation and damping systems, medical equipment, aircraft, robot, and renewable energy, the THK Group is working on expanding sales of not only existing products but also new developed products. In addition to promoting these strategies above, the THK Group is also committed to further expand its business fields by changing its business style enabled by making full use of AI and robot technologies in many ways.

In this three months period, in addition to sales to the electronics industry driven by the robust investments in the semiconductor industry, sales to the general machine industry and the machine tool industry were expanded because of the progress of automation and robotization. In such a situation, where overall demand was robust, the THK Group captured the strong demand and successfully increased sales with its strengthened operating structure on a global scale. On the cost front, while demand was increasing, the THK Group continued to implement various activities to improve its productivity.

As a result, net sales and operating income for the period amounted to ¥87,395 million and ¥12,163 million, respectively.

Total non-operating income was ¥767 million of which major components were ¥167 million of equity earnings of affiliates and ¥144 million of interest income. Total non-operating expenses were ¥723 million of which major component was ¥479 million of foreign exchange loss—net.

As a result, THK recorded ¥12,207 million of ordinary income and ¥9,187 million of net income attributable to owners of the parent.

(For reference)

If the first quarter period of the previous fiscal year were a three months period from January 1, 2017 to March 31, 2017, the pro forma operating results and year-on-year comparison would be as follows:

	Pro forma accounting period— Three months ended March 31, 2017 (A)	Three months ended March 31, 2018 (B)	(Millions of yen) Fluctuation (%) (B-A)/A
Net sales	¥ 76,571	¥ 87,395	14.1
Operating income	9,203	12,163	32.2
Ordinary income	8,809	12,207	38.6
Net income attributable to owners of the parent	6,032	9,187	52.3

Segment Information

(Japan)

In Japan, while exports and capital investments were strong because of the recovery of the world economy, the economy gradually rallied. In addition to sales to the electronics industry, demand for general machine products and machine tool products was expanding. In such a situation, where overall demand was robust, the THK Group successfully recorded ¥38,398 million of net sales and ¥10,172 million operating income (segment income).

(The Americas)

In the Americas, while the economy continued its recovery trend by dint of the robust consumer spending and capital investments, the production and sales sections worked in unison to expand and deepen transactions with existing customers and to cultivate new business fields such as automobile, medical equipment, aircraft, and energy-related business. In such a situation, where demand for electronics products and machine tool products was robust, the THK Group recorded ¥18,159 million of net sales and ¥340 million of operating income (segment income).

(Europe)

In Europe, while the economy was robust because of strong exports and capital investments, the production and sales sections proactively worked in unison to expand transactions with existing customers and to cultivate new business fields such as automobile, medical equipment, aircraft and robot. In such a situation, where demand for general machine products and machine tool products was robust, the THK Group recorded ¥16,105 million of net sales and ¥314 million of operating income (segment income).

(China)

In China, in addition to the increasing demand for electronics products, demand for THK Group's products was widely expanded because of the factory automation progress brought by the shortage in labor and the hike in personnel expenses. In such a situation, by utilizing the sales and production system that the THK Group has aggressively enhanced, the THK Group captured such demand and successfully recorded ¥10,885 million of net sales and ¥1,390 million of operating income (segment income).

(Other)

In other countries and regions, the THK Group continued to expand and deepen transactions with existing customers and to cultivate new customers while expanding its sales channels in the ASEAN countries. In addition, the increasing demand in China had a positive impact in some areas. As a result, net sales and operating income (segment income) were ¥3,846 million and ¥523 million, respectively.

2. Financial position (As of March 31, 2018)

Total assets stood at ¥460,323 million, ¥23,659 million more than the previous fiscal year-end, due mainly to a combined effect of increase in (1) cash and bank deposits by ¥14,609 million, (2) accounts and notes receivable by ¥6,057 million, (3) machinery and equipment—net by ¥1,142 million, and decrease in (1) merchandise and finished goods by ¥1,479 million and (2) buildings and structures—net by ¥945 million.

Total liabilities stood at ¥178,584 million, ¥23,674 million more than the previous fiscal year-end, due mainly to a combined effect of increase in (1) accounts and notes payable by ¥1,047 million, (2) income taxes payable by ¥1,735 million, and (3) long-term bonds of ¥20,000 million and decrease in long-term bank loans by ¥2,185 million.

Net assets stood at ¥281,739 million, ¥15 million less than the previous fiscal year-end, due mainly to a combined effect of increase in retained earnings by ¥5,896 million and decrease in (1) net unrealized gain on available-for-sale securities by ¥453 million and (2) foreign currency translation adjustments by ¥5,431 million.

3. Forecast for the fiscal year ending December 31, 2018

No change from the forecasts (for the six months ending June 30, 2018 and the year ending December 31, 2018) reported in the announcement dated February 14, 2018.

Consolidated Financial Statements

Consolidated Balance Sheets

(Millions of Yen)

	Year End -Previous Year As of December 31, 2017	First Quarter End -Current Year As of March 31, 2018
Assets		
Current Assets:		
Cash and bank deposits	¥129,920	¥144,529
Accounts and notes receivable	71,543	77,601
Electronically recorded monetary claims	15,514	16,137
Merchandise and finished goods	14,357	12,877
Work in process	10,104	10,820
Raw materials and supplies	19,340	20,230
Other current assets	10,412	10,928
Less: Allowance for bad debts	(218)	(210)
Total current assets	270,975	292,914
Fixed Assets:		
Property, plant and equipment -net:		
Buildings and structures	31,252	30,307
Machinery and equipment	56,513	57,655
Other	28,168	30,460
Total property, plant and equipment –net	115,934	118,423
Intangibles		
Goodwill	11,449	11,067
Other	20,945	21,134
Total intangibles	32,395	32,202
Investments and Other		
Long-term investments in securities	11,377	11,165
Other	6,057	5,689
Less: Allowance for bad debts	(75)	(71)
Total investments and other	17,359	16,784
Total fixed assets	165,689	167,409
Total assets	436,664	460,323

(Millions of Yen)

	Year End -Previous Year As of December 31, 2017	First Quarter End -Current Year As of March 31, 2018
Liabilities		
Current Liabilities:		
Accounts and notes payable	¥22,330	¥23,377
Electronically recorded obligations	23,923	24,342
Current portion of long-term bonds	20,000	20,000
Current portion of long-term bank loans	2,185	2,185
Income taxes payable	1,673	3,408
Accrued bonuses	2,971	2,327
Other	20,112	23,426
Total current liabilities	93,196	99,067
Long-term Liabilities:		
Bonds	20,000	40,000
Long-term bank loans	27,480	25,295
Reserve for retirement benefits for directors and corporate auditors	108	113
Reserve for product warranty	118	115
Net defined benefit liability	7,389	7,236
Other	6,616	6,755
Total long-term liabilities	61,713	79,516
Total liabilities	154,910	178,584
Net Assets		
Shareholders' equity :		
Common stock	34,606	34,606
Additional paid-in capital	40,440	40,440
Retained earnings	194,626	200,523
Treasury stock	(13,998)	(14,000)
Total shareholders' equity	255,675	261,569
Accumulated other comprehensive income :		
Net unrealized gain on available-for-sale securities	2,847	2,393
Foreign currency translation adjustments	13,459	8,028
Remeasurements of defined benefit plans	(1,033)	(991)
Total accumulated other comprehensive income	15,272	9,430
Non-controlling interests	10,806	10,739
Total net assets	281,754	281,739
Total liabilities and net assets	436,664	460,323

Consolidated Statements of Income

(Millions of Yen)

	First Quarter Ended June 30, 2017 (From April 1, 2017 to June 30, 2017)	First Quarter Ended March 31, 2018 (From January 1, 2018 to March 31, 2018)
Net sales	¥122,663	¥87,395
Cost of sales	94,468	62,461
Gross profit	28,194	24,933
Selling, general and administrative expenses	17,009	12,770
Operating income	11,184	12,163
Non-operating income:		
Interest income	186	144
Equity earnings of affiliates	584	167
Other	560	455
Total non-operating income	1,331	767
Non-operating expense:		
Interest expenses	197	63
Foreign exchange loss, net	210	479
Other	108	181
Total non-operating expenses	516	723
Ordinary income	11,999	12,207
Extraordinary gains:		
Gain on sales of property, plant and equipment	12	19
Total extraordinary gains	12	19
Extraordinary losses:		
Loss on sales and disposal of property, plant and equipment	40	41
Total extraordinary losses	40	41
Income before income taxes	11,971	12,185
Income taxes-current	2,617	3,177
Income taxes-deferred	469	(342)
Total income taxes	3,087	2,834
Net income	8,884	9,350
Net income attributable to non-controlling interests	148	162
Net income attributable to owners of the parent	8,735	9,187

Consolidated Statements of Comprehensive Income

(Millions of Yen)

	First Quarter Ended June 30, 2017 (From April 1, 2017 to June 30, 2017)	First Quarter Ended March 31, 2018 (From January 1, 2018 to March 31, 2018)
Net income	¥8,884	¥9,350
Other comprehensive income:		
Unrealized gain (loss) on available-for-sale securities	245	(455)
Foreign currency translation adjustments	20	(6,137)
Remeasurements of defined benefit plans	(218)	47
Share of other comprehensive income (losses) of affiliates accounted under the equity method	(192)	481
Total other comprehensive loss	(144)	(6,064)
Comprehensive income	8,739	3,285
Attributable to:		
Owners of the parent	8,632	3,353
Non-controlling interests	107	(67)

Segment Information

For the first quarter ended June 30, 2017 (April 1, 2017 to June 30, 2017)

							(Millions of Yen)	
	Japan	The Americas	Europe	China	Other	Adjustments	Consolidated	
Sales to customers	¥34,224	¥34,042	¥28,048	¥18,523	¥7,824	¥-	¥122,663	
Inter-segment	13,202	112	39	1,459	585	(15,399)	-	
Total	47,426	34,155	28,088	19,983	8,409	(15,399)	122,663	
Operating income	6,424	2,133	516	1,012	981	116	11,184	

(Note) All adjustments are intercompany elimination.

For the first quarter ended March 31, 2018 (January 1, 2018 to March 31, 2018)

							(Millions of Yen)	
	Japan	The Americas	Europe	China	Other	Adjustments	Consolidated	
Sales to customers	¥38,398	¥18,159	¥16,105	¥10,885	¥3,846	¥-	¥87,395	
Inter-segment	13,954	130	22	1,685	464	(16,258)	-	
Total	52,353	18,289	16,127	12,571	4,311	(16,258)	87,395	
Operating income	10,172	340	314	1,390	523	(578)	12,163	

(Note) All adjustments are intercompany elimination.

Since THK changed its closing date of each fiscal year from March 31 to December 31, the previous fiscal year was an irregular accounting period of transition. The consolidated operating results for the three months ended June 30, 2017 included the three-month period (from April 1, 2017 to June 30, 2017) of consolidated subsidiaries whose closing date is March 31 and the six-month period (from January 1, 2017 to June 30, 2017) of consolidated subsidiaries whose closing date is December 31.

Additional notes:

- (1) Going concern issues: Not applicable.
- (2) Significant change in shareholders' equity: Not applicable.

Other Information

This report is not subject to the quarterly review procedures set forth in the Japanese Financial Instruments and Exchange Act. Therefore, the quarterly review procedures for accompanying consolidated financial statements are not finished at the time of the announcement of this report.

All the figures in this report except per share information are rounded down to the nearest million.

This information is summarized and translated from the original Japanese version submitted to the Tokyo Securities Exchange in accordance with its disclosure rules and presentation manners, which are different from those applied in the annual reports of THK due to reclassification and rearrangement made therein. This English translation is intended solely for the convenience of readers, and not intended in any way to substitute or replace the original Japanese version. If there is any discrepancy between the original Japanese version and this translation, the original Japanese version shall supersede all information in this translation. All the figures in this report are unaudited.