

Consolidated Financial Results for the Second Quarter Ended September 30, 2017 under Japanese GAAP

Company Name : THK CO., LTD.
 Head Office : Tokyo, Japan (Tel: +81-3-5730-3911)
 URL : <http://www.thk.com/>
 Stock exchange listing : Tokyo Stock Exchange-First Section
 Code number : 6481
 Representative : Akihiro Teramachi, President and CEO
 Contact : Kenji Nakane, Executive Officer, General Manager of Finance and Accounting Department, Corporate Strategy Headquarters
 Scheduled date of filing quarterly report (Japanese version only) : November 14, 2017
 Scheduled starting date of dividend payment : December 5, 2017

1. Consolidated Operating Results and Financial Position as of and for the six months ended September 30, 2017 (April 1, 2017 to September 30, 2017)

(1) Consolidated Operating Results

Second Quarter Ended September 30 (Millions of Yen)	Net Sales		Operating Income		Ordinary Income		Net Income attributable to owners of the parent	
2017	¥202,368	—%	¥19,684	—%	¥21,105	—%	¥17,802	—%
2016	136,232	21.4	11,672	(6.5)	7,909	(32.4)	5,228	(32.2)
(Note) Comprehensive income	Second quarter ended September 30, 2017:				¥23,501 million		—%	
	Second quarter ended September 30, 2016:				(20,139) million		—	

Second Quarter Ended September 30 (Yen)	Net Income Per Share-Basic	Net Income Per Share-Diluted
2017	¥140.65	¥ —
2016	41.30	—

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 current fiscal year is an irregular accounting period of transition that covers nine months from April 1, 2017 to December 31, 2017. The consolidated operating results for the six months ended September 30, 2017 in the above table include the six-month period (from April 1, 2017 to September 30, 2017) of consolidated subsidiaries whose closing date is March 31 and the nine-month period (from January 1, 2017 to September 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)
September 30, 2017	¥442,412	¥271,874	60.8 %	¥2,124.97
March 31, 2017	414,931	251,540	60.0	1,966.80

(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 September 30, 2017: ¥268,957 million
 : As of March 31, 2017: 248,940 million

2. Dividends

	Dividend Per Share (Yen)					Total
	First Quarter End	Second Quarter End	Third Quarter End	Year end		
Year ended March 31, 2017 (Actual)	¥ —	¥16.00	¥ —	¥25.00		¥41.00
Year ending December 31, 2017 (Actual)	—	36.00	n/a	n/a		n/a
Year ending December 31, 2017 (Projected)	n/a	n/a	—	20.00		56.00

(Note) Change in dividend projection: The dividend projection announced on May 11, 2017 have been amended to as in the above table.

3. Forecasts for the year ending December 31, 2017 (April 1, 2017 to December 31, 2017)

	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)
Year ending December 31, 2017					
(amount)	¥273,500	¥28,000	¥28,200	¥23,300	¥184.09
(percentage)	—%	—%	—%	—%	n/a

(Note 1) Change in forecasts: See below

(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 current fiscal year is an irregular accounting period of transition that covers nine months from April 1, 2017 to December 31, 2017. The forecasts in the above table are determined based on the estimated consolidated operating results that include the nine months period (from April 1, 2017 to December 31, 2017) of consolidated subsidiaries whose closing date is March 31 and the twelve months period (from January 1, 2017 to December 31, 2017, as before) of consolidated subsidiaries whose closing date is December 31. Therefore, year-on-year percentage changes are not presented.

If the closing date was March 31 as before, the consolidated forecasts (from April 1, 2017 to March 31, 2018) would be as follows:

(Millions of Yen)	Net Sales	Operating Income	Ordinary Income	Net Income attributable to owners of the parent				
Year ending March 31, 2018	¥305,000	11.5 %	¥34,500	39.9 %	¥34,800	48.7%	¥28,100	67.9 %

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 | Please refer to "5. Accounting Changes" |
| b. Other changes | None |

(4) Number of shares

		(shares)
a. Common stock issued, including treasury stock, as of:	September 30, 2017	133,856,903
	March 31, 2017	133,856,903
b. Treasury stock as of:	September 30, 2017	7,287,146
	March 31, 2017	7,285,746
c. Average number of common stock for the six months ended:	September 30, 2017	126,570,403
	September 30, 2016	126,587,289

5. Accounting Changes

Effective this consolidated fiscal year, THK and its consolidated subsidiaries whose closing date is March 31 changed their closing date of each fiscal year from March 31 to December 31. The consolidated balance sheet date was also changed to December 31. By unifying the fiscal year with its foreign subsidiaries, THK intends to promote integrated group operations and improve its management transparency through timely and appropriate disclosure of its operating results and other business information. In accordance with this change, the six-month period ended September 30, 2017 was an irregular accounting period that include the operating results for the six months (from April 1, 2017 to September 30, 2017) of THK and consolidated subsidiaries whose closing date is March 31 and the operating results for the nine months (from January 1, 2017 to September 30, 2017) of consolidated subsidiaries whose closing date is December 31.

The operating results of the consolidated subsidiaries whose closing date is December 31 for the three months ended March 31, 2017, which have been adjusted through consolidated statements of income, are as follows:

(Millions of Yen)	Net Sales	Operating Income	Ordinary Income	Income before income taxes
Three months ended March 31, 2017	¥44,414	¥2,129	¥1,984	¥1,979

Management's Discussion and Analysis

1. Operating results (April 1, 2017 to September 30, 2017)

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 current fiscal year is an irregular accounting period of transition that covers nine months from April 1, 2017 to December 31, 2017. The consolidated operating results for the six months ended September 30, 2017 include the six months (from April 1, 2017 to September 30, 2017) of consolidated subsidiaries whose closing date is March 31 and the nine months (from January 1, 2017 to September 30, 2017) of consolidated subsidiaries whose closing date is December 31. Therefore, year-on-year percentage changes are not presented.

During this six-month period, while the economy in developed countries such as Europe and the United States of America continuously rallied, signs of recovery were seen in the economy in emerging countries such as China; the world economy continued its modest recovery. In Japan, while exports were robust because of the recovery of the world economy, the economy showed signs of an overall recovery trend and gradually rallied.

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 the Internet of Things (IoT), cloud computing, AI, robot in many ways.

In this six-month period, while the overall business was going strong because of sales to the electronics industry which were continuously robust and of expanding demand for general machine products and machine tool products, the THK Group steadily captured such 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 six-month period amounted to ¥202,368 million and ¥19,684 million, respectively.

Total non-operating income was ¥2,029 million of which major component was ¥781 million of equity earnings of affiliates. Total non-operating expenses were ¥607 million of which major component was ¥269 million of interest expenses.

As a result, THK recorded ¥21,105 million of ordinary income.

Net income attributable to owners of the parent for the six-month period was ¥17,802 million. This was mainly attributable to decrease in income tax-deferred by ¥2,884 million in relation to the tax effect of the transfer of shares resolved and announced on October 23, 2017, in which THK will transfer all of its holdings of shares of THK RHYTHM CO., LTD., a consolidated subsidiary, to TRA Holdings, CO., LTD.

Segment Information

(Japan)

In Japan, while there were signs of overall recovery with strong exports underpinned by the recovery of the world economy, the economy gradually rallied. In addition to sales to the electronics industry which were continuously robust, demand for general machine products and machine tool products was expanding. In such a situation, where overall demand was robust, the THK Group successfully captured such demand and recorded ¥68,918 million of net sales and ¥12,314 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, the THK Group steadily incorporated the strong demand for electronics products and machine tool products and successfully recorded ¥50,383 million of net sales and ¥2,532 million operating income (segment income).

(Europe)

In Europe, while the economy continued its modest recovery trend mainly because of strong consumer spending, 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, the THK Group steadily incorporated the strong demand for general machine products and successfully recorded ¥42,514 million of net sales and ¥618 million operating income (segment income).

(China)

In China, in addition to the increasing demand boosted by smartphone and automobile-related investments, 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 steadily incorporated such demand and successfully recorded ¥28,759 million of net sales and ¥1,843 million 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 ¥11,793 million and ¥1,508 million, respectively.

2. Financial position (As of September 30, 2017)

Total assets stood at ¥442,412 million, ¥27,480 million more than the previous fiscal year-end, due mainly to increase in (1) accounts and notes receivable by ¥6,779 million, (2) electronically recorded monetary claims by ¥4,912 million, (3) raw materials and supplies by ¥3,167 million, and (4) machinery and equipment (net) by ¥2,405 million.

Total liabilities stood at ¥170,538 million, ¥7,147 million more than the previous fiscal year-end, due mainly to increase in (1) electronically recorded obligations by ¥2,727 million and (2) income taxes payable by ¥1,802 million.

Net assets stood at ¥271,874 million, ¥20,333 million more than the previous fiscal year-end, due mainly to increase in (1) retained earnings by ¥14,638 million and (2) foreign currency translation adjustments by ¥4,860 million.

3. Forecast for the fiscal year ending December 31, 2017

For details of the financial forecasts for the year ending December 31, 2017, please refer to "Notice

Regarding Amendments in Financial Forecasts and Dividend Projection” announced on today, November 13, 2017.

Consolidated Financial Statements

Consolidated Balance Sheets

(Millions of Yen)

	Year End -Previous Year As of March 31, 2017	Second Quarter End -Current Year As of September 30, 2017
Assets		
Current Assets:		
Cash and bank deposits	¥137,345	¥139,134
Accounts and notes receivable	64,218	70,997
Electronically recorded monetary claims	11,216	16,128
Merchandise and finished goods	12,860	13,544
Work in process	8,607	10,027
Raw materials and supplies	15,960	19,128
Other current assets	9,793	10,390
Less: Allowance for bad debts	(174)	(186)
Total current assets	259,827	279,165
Fixed Assets:		
Property, plant and equipment -net:		
Buildings and structures	31,274	31,080
Machinery and equipment	51,716	54,121
Other	25,649	26,206
Total property, plant and equipment –net	108,639	111,409
Intangibles		
Goodwill	11,251	11,577
Other	20,976	21,046
Total intangibles	32,228	32,623
Investments and Other		
Long-term investments in securities	8,289	10,124
Other	6,009	9,155
Less: Allowance for bad debts	(64)	(65)
Total investments and other	14,235	19,214
Total fixed assets	155,103	163,247
Total assets	414,931	442,412

	(Millions of Yen)	
	Year End -Previous Year As of March 31, 2017	Second Quarter End -Current Year As of September 30, 2017
Liabilities		
Current Liabilities:		
Accounts and notes payable	¥22,132	¥21,900
Electronically recorded obligations	20,556	23,284
Current portion of long-term bonds	13,000	23,000
Current portion of long-term bank loans	2,185	2,185
Income taxes payable	3,865	5,668
Accrued bonuses	3,398	4,558
Other	15,741	17,366
Total current liabilities	80,880	97,962
Long-term Liabilities:		
Bonds	40,000	30,000
Long-term bank loans	27,480	27,480
Reserve for retirement benefits for directors and corporate auditors	116	103
Reserve for product warranty	129	112
Net defined benefit liability	7,827	7,856
Other	6,956	7,023
Total long-term liabilities	82,510	72,575
Total liabilities	163,390	170,538
Net Assets		
Shareholders' equity :		
Common stock	34,606	34,606
Additional paid-in capital	44,584	44,584
Retained earnings	176,617	191,256
Treasury stock	(13,991)	(13,996)
Total shareholders' equity	241,817	256,451
Accumulated other comprehensive income :		
Net unrealized gain on available-for-sale securities	1,585	2,345
Foreign currency translation adjustments	6,793	11,653
Remeasurements of defined benefit plans	(1,256)	(1,493)
Total accumulated other comprehensive income	7,122	12,505
Non-controlling interests	2,600	2,916
Total net assets	251,540	271,874
Total liabilities and net assets	414,931	442,412

Consolidated Statements of Income

(Millions of Yen)

	Second Quarter Ended September 30, 2016 (From April 1, 2016 to September 30, 2016)	Second Quarter Ended September 30, 2017 (From April 1, 2017 to September 30, 2017)
Net sales	¥136,232	¥202,368
Cost of sales	102,129	152,930
Gross profit	34,103	49,437
Selling, general and administrative expenses	22,431	29,753
Operating income	11,672	19,684
Non-operating income:		
Interest income	256	291
Equity earnings of affiliates	152	781
Other	828	956
Total non-operating income	1,237	2,029
Non-operating expense:		
Interest expenses	240	269
Foreign exchange loss, net	4,512	209
Other	246	128
Total non-operating expenses	4,999	607
Ordinary income	7,909	21,105
Extraordinary gains:		
Gain on sales of property, plant and equipment	5	14
Total extraordinary gains	5	14
Extraordinary losses:		
Loss on sales and disposal of property, plant and equipment	89	72
Total extraordinary losses	89	72
Income before income taxes	7,825	21,048
Income taxes-current	2,604	6,147
Income taxes-deferred	157	(3,172)
Total income taxes	2,762	2,975
Net income	5,063	18,072
Net income (loss) attributable to non-controlling interests	(165)	269
Net income attributable to owners of the parent	5,228	17,802

Consolidated Statements of Comprehensive Income

(Millions of Yen)

	Second Quarter Ended September 30, 2016 (From April 1, 2016 to September 30, 2016)	Second Quarter Ended September 30, 2017 (From April 1, 2017 to September 30, 2017)
Net income	¥5,063	¥18,072
Other comprehensive income:		
Net unrealized gain on available-for-sale securities	120	771
Foreign currency translation adjustments	(24,466)	5,041
Remeasurements of defined benefit plans	41	(223)
Share of other comprehensive losses of affiliates accounted under the equity method	(898)	(160)
Total other comprehensive income (loss)	(25,202)	5,429
Comprehensive income (loss)	(20,139)	23,501
Attributable to:		
Owners of the parent	(19,407)	23,185
Non-controlling interests	(731)	316

Consolidated Statements of Cash Flows

(Millions of Yen)

	Second Quarter Ended September 30, 2016 (From April 1, 2016 to September 30, 2016)	Second Quarter Ended September 30, 2017 (From April 1, 2017 to September 30, 2017)
Cash flows from operating activities:		
Income before income taxes	¥7,825	¥21,048
Depreciation and amortization	6,762	9,418
Loss on sale/disposal of property, plant and equipment	85	57
Increase in provisions	291	1,101
Increase in net defined benefit liability	104	83
Interest and dividend income	(299)	(346)
Interest expenses	240	269
Foreign exchange loss	5,398	2,409
Equity in earnings of affiliates	(152)	(781)
Amortization of goodwill	506	628
Increase in trade receivables	(4,439)	(10,380)
Decrease (increase) in inventories	568	(4,659)
Increase in trade payables	4,192	1,639
Other	(917)	809
Subtotal	20,166	21,297
Interest and dividend received	489	346
Interest paid	(240)	(309)
Income taxes paid	(2,810)	(4,333)
Net cash provided by operating activities	17,603	17,000
Cash flows from investing activities:		
Purchase of property, plant and equipment	(5,465)	(9,816)
Proceeds from sale of property, plant and equipment	5	16
Purchase of investments in securities	(80)	(116)
Increase in loans receivable	(93)	(5)
Collection on loans	3	75
Refund on cancelled insurance	9	—
Payment for insurance funds	—	(11)
Other	17	1
Net cash used in investing activities	(5,602)	(9,856)

	Second Quarter Ended September 30, 2016 (From April 1, 2016 to September 30, 2016)	Second Quarter Ended September 30, 2017 (From April 1, 2017 to September 30, 2017)
Cash flows from financing activities:		
Dividends paid	(3,160)	(3,167)
Purchase of treasury stocks	(0)	(4)
Repayments of lease obligations	(97)	(65)
Net cash provided used in financing activities	(3,258)	(3,237)
Foreign currency translation adjustments on cash and cash equivalents	(11,940)	(2,116)
Net increase (decrease) in cash and cash equivalents	(3,197)	1,789
Cash and cash equivalents, beginning of the period	126,964	137,345
Cash and cash equivalents, end of the period	123,766	139,134

Segment Information

For the six months ended September 30, 2016 (April 1, 2016 to September 30, 2016)

							(Millions of Yen)	
	Japan	The Americas	Europe	China	Other	Adjustments	Consolidated	
Sales to customers	¥57,747	¥33,115	¥26,103	¥13,340	¥5,925	¥—	¥136,232	
Inter-segment	20,243	23	63	1,764	621	(22,715)	—	
Total	77,990	33,139	26,166	15,104	6,546	(22,715)	136,232	
Operating income	7,435	1,817	754	51	563	1,048	11,672	

(Note) All adjustments are intercompany elimination.

For the six months ended September 30, 2017 (April 1, 2017 to September 30, 2017)

							(Millions of Yen)	
	Japan	The Americas	Europe	China	Other	Adjustments	Consolidated	
Sales to customers	¥68,918	¥50,383	¥42,514	¥28,759	¥11,793	¥—	¥202,368	
Inter-segment	26,211	53	11	2,916	1,003	(30,196)	—	
Total	95,130	50,436	42,525	31,675	12,796	(30,196)	202,368	
Operating income	12,314	2,532	618	1,843	1,508	866	19,684	

(Note) All adjustments are intercompany elimination.

Subsequent Event

(Capital Increase and Capital Reduction of a Subsidiary)

TRA Holdings, CO., LTD. (hereinafter, "TRA"), a wholly owned subsidiary of THK, decided to carry out a capital increase and a capital deduction following the resolution of the Board of Directors meeting and Extraordinary General Meeting of Shareholders held on October 23, 2017.

1. Reasons of the Capital Increase and Capital Reduction

On October 5, 2017, THK established TRA in charge of comprehensive management of the THK Group's expanding transportation equipment business to improve the value of the aforementioned business and reinforce the THK Group's management.

THK plans to conduct the capital increase and the capital reduction in order to transfer all of its holdings of shares of THK RHYTHM CO., LTD. (hereinafter, "RHYTHM") to TRA and implement an efficient capital policy. In the capital increase, some part will be subscribed to external investors for the purpose of diversification of funding sources and enhancement of corporate governance.

2. Outline of the Subsidiary Subject to Capital Increase and Capital Deduction

(1)	Name	TRA Holdings, CO., LTD.
(2)	Head office	2-12-10, Shibaura, Minato-ku, Tokyo
(3)	Representative	Mr. Akihiro Teramachi, President and CEO
(4)	Business	Management of the transportation equipment business and related operations
(5)	Paid-in capital	JPY 30 million
(6)	Date of establishment	October 5, 2017
(7)	Major shareholder and shareholding ratio	THK 100%

3. Outline of the Capital Increase

Outline of Capital Increase #1

(1)	Number of shares to be issued	139,400 shares
(2)	Issue price	JPY 50,000 per share
(3)	Total amount of issuance	JPY 6,970 million
(4)	Method of allotment	Third-party allotment
(5)	Allottee	THK 100%
(6)	Payment date	October 24, 2017

Outline of Capital Increase #2

(1)	Number of shares to be issued	60,000 shares
(2)	Issue price	JPY 50,000 per share
(3)	Total amount of issuance	JPY 3,000 million
(4)	Method of allotment	Third-party allotment
(5)	Allottees	Blue Partners Investment Limited Partnership No.2: 40,000 shares

	IBJ Leasing Company, Limited. :	20,000 shares
(6)	Payment date	November 13, 2017

4. Outline of Subscribers

Blue Partners Investment Limited Partnership No.2

(1)	Name	Blue Partners Investment Limited Partnership No.2	
(2)	Head office	1-9-6, Otemachi, Chiyoda-ku, Tokyo	
(3)	Basis of formation	Limited Partnership Act for Investment	
(4)	Purposes of formation	Acquisition of investment securities and others	
(5)	Date of formation	October 15, 2015	
(6)	Total amount of funds	Not disclosed	
(7)	Outline of investors	1. Development Bank of Japan Inc. 1-9-6, Otemachi, Chiyoda-ku, Tokyo President and CEO: Mr. Masanori Yanagi 2. Mizuho Bank, Ltd. 1-5-5, Otemachi, Chiyoda-ku, Tokyo President & CEO: Mr. Koji Fujiwara	
(8)	Outline of the managing partner	Name	Blue Partners Inc.
		Head office	1-9-6, Otemachi, Chiyoda-ku, Tokyo
		Representative	Mr. Yusuke Okimoto, President & CEO
		Business	Acquisition and holdings of investment securities and others
		Paid-in capital	JPY 3 million
		Name	Development Bank of Japan Inc.
		Head office	1-9-6, Otemachi, Chiyoda-ku, Tokyo
		Representative	Mr. Masanori Yanagi, President and CEO
		Business	Financial and insurance services
		Paid-in capital	JPY 1,000,424 million
(9)	Relationship between the fund and THK	Relationship between the fund and THK	There is no capital/trade/personnel relationship between the fund/managing partner and THK.
		Relationship between the managing partner and THK	

IBJ Leasing Company, Limited.

(1)	Name	IBJ Leasing Company, Limited.	
(2)	Head office	1-2-6, Toranomom, Minato-ku, Tokyo	
(3)	Representative	Mr. Hiroshi Motoyama, President and CEO	
(4)	Business	General leasing business	
(5)	Paid-in capital	JPY 17,874 million	
(6)	Date of establishment	December 1, 1969	
(7)	Net assets (consolidated)	JPY 141,755 million (as of March 31, 2017)	
(8)	Total assets (consolidated)	JPY 1,752,284 million (as of March 31, 2017)	
(9)	Major shareholder and shareholding ratio	The Dai-ichi Life Insurance Company, Limited: 6.87% NISSAN MOTOR CO., LTD. Retirement Benefit Trust Account Trustee: Mizuho Trust & Banking Co., Ltd. Re-trustee: Trust & Custody Services Bank, Ltd.: 4.10% Mizuho Bank, Ltd.: 3.81%	
(10)	Relationship between IBJ and THK	Capital relationship	Not applicable
		Personnel relationship	Not applicable
		Trade relationship	THK and its affiliates have lease transactions with IBJ and its affiliates.

5. Outline of the Capital Reduction

(1)	Amount of paid-in capital to be decreased	Paid-in capital of JPY5,015 million (before the capital reduction) will decrease JPY4,915 million, to JPY100 million.
(2)	Amount of capital reserve to be decreased	Capital reserve of JPY4,985 million (before the capital reduction) will decrease JPY4,885 million, to JPY100 million.
(3)	Method of reducing paid-in capital and capital reserve	Paid-in capital and capital reserve will be transferred to other capital surplus.
(4)	Effective date	December 15, 2017 (scheduled)

6. Status of Shares Held Before and After the capital increase and the capital deduction

(1)	Number of shares held before the capital increase and the capital deduction	600 shares (Number of voting rights: 600) (Ownership ratio of voting rights: 100%)
(2)	Number of shares to be acquired	139,400 shares (Number of voting rights: 139,400)
(3)	Number of shares held after the capital increase and the capital deduction	140,000 shares (Number of voting rights: 140,000) (Ownership ratio of voting rights: 70.0%)

(Transfer of Shares of a Subsidiary and Related Extraordinary Gain on a Non-consolidated Basis)

At the Board of Directors meeting held on October 23, 2017, THK decided to transfer all of its holdings of shares of RHYTHM to TRA. Subsequently, THK has entered into an agreement of the transfer of shares on October 27, 2017. THK expects to record a related extraordinary gain on a non-consolidated basis.

1. Reasons of the Transfer of Shares

On October 5, 2017, THK established TRA in charge of comprehensive management of the THK Group's expanding transportation equipment business to improve the value of the aforementioned business and reinforce the THK Group's management. In relation to the establishment, THK decided to transfer all of its holdings of shares of RHYTHM, who engages in the Group's transportation equipment business, to TRA.

2. Outline of the Subsidiary Subject to Transfers of Shares

(1)	Name	THK RHYTHM CO., LTD.
(2)	Head office	283-3, Gokyucho, Minami-ku, Hamamatsu-city, Shizuoka, Japan
(3)	Representative	Mr. Akira Furihata, President & CEO
(4)	Business	Sales and manufacturing of parts for automotive equipment and other transportation equipment
(5)	Paid-in capital	JPY 490 million
(6)	Date of establishment	December 20, 1961
(7)	Major shareholder and shareholding ratio	THK 100%
(8)	Nature of transaction with THK	There is no significant trade relationship between THK and RHYTHM. THK and RHYTHM have entered loan agreements.

3. Outline of Transferee of the Shares

(1)	Name	TRA Holdings, CO., LTD.
(2)	Head office	2-12-10, Shibaura, Minato-ku, Tokyo
(3)	Representative	Mr. Akihiro Teramachi, President and CEO
(4)	Business	Management of the transportation equipment business and related operations
(5)	Paid-in capital	JPY 30 million (as of October 23, 2017)
(6)	Date of establishment	October 5, 2017
(7)	Major shareholder and shareholding ratio	THK 100%

4. Number of Shares to Be Transferred, Transfer Price, and Status of Shares Held Before and After the Transfer

(1)	Number of shares held before the transfer	4,900 shares (100%)
(2)	Number of shares to be transferred	4,900 shares
(3)	Transfer price	Ordinary shares of RHYTHM ¥9,900 million Advisory fees (approximate) ¥2 million Total (approximate) ¥9,902 million
(4)	Number of shares held after the transfer	No shares (0%)

5. Schedule

(1)	Date of resolution of the Board of Directors	October 23, 2017
(2)	Date of signing of the share transfer agreement	October 27, 2017
(3)	Date of execution of the share transfer	November 14, 2017 (scheduled)

6. Recognizing an Extraordinary Gain on a Non-consolidated Basis

THK expects to record ¥9,899 million of an extraordinary gain as gain on sale of shares of a subsidiary for the fiscal year ending December 31, 2017 on a non-consolidated basis.

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.