

Consolidated Financial Results for the Nine Months Ended September 30, 2019 under Japanese GAAP

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 URL : <http://www.thk.com>
 Stock exchange listing : Tokyo Stock Exchange-First Section
 Code number : 6481
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 Scheduled date of filing quarterly report (Japanese version only) : November 14, 2019

1. Consolidated operating results and financial position as of and for the nine months ended September 30, 2019 (January 1, 2019 to September 30, 2019)

(1) Consolidated Operating Results

Nine Months Ended (Millions of Yen)	Net Sales		Operating Income		Ordinary Income		Net Income attributable to owners of the parent	
September 30, 2019	¥214,990	(18.9)%	¥16,614	(56.6)%	¥17,678	(55.7)%	¥9,294	(67.4)%
September 30, 2018	265,223	—	38,269	—	39,945	—	28,481	—
<i>(Note) Comprehensive income</i>		<i>Nine months ended September 30, 2019:</i>			<i>¥2,041 million</i>		<i>(92.1)</i>	<i>%</i>
		<i>Nine months ended September 30, 2018:</i>			<i>25,922 million</i>		<i>—</i>	

Nine Months Ended (Yen)	Net Income Per Share-Basic	Net Income Per Share-Diluted
September 30, 2019	¥73.43	¥ —
September 30, 2018	225.03	—

(Note) THK changed its closing date of each fiscal year from March 31 to December 31 starting from the fiscal year ended December 31, 2017. The fiscal year ended December 31, 2017 was an irregular accounting period of transition that covered nine months from April 1, 2017 to December 31, 2017. Since the nine months period of 2018 (January 1, 2018 to September 30, 2018) differs from that of 2017 (from April 1, 2017 to December 31, 2017), year-on-year percentage changes for the nine months ended September 30, 2018 in the above table 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, 2019	¥457,706	¥288,545	60.7 %	¥2,195.67
December 31, 2018	462,931	294,719	61.3	2,240.74

(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, 2019: ¥277,900 million
 As of December 31, 2018: 283,605 million

(Note) Effective January 1, 2019, THK applied "Partial Amendments to Accounting Standard for Tax Effect Accounting" (Statement No. 28 issued by Accounting Standards Board of Japan). The 2018 figures in the above table have been retrospectively adjusted in accordance with the revised standard.

2. Dividends

	Dividend Per Share (Yen)				
	First Quarter End	Second Quarter End	Third Quarter End	Year end	Total
Year ended December 31, 2018 (Actual)	¥ —	¥47.00	¥ —	¥38.00	¥85.00
Year ending December 31, 2019 (Actual)	—	24.00	—	n/a	n/a
Year ending December 31, 2019 (Projected)	n/a	n/a	n/a	8.00	32.00

(Note) Change in dividend projection: The projected year-end dividend has been amended as in the table above. For details, please refer to "Notice Regarding Amendments in Financial Forecasts and Dividend Projection" announced on November 13, 2019.

3. Forecasts for the year ending December 31, 2019 (January 1, 2019 to December 31, 2019)

	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, 2019 (amount)	¥276,000	¥16,800	¥18,200	¥9,500	¥75.06
(percentage)	(21.9)%	(66.3)%	(64.8)%	(73.2)%	n/a

(Note 1) The forecasts announced on February 14, 2019 have been amended to as in the above table.

(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.

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:	September 30, 2019	133,856,903
	December 31, 2018	133,856,903
b. Treasury stock as of:	September, 2019	7,289,257
	December 31, 2018	7,288,846
c. Average number of common stock for the nine months ended:	September 30, 2019	126,567,937
	September 30, 2018	126,568,597

(5) Additional information

Effective January 1, 2019, THK applied "Partial Amendments to Accounting Standard for Tax Effect Accounting" (Statement No. 28 issued by Accounting Standards Board of Japan). In accordance with the revised standard, deferred tax assets and deferred tax liabilities are presented as "investments and other" and "long-term liabilities," respectively, in the consolidated balance sheet.

Management's Discussion and Analysis

1. Operating results (from January 1, 2019 to September 30, 2019)

In this nine months period, while signs of economic slowdown were spreading mainly in China because of the US-China trade friction, there were growing concerns of the global economic slowdown. In Japan, uncertainty was spreading in the economy; exports and production weakened due to the declining demand from China and other countries.

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 such a situation where overall demand was in an adjustment phase due to the US-China trade friction, the THK Group captured the demand, which had been accumulated at a high level before entering the adjustment phase. The sales, however, amounted to ¥214,990 million, down ¥50,232 million, or 18.9%, compared to the figure a year earlier, which was robust.

On the cost front, the THK Group continued to implement various activities to improve its productivity and to mitigate the decline in profitability. The cost to sales ratio, however, rose 3.7% from a year earlier to 74.5% due to the sharp decrease in sales.

Selling, general and administrative expenses amounted to ¥38,149 million, down ¥898 million, or 2.3%, compared to the figure a year earlier. This was mainly attributable to the THK Group's endeavors to contain costs and improve operating efficiency as well as the decreased sales. The ratio to net sales, however, worsened by 3.0% from a year earlier to 17.7%

As a result, operating income decreased from a year earlier by ¥21,654 million, or 56.6%, to ¥16,614 million. Ratio to net sales dropped by 6.7% to 7.7%.

Total non-operating income was ¥2,329 million of which major component was ¥696 million of interest income. Total non-operating expenses were ¥1,265 million of which major components were ¥225 million of interest expenses and ¥208 million of foreign exchange loss—net.

As a result, ordinary income decreased from a year earlier by ¥22,266 million, or 55.7%, to ¥17,678 million.

For certain fixed assets owned by THK RHYTHM AUTOMOTIVE CANADA LIMITED, a consolidated subsidiary of THK who is engaged in the transportation equipment business, the THK Group reviewed for impairment in accordance with "Guidance for Accounting Standard for Impairment of Fixed Assets" because there were indications of impairment arising from decline in profitability due to the deterioration in market conditions. As a result, the carrying amounts of such fixed assets were written down to their recoverable amounts and the THK Group recorded an impairment loss of ¥2,136 million as an extraordinary loss.

As a result, net income attributable to owners of the parent decreased from a year earlier by ¥19,187 million, or 67.4%, to ¥9,294 million.

Segment Information

(Japan)

In Japan, while exports and production weakened due to the declining demand from China and other countries led by the US-China trade friction, the THK Group successfully generated sales by capturing demand which was favorable overall. Sales, however, decreased by ¥25,276 million, or 21.3%, to ¥93,619 million. Operating income (segment income) decreased by ¥16,626 million, or 56.7%, to ¥12,674 million due to the decreased sales.

(The Americas)

In the Americas, while the economy continued its growth trend led by its domestic demand, 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. However, sales decreased by ¥7,874 million, or 14.9%, to ¥44,876 million due to the adjustment phase of demand mainly for electronics products. In addition to the decreased sales, the profitability of the transportation equipment business declined due mainly to the higher material costs and unexpected costs incurred for launching new forged aluminum products. As a result, the THK Group recorded ¥472 million of operating loss (segment loss), a turnaround of ¥1,031 million.

(Europe)

In Europe, while there were weaknesses in exports and production mainly because of the US-China trade friction, the moderate economic growth continued because of the domestic demand mainly for consumer spending. In such a situation, 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. Sales, however, decreased by ¥2,325 million, or 5.1%, to ¥42,989 million. As a result, the THK Group recorded ¥368 million of operating loss (segment loss), a turnaround of ¥183 million, mainly due to the decreased sales.

(China)

In China, while adjustment phases caused by the US-China trade friction concern were widely seen in capital investments, the THK Group captured the growing demand for electronics products and automation and robotization-related products. Sales, however, decreased by ¥12,440 million, or 34.7%, to ¥23,461 million. Operating income (segment income) decreased by ¥3,819 million, or 62.5%, to ¥2,291 million due to the decreased sales.

(Other)

In other countries and regions, the THK Group continued to expand and deepen transactions with existing customers and to cultivate new customers while demand for THK Group's products was widely expanded in India and the ASEAN countries. Sales, however, decreased by ¥2,314 million, or 18.7%, to ¥10,044 million, mainly owing to the decreased demand in China that unfavorably affected the sales in some countries. Operating income (segment income) decreased by ¥717 million, or 41.9%, to ¥995 million due to the decreased sales.

2. Financial position (As of September 30, 2019)

Total assets stood at ¥457,706 million, ¥5,224 million less than the previous fiscal year-end, due mainly to a combined effect of increase in (1) cash and bank deposits by ¥7,302 million, (2) merchandise and finished goods by ¥2,691 million, (3) buildings and structures—net by ¥7,142 million, and (4) machinery and equipment—net by ¥1,037 million and decrease in (1) accounts and notes receivable by ¥15,814 million, (2) electronically recorded monetary claims by ¥6,383 million, and (3) goodwill by ¥1,139 million.

Total liabilities stood at ¥169,161 million, ¥948 million more than the previous fiscal year-end, due mainly to a combined effect of increase in (1) bonds by ¥20,000 million and (2) long-term bank loans by ¥7,814 million and decrease in (1) accounts and notes payable by ¥4,190 million (2) electronically recorded obligations by ¥8,698 million, and (3) income taxes payable by ¥11,104 million.

Net assets stood at ¥288,545 million, ¥6,173 million less than the previous fiscal year-end, due mainly to a combined effect of increase in retained earnings by ¥1,445 million and decrease in foreign currency translation adjustments by ¥7,617 million.

3. Forecast for the fiscal year ending December 31, 2019

For details of the financial forecasts for the year ending December 31, 2019, please refer to "Notice Regarding Amendments in Financial Forecasts" announced on November 13, 2019.

Consolidated Financial Statements

Consolidated Balance Sheet

(Millions of Yen)

	Year End -Previous Year As of December 31, 2018	Third Quarter End -Current Year As of September 30, 2019
Assets		
Current Assets:		
Cash and bank deposits	¥134,513	¥141,816
Accounts and notes receivable	69,722	53,908
Electronically recorded monetary claims	22,973	16,590
Merchandise and finished goods	18,625	21,317
Work in process	10,815	9,960
Raw materials and supplies	20,624	20,132
Other current assets	7,741	11,865
Less: Allowance for bad debts	(134)	(108)
Total current assets	284,881	275,482
Fixed Assets:		
Property, plant and equipment -net:		
Buildings and structures	29,525	36,667
Machinery and equipment	62,735	63,772
Other	37,434	38,036
Total property, plant and equipment –net	129,695	138,477
Intangibles		
Goodwill	10,003	8,864
Other	18,102	15,790
Total intangibles	28,106	24,654
Investments and Other		
Long-term investments in securities	9,665	10,199
Other	10,666	8,960
Less: Allowance for bad debts	(83)	(67)
Total investments and other	20,248	19,092
Total fixed assets	178,049	182,224
Total assets	462,931	457,706

(Millions of Yen)

	Year End -Previous Year As of December 31, 2018	Third Quarter End -Current Year As of September 30, 2019
Liabilities		
Current Liabilities:		
Accounts and notes payable	¥22,084	¥17,894
Electronically recorded obligations	26,938	18,240
Current portion of long-term bonds	—	10,000
Current portion of long-term bank loans	12,185	2,185
Income taxes payable	12,271	1,167
Accrued bonuses	3,899	2,263
Other	20,850	19,276
Total current liabilities	98,230	71,027
Long-term Liabilities:		
Bonds	40,000	50,000
Long-term bank loans	15,295	33,110
Reserve for retirement benefits for directors and corporate auditors	131	109
Reserve for product warranty	112	99
Net defined benefit liability	7,908	7,729
Other	6,535	7,085
Total long-term liabilities	69,982	98,133
Total liabilities	168,212	169,161
Net Assets		
Shareholders' equity :		
Common stock	34,606	34,606
Additional paid-in capital	40,420	40,413
Retained earnings	220,787	222,233
Treasury stock	(14,002)	(14,003)
Total shareholders' equity	281,811	283,249
Accumulated other comprehensive income :		
Net unrealized gain on available-for-sale securities	1,102	1,479
Foreign currency translation adjustments	2,755	(4,861)
Remeasurements of defined benefit plans	(2,063)	(1,967)
Total accumulated other comprehensive income	1,794	(5,348)
Non-controlling interests	11,113	10,645
Total net assets	294,719	288,545
Total liabilities and net assets	462,931	457,706

Consolidated Statement of Income

(Millions of Yen)

	Nine Months Ended September 30, 2018 (From January 1, 2018 to September 30, 2018)	Nine Months Ended September 30, 2019 (From January 1, 2019 to September 30, 2019)
Net sales	¥265,223	¥214,990
Cost of sales	187,905	160,227
Gross profit	77,317	54,763
Selling, general and administrative expenses	39,047	38,149
Operating income	38,269	16,614
Non-operating income:		
Interest income	522	696
Equity earnings of affiliates	544	20
Other	1,886	1,613
Total non-operating income	2,954	2,329
Non-operating expense:		
Interest expenses	191	225
Foreign exchange loss, net	655	208
Other	431	832
Total non-operating expenses	1,278	1,265
Ordinary income	39,945	17,678
Extraordinary gains:		
Gain on sales of property, plant and equipment	45	31
Total extraordinary gains	45	31
Extraordinary losses:		
Loss on sales and disposal of property, plant and equipment	132	57
Impairment loss	—	2,136
Total extraordinary losses	132	2,193
Income before income taxes	39,857	15,516
Income taxes-current	11,682	4,333
Income taxes-deferred	(819)	1,673
Total income taxes	10,862	6,006
Net income	28,995	9,509
Net income attributable to non-controlling interests	513	215
Net income attributable to owners of the parent	28,481	9,294

Consolidated Statement of Comprehensive Income

(Millions of Yen)

	Nine Months Ended September 30, 2018 (From January 1, 2018 to September 30, 2018)	Nine Months Ended September 30, 2019 (From January 1, 2019 to September 30, 2019)
Net income	¥28,995	¥9,509
Other comprehensive income:		
Unrealized gain (loss) on available-for-sale securities	(823)	376
Foreign currency translation adjustments	(2,968)	(7,795)
Remeasurements of defined benefit plans	87	108
Share of other comprehensive income (loss) of affiliates accounted under the equity method	631	(156)
Total other comprehensive loss	(3,072)	(7,468)
Comprehensive income	25,922	2,041
Attributable to:		
Owners of the parent	25,445	2,149
Non-controlling interests	477	(108)

Information on Impairment Losses

For the nine months ended September 30, 2018 (January 1, 2018 to September 30, 2018)

Not applicable.

For the nine months ended September 30, 2019 (January 1, 2019 to September 30, 2019)

The THK Group recorded an impairment loss for the following assets:

Location	Usage	Category	Impairment Loss (Millions of Yen)
City of St. Catharines, Ontario, Canada	Operating asset	Machinery and equipment	¥1,915
		Other	220
Total			2,136

In principle, fixed assets of the THK Group are classified into asset groups based on the managerial accounting units.

During the nine months period ended September, 30, 2019, the THK Group determined that the carrying amounts of certain operating assets of THK RHYTHM AUTOMOTIVE CANADA LIMITED, a consolidated subsidiary, were unrecoverable due to decline in profitability. As a result, the carrying amounts of such fixed assets were written down to their recoverable amounts and the difference was recorded as an impairment loss.

The recoverable amounts of operating assets are measured at their net realizable value determined based on real estate appraisal values.

Segment Information

For the nine months ended September 30, 2018 (January 1, 2018 to September 30, 2018)

(Millions of Yen)

	Japan	The Americas	Europe	China	Other	Adjustments	Consolidated
Sales to customers	¥118,895	¥52,751	¥45,315	¥35,901	¥12,359	¥-	¥265,223
Inter-segment	42,439	196	100	5,240	1,403	(49,381)	-
Total	161,335	52,947	45,415	41,142	13,763	(49,381)	265,223
Operating income (loss)	29,301	559	(184)	6,111	1,712	770	38,269

(Note) All adjustments are intercompany elimination.

Information on impairment losses of fixed assets, goodwill and others

Not applicable.

For the nine months ended September 30, 2019 (January 1, 2019 to September 30, 2019)

(Millions of Yen)

	Japan	The Americas	Europe	China	Other	Adjustments	Consolidated
Sales to customers	¥93,619	¥44,876	¥42,989	¥23,461	¥10,044	¥-	¥214,990
Inter-segment	37,190	104	150	3,943	1,318	(42,707)	-
Total	130,809	44,981	43,139	27,405	11,363	(42,707)	214,990
Operating income (loss)	12,674	(472)	(368)	2,291	995	1,493	16,614

(Note) All adjustments are intercompany elimination.

Information on impairment losses of fixed assets, goodwill and others

In the Americas segment, the THK Group recorded an impairment loss for fixed assets owned by THK RHYTHM AUTOMOTIVE CANADA LIMITED. The impairment loss for the nine months period ended September 30, 2019 was ¥2,136 million.

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.