

Consolidated Financial Results for the Second Quarter Ended September 30, 2015 under Japanese GAAP

Company Name : THK CO., LTD.
 Head Office : Tokyo, Japan (Tel: +81-3-5434-0300)
 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, General Manager of Finance and Accounting Department, Corporate Strategy Division
 Scheduled date of filing quarterly report (Japanese version only) : November 13, 2015
 Scheduled starting date of dividend payment : December 7, 2015

1. Consolidated Operating Results and Financial Position as of and for the six months ended September 30, 2015 (April 1, 2015 to September 30, 2015)

(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	
2015	¥112,186	5.6%	¥12,488	(12.7) %	¥11,694	(24.4) %	¥7,709	(29.2) %
2014	106,207	19.2	14,300	91.0	15,472	42.0	10,887	52.7
<i>(Note) Comprehensive income</i>	<i>Second quarter ended September 30, 2015:</i>				¥8,327 million		139.7 %	
	<i>Second quarter ended September 30, 2014:</i>				3,474 million		(82.3)	

Second Quarter Ended September 30 (Yen)	Net Income Per Share-Basic	Net Income Per Share-Diluted
2015	¥60.90	¥ —
2014	86.00	—

(2) Consolidated Financial Position

	Total Assets (Millions of Yen)	Net Assets (Millions of Yen)	Net Worth Ratio (%)	Net Assets Per Share (Yen)
September 30, 2015	¥410,695	¥255,024	61.5 %	¥1,994.20
March 31, 2015	373,610	250,498	66.3	1,957.48

(Note 1) 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, 2015: ¥252,442 million
 As of March 31, 2015: 247,797 million

(Note 2) THK acquired the linkage and suspension business of TRW Automotive Inc. (now part of ZF Friedrichshafen AG) in Europe and North America through a business transfer (including purchase of shares of a TRW subsidiary) on August 31, 2015. The operating results of the acquired companies for the second quarter period have been reflected in the consolidated balance sheets but not been included in the consolidated statements of income.

2. Dividends

For the year ended March 31	Dividend Per Share (Yen)				Year end	Total
	First Quarter End as of June 30	Second Quarter End as of September 30	Third Quarter End as of December 31			
2015 (Actual)	¥—	¥20.00	¥—		¥30.00	¥50.00
2016 (Actual)	—	25.00	n/a		n/a	n/a
2016 (Projected)	n/a	n/a	—		25.00	50.00

(Note) Change in dividend projection: The dividend projection announced on May 14, 2015 have been amended to as in the above table.

3. Forecasts for the year ending March 31, 2016 (April 1, 2015 to March 31, 2016)

	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 March 31, 2016 (amount)	¥215,000	¥21,000	¥19,600	¥13,300	¥105.06
(percentage)	(1.2)%	(26.0)%	(42.4)%	(41.4)%	n/a

(Note 1) Change in forecasts: The forecasts announced on May 14, 2015 have been amended to as in the above table.

(Note 2) The effect of the business transfer from TRW Automotive Inc. on the forecasts for the year ending March 31, 2016 will be announced as soon as it is determined.

(Note 3) 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:

(a) In association with the business transfer from TRW Automotive Inc., THK RHYTHM AUTOMOTIVE MICHIGAN CORPORATION ("RHYTHM MICHIGAN") and THK RHYTHM AUTOMOTIVE CANADA LIMITED ("RHYTHM CANADA") were established on August 31, 2015. They have been included in the scope of consolidation since this second quarter period.

(b) THK acquired shares of THK RHYTHM AUTOMOTIVE GmbH ("RHYTHM GmbH") and THK RHYTHM AUTOMOTIVE CZECH a. s. ("RHYTHM CZECH") on August 31, 2015 and converted them into consolidated subsidiaries of THK. They have been included in the scope of consolidation since this second quarter period.

(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, 2015	133,856,903
	March 31, 2015	133,856,903
b. Treasury stock as of:	September 30, 2015	7,268,351
	March 31, 2015	7,266,746
c. Average number of common stock for the six months ended:	September 30, 2015	126,589,455
	September 30, 2014	126,592,861

5. Accounting Changes

Effective April 1, 2015, THK applied "Revised Accounting Standard for Business combinations" (Statement No. 21, issued by Accounting Standards Board of Japan ("ASBJ") on September 13, 2013), "Revised Accounting Standard for Consolidated Financial Statements" (Statement No. 22, issued by ASBJ on September 13, 2013) and "Revised Accounting Standard for Business Divestitures" (Statement No. 7, issued by ASBJ on September 13, 2013). In applying the new standards, THK recognized the difference associated with changes in equity in subsidiaries remaining under the control of THK as additional paid-in capital, and changed the accounting treatment of acquisition-related costs to the method under which such costs are recorded as expenses for the fiscal year they are incurred. For business combinations implemented on or after the beginning of the three months ended June 30, 2015, the accounting method has been changed to reflect the adjustments to the allocated amount of acquisition costs on the finalization of the provisional accounting treatment in the consolidated financial statements for the quarter period containing the date of the business combinations. In addition, THK changed the presentation manner of net income and other items. In the new presentation manner, minority interests are presented as non-controlling interests. To reflect these changes, certain reclassifications have been made to the consolidated financial statements for the six months ended September 30, 2014 and for the year ended March 31, 2014.

In the consolidated statement of cash flows for the six months ended September 30, 2015, cash flows related to the acquisition or the sale of subsidiaries' shares that do not result in a change in the scope of consolidation are presented as an item of cash flows from financing activities. Cash flows related to acquisition-related costs for subsidiaries' shares that result in a change in the scope of consolidation or cash flows related to expenses incurred in association with the acquisition or the sale of subsidiaries' shares that do not result in a change in the scope of consolidation are presented as an item of cash flows from operating activities.

THK applied the new standards prospectively from the beginning of the three-month period ended June 30, 2015 in accordance with the transitional treatments as prescribed in article 58-2 (4) of Revised Accounting Standard for Business combinations, article 44-5 (4) of Revised Accounting Standard for Consolidated Financial Statements, and article 57-4 (4) of Revised Accounting Standard for Business Divestitures.

As a result, the effect of applying the new standard was to decrease operating income, ordinary income and income before income taxes for the six months ended September 30, 2015 each by ¥1,125 million.

Management's Discussion and Analysis

1. Operating results (April 1, 2015 to September 30, 2015)

During this six-month period, the economic growth in emerging countries such as China slowed down; however, the world economy continued the modest recovery trend which was mainly led by Europe and the United States of America. In Japan, the economy made a mild recovery; however, there were some weaknesses particularly in production and exports.

The THK Group has identified "Full-Scale Globalization" and the "Development of New Business Areas" as cornerstones of its growth strategy to actualize the latent demand for its products such as LM Guide. As to Full-Scale Globalization, while the markets in emerging countries such as China are growing by dint of the factory automation progress brought by the shortage in labor and the hike in personnel expenses, which is also spreading to developed-country users, the THK Group endeavors to expand its global sales network. Regarding Development of New Business Areas, while the THK Group's products are getting widely adopted in new business fields such as 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. Moreover, THK acquired the linkage and suspension business of TRW Automotive Inc. in Europe and North America through a business transfer on August 31, 2015 in order to further expand its transportation equipment business.

In the six-month period, the THK Group operated proactively to expand its sales with its strengthened operating structure on a global scale. Along with the favorable effect of the weaker yen as compared to the level a year earlier, net sales for the six-month period amounted to ¥112,186 million, up ¥5,979 million, or 5.6%, compared to the figure a year earlier.

On the cost front, the cost of sales to sales ratio worsened by 0.5% from a year earlier to 69.4% because of increased fixed costs in conjunction with the investments for the future growth.

As to selling, general and administrative expenses, the THK Group made endeavors to contain costs and improve operating efficiency while sales were increasing. However, ratio to net sales worsened by 1.9% from a year earlier to 19.5% due to ¥ 1,125 million of the related costs of the aforementioned business transfer.

As a result, operating income decreased from a year earlier by ¥1,811 million, or 12.7%, to ¥12,488 million. Ratio to net sales dropped by 2.4% to 11.1%.

Total non-operating income was ¥1,269 million. Major components of non-operating income were ¥397 million of equity earnings of affiliates and ¥225 million of interest income. Total non-operating expense was ¥2,064 million. The major components of non-operating expenses were ¥1,588 million of foreign exchange loss (net) and ¥177 million of interest expenses. As a result, ordinary income decreased from a year earlier by ¥3,778 million, or 24.4%, to ¥11,694 million. Net income attributable to owners of the parent for the six-month period also decreased from a year earlier by ¥3,178 million, or 29.2%, to ¥7,709 million.

Segment Information

(Japan)

In Japan, the economy made a mild recovery; however, there were some weaknesses particularly in production and exports. In such a situation, the THK Group operated proactively and cultivated new business fields such as seismic isolation and damping systems; however, sales dropped by ¥1,506 million, or 2.5%, to ¥59,058 million, compared to the figure a year earlier. This was mainly attributable to the decreased demand for small machine tool products and electronics-related products that had been driven by the investments related to smart phones and tablet computers. Operating income (segment income) amounted to ¥11,432 million, down ¥613 million, or 5.1%, from the figure a year earlier due mainly to the decreased sales.

(The Americas)

In the Americas, the economy expanded with the strong consumer spending that attracted more capital investments. In such a situation, the production and sales sections worked in unison to expand and deepen transactions with existing customers and to cultivate new business fields such as medical equipment, aircraft, and energy-related business. Because of these endeavors, the THK Group successfully increased its sales to the general machine industry and the transportation equipment industry. Along with the favorable effect of the weaker yen as compared to the level a year earlier, net sales for the six-month period amounted to ¥20,195 million, up ¥3,440 million, or 20.5%, from the figure a year earlier. Operating income (segment income) amounted to ¥1,075 million, up ¥240 million, or 28.8%, from the figure a year earlier.

(Europe)

In Europe, the signs of recovery were continuously seen. 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 aircraft, railway vehicle-related, household goods, and space-defense business. Consequently, the THK Group successfully increased its sales, especially to the machine tool industry and the general machine industry. As a result, sales in Europe amounted to ¥10,871 million, up ¥571 million, or 5.5%, from the figure a year earlier. Operating income (segment income) dropped to ¥468 million, down

¥462 million, or 49.6%.

(China)

In China, while the economic growth slowed down, the THK Group's products were getting widely adopted because of the factory automation progress brought by the shortage in labor and the hike in personnel expenses in China. In such a situation, the THK Group implemented aggressive business activities with its strengthened sales channels. As a result, sales amounted to ¥15,271 million, up ¥2,724 million, or 21.7%, from the figure a year earlier. However, the THK Group recorded ¥87 million of operating loss (segment loss), a turnaround of ¥254 million from operating income (segment income) recorded in a year earlier, due mainly to proactive investments for the future growth.

(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 by setting up a new business hub in India and customer support centers in the ASEAN countries. Along with the favorable effect of the weaker yen as compared to the level a year earlier, net sales for the six-month period amounted to ¥6,790 million, up ¥750 million, or 12.4%, from the figure a year earlier. Operating income (segment income) amounted to ¥845 million, up ¥258 million, or 44.1%, from the figure a year earlier.

2. Financial position (As of September 30, 2015)

Total assets stood at ¥410,695 million, ¥37,084 million more than the previous fiscal year-end, due mainly to a combined effect of increase in accounts and notes receivable by ¥10,008 million, increase in merchandise and finished goods by ¥3,518 million, increase in raw materials and supplies by ¥3,414 million, increase in machinery and equipment (net) by ¥5,888 million, increase in goodwill by ¥33,382 million, and decrease in cash and cash equivalents by ¥27,287 million.

Total liabilities stood at ¥155,671 million, ¥32,559 million more than the previous fiscal year-end, due mainly to increase in accounts and notes payable by ¥8,699 million and increase in short-term bank loans by ¥23,984 million.

Net assets stood at ¥255,024 million, ¥4,525 million more than the previous fiscal year-end, due mainly to a combined effect of increase in retained earnings by ¥3,911 million, increase in foreign currency translation adjustments by ¥1,179 million, and decrease in net unrealized gain on available-for-sale securities by ¥435 million.

3. Forecast for the fiscal year ending March 31, 2016

For details of the financial forecasts for the year ending March 31, 2016, please refer to “Notice Regarding the Amendments in Financial Forecasts and Dividend Projection” announced on November 12, 2015.

Consolidated Financial Statements

Consolidated Balance Sheets

(Millions of Yen)

	Year End -Previous Year As of March 31, 2015	Second Quarter End -Current Year As of September 30, 2015
Assets		
Current Assets:		
Cash and bank deposits	¥155,239	¥127,951
Accounts and notes receivable	58,276	68,285
Electronically recorded monetary claims	5,174	5,604
Merchandise and finished goods	13,738	17,257
Work in process	6,184	7,303
Raw materials and supplies	13,051	16,466
Other current assets	8,895	10,930
Less: Allowance for bad debts	(145)	(70)
Total current assets	260,414	253,729
Fixed Assets:		
Property, plant and equipment -net:		
Buildings and structures	32,473	33,334
Machinery and equipment	44,307	50,195
Other	20,952	24,760
Total property, plant and equipment –net	97,732	108,290
Intangibles		
Goodwill	580	33,962
Other	3,821	3,966
Total intangibles	4,401	37,928
Investments and Other		
Long-term investments in securities	8,096	7,580
Other	3,012	3,210
Less: Allowance for bad debts	(47)	(44)
Total investments and other	11,062	10,747
Total fixed assets	113,196	156,966
Total assets	373,610	410,695

	(Millions of Yen)	
	Year End -Previous Year As of March 31, 2015	Second Quarter End -Current Year As of September 30, 2015
Liabilities		
Current Liabilities:		
Accounts and notes payable	¥14,298	¥22,998
Electronically recorded obligations	15,255	16,912
Short-term bank loans	149	24,133
Current portion of long-term bonds	7,000	7,000
Income taxes payable	7,413	3,807
Accrued bonuses	3,225	3,564
Other	12,828	14,123
Total current liabilities	60,171	92,538
Long-term Liabilities:		
Bonds	43,000	43,000
Long-term bank loans	10,000	10,000
Reserve for retirement benefits for directors and corporate auditors	110	119
Reserve for product warranty	156	137
Net defined benefit liability	4,964	4,918
Other	4,708	4,958
Total long-term liabilities	62,940	63,132
Total liabilities	123,112	155,671
Net Assets		
Shareholders' equity :		
Common stock	34,606	34,606
Additional paid-in capital	44,584	44,584
Retained earnings	158,463	162,375
Treasury stock	(13,943)	(13,948)
Total shareholders' equity	223,711	227,618
Accumulated other comprehensive income :		
Net unrealized gain on available-for-sale securities	1,312	876
Foreign currency translation adjustments	22,940	24,119
Remeasurements of defined benefit plans	(166)	(172)
Total accumulated other comprehensive income	24,086	24,824
Non-controlling interests	2,701	2,581
Total net assets	250,498	255,024
Total liabilities and net assets	373,610	410,695

Consolidated Statements of Income

(Millions of Yen)

	Second Quarter Ended September 30, 2014 (From April 1, 2014 to September 30, 2014)	Second Quarter Ended September 30, 2015 (From April 1, 2015 to September 30, 2015)
Net sales	¥106,207	¥112,186
Cost of sales	73,205	77,804
Gross profit	33,001	34,382
Selling, general and administrative expenses	18,700	21,893
Operating income	14,300	12,488
Non-operating income:		
Interest income	243	225
Equity earnings of affiliates	306	397
Foreign exchange gain, net	457	—
Other	530	646
Total non-operating income	1,538	1,269
Non-operating expense:		
Interest expenses	204	177
Foreign exchange loss, net	—	1,588
Other	162	298
Total non-operating expenses	366	2,064
Ordinary income	15,472	11,694
Extraordinary gains:		
Gain on sales of property, plant and equipment	7	31
Total extraordinary gains	7	31
Extraordinary losses:		
Loss on sales and disposal of property, plant and equipment	19	231
Total extraordinary losses	19	231
Income before income taxes	15,460	11,493
Income taxes-current	5,370	3,816
Income taxes-deferred	(786)	118
Total income taxes	4,584	3,934
Net income	10,876	7,558
Net loss attributable to non-controlling interests	(10)	(150)
Net income attributable to owners of the parent	10,887	7,709

Consolidated Statements of Comprehensive Income

(Millions of Yen)		
	Second Quarter Ended September 30, 2014 (From April 1, 2014 to September 30, 2014)	Second Quarter Ended September 30, 2015 (From April 1, 2015 to September 30, 2015)
Net income	¥10,876	¥7,558
Other comprehensive income:		
Net unrealized gain (loss) on available-for-sale securities	221	(436)
Foreign currency translation adjustments	(7,462)	1,458
Remeasurements of defined benefit plans	44	(2)
Share of other comprehensive income losses of affiliates accounted under the equity method	(205)	(251)
Total other comprehensive income (loss)	(7,402)	768
Comprehensive income	3,474	8,327
Attributable to:		
Owners of the parent	4,035	8,446
Non-controlling interests	(561)	(119)

Consolidated Statements of Cash Flows

(Millions of Yen)

	Second Quarter Ended September 30, 2014 (From April 1, 2014 to September 30, 2014)	Second Quarter Ended September 30, 2015 (From April 1, 2015 to September 30, 2015)
Cash flows from operating activities:		
Income before income taxes	¥15,460	¥11,493
Depreciation and amortization	5,481	5,969
Loss on sale/disposal of property, plant and equipment	18	200
Increase in provisions	388	257
Increase (decrease) in net defined benefit liability	68	(38)
Interest and dividend income	(285)	(270)
Interest expenses	204	177
Foreign exchange loss (gain)	(1,254)	1,408
Equity in earnings of affiliates	(306)	(397)
Amortization of goodwill	176	189
Increase in trade receivables	(9,062)	(2,625)
Increase in inventories	(1,729)	(4,179)
Increase in trade payables	5,290	2,921
Other	276	(1,278)
Subtotal	14,727	13,828
Interest and dividend received	488	490
Interest paid	(221)	(171)
Income taxes paid	(5,833)	(7,598)
Net cash provided by operating activities	9,161	6,549
Cash flows from investing activities:		
Purchase of property, plant and equipment	(3,568)	(6,859)
Proceeds from sale of property, plant and equipment	182	602
Purchase of investments in securities	(8)	(9)
Payment for purchase of newly consolidated subsidiaries' stocks	—	(24,667)
Increase in loans receivable	(0)	—
Collection on loans	1	0
Payment for a business transfer	—	(22,135)
Other	(29)	(3)
Net cash used in investing activities	(3,423)	(53,072)

	Second Quarter Ended September 30, 2014 (From April 1, 2014 to September 30, 2014)	Second Quarter Ended September 30, 2015 (From April 1, 2015 to September 30, 2015)
Cash flows from financing activities:		
Proceeds from short-term bank loans	—	23,818
Proceeds from long-term bank loans	10,000	—
Redemption of bonds	(10,000)	—
Dividends paid	(1,894)	(3,792)
Dividends paid to minority shareholders	(15)	—
Purchase of treasury stocks	(4)	(4)
Repayments of lease obligations	(133)	(150)
Net cash provided (used) in financing activities	<u>(2,047)</u>	<u>19,871</u>
Foreign currency translation adjustments on cash and cash equivalents	<u>(2,486)</u>	<u>(635)</u>
Net increase (decrease) in cash and cash equivalents	<u>1,203</u>	<u>(27,287)</u>
Cash and cash equivalents, beginning of the period	<u>138,343</u>	<u>155,239</u>
Cash and cash equivalents, end of the period	<u>139,546</u>	<u>127,951</u>

Segment Information

For the six months ended September 30, 2014 (April 1, 2014 to September 30, 2014)

	(Millions of Yen)						
	Japan	The Americas	Europe	China	Other	Adjustments	Consolidated
Sales to customers	¥60,565	¥16,754	¥10,300	¥12,546	¥6,039	¥-	¥106,207
Inter-segment	21,794	19	16	1,849	554	(24,234)	-
Total	82,360	16,774	10,316	14,395	6,593	(24,234)	106,207
Operating income	12,046	835	931	166	586	(264)	14,300

(Note) All adjustments are intercompany elimination.

For the six months ended September 30, 2015 (April 1, 2015 to September 30, 2015)

	(Millions of Yen)						
	Japan	The Americas	Europe	China	Other	Adjustments	Consolidated
Sales to customers	¥59,058	¥20,195	¥10,871	¥15,271	¥6,790	¥-	¥112,186
Inter-segment	22,704	10	7	3,424	746	(26,892)	-
Total	81,763	20,205	10,878	18,695	7,536	(26,892)	112,186
Operating income (loss)	11,432	1,075	468	(87)	845	(1,245)	12,488

(Note 1) Adjustments of operating income (loss) of ¥1,245 million consist of ¥120 million of intercompany elimination and ¥1,125 million of corporate expenses not allocable to a specific segment. Such expenses are mainly comprised of selling, general and administrative expenses.

(Note 2) RHYTHM MICHIGAN and RHYTHM CANADA, which were established in association with the business transfer from TRW Automotive Inc., have been consolidated and included in the Americas segment since the second quarter period. Goodwill increased in relation to the business transfer for the six months ended September 30, 2015 was ¥13,336 million.

In Europe segment, RHYTHM GmbH and RHYTHM CZECH, which were acquired and converted into subsidiaries of THK, have been included in the scope of consolidation since the second quarter period. Goodwill increased in relation to these transactions for the six months ended September 30, 2015 was ¥20,192 million.

The amounts of aforementioned goodwill were provisionally determined because the allocation of acquisition costs had not been completed at the end of the six-month period ended September 30, 2015.

Business Combination

(Acquisition)

(1) Outline of business combination

(a) Name of the acquired company and nature of the acquired business

Name of the acquired company: TRW-DAS. a.s.

Acquired/transferred from: TRW Automotive Inc.

Nature of the acquired business: L&S (Linkage and Suspension) business

(b) Reasons of the business combination

—To establish a solid business foundation on a global scale including Asia and Pacific area by expanding the operating functions of development, manufacturing and sales in Europe and North America

(c) Date of the business combination

August 31, 2015

(d) Legal form of the business combination

Purchase of shares and a business transfer for cash as consideration

(e) Names after the business combination

- THK RHYTHM AUTOMOTIVE MICHIGAN CORPORATION
- THK RHYTHM AUTOMOTIVE CANADA LIMITED
- THK RHYTHM AUTOMOTIVE GmbH
- THK RHYTHM AUTOMOTIVE CZECH a. s.

(f) Acquired voting rights

THK RHYTHM AUTOMOTIVE CZECH a. s.: 100%

(g) Determination of the acquirer

Purchase of shares and a business transfer for cash as consideration

(2) Period of operating results of the acquired company and business that are included in the consolidated statements of income for the six-month period ended September 30, 2015.

Operating results of the acquired company are not included in the consolidated statements of income for the six-month period ended September 30, 2015.

(3) Acquisition costs and considerations

Consideration	Cash and bank deposits	¥47,682 million
Acquisition costs		¥47,682 million

(4) Amount, reason of arising, amortization method and amortization period of goodwill

(a) Amount of goodwill: ¥33,529 million

The amount was provisionally determined because the allocation of acquisition costs had not been completed at the end of the six-month period ended September 30, 2015.

(b) Reason of arising

The goodwill mainly represents excess earning power anticipated for the future business development.

(c) Amortization method and amortization period

The goodwill will be amortized on the straight-line basis over the estimated benefit period. The amortization period will be determined taking into consideration the results of the allocation of acquisition costs.

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 the Company 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.