

Consolidated Financial Results for the Nine Months Ended September 30, 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
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 Scheduled date of filing quarterly
 report (Japanese version only) : November 14, 2018

1. Consolidated operating results and financial position as of and for the nine months ended September 30, 2018 (January 1, 2018 to September 30, 2018)

(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, 2018	¥265,223	—%	¥38,269	—%	¥39,945	—%	¥28,481	—%
<i>(Note) Comprehensive income</i>		<i>Nine months ended September 30, 2018:</i>			¥25,922 million		—	%

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

(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. Because the previous fiscal year was an irregular accounting period of transition that covered nine months from April 1, 2017 to December 31, 2017, THK did not prepare consolidated financial statements for the third quarter (nine months) period. Therefore, year-on-year comparative figures and 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, 2018	¥472,128	¥298,386	60.8 %	¥2,268.20
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 September 30, 2018: ¥287,082 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)	—	47.00	—	n/a	n/a
Year ending December 31, 2018 (Projected)	n/a	n/a	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)
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.

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:		
	September 30, 2018	133,856,903
	December 31, 2017	133,856,903
b. Treasury stock as of:		
	September 30, 2018	7,288,696
	December 31, 2017	7,287,650
c. Average number of common stock for the nine months ended:		
	September 30, 2018	126,568,597

Because the previous fiscal year was an irregular accounting period of transition that covered nine months from April 1, 2017 to December 31, 2017, THK did not prepare consolidated financial statements for the third quarter (nine months) period. Therefore, average number of common stock for the third quarter (nine months) period is not presented.

Management's Discussion and Analysis

1. Operating results (from January 1, 2018 to September 30, 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. Because the previous fiscal year was an irregular accounting period of transition that covered nine months from April 1, 2017 to December 31, 2017, THK did not prepare consolidated financial statements for the third quarter (nine months) period. Therefore, year-on-year percentage changes are not presented.

During this nine months period, uncertainty toward the outlook for the future increased due to risks of economic slowdown such as the US-China trade friction. On the other hand, however, the economy in developed countries such as Europe and the United States of America continued its stable growth which was led by domestic demand. The world economy also remained resilient.

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.

Though there were some adjustment to demand for the electronics industry in the latter half of the nine months period, the THK Group captured the demand, which was increasing before entering the adjustment phase, and successfully increased sales. On the cost front, 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 ¥265,223 million and ¥38,269 million, respectively.

Total non-operating income was ¥2,954 million of which major components were ¥544 million of equity earnings of affiliates and ¥522 million of interest income. Total non-operating expenses were ¥1,278 million

of which major component was ¥655 million of foreign exchange loss—net.

As a result, THK recorded ¥39,945 million of ordinary income and ¥28,481 million of net income attributable to owners of the parent.

(For reference)

If the nine months period of the previous fiscal year were a nine months period from January 1, 2017 to September 30, 2017, the pro forma operating results and year-on-year comparison would be as follows:

	Pro forma accounting period—Nine months ended September 30, 2017 (A)	Nine months ended September 30, 2018 (B)	(Millions of yen) Fluctuation (%) (B-A)/A
Net sales	¥ 234,524	¥ 265,223	13.1
Operating income	26,757	38,269	43.0
Ordinary income	27,930	39,945	43.0
Net income attributable to owners of the parent	22,389	28,481	27.2

Segment Information

(Japan)

In Japan, while exports that had been stable slowed down, capital investments were strong and the economy gradually rallied. In such a situation, where demand was robust in overall industries, the THK Group successfully recorded ¥118,895 million of net sales and ¥29,301 million operating income (segment income).

(The Americas)

In the Americas, while the economy continued its growth trend led by the robust consumer spending, 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 strong, the THK Group successfully recorded ¥52,751 million of net sales and ¥559 million of operating income (segment income).

(Europe)

In Europe, while the stable economic growth continued because of strong 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 strong, the THK Group successfully recorded ¥45,315 million of net sales. However, the THK Group recorded an operating loss (segment loss) of ¥184 million because the profitability of the transportation equipment business was declined due mainly to unfavorable exchange rate fluctuations.

(China)

In China, while risks of economic slowdown such as US-China trade friction were concerned, the THK Group captured the growing demand for electronics products and automation and robotization-related products by utilizing the sales and production system that the THK Group has aggressively enhanced. As a result, the THK Group successfully recorded ¥35,901 million of net sales and ¥6,111 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 demand for THK Group's products was widely expanded

in India and the ASEAN countries. As a result, net sales and operating income (segment income) were ¥12,359 million and ¥1,712 million, respectively.

2. Financial position (As of September 30, 2018)

Total assets stood at ¥472,128 million, ¥35,464 million more than the previous fiscal year-end, due mainly to a combined effect of increase in (1) cash and bank deposits by ¥13,574 million, (2) electronically recorded monetary claims by ¥5,805 million, (3) merchandise and finished goods by ¥2,463 million, (4) machinery and equipment—net by ¥4,311 million, and decrease in buildings and structures—net by ¥1,190 million.

Total liabilities stood at ¥173,742 million, ¥18,832 million more than the previous fiscal year-end, due mainly to a combined effect of increase in (1) electronically recorded obligations by ¥2,387 million, (2) income taxes payable by ¥6,945 million, and (3) long-term bonds of ¥10,000 million and decrease in long-term bank loans by ¥2,185 million.

Net assets stood at ¥298,386 million, ¥16,631 million more than the previous fiscal year-end, due mainly to a combined effect of increase in retained earnings by ¥19,241 million and decrease in foreign currency translation adjustments by ¥2,329 million.

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

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

Consolidated Financial Statements

Consolidated Balance Sheet

(Millions of Yen)

	Year End -Previous Year As of December 31, 2017	Third Quarter End -Current Year As of September 30, 2018
Assets		
Current Assets:		
Cash and bank deposits	¥129,920	¥143,495
Accounts and notes receivable	71,543	73,362
Electronically recorded monetary claims	15,514	21,319
Merchandise and finished goods	14,357	16,820
Work in process	10,104	11,624
Raw materials and supplies	19,340	21,309
Other current assets	10,412	11,009
Less: Allowance for bad debts	(218)	(206)
Total current assets	270,975	298,734
Fixed Assets:		
Property, plant and equipment -net:		
Buildings and structures	31,252	30,062
Machinery and equipment	56,513	60,824
Other	28,168	33,871
Total property, plant and equipment –net	115,934	124,757
Intangibles		
Goodwill	11,449	10,704
Other	20,945	19,314
Total intangibles	32,395	30,018
Investments and Other		
Long-term investments in securities	11,377	11,252
Other	6,057	7,437
Less: Allowance for bad debts	(75)	(72)
Total investments and other	17,359	18,617
Total fixed assets	165,689	173,394
Total assets	436,664	472,128

(Millions of Yen)

	Year End -Previous Year As of December 31, 2017	Third Quarter End -Current Year As of September 30, 2018
Liabilities		
Current Liabilities:		
Accounts and notes payable	¥22,330	¥22,949
Electronically recorded obligations	23,923	26,310
Current portion of long-term bonds	20,000	10,000
Current portion of long-term bank loans	2,185	12,185
Income taxes payable	1,673	8,619
Accrued bonuses	2,971	3,176
Other	20,112	21,227
Total current liabilities	93,196	104,470
Long-term Liabilities:		
Bonds	20,000	40,000
Long-term bank loans	27,480	15,295
Reserve for retirement benefits for directors and corporate auditors	108	125
Reserve for product warranty	118	111
Net defined benefit liability	7,389	7,240
Other	6,616	6,499
Total long-term liabilities	61,713	69,271
Total liabilities	154,910	173,742
Net Assets		
Shareholders' equity :		
Common stock	34,606	34,606
Additional paid-in capital	40,440	40,420
Retained earnings	194,626	213,868
Treasury stock	(13,998)	(14,002)
Total shareholders' equity	255,675	274,892
Accumulated other comprehensive income :		
Net unrealized gain on available-for-sale securities	2,847	2,019
Foreign currency translation adjustments	13,459	11,130
Remeasurements of defined benefit plans	(1,033)	(959)
Total accumulated other comprehensive income	15,272	12,189
Non-controlling interests	10,806	11,304
Total net assets	281,754	298,386
Total liabilities and net assets	436,664	472,128

Consolidated Statement of Income

(Millions of Yen)

	Nine Months Ended September 30, 2018 (From January 1, 2018 to September 30, 2018)
Net sales	¥265,223
Cost of sales	187,905
Gross profit	77,317
Selling, general and administrative expenses	39,047
Operating income	38,269
Non-operating income:	
Interest income	522
Equity earnings of affiliates	544
Other	1,886
Total non-operating income	2,954
Non-operating expense:	
Interest expenses	191
Foreign exchange loss, net	655
Other	431
Total non-operating expenses	1,278
Ordinary income	39,945
Extraordinary gains:	
Gain on sales of property, plant and equipment	45
Total extraordinary gains	45
Extraordinary losses:	
Loss on sales and disposal of property, plant and equipment	132
Total extraordinary losses	132
Income before income taxes	39,857
Income taxes-current	11,682
Income taxes-deferred	(819)
Total income taxes	10,862
Net income	28,995
Net income attributable to non-controlling interests	513
Net income attributable to owners of the parent	28,481

Consolidated Statement of Comprehensive Income

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

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.

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.