

Consolidated Financial Results for the Fiscal Year Ended December 31, 2018 under Japanese GAAP

Company Name : THK CO., LTD.
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 URL : <http://www.thk.com/>
 Stock exchange listing : Tokyo Stock Exchange-First Section
 Code number : 6481
 Representative : Akihiro Teramachi, President and CEO
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 Department
 Scheduled date of the ordinary
 general meeting of shareholders : March 16, 2019
 Scheduled starting date of
 dividend payment : March 18, 2019
 Scheduled date of filing the
 Securities Report (Japanese
 version only) : March 18, 2019

1. Consolidated Operating Results and Financial Position as of and for the fiscal year ended December 31, 2018 (January 1, 2018 to December 31, 2018)

(1) Consolidated Operating Results

Year Ended (Millions of Yen)	Net Sales		Operating Income		Ordinary Income		Net Income Attributable to Owners of the Parent	
December 31, 2018	¥353,479	— %	¥49,832	— %	¥51,758	— %	¥35,400	— %
December 31, 2017	286,603	—	29,279	—	31,254	—	25,729	—
<i>(Note) Comprehensive income</i>			<i>Year ended December 31, 2018</i>		<i>¥22,255 million</i>			<i>— %</i>
			<i>Year ended December 31, 2017</i>		<i>34,409 million</i>			<i>—</i>

Year Ended (Millions of Yen)	Net Income Per Share-Basic	Net Income Per Share-Diluted
December 31, 2018	¥279.70	¥ —
December 31, 2017	203.28	—

Year Ended (Millions of Yen)	Return on Equity (Net income / Shareholders' equity)	Return on Assets (Ordinary income / Total assets)	Operating Income / Net Sales
December 31, 2018	12.8 %	11.5 %	14.1 %
December 31, 2017	9.9	7.3	10.2

(Note) Equity earnings of affiliates

<i>Year ended December 31, 2018</i>	<i>¥614 million</i>
<i>Year ended December 31, 2017</i>	<i>948 million</i>

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 starting from the fiscal year ended December 31, 2017. The previous fiscal year was an irregular accounting period of transition that covered nine months from April 1, 2017 to December 31, 2017. The consolidated operating results for the year ended December 31, 2017 in the above table included the nine-month period (from April 1, 2017 to September 30, 2017) of consolidated subsidiaries whose closing date was March 31 and the full-year period (from January 1, 2017 to December 31, 2017) of consolidated subsidiaries whose closing date was 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)
As of December 31, 2018	¥463,350	¥294,719	61.2 %	¥2,240.74
As of 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 adjustment/valuation items in net assets.

Net worth	As of December 31, 2018:	¥283,605 million
	As of December 31, 2017:	270,948 million

(3) Consolidated Cash Flows

Year Ended (Millions of Yen)	Net Cash Provided by Operating Activities	Net Cash Used in Investing Activities	Net Cash Used in Financing Activities	Cash and Cash Equivalents, End of Year
December 31, 2018	¥55,177	¥(33,055)	¥(11,645)	¥134,513
December 31, 2017	25,616	(15,831)	(17,802)	129,920

2. Dividends

	Dividend Per Share (Yen)				Total	
	First end	Quarter end	Second Quarter end	Third Quarter end		Year/Period end
Year ended December 31, 2017 (Actual)		—	36.00	—	26.00	62.00
Year ended December 31, 2018 (Actual)		—	47.00	—	38.00	85.00
Year ending December 31, 2019 (Projected)		—	—	—	—	—
	Total Amount of Dividends for the year/period (Millions of Yen)		Payout Ratio (Consolidated)		Cash Dividends / Net Assets (Consolidated)	
Year ended December 31, 2017 (Actual)	7,847		30.5%		3.0%	
Year ended December 31, 2018 (Actual)	10,758		30.4%		3.9%	
Year ending December 31, 2019 (Projected)	n/a		—		n/a	

The amounts of dividends for the year ending December 31, 2019 are planned to be determined in accordance with the targeted payout ratio of 30% on a consolidated basis and will be announced as soon as they are determined.

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)
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Six-month period ending June 30, 2019					
(amount)	¥ 154,000	¥ 13,800	¥ 14,700	¥ 10,700	¥ 84.54
(percentage)	(14.2)%	(47.3)%	(45.6)%	(45.4)%	n/a
	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)
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Year ending December 31, 2019					
(amount)	¥ 310,000	¥ 28,000	¥ 30,000	¥ 22,000	¥ 173.82
(percentage)	(12.3)%	(43.8)%	(42.0)%	(37.9)%	n/a

4. Other Financial Information

(1) Significant change in scope of consolidation: None

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

- a. Changes in accounting standards None
- b. Other changes None

(3) Number of shares

		(shares)
a. Common stock issued, including treasury stock, as of:	December 31, 2018	133,856,903
	December 31, 2017	133,856,903
b. Treasury stock as of:	December 31, 2018	7,288,846
	December 31, 2017	7,287,650
c. Average number of common stock for the year ended:	December 31, 2018	126,568,475
	December 31, 2017	126,570,126

For Reference: Outline of Non-consolidated Financial Statements

1. Non-Consolidated Operating Results and Financial Position as of and for the year ended December 31, 2018 (January 1, 2018 to December 31, 2018)

(1) Operating Results

Year Ended (Millions of Yen)	Net Sales		Operating Income		Ordinary Income		Net Income	
December 31, 2018	¥186,311	— %	¥34,699	— %	¥39,053	— %	¥28,035	— %
December 31, 2017	123,403	—	18,656	—	20,756	—	28,215	—
Year Ended March 31 (Yen)	Net Income Per Share-Basic		Net Income Per Share-Diluted					
December 31, 2018	¥221.50		¥ —					
December 31, 2017	222.92		—					

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

(2) Financial Position

	Total Assets (Millions of Yen)	Net Assets (Millions of Yen)	Net Worth Ratio (%)	Net Assets Per Share (Yen)
As of December 31, 2018	¥374,844	¥244,616	65.3 %	¥1,932.63
As of December 31, 2017	345,045	227,529	65.9	1,797.62

(Note) Net worth ratio is defined as net worth divided by total assets. Net worth consists of shareholders' equity and adjustment/valuation items in net assets.

Net worth
As of December 31, 2018: ¥244,616 million
As of December 31, 2017: 227,529 million

2. Non-Consolidated 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 (Millions of Yen)	Net Income per Share (Yen)
Six-month period ending June 30, 2019 (amount)	¥74,600	¥8,200	¥10,500	¥8,300	¥65.58
(percentage)	(17.0)%	(49.9)%	(43.8)%	(39.4)%	n/a
Year ending December 31, 2019 (amount)	Net Sales (Millions of Yen)	Operating Income (Millions of Yen)	Ordinary Income (Millions of Yen)	Net Income (Millions of Yen)	Net Income per Share (Yen)
Year ending December 31, 2019 (amount)	¥151,000	¥16,700	¥19,500	¥15,000	¥118.51
(percentage)	(19.0)%	(51.9)%	(50.1)%	(46.5)%	n/a

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 starting from the fiscal year ended December 31, 2017. The previous fiscal year was an irregular accounting period of transition that covered nine months from April 1, 2017 to December 31, 2017. The consolidated operating results for the year ended December 31, 2017 included the nine-month period (from April 1, 2017 to September 30, 2017) of consolidated subsidiaries whose closing date was March 31 and the full-year period (from January 1, 2017 to December 31, 2017) of consolidated subsidiaries whose closing date was December 31. Therefore, year-on-year percentage changes are not presented.

In this year, signs of economic slowdown were spreading mainly in China in the latter half of the year because of 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 adjustments of demand for the electronics industry in the latter half of the year, 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 ¥353,479 million and ¥49,832 million, respectively.

Total non-operating income was ¥4,003 million of which major components were ¥772 million of interest income and ¥614 million of equity earnings of affiliates. Total non-operating expenses were ¥2,078 million of which major component was ¥1,178 million of foreign exchange loss—net.

As a result, THK recorded ¥51,758 million of ordinary income and ¥35,400 million of net income attributable to owners of the parent.

(For reference)

If the previous fiscal year were a full-year (12 months) period from January 1, 2017 to December 31, 2018, the pro forma operating results and year-on-year comparison would be as follows:

	Pro forma accounting period— year (12 months) ended December 31, 2017 (A)	Year ended December 31, 2018 (B)	(Millions of yen) Fluctuation (%) (B-A)/A
Net sales	¥ 318,800	¥ 353,479	10.9
Operating income	36,400	49,832	36.9
Ordinary income	38,100	51,758	35.8
Net income attributable to owners of the parent	30,300	35,400	16.8

(2) Operating results by segment

(Japan)

In Japan, while exports 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 ¥160,742 million of net sales and ¥38,460 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 ¥69,882 million of net sales. However, the profitability of the transportation equipment business declined due mainly to unfavorable exchange rate fluctuations. As a result, THK recorded ¥309 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 ¥59,482 million of net sales. However, the profitability of the transportation equipment business declined due mainly to unfavorable exchange rate fluctuations. As a result, THK recorded ¥74 million of operating income (segment income).

(China)

In China, while adjustment phases caused by the US-China trade friction concern were widely seen in capital investments in the latter half of the year, the THK Group captured the growing demand for electronics products and automation and robotization-related products. As a result, the THK Group successfully recorded ¥46,735 million of net sales and ¥8,194 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 ¥16,636 million and ¥2,384 million, respectively.

2, Financial position (As of December 31, 2018)

Total assets stood at ¥463,350 million, ¥26,685 million more than the previous fiscal year-end, due mainly to a combined effect of increase in (1) cash and bank deposits by ¥4,592 million, (2) electronically recorded monetary claims by ¥7,458 million, (3) merchandise and finished goods by ¥4,268 million, (4) machinery and equipment—net by ¥6,222 million, (5) construction in progress by ¥9,267 million and decrease in (1) accounts and notes receivable by ¥1,821 million, (2) buildings and structures—net by ¥1,727 million, (3) goodwill by ¥1,445 million, and (4) Long-term investments in securities by ¥1,712 million.

Total liabilities stood at ¥168,631 million, ¥13,721 million more than the previous fiscal year-end, due mainly to a combined effect of increase in (1) electronically recorded obligations by ¥3,015 million, (2) income taxes payable by ¥10,597 million and decrease in long-term bank loans by ¥2,185 million.

Net assets stood at ¥294,719 million, ¥12,964 million more than the previous fiscal year-end, due mainly to a combined effect of increase in retained earnings by ¥26,161 million and decrease in foreign currency translation adjustments by ¥10,704 million.

For reference: Cash Flow Indices

	Year ended March 31			Year ended December 31	
	2015	2016	2017	2017	2018
Net Worth / Total Assets (%)	66.3	60.7	60.0	62.0	61.2
Market Capitalization / Total Assets (%)	109.6	68.1	90.4	129.7	59.6
Interest-bearing Debt / Operating Cash Flow (years)	2.6	4.3	2.1	2.7	1.2
Operating Cash Flow / Interest Paid (times)	57.8	46.3	101.1	71.1	215.3

(Note 1) All indices are computed based on the consolidated data.

(Note 2) Market capitalization equals the stock price at the end of year multiplied by the number of issued shares at the end of year.

3. Forecasts for the year ending December 31, 2019

Considering the latest demand situation in the industrial machinery business that remains at a low level and uncertainties in the outlook of the external environment, THK expects ¥310,000 million of net sales for the year ending December 31, 2019. In terms of profitability, because of the lower sales and unfavorable effects of foreign exchange rate fluctuation, THK expects ¥28,000 million of operating income, ¥30,000 million of ordinary income, and ¥22,000 million of net income attributable to the owners of the parent despite the continuous efforts to implement more effective cost control.

Year ending December 31, 2019 (Consolidated)

	Net Sales	Operating Income	Ordinary Income	Net Income
Millions of Yen	¥310,000	¥28,000	¥30,000	¥22,000
Component ratio (%)	100.0%	9.0%	9.7%	7.1%
Fluctuation (%)	(12.3)%	(43.8)%	(42.0)%	(37.9)%

(Note) Average exchange rates assumed and used for the above forecasts are as follows:

U.S. dollar 1=¥105.00 Euro 1=¥120.00

Basic Policies Regarding Distribution of Profits and Dividends

Not only its basic policy which is to provide shareholders with stable and continuous dividends, THK also places priority on providing shareholders with proactive distribution of profit befitting operating results, simultaneously strengthening its financial soundness by securing internal reserve. THK plans to make effective use of internal reserve by investing it to research and development activities, production facilities, and IT systems, to respond globalization.

In accordance with these policies, the Company plans ¥38.00 per share for the year-end dividends. As a result, cash dividends applicable for the year ended December 31, 2018 will be ¥85.00 per share, including the interim dividends of ¥47.00 per share.

The amounts of dividends for the year ending December 31, 2019 are planned to be determined in accordance with the targeted payout ratio of 30% on a consolidated basis.

Consolidated Financial Statements

Consolidated Balance Sheets

(Millions of Yen)

	Year End -Previous Year As of December 31, 2017	Year End -Current Year As of December 31, 2018
Assets		
Current assets:		
Cash and bank deposits	¥129,920	¥134,513
Accounts and notes receivable	71,543	69,722
Electronically recorded monetary claims	15,514	22,973
Merchandise and finished goods	14,357	18,625
Work in process	10,104	10,815
Raw materials and supplies	19,340	20,624
Deferred tax assets	2,337	3,459
Short-term loans receivable	3	3
Other current assets	8,071	7,737
Less: Allowance for bad debts	(218)	(134)
Total current assets	270,975	288,340
Fixed assets:		
Property, plant and equipment:		
Buildings and structures	72,565	71,113
Accumulated depreciation	(41,312)	(41,587)
Buildings and structures-net	31,252	29,525
Machinery, equipment and vehicles	191,357	198,123
Accumulated depreciation	(134,844)	(135,388)
Machinery, equipment and vehicles-net	56,513	62,735
Land	13,955	13,797
Construction in progress	10,452	19,720
Other	21,201	21,826
Accumulated depreciation	(17,441)	(17,909)
Other-net	3,759	3,917
Total property, plant and equipment –net	115,934	129,695
Intangibles		
Goodwill	11,449	10,003
Other	20,945	18,102
Total intangibles	32,395	28,106
Investments and other		
Long-term investments in securities	11,377	9,665
Net defined benefit asset	2,295	1,569
Deferred tax assets	754	1,554
Other	3,007	4,502
Less: Allowance for bad debts	(75)	(83)
Total investments and other	17,359	17,207
Total fixed assets	165,689	175,009
Total assets	436,664	463,350

(Millions of Yen)

	Year End -Previous Year As of December 31, 2017	Year End -Current Year As of December 31, 2018
Liabilities		
Current liabilities:		
Accounts and notes payable	¥22,330	¥22,084
Electronically recorded obligations	23,923	26,938
Current portion of long-term bonds	20,000	—
Current portion of Long-term bank loans	2,185	12,185
Lease obligation	126	85
Income taxes payable	1,673	12,271
Accrued bonuses to employees	2,971	3,899
Other	19,986	20,771
Total current liabilities	93,196	98,237
Long-term liabilities:		
Bonds	20,000	40,000
Long-term bank loans	27,480	15,295
Lease obligation	114	121
Deferred tax liabilities	5,134	5,491
Reserve for retirement benefits for directors and corporate auditors	108	131
Reserve for product warranty	118	112
Net defined benefit liability	7,389	7,908
Other	1,368	1,334
Total long-term liabilities	61,713	70,394
Total liabilities	154,910	168,631
Net assets		
Shareholders' equity:		
Common stock	34,606	34,606
Additional paid-in capital	40,440	40,420
Retained earnings	194,626	220,787
Treasury stock	(13,998)	(14,002)
Total shareholders' equity	255,675	281,811
Accumulated other comprehensive income:		
Net unrealized gain on available-for-sale securities	2,847	1,102
Foreign currency translation adjustments	13,459	2,755
Remeasurements of defined benefit plans	(1,033)	(2,063)
Total accumulated other comprehensive income	15,272	1,794
Non-controlling Interests	10,806	11,113
Total net assets	281,754	294,719
Total liabilities and net assets	436,664	463,350

Consolidated Statements of Income

(Millions of Yen)

	Year Ended December 31, 2017 (From April 1, 2017 to December 31, 2017)	Year Ended December 31, 2018 (From January 1, 2018 to December 31, 2018)
Net sales	¥286,603	¥353,479
Cost of sales	214,490	251,181
Gross profit	72,112	102,298
Selling, general and administrative expenses:		
Freight expenses	3,984	5,057
Advertisement expenses	1,214	1,387
Salaries and benefits	14,015	16,257
Accrual for bonuses	1,072	1,574
Net periodic retirement costs	403	539
Rent expenses	2,058	2,742
Depreciation and amortization	2,215	2,620
Research and development	3,984	5,149
Amortization of goodwill	854	887
Other	13,029	16,248
Total selling, general and administrative expenses	42,833	52,465
Operating income	29,279	49,832
Non-operating income:		
Interest income	465	772
Dividend income	85	102
Equity earnings of affiliates	948	614
Rent income	317	390
Other	1,014	2,123
Total non-operating income	2,830	4,003
Non-operating expenses:		
Interest expenses	360	256
Foreign exchange loss, net	270	1,178
Other	224	644
Total non-operating expenses	855	2,078
Ordinary income	31,254	51,758

	Year Ended December 31, 2017 (From April 1, 2017 to December 31, 2017)	Year Ended December 31, 2018 (From January 1, 2018 to December 31, 2018)
Extraordinary gain:		
Gain on sales of property, plant and equipment	¥20	¥88
Total extraordinary gain	20	88
Extraordinary losses:		
Loss on sales of property, plant and equipment	14	31
Loss on disposal of property, plant and equipment	128	285
Impairment losses	54	—
Other	41	—
Total extraordinary losses	240	316
Income before income taxes	31,034	51,529
Income taxes-current	5,091	16,097
Income taxes-deferred	(195)	(585)
Total income taxes	4,895	15,511
Net income	26,139	36,017
Net income attributable to non-controlling interests	409	617
Net income attributable to owners of the parent	25,729	35,400

Consolidated Statements of Comprehensive Income

(Millions of Yen)

	Year Ended December 31, 2017 (From April 1, 2017 to December 31, 2017)	Year Ended December 31, 2018 (From January 1, 2018 to December 31, 2018)
Net income	¥26,139	¥36,017
Other comprehensive income:		
Net unrealized gain (loss) on available-for-sale securities	1,255	(1,734)
Foreign currency translation adjustments	6,469	(11,376)
Remeasurements of defined benefit plans	227	(935)
Share of other comprehensive income of affiliates accounted under the equity method	317	284
Total other comprehensive income (loss)	8,270	(13,762)
Comprehensive income	34,409	22,255
Attributable to:		
Owners of the parent	33,879	21,969
Non-controlling interests	530	286

Consolidated Statements of Changes in Net Assets

(Millions of Yen)

	Year Ended December 31, 2017 (From April 1, 2017 to December 31, 2017)	Year Ended December 31, 2018 (From January 1, 2018 to December 31, 2018)
Shareholders' equity		
Common stock		
Beginning balance	¥34,606	¥34,606
Ending balance	34,606	34,606
Additional paid-in capital		
Beginning balance	44,584	40,440
Change in the year:		
Change in the parent's ownership interest due to transaction with non-controlling interests	(4,143)	(20)
Total change in the year	(4,143)	(20)
Ending balance	40,440	40,420
Retained earnings		
Beginning balance	176,617	194,626
Change in the year:		
Dividends paid	(7,721)	(9,239)
Net income attributable to owners of the parent	25,729	35,400
Total change in the year	18,008	26,161
Ending balance	194,626	220,787
Treasury stock		
Beginning balance	(13,991)	(13,998)
Change in the year:		
Purchase of treasury stocks	(6)	(4)
Total change in the year	(6)	(4)
Ending balance	(13,998)	(14,002)
Total shareholders' equity		
Beginning balance	241,817	255,675
Change in the year:		
Dividends paid	(7,721)	(9,239)
Net income	25,729	35,400
Purchase of treasury stocks	(6)	(4)
Change in the parent's ownership interest due to transaction with non-controlling interests	(4,143)	(20)
Total change in the year	13,857	26,135
Ending balance	255,675	281,811

	Year Ended December 31, 2017 (From April 1, 2017 to December 31, 2017)	Year Ended December 31, 2018 (From January 1, 2018 to December 31, 2018)
Other comprehensive income		
Net unrealized gain on available-for-sale securities		
Beginning balance	¥1,585	¥2,847
Net change in the year		
Net changes in the items other than shareholders' equity	1,261	(1,744)
Total change in the year	1,261	(1,744)
Ending balance	2,847	1,102
Foreign currency translation adjustments		
Beginning balance	6,793	13,459
Net change in the year		
Net changes in the items other than shareholders' equity	6,666	(10,704)
Total change in the year	6,666	(10,704)
Ending balance	13,459	2,755
Remeasurements of defined benefit plans		
Beginning balance	(1,256)	(1,033)
Net change in the year		
Net changes in the items other than shareholders' equity	222	(1,030)
Total change in the year	222	(1,030)
Ending balance	(1,033)	(2,063)
Total other comprehensive income		
Beginning balance	7,122	15,272
Net change in the year		
Net changes in the items other than shareholders' equity	8,149	(13,478)
Total change in the year	8,149	(13,478)
Ending balance	15,272	1,794
Non-controlling interests		
Beginning balance	2,600	10,806
Net change in the year		
Net changes in the items other than shareholders' equity	8,206	306
Total change in the year	8,206	306
Ending balance	10,806	11,113

	Year Ended December 31, 2017 (From April 1, 2017 to December 31, 2017)	Year Ended December 31, 2018 (From January 1, 2018 to December 31, 2018)
Total net assets		
Beginning balance	251,540	281,754
Change in the year:		
Dividends paid	(7,721)	(9,239)
Net income	25,729	35,400
Purchase of treasury stocks	(6)	(4)
Change in the parent's ownership interest due to transaction with non-controlling interests	(4,143)	(20)
Net changes in the items other than shareholders' equity	16,355	(13,171)
Total change in the year	30,213	12,964
Ending balance	281,754	294,719

Consolidated Statements of Cash Flows

(Millions of Yen)

	Year Ended December 31, 2017 (From April 1, 2017 to December 31, 2017)	Year Ended December 31, 2018 (From January 1, 2018 to December 31, 2018)
Cash flows from operating activities:		
Income before income taxes	¥31,034	¥51,529
Depreciation and amortization	13,240	15,562
Impairment losses	54	—
Loss on sale/disposal of property, plant and equipment	165	228
Increase (decrease) in provisions	(439)	938
Increase (decrease) in net defined benefit liability	420	(231)
Interest and dividend income	(551)	(875)
Interest expenses	360	256
Foreign exchange loss	110	2,970
Equity in earnings of affiliates	(948)	(614)
Amortization of goodwill	854	887
Increase in trade receivables	(9,897)	(7,547)
Increase in inventories	(5,463)	(7,958)
Increase in trade payables	2,246	3,624
Other	856	1,677
Subtotal	32,044	60,447
Interest and dividend received	542	872
Interest paid	(398)	(253)
Income taxes paid	(6,572)	(5,888)
Net cash provided by operating activities	25,616	55,177
Cash flows from investing activities:		
Purchase of property, plant and equipment	(15,699)	(31,412)
Proceeds from sale of property, plant and equipment	26	186
Purchase of investments in securities	(209)	(250)
Increase in loans receivable	(11)	(1,597)
Payment for insurance reserves	(7)	(207)
Other	69	226
Cash flows used in investing activities	(15,831)	(33,055)

	Year Ended December 31, 2017 (From April 1, 2017 to December 31, 2017)	Year Ended December 31, 2018 (From January 1, 2018 to December 31, 2018)
Cash flows from financing activities:		
Repayments of long-term bank loans	¥—	¥(2,185)
Redemption of bonds	(13,000)	(20,000)
Proceeds from issuance of bonds	—	20,000
Dividends paid	(7,726)	(9,326)
Proceeds from non-controlling shareholders	3,000	—
Dividends paid to non-controlling shareholders	—	(8)
Purchase of treasury stocks	(6)	(4)
Repayments of lease obligations	(69)	(121)
Net cash used in financing activities	<u>(17,802)</u>	<u>(11,645)</u>
Foreign currency translation adjustments on cash and cash equivalents	<u>593</u>	<u>(5,883)</u>
Net increase (decrease) in cash and cash equivalents	<u>(7,424)</u>	<u>4,592</u>
Cash and cash equivalents, beginning of the year	<u>137,345</u>	<u>129,920</u>
Cash and cash equivalents, end of the year	<u>129,920</u>	<u>134,513</u>

Segment Information

THK's reportable segments are components of THK Group for which respective financial information is separately available. Operating results of each segment is reviewed periodically by the Board of Directors to determine allocation of operating resources and evaluate its performance.

THK Group's main products are machinery parts such as LM (linear motion) guides and ball screws, and transportation equipment-related parts such as link balls and suspension ball joints. In each country, local subsidiaries establish their comprehensive business strategies and conduct their business activities in a similar way that THK and domestic subsidiaries do in Japan.

Therefore, the reportable segment information consists of the five geographical segments, namely; (1) Japan, (2) The Americas (the United States and others), (3) Europe (Germany, France and others), (4) China, and (5) Other (Taiwan, Singapore and others) based on the Group's production/sales structure.

Segment income is computed based on operating income. The reportable segment information is prepared under the same accounting policies as those used in consolidation. Inter-segment sales and transfer are stated at amounts based on their fair market values. All adjustments in the following tables are intersegment elimination on consolidation.

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 previous fiscal year was an irregular accounting period of transition that covered nine months from April 1, 2017 to December 31, 2017.

For the year ended December 31, 2017 (April 1, 2017 to December 31, 2017)

	(Millions of Yen)						
	Japan	The Americas	Europe	China	Other	Adjustments	Consolidated
Sales to customers	¥106,072	¥67,130	¥57,247	¥40,024	¥16,128	¥—	¥286,603
Inter-segment	41,345	112	31	4,579	1,400	(47,469)	—
Total	147,418	67,242	57,278	44,604	17,528	(47,469)	286,603
Operating income	20,248	2,738	627	3,126	2,171	365	29,279
Assets	371,737	71,002	117,181	61,486	17,736	(202,477)	436,664
Other items							
Depreciation and amortization	3,263	3,083	2,298	3,340	428	(69)	12,346
Amortization of goodwill	—	161	692	—	—	—	854
Investments to affiliates accounted under the equity method	5,123	—	—	—	—	—	5,123
Capital expenditures	7,220	3,251	4,288	2,889	199	80	17,928

(Note) All adjustments are intercompany elimination.

For the year ended December 31, 2018 (April 1, 2018 to December 31, 2018)

	(Millions of Yen)						
	Japan	The Americas	Europe	China	Other	Adjustments	Consolidated
Sales to customers	¥160,742	¥69,882	¥59,482	¥46,735	¥16,636	¥—	¥353,479
Inter-segment	58,600	225	161	7,502	1,898	(68,388)	—
Total	219,343	70,107	59,644	54,238	18,534	(68,388)	353,479
Operating income	38,460	309	74	8,194	2,384	408	49,832
Assets	403,943	70,576	112,749	64,890	21,176	(209,986)	463,350
Other items							
Depreciation and amortization	5,480	3,082	2,629	3,406	426	(63)	14,962
Amortization of goodwill	—	159	728	—	—	—	887
Investments to affiliates accounted under the equity method	5,659	—	—	—	—	—	5,659
Capital expenditures	17,547	3,653	3,208	5,204	3,057	459	33,131

(Note) All adjustments are intercompany elimination.

Subsequent event

(Issuance of domestic straight bonds)

According to the resolution made at the Board of Directors' meeting held on May 25, 2018, THK issued the following domestic straight bonds on February 6, 2019.

1. 13th Series of THK CO., LTD. Unsecured Straight Bonds

(1) Total amount of issuance	¥10,000 million
(2) Issue price	¥100 per face value ¥100
(3) Interest rate	0.170% per annum
(4) Maturity	Five years
(5) Method of redemption	<ul style="list-style-type: none">• The Bonds will be redeemable in whole on February 6, 2024.• THK may retire all or part of the bonds by purchase at any time after the payment date.
(6) Payment date	February 6, 2019
(7) Use of proceeds	Equipment fund

2. 14th Series of THK CO., LTD. Unsecured Straight Bonds

(1) Total amount of issuance	¥10,000 million
(2) Issue price	¥100 per face value ¥100
(3) Interest rate	0.290% per annum
(4) Maturity	Seven years
(5) Method of redemption	<ul style="list-style-type: none">• The Bonds will be redeemable in whole on February 6, 2026.• THK may retire all or part of the bonds by purchase at any time after the payment date.
(6) Payment date	February 6, 2019
(7) Use of proceeds	Equipment fund

Additional notes:

Going concern issues: Not applicable.

Other Information

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.