THK
The Mark of Linear Motion

August 10, 2016

Consolidated Financial Results for the First Quarter Ended June 30, 2016 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)		August 10, 2016
Scheduled starting date of dividend payment		n/a

1. Consolidated Operating Results and Financial Position as of and for the three months ended June 30, 2016 (April 1, 2016 to June 30, 2016)

(1) Consolidated Operating Results

First Quarter Ended June 30 (Millions of Yen)	Net Sales		Operating Income		Ordinary Income		Net Income attributable to owners of the parent	
2016	¥67,384	22.7%	¥5,296	(16.4) %	¥1,764	(76.6) %	¥541	(89.6) %
2015	54,919	8.3	6,338	(4.1)	7,542	21.1	5,188	11.0

(Note) Comprehensive income (loss) First quarter ended June 30, 2016: ¥(6,498) million — %
First quarter ended June 30, 2015: 1,747 million 78.3

First Quarter Ended June 30 (Yen)	Net Income Per Share-Basic	Net Income Per Share-Diluted
2016	¥4.28	¥ —
2015	40.98	—

(2) Consolidated Financial Position

	Total Assets (Millions of Yen)	Net Assets (Millions of Yen)	Net Worth Ratio (%)	Net Assets Per Share (Yen)
June 30, 2016	¥397,620	¥241,274	59.9 %	¥1,882.51
March 31, 2016	407,808	250,540	60.7	1,953.97

(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 June 30, 2016:*	*¥238,301 million*
	As of March 31, 2016:	*247,348 million*

2. Dividends

For the year ended March 31	First Quarter End as of June 30	Second Quarter End as of September 30	Third Quarter End as of December 31	Year end	Total
	Dividend Per Share (Yen)				
2016 (Actual)	¥ ―	¥25.00	¥ ―	¥25.00	¥50.00
2017 (Actual)	―	n/a	n/a	n/a	n/a
2017 (Projected)	n/a	―	―	―	―

(Note) Change in dividend projection: none

The amount of dividends for the year ending March 31, 2017 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 March 31, 2017 (April 1, 2016 to March 31, 2017)

	Net Sales (Millions of Yen)	Operating Income (Millions of Yen)	Ordinary Income (Millions of Yen)	Net Income attributable to owners of the parent (Millions of Yen)	Net Income per Share （Yen）
Six months ending September 30, 2016					
(amount)	¥132,000	¥10,200	¥8,500	¥6,000	¥47.40
(percentage)	17.7%	(18.3)%	(27.3)%	(22.2)%	n/a
Year ending March 31, 2017					
(amount)	¥262,000	¥21,000	¥19,600	¥14,000	¥110.60
(percentage)	8.9%	(9.4)%	2.4%	3.1%	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.

4. Other Financial Information

(1) Significant change in scope of consolidation: None

(2) Simplified or particular accounting treatment for quarterly financial statements:

(Income taxes)

Certain consolidated subsidiaries determine their income tax expenses by multiplying net income for the quarter period by the estimated effective tax rate applicable to the fiscal year.

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

a. Changes in accounting standard	Please refer to “5. Accounting Changes”
b. Other changes	None

(4) Number of shares

		(shares)
a. Common stock issued, including treasury stock, as of:	June 30, 2016	133,856,903
	March 31, 2016	133,856,903
b. Treasury stock as of:	June 30, 2016	7,269,687
	March 31, 2016	7,269,394
c. Average number of common stock for the three months ended:	June 30, 2016	126,587,398
	June 30, 2015	126,589,943

5. Accounting Changes

(1) Prior to April 1, 2016, the depreciation method for property, plant and equipment of THK and its domestic consolidated subsidiaries mainly was the declining-balance method, whereas that of certain consolidated subsidiaries in the United States of America was the accelerated depreciation method. Effective April 1, 2016, THK and the aforementioned consolidated subsidiaries changed their depreciation method to the straight-line method.

From the viewpoint of unification of the THK Group’s accounting policies responding to the progress of globalization, THK and its consolidated subsidiaries reviewed the usage situation of their property, plant and equipment. As a result of the review, THK found that such assets would work stably and determined that the straight-line method would reflect the actual economic conditions of such assets more appropriately.

The effect of changing the depreciation method was to increase operating income, ordinary income and income before income taxes for the three-month period ended June 30, 2016 each by ¥257 million.

(2) Effective April 1, 2016, THK applied "Revised Implementation Guidance on Recoverability of Deferred Tax Assets" (Statement No. 26, issued by Accounting Standards Board of Japan on March 28, 2016).

Management’s Discussion and Analysis

1. Operating results (From April 1, 2016 to June 30, 2016)

During this three-month period, the economic growth in emerging countries such as China slowed down; however, the world economy continued its modest recovery which was mainly led by Europe and the United States of America that maintained their recovery trend. In Japan, the economy made a mild recovery; however, the consumer spending remained at a low level and there were some weaknesses particularly in exports because of the strong yen.

The THK Group has identified “Full-Scale Globalization,” the “Development of New Business Areas,” and “Change in Business Style” as cornerstones of its growth strategy to expand the markets of its products such as LM Guide (Linear Motion Guide). As to Full-Scale Globalization, while the markets in emerging countries such as China are growing by dint of the factory automation progress, which is also spreading to developed-country users, the THK Group endeavors to expand its global sales network to meet such demand. Regarding Development of New Business Areas, while the THK Group’s products are getting widely adopted in new business fields such as automobile parts, seismic isolation and damping systems, medical equipment, aircraft, robot, and renewable energy, the THK Group is working on expanding sales of not only existing products but also new developed products. In addition to promoting these strategies above, the THK Group is also committed to further expand its business fields by changing its business style enabled by making full use of the Internet of Things (IoT), cloud computing, AI, robot in many ways.

In this three-month period, the THK Group operated proactively to expand its sales with its strengthened operating structure on a global scale. Moreover, in order to further expand its transportation equipment business, THK has included four subsidiaries into the scope of consolidation as THK RHYTHM AUTOMOTIVE ("TRA"). As a result, net sales for the period amounted to ¥67,384 million, up ¥12,465 million, or 22.7%, compared to the figure a year earlier.

On the cost front, the cost of sales to sales ratio worsened by 7.0% from a year earlier to 75.6% due to consolidating the four TRA subsidiaries of which cost of sales to sales ratios were higher than that of the THK Group’s sales to industrial equipment-related industry. Similarly, ratio of selling, general and administrative expenses to net sales improved by 3.3% from a year earlier to 16.5% because of consolidating the four TRA subsidiaries with lower ratios.

Along with the stronger yen as compared to the level a year earlier, operating income decreased from a year earlier by ¥1,041 million, or 16.4%, to ¥5,296 million. Ratio to net sales dropped by 3.6% to 7.9%.

Total non-operating income and expenses were ¥548 million and ¥4,080 million, respectively. The major component of non-operating expenses was ¥3,805 million of foreign exchange loss due to the stronger yen.

As a result, ordinary income decreased from a year earlier by ¥5,778 million, or 76.6%, to ¥1,764 million. Net income attributable to owners of the parent for the three-month period also decreased from a year earlier by ¥4,646 million, or 89.6%, to ¥541 million.

Segment Information

(Japan)

In Japan, the economy made a mild recovery; however, the consumer spending remained at a low level and there were some weaknesses particularly in exports because of the strong yen. In such a situation, the THK Group operated proactively and cultivated new business fields such as seismic isolation and damping systems, medical equipment, renewable energy and robot; however, sales dropped by ¥2,314 million, or 7.7%, to ¥27,549 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. Operating income (segment income) amounted to ¥3,400 million, down ¥2,395 million, or 41.3%, from the figure a year earlier due mainly to the decreased sales and the stronger yen as compared to the level a year earlier.

(The Americas)

In the Americas, while there were some weaknesses particularly in capital investments and exports, the economy continued a gradual recovery trend. 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. As a result, net sales for the three-month period amounted to ¥17,385 million, up ¥7,645 million, or 78.5%, from the figure a year earlier. Operating income (segment income) amounted to ¥1,018 million, up ¥589 million, or 137.6%, from the figure a year earlier. This was mainly attributable to the robust demand in the electronics industry and the two newly-consolidated TRA subsidiaries in the Americas.

(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 medical equipment, aircraft and robot. As a result, net sales for the three-month period amounted to ¥13,477 million, up ¥7,943 million, or 143.5%, from the figure a year earlier. Operating income (segment income) amounted to ¥518 million, up ¥117 million, or 29.1%, from the figure a year earlier. This was mainly attributable to the increased demand in the machine tool industry and the two newly-consolidated TRA subsidiaries in Europe.

(China)

In China, 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 such a situation, the THK Group implemented aggressive business activities with its strengthened sales channels; however, sales amounted to ¥5,999 million, down ¥463 million, or 7.2%, from the figure a year earlier. This was mainly attributable to overall decreases in demand because of the economic slowdown in China. The THK Group recorded ¥254 million of operating loss (segment loss), which was ¥83 million more than the loss recorded a year earlier; however, the loss decreased from the previous three-month period ended March 31, 2016 because of various measures implemented to improve profitability.

(Other)

In other countries and regions, the THK Group continued to expand and deepen transactions with existing customers and to cultivate new customers while expanding its sales channels in the ASEAN countries and India. However, the economic slowdown of China influenced in some areas of Other segment. As a result, net sales for the three-month period amounted to ¥2,972 million, down ¥345 million, or 10.4%, from the figure a year earlier. Operating income (segment income) amounted to ¥249 million, down ¥192 million, or 43.6%, from the figure a year earlier, due to the decreased sales.

2. Financial position (As of June 30, 2016)

Total assets stood at ¥397,620 million, ¥10,188 million less than the previous fiscal year-end, due mainly to a combined effect of increase in electronically recorded monetary claims by ¥1,305 million, decrease in cash and bank deposits by ¥2,534 million, decrease in merchandise and finished goods by ¥1,589 million, decrease in buildings and structures-net by ¥1,461 million, and decrease in goodwill by ¥759 million.

Total liabilities stood at ¥156,345 million, ¥922 million less than the previous fiscal year-end, due mainly to decrease in accrued bonuses by ¥764 million and long-term bank loans by ¥543 million.

Net assets stood at ¥241,274 million, ¥9,265 million less than the previous fiscal year-end, due mainly to decrease in retained earnings by ¥2,621 million and foreign currency translation adjustments by ¥6,486 million.

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

No change from the forecasts (for the six months ending September 30, 2016 and the year ending March 31, 2017) reported in the announcement dated May 12, 2016.

Consolidated Financial Statements

Consolidated Balance Sheets

(Millions of Yen)

	Year End -Previous Year As of March 31, 2016	First Quarter End -Current Year As of June 30, 2016
Assets		
Current Assets:		
Cash and bank deposits	¥126,964	¥124,429
Accounts and notes receivable	65,977	65,371
Electronically recorded monetary claims	5,523	6,828
Merchandise and finished goods	16,619	15,030
Work in process	7,352	7,633
Raw materials and supplies	15,270	15,331
Other current assets	11,313	10,537
Less: Allowance for bad debts	(162)	(168)
Total current assets	248,858	244,993
Fixed Assets:		
Property, plant and equipment -net:		
Buildings and structures	33,543	32,081
Machinery and equipment	50,101	49,670
Other	25,784	24,411
Total property, plant and equipment –net	109,428	106,163
Intangibles		
Goodwill	12,780	12,021
Other	23,688	22,091
Total intangibles	36,468	34,112
Investments and Other		
Long-term investments in securities	7,052	6,622
Other	6,099	5,825
Less: Allowance for bad debts	(99)	(97)
Total investments and other	13,052	12,350
Total fixed assets	158,950	152,626
Total assets	407,808	397,620

(Millions of Yen)

	Year End -Previous Year As of March 31, 2016	First Quarter End -Current Year As of June 30, 2016
Liabilities		
Current Liabilities:		
Accounts and notes payable	¥20,129	¥21,679
Electronically recorded obligations	16,544	17,367
Current portion of long-term bank loans	2,253	2,193
Income taxes payable	806	1,192
Accrued bonuses	3,193	2,429
Other	16,645	14,580
Total current liabilities	59,572	59,442
Long-term Liabilities:		
Bonds	53,000	53,000
Long-term bank loans	30,280	29,737
Reserve for retirement benefits for directors and corporate auditors	129	134
Reserve for product warranty	142	133
Net defined benefit liability	7,195	7,185
Other	6,948	6,712
Total long-term liabilities	97,695	96,902
Total liabilities	157,268	156,345
Net Assets		
Shareholders' equity :		
Common stock	34,606	34,606
Additional paid-in capital	44,584	44,584
Retained earnings	165,076	162,455
Treasury stock	(13,950)	(13,950)
Total shareholders' equity	230,317	227,695
Accumulated other comprehensive income:		
Net unrealized gain on available-for-sale securities	665	748
Foreign currency translation adjustments	17,759	11,272
Remeasurements of defined benefit plans	(1,394)	(1,415)
Total accumulated other comprehensive income	17,030	10,606
Non-controlling interests	3,192	2,972
Total net assets	250,540	241,274
Total liabilities and net assets	407,808	397,620

Consolidated Statements of Income

(Millions of Yen)

	First Quarter Ended June 30, 2015 (From April 1, 2015 to June 30, 2015)	First Quarter Ended June 30, 2016 (From April 1, 2016 to June 30, 2016)
Net sales	¥54,919	¥67,384
Cost of sales	37,691	50,965
Gross profit	17,227	16,419
Selling, general and administrative expenses	10,889	11,123
Operating income	6,338	5,296
Non-operating income:		
Interest income	98	86
Equity earnings of affiliates	171	67
Foreign exchange gain, net	829	－
Other	328	395
Total non-operating income	1,427	548
Non-operating expense:		
Interest expenses	103	101
Foreign exchange loss, net	－	3,805
Other	119	174
Total non-operating expenses	223	4,080
Ordinary income	7,542	1,764
Extraordinary gains:		
Gain on sales of property, plant and equipment	3	3
Total extraordinary gains	3	3
Extraordinary losses:		
Loss on sales and disposal of property, plant and equipment	30	31
Loss on write-down of investments in securities	－	225
Total extraordinary losses	30	256
Income before income taxes	7,515	1,511
Income taxes-current	1,869	1,042
Income taxes-deferred	519	(2)
Total income taxes	2,388	1,039
Net income	5,126	471
Net loss attributable to non-controlling interests	(61)	(69)
Net income attributable to owners of the parent.	5,188	541

Consolidated Statements of Comprehensive Income

(Millions of Yen)

	First Quarter Ended June 30, 2015 (From April 1, 2015 to June 30, 2015)	First Quarter Ended June 30, 2016 (From April 1, 2016 to June 30, 2016)
Net income	¥5,126	¥471
Other comprehensive income:		
Unrealized gain on available-for-sale securities	169	85
Foreign currency translation adjustments	(3,258)	(6,592)
Remeasurements of defined benefit plans	(10)	(19)
Share of other comprehensive losses of affiliates accounted under the equity method	(278)	(444)
Total other comprehensive loss	(3,379)	(6,970)
Comprehensive income (loss)	1,747	(6,498)
Attributable to:		
Owners of the parent	1,821	(6,279)
Non-controlling interests	(74)	(219)

Segment Information

For the first quarter ended June 30, 2015 (April 1, 2015 to June 30, 2015)

(Millions of Yen)

	Japan	The Americas	Europe	China	Other	Adjust -ments	Consoli -dated
Sales to customers	¥29,863	¥9,740	¥5,533	¥6,463	¥3,318	¥－	¥54,919
Inter-segment	11,498	4	3	1,960	355	(13,822)	－
Total	41,361	9,744	5,537	8,423	3,673	(13,822)	54,919
Operating income (loss)	5,795	428	401	(171)	442	(558)	6,338

(Note) Adjustments of operating income (loss) of ¥558 million consist of ¥62 million of intercompany elimination and ¥496 million of corporate expenses not allocable to a specific segment. Such expenses are mainly composed of selling, general and administrative expenses.

For the first quarter ended June 30, 2016 (April 1, 2016 to June 30, 2016)

(Millions of Yen)

	Japan	The Americas	Europe	China	Other	Adjust -ments	Consoli -dated
Sales to customers	¥27,549	¥17,385	¥13,477	¥5,999	¥2,972	¥－	¥67,384
Inter-segment	10,087	12	20	878	328	(11,327)	－
Total	37,636	17,398	13,498	6,877	3,300	(11,327)	67,384
Operating income (loss)	3,400	1,018	518	(254)	249	363	5,296

(Note 1) All adjustments are intercompany elimination.

(Note 2) As discussed in 5. Accounting Changes, prior to April 1, 2016, the depreciation method for property, plant and equipment of THK and its domestic consolidated subsidiaries mainly was the declining-balance method, whereas that of certain consolidated subsidiaries in the United States of America was the accelerated depreciation method. Effective April 1, 2016, THK and the aforementioned consolidated subsidiaries changed their depreciation method to the straight-line method. As a result, operating income in the Japan segment and the Americas segment increased by ¥221 million and ¥35 million, respectively, as compared to those calculated using the former depreciation method.

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.