

## Consolidated Financial Results for the First Quarter Ended June 30, 2017 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  
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 Corporate Strategy Division  
 Scheduled date of filing quarterly report (Japanese version only) : August 10, 2017  
 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, 2017 (April 1, 2017 to June 30, 2017)

#### (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	
2017	¥122,663	—%	¥11,184	—%	¥11,999	—%	¥8,735	—%
2016	67,384	22.7	5,296	(16.4)	1,764	(76.6)	541	(89.6)
(Note) Comprehensive income (loss)	First quarter ended June 30, 2017:				¥8,739 million		— %	
	First quarter ended June 30, 2016:				¥(6,498) million		— %	

First Quarter Ended June 30 (Yen)	Net Income Per Share-Basic	Net Income Per Share-Diluted
2017	¥69.02	¥ —
2016	4.28	—

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 current fiscal year is an irregular accounting period of transition that covers nine months from April 1, 2017 to December 31, 2017. The consolidated operating results for the three months ended June 30, 2017 in the above table include the three-month period (from April 1, 2017 to June 30, 2017) of consolidated subsidiaries whose closing date is March 31 and the six-month period (from January 1, 2017 to June 30, 2017) of consolidated subsidiaries whose closing date is 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)
June 30, 2017	¥423,399	¥257,113	60.1 %	¥2,009.99
March 31, 2017	414,931	251,540	60.0	1,966.80

(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, 2017: ¥254,405 million  
 : As of March 31, 2017: 248,940 million

## 2. Dividends

	Dividend Per Share (Yen)				
	First Quarter End	Second Quarter End	Third Quarter End	Year end	Total
Year ended March 31, 2017 (Actual)	¥ —	¥16.00	¥ —	¥25.00	¥41.00
Year ending December 31, 2017 (Actual)	—	n/a	n/a	n/a	n/a
Year ending December 31, 2017 (Projected)	n/a	—	—	—	—

(Note) Change in dividend projection: none

The amount of dividends for the year ending December 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 December 31, 2017 (April 1, 2017 to December 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, 2017					
(amount)	¥198,000	¥20,000	¥20,100	¥14,600	¥115.35
(percentage)	—%	—%	—%	—%	n/a
Year ending December 31, 2017 (nine months)					
(amount)	¥273,500	¥28,000	¥28,200	¥20,200	¥159.59
(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.

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 current fiscal year is an irregular accounting period of transition that covers nine months from April 1, 2017 to December 31, 2017. The forecasts in the above table are determined based on the estimated consolidated operating results that include the nine months period (from April 1, 2017 to December 31, 2017) of consolidated subsidiaries whose closing date is March 31 and the twelve months period (from January 1, 2017 to December 31, 2017, as before) of consolidated subsidiaries whose closing date is December 31. Therefore, year-on-year percentage changes are not presented.

If the closing date was March 31 as before, the consolidated forecasts (from April 1, 2017 to March 31, 2018) would be as follows:

(Millions of Yen)	Net Sales	Operating Income	Ordinary Income	Net Income attributable to owners of the parent
Year ending March 31, 2018	¥305,000	11.5 %	¥34,500	39.9 %
			¥34,800	48.7%
				¥25,000
				49.4 %

#### 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, 2017	133,856,903
	March 31, 2017	133,856,903
b. Treasury stock as of:	June 30, 2017	7,286,496
	March 31, 2017	7,285,746
c. Average number of common stock for the three months ended:	June 30, 2017	126,570,797
	June 30, 2016	126,587,398

## 5. Accounting Changes

Effective this consolidated fiscal year, THK and its consolidated subsidiaries whose closing date is March 31 changed their closing date of each fiscal year from March 31 to December 31. The consolidated balance sheet date was also changed to December 31. By unifying the fiscal year with its foreign subsidiaries, THK intends to promote integrated group operations and improve its management transparency through timely and appropriate disclosure of its operating results and other business information. In accordance with this change, the three-month period ended June 30, 2017 was an irregular accounting period that include the operating results for the three months (from April 1, 2017 to June 30, 2017) of THK and consolidated subsidiaries whose closing date is March 31 and the operating results for the six months (from January 1, 2017 to June 30, 2017) of consolidated subsidiaries whose closing date is December 31.

The operating results of the consolidated subsidiaries whose closing date is December 31 for the three months ended March 31, 2017, which have been adjusted through consolidated statements of income, are as follows:

(Millions of Yen)	Net Sales	Operating Income	Ordinary Income	Income before income taxes
Three months ended March 31, 2017	¥44,414	¥2,129	¥1,984	¥1,979

## Management's Discussion and Analysis

### 1. Operating results (From April 1, 2017 to June 30, 2017)

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 current fiscal year is an irregular accounting period of transition that covers nine months from April 1, 2017 to December 31, 2017. The consolidated operating results for the three months ended June 30, 2017 include the three months (from April 1, 2017 to June 30, 2017) of consolidated subsidiaries whose closing date is March 31 and the six months (from January 1, 2017 to June 30, 2017) of consolidated subsidiaries whose closing date is December 31. Therefore, year-on-year percentage changes are not presented.

During this three-month period, while the economy in developed countries such as Europe and the United States of America continuously rallied, signs of recovery were seen in the economy in emerging countries such as China; the world economy continued its modest recovery. In Japan, while exports were robust because of the recovery of the world economy, the economy showed signs of an overall recovery trend and gradually rallied.

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, while the overall business was going strong because of sales to the electronics industry which were continuously robust and of expanding demand for general machine products and machine tool products, the THK Group steadily incorporated such demand and successfully increased sales with its strengthened operating structure on a global scale. On the cost front, while demand was increasing, the THK Group continued to implement various activities to improve its productivity.

As a result, net sales and operating income for the three-month period amounted to ¥122,663 million and

¥11,184 million, respectively.

Total non-operating income was ¥1,331 million of which major component was ¥584 million of equity earnings of affiliates. Total non-operating expenses were ¥516 million of which major component was ¥210 million of foreign exchange loss.

As a result, ordinary income and net income attributable to owners of the parent for the three-month period were ¥11,999 million and ¥8,735 million, respectively.

### **Segment Information**

(Japan)

In Japan, while there were signs of overall recovery with strong exports underpinned by the recovery of the world economy, the economy gradually rallied. In addition to sales to the electronics industry which were continuously robust, demand for general machine products and machine tool products was expanding. In such a situation, where overall demand was robust, the THK Group successfully incorporated such demand and recorded ¥34,224 million of net sales and ¥6,424 million operating income (segment income).

(The Americas)

In the Americas, while the economy continued its recovery trend by dint of the robust consumer spending and capital investments, 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, the THK Group steadily incorporated the strong demand for electronics products and machine tool products and successfully recorded ¥34,042 million of net sales and ¥2,133 million operating income (segment income).

(Europe)

In Europe, while the economy continued its modest recovery trend, 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, the THK Group steadily incorporated the strong demand for general machine products and successfully recorded ¥28,048 million of net sales and ¥516 million operating income (segment income).

(China)

In China, in addition to the increasing demand boosted by smartphone and automobile-related investments, demand for THK Group's products was widely expanded because of the factory automation progress

brought by the shortage in labor and the hike in personnel expenses. In such a situation, by utilizing the sales and production system that the THK Group has aggressively enhanced, the THK Group steadily incorporated such demand and successfully recorded ¥18,523 million of net sales and ¥1,012 million 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 expanding its sales channels in the ASEAN countries. In addition, the increasing demand in China had a positive impact in some areas. As a result, net sales and operating income (segment income) were ¥7,824 million and ¥981 million, respectively.

## **2. Financial position (As of June 30, 2017)**

Total assets stood at ¥423,399 million, ¥8,468 million more than the previous fiscal year-end, due mainly to a combined effect of increase in (1) accounts and notes receivable by ¥5,753 million, (2) electronically recorded monetary claims by ¥2,239 million, (3) work in process by ¥1,275 million, and (4) raw materials and supplies by ¥1,080 million, and decrease in cash and bank deposits by ¥3,162 million.

Total liabilities stood at ¥166,286 million, ¥2,895 million more than the previous fiscal year-end, due mainly to a combined effect of increase in electronically recorded obligations by ¥2,057 million, increase in accounts and notes payable by ¥1,069 million, and decrease in income taxes payable by ¥1,507 million.

Net assets stood at ¥257,113 million, ¥5,572 million more than the previous fiscal year-end, due mainly to increase in retained earnings by ¥5,571 million.

## **3. Forecast for the fiscal year ending December 31, 2017**

No change from the forecasts (for the six months ending September 30, 2017 and the year ending December 31, 2017) reported in the announcement dated May 11, 2017.

## Consolidated Financial Statements

### Consolidated Balance Sheets

(Millions of Yen)

	Year End -Previous Year As of March 31, 2017	First Quarter End -Current Year As of June 30, 2017
<b>Assets</b>		
Current Assets:		
Cash and bank deposits	¥137,345	¥134,182
Accounts and notes receivable	64,218	69,971
Electronically recorded monetary claims	11,216	13,455
Merchandise and finished goods	12,860	13,718
Work in process	8,607	9,882
Raw materials and supplies	15,960	17,040
Other current assets	9,793	9,680
Less: Allowance for bad debts	(174)	(187)
Total current assets	259,827	267,744
Fixed Assets:		
Property, plant and equipment -net:		
Buildings and structures	31,274	30,914
Machinery and equipment	51,716	52,661
Other	25,649	25,022
Total property, plant and equipment –net	108,639	108,598
Intangibles		
Goodwill	11,251	11,348
Other	20,976	20,842
Total intangibles	32,228	32,191
Investments and Other		
Long-term investments in securities	8,289	9,097
Other	6,009	5,832
Less: Allowance for bad debts	(64)	(64)
Total investments and other	14,235	14,865
Total fixed assets	155,103	155,654
Total assets	414,931	423,399



(Millions of Yen)

	Year End -Previous Year As of March 31, 2017	First Quarter End -Current Year As of June 30, 2017
<b>Liabilities</b>		
Current Liabilities:		
Accounts and notes payable	¥22,132	¥23,201
Electronically recorded obligations	20,556	22,614
Current portion of long-term bonds	13,000	23,000
Current portion of long-term bank loans	2,185	2,185
Income taxes payable	3,865	2,358
Accrued bonuses	3,398	3,078
Other	15,741	17,385
Total current liabilities	80,880	93,823
Long-term Liabilities:		
Bonds	40,000	30,000
Long-term bank loans	27,480	27,480
Reserve for retirement benefits for directors and corporate auditors	116	97
Reserve for product warranty	129	115
Net defined benefit liability	7,827	7,777
Other	6,956	6,992
Total long-term liabilities	82,510	72,462
Total liabilities	163,390	166,286
<b>Net Assets</b>		
Shareholders' equity :		
Common stock	34,606	34,606
Additional paid-in capital	44,584	44,584
Retained earnings	176,617	182,189
Treasury stock	(13,991)	(13,993)
Total shareholders' equity	241,817	247,386
Accumulated other comprehensive income :		
Net unrealized gain on available-for-sale securities	1,585	1,819
Foreign currency translation adjustments	6,793	6,685
Remeasurements of defined benefit plans	(1,256)	(1,485)
Total accumulated other comprehensive income	7,122	7,019
Non-controlling interests	2,600	2,708
Total net assets	251,540	257,113
Total liabilities and net assets	414,931	423,399

## Consolidated Statements of Income

(Millions of Yen)

	First Quarter Ended June 30, 2016 (From April 1, 2016 to June 30, 2016)	First Quarter Ended June 30, 2017 (From April 1, 2017 to June 30, 2017)
Net sales	¥67,384	¥122,663
Cost of sales	50,965	94,468
Gross profit	16,419	28,194
Selling, general and administrative expenses	11,123	17,009
Operating income	5,296	11,184
Non-operating income:		
Interest income	86	186
Equity earnings of affiliates	67	584
Other	395	560
Total non-operating income	548	1,331
Non-operating expense:		
Interest expenses	101	197
Foreign exchange loss, net	3,805	210
Other	174	108
Total non-operating expenses	4,080	516
Ordinary income	1,764	11,999
Extraordinary gains:		
Gain on sales of property, plant and equipment	3	12
Total extraordinary gains	3	12
Extraordinary losses:		
Loss on sales and disposal of property, plant and equipment	31	40
Loss on write-down of investments in securities	225	—
Total extraordinary losses	256	40
Income before income taxes	1,511	11,971
Income taxes-current	1,042	2,617
Income taxes-deferred	(2)	469
Total income taxes	1,039	3,087
Net income	471	8,884
Net income (loss) attributable to non-controlling interests	(69)	148
Net income attributable to owners of the parent.	541	8,735

## Consolidated Statements of Comprehensive Income

	(Millions of Yen)	
	First Quarter Ended June 30, 2016 (From April 1, 2016 to June 30, 2016)	First Quarter Ended June 30, 2017 (From April 1, 2017 to June 30, 2017)
Net income	¥471	¥8,884
Other comprehensive income:		
Unrealized gain on available-for-sale securities	85	245
Foreign currency translation adjustments	(6,592)	20
Remeasurements of defined benefit plans	(19)	(218)
Share of other comprehensive losses of affiliates accounted under the equity method	(444)	(192)
Total other comprehensive loss	(6,970)	(144)
Comprehensive income (loss)	(6,498)	8,739
Attributable to:		
Owners of the parent	(6,279)	8,632
Non-controlling interests	(219)	107

## Segment Information

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

	(Millions of Yen)						
	Japan	The Americas	Europe	China	Other	Adjustments	Consolidated
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) All adjustments are intercompany elimination.

### For the first quarter ended June 30, 2017 (April 1, 2017 to June 30, 2017)

	(Millions of Yen)						
	Japan	The Americas	Europe	China	Other	Adjustments	Consolidated
Sales to customers	¥34,224	¥34,042	¥28,048	¥18,523	¥7,824	¥-	¥122,663
Inter-segment	13,202	112	39	1,459	585	(15,399)	-
Total	47,426	34,155	28,088	19,983	8,409	(15,399)	122,663
Operating income	6,424	2,133	516	1,012	981	116	11,184

(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.