

## Consolidated Financial Results for the Fiscal Year Ended December 31, 2017 (From April 1, 2017 to December 31, 2017) under Japanese GAAP

Company Name	: THK CO., LTD.
Head Office	: Tokyo, Japan (Tel: +81-3-5730-3911)
URL	: <a href="http://www.thk.com/">http://www.thk.com/</a>
Stock exchange listing	: Tokyo Stock Exchange-First Section
Code number	: 6481
Representative	: Akihiro Teramachi, President and CEO
Contact	: Kenji Nakane, Executive Officer, General Manager of Finance and Accounting Department, Corporate Strategy Headquarters
Scheduled date of the ordinary general meeting of shareholders	March 17, 2018
Scheduled starting date of dividend payment	March 19, 2018
Scheduled date of filing the Securities Report (Japanese version only)	March 19, 2018

### 1. Consolidated Operating Results and Financial Position as of and for the fiscal year ended December 31, 2017 (April 1, 2017 to December 31, 2017)

#### (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, 2017	¥286,603	— %	¥29,279	— %	¥31,254	— %	¥25,729	— %
March 31, 2017	273,577	13.8	24,653	6.4	23,398	22.2	16,731	23.2
	<i>(Note) Comprehensive income</i>		<i>Year ended December 31, 2017</i>		<i>¥34,409 million</i>		<i>— %</i>	
			<i>Year ended March 31, 2017</i>		<i>6,231 million</i>		<i>3.9</i>	

Year Ended (Millions of Yen)	Net Income Per Share-Basic	Net Income Per Share-Diluted
December 31, 2017	¥203.28	¥ —
March 31, 2017	132.18	—

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, 2017	9.9 %	7.3 %	10.2 %
March 31, 2017	6.7	5.7	9.0

<i>(Note) Equity earnings of affiliates</i>	<i>Year ended December 31, 2017</i>	<i>¥948 million</i>
	<i>Year ended March 31, 2017</i>	<i>524 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. 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 year ended December 31, 2017 in the above table include the nine-month period (from April 1, 2017 to September 30, 2017) of consolidated subsidiaries whose closing date is March 31 and the full-year period (from January 1, 2017 to December 31, 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)
As of December 31, 2017	¥436,664	¥281,754	62.0 %	¥2,140.71
As of 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 adjustment/valuation items in net assets.

Net worth	As of December 31, 2017:	¥270,948 million
	As of March 31, 2017:	248,940 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, 2017	¥25,616	¥(15,831)	¥(17,802)	¥129,920
March 31, 2017	40,175	(17,960)	(7,548)	137,345

## 2. Dividends

	Dividend Per Share (Yen)					
	First end	Quarter end	Second Quarter end	Third Quarter end	Year/Period end	Total
Year ended March 31, 2017 (Actual)	—		16.00	—	25.00	41.00
Year ended December 31, 2017 (Actual)	—		36.00	—	26.00	62.00
Year ending December 31, 2018 (Projected)	—		—	—	—	—
	Total Amount of Dividends for the year/period (Millions of Yen)		Payout Ratio (Consolidated)		Cash Dividends / Net Assets (Consolidated)	
Year ended March 31, 2017 (Actual)	5,189		31.0%		2.1%	
Year ended December 31, 2017 (Actual)	7,847		30.5%		3.0%	
Year ending December 31, 2018 (Projected)	n/a		—		n/a	

The amounts of dividends for the year ending December 31, 2018 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, 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)
Six-month period ending June 30, 2018					
(amount)	¥ 173,000	¥ 21,500	¥ 22,700	¥ 16,600	¥ 131.15
(percentage)	—%	—%	—%	—%	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)
Year ending December 31, 2018					
(amount)	¥ 350,000	¥ 45,000	¥ 46,900	¥ 34,100	¥ 269.42
(percentage)	—%	—%	—%	—%	n/a

The current fiscal year is an irregular accounting period of transition that covers nine months from April 1, 2017 to December 31, 2017. Therefore, the expected year-on-year percentage changes are not presented.

(For reference)

The following percentage figures represent the percentage changes of the forecasted operating results for the year ending December 31, 2018 comparing to the operating results of the corresponding period a year earlier (from January 1, 2017 to December 31, 2017) computed for the comparison purposes.

	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)
Year ending December 31, 2018				
(amount)	¥ 350,000	¥ 45,000	¥ 46,900	¥ 34,100
(percentage)	9.8%	23.6%	23.1%	12.5%

#### 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, 2017	133,856,903
	March 31, 2017	133,856,903
b. Treasury stock as of:	December 31, 2017	7,287,650
	March 31, 2017	7,285,746
c. Average number of common stock for the year ended:	December 31, 2017	126,570,126
	March 31, 2017	126,582,277

#### 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 current fiscal year was an irregular accounting period that include the operating results for the nine months (from April 1, 2017 to December 31, 2017) of THK and consolidated subsidiaries whose closing date is March 31 and the operating results for the full-year (from January 1, 2017 to December 31, 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

## 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, 2017 (April 1, 2017 to December 31, 2017)

#### (1) Operating Results

Year Ended (Millions of Yen)	Net Sales		Operating Income		Ordinary Income		Net Income	
December 31, 2017	¥123,403	— %	¥18,656	— %	¥20,756	— %	¥28,215	— %
March 31, 2017	133,189	5.6	15,998	(10.8)	16,241	1.1	12,165	2.6

  

Year Ended March 31 (Yen)	Net Income Per Share-Basic	Net Income Per Share-Diluted
December 31, 2017	¥222.92	¥ —
March 31, 2017	96.10	—

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. 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, 2017	¥345,045	¥227,529	65.9 %	¥1,797.62
As of March 31, 2017	331,865	205,809	62.0	1,625.99

(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, 2017:	¥227,529 million
	As of March 31, 2017:	205,809 million

### 2. Non-Consolidated 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 (Millions of Yen)	Net Income per Share (Yen)
Six-month period ending June 30, 2018 (amount)	¥88,500	¥13,200	¥15,600	¥11,300	¥89.28
(percentage)	— %	— %	— %	— %	n/a

  

	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, 2018 (amount)	¥182,000	¥28,200	¥31,100	¥22,600	¥178.55
(percentage)	— %	— %	— %	— %	n/a

The current fiscal year is an irregular accounting period of transition that covers nine months from April 1, 2017 to December 31, 2017. Therefore, the expected year-on-year percentage changes are not presented.

(For reference)

The following percentage figures represent the percentage changes of the forecasted operating results for the year ending December 31, 2018 comparing to the operating results of the corresponding period a year earlier (from January 1, 2017 to December 31, 2017) computed for the comparison purposes.

	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)
Year ended December 31, 2018				
(amount)	¥182,000	¥28,200	¥31,100	¥22,600
(percentage)	15.1%	34.9%	37.0%	(21.0)%

## **Management's Discussion and Analysis**

### **1, Operating results (From April 1, 2017 to December 31, 2017)**

#### **(1) Summary of overall performance**

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 year ended December 31, 2017 include the nine months period (from April 1, 2017 to December 31, 2017) of consolidated subsidiaries whose closing date is March 31 and the full-year period (from January 1, 2017 to December 31, 2017) of consolidated subsidiaries whose closing date is December 31. Therefore, year-on-year percentage changes are not presented.

During this fiscal year, 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 AI and robot technologies in many ways.

In this fiscal year, while the overall business was going strong because of sales to the electronics industry driven by the robust investments in the semiconductor industry and of expanding demand for general machine products and machine tool products, the THK Group captured 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 such as robotization and

automation to improve its productivity.

As a result, net sales and operating income for the year amounted to ¥286,603 million and ¥29,279 million, respectively.

Total non-operating income was ¥2,830 million of which major components were ¥948 million of equity earnings of affiliates and ¥465 million of interest income. Total non-operating expenses were ¥855 million of which major components were ¥360 million of interest expenses and ¥270 million of foreign exchange loss, net.

As a result, THK recorded ¥31,254 million of ordinary income.

As announced on October 23, 2017, THK transferred all of its holdings of shares of THK RHYTHM CO., LTD., a consolidated subsidiary, to TRA Holdings, CO., LTD. Because of this share transfer, a write-down of investments in a subsidiary became deductible and gain on sale of investments in an affiliate was adjusted on consolidation for tax purposes. The effect on the consolidated statement of income was to decrease income tax-current by ¥3,100 million. As a result, net income attributable to owners of the parent for the year was ¥25,729 million.

(For reference)

If the previous fiscal year were a nine-month period from April 1, 2016 to December 31, 2016, the pro forma operating results and year-on-year comparison would be as follows:

	Pro forma accounting period— Nine months ended December 31, 2016 (A)	Year ended December 31, 2017— Nine months ended December 31, 2017 (B)	(Millions of yen) Fluctuation (%) (B-A)/A
Net sales	¥ 241,510	¥ 286,603	18.7
Operating income	17,840	29,279	64.1
Ordinary income	17,236	31,254	81.3
Net income attributable to owners of the parent	11,675	25,729	120.4



## **(2) Operating results by segment**

### **(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, demand for general machine products and machine tool products was expanding. In such a situation, where overall demand was robust, the THK Group successfully recorded ¥106,072 million of net sales and ¥20,248 million of 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, where demand for electronics products and machine tool products was robust, the THK Group recorded ¥67,130 million of net sales and ¥2,738 million of operating income (segment income).

### **(Europe)**

In Europe, while the economy continued its modest recovery trend mainly because of strong consumer spending, 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 robust, the THK Group recorded ¥57,247 million of net sales and ¥627 million of 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 captured such demand and successfully recorded ¥40,024 million of net sales and ¥3,126 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 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 ¥16,128 million and ¥2,171 million, respectively.

## 2, Financial position (As of December 31, 2017)

Total assets stood at ¥436,664 million, ¥21,733 million more than the previous fiscal year-end, due mainly to a combined effect of increase in (1) accounts and notes receivable by ¥7,325 million, (2) electronically recorded monetary claims by ¥4,297 million, (3) raw materials and supplies by ¥3,379 million, (4) machinery and equipment (net) by ¥4,796 million, and (5) Long-term investments in securities by ¥3,087 million and decrease in cash and bank deposits by ¥7,424 million.

Total liabilities stood at ¥154,910 million, ¥8,480 million less than the previous fiscal year-end, due mainly to a combined effect of increase in electronically recorded obligations by ¥3,366 million and decrease in (1) bonds by ¥13,000 million and (2) income taxes payable by ¥2,191 million.

Net assets stood at ¥281,754 million, ¥30,213 million more than the previous fiscal year-end, due mainly to a combined effect of increase in (1) retained earnings by ¥18,008 million, (2) non-controlling interests by ¥8,206 million, and (3) foreign currency translation adjustments by ¥6,666 million and decrease in additional paid-in capital by ¥4,143 million.

### For reference: Cash Flow Indices

	Year ended March 31				Year ended
	2014	2015	2016	2017	December 31
Net Worth / Total Assets (%)	65.3	66.3	60.7	60.0	62.0
Market Capitalization / Total Assets (%)	92.2	109.6	68.1	90.4	129.7
Interest-bearing Debt / Operating Cash Flow (years)	2.5	2.6	4.3	2.1	2.7
Operating Cash Flow / Interest Paid (times)	29.5	57.8	46.3	101.1	71.1

(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, 2018

Considering the latest demand in the industrial machinery business that exceeds the highest level ever recorded, THK expects ¥350,000 million of net sales, ¥45,000 million of operating income, ¥46,900 million of ordinary income, and ¥34,100 million of net income attributable to the owners of the parent, for the year ending December 31, 2018.

Year ending December 31, 2018 (Consolidated)

	Net Sales	Operating Income	Ordinary Income	Net Income
Millions of Yen	¥350,000	¥45,000	¥46,900	¥34,100
Component ratio (%)	100.0%	12.9%	13.4%	9.7%
Fluctuation (%)	—%	—%	—%	—%

*(Note) The current fiscal year is an irregular accounting period of transition that covers nine months from April 1, 2017 to December 31, 2017. Therefore, the expected year-on-year percentage changes are not presented.*

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

*U.S. dollar 1=¥105.00      Euro 1=¥132.00*

(For reference)

If the accounting period of THK and its all consolidated subsidiaries were from January 1, 2017 to December 31, 2017, the pro forma operating results for the year (12 months) ended December 31, 2017 would be as follows:

	Net Sales	Operating Income	Ordinary Income	Net Income
Millions of Yen	¥ 318,800	¥ 36,400	¥ 38,100	¥ 30,300
Component ratio (%)	100.0%	11.4%	12.0%	9.5%
Fluctuation (%)	—%	—%	—%	—%

## **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 ¥26.00 per share for the year-end dividends. As a result, cash dividends applicable for the year ended December 31, 2017 will be ¥62.00 per share, including the interim dividends of ¥36.00 per share.

The amounts of dividends for the year ending December 31, 2018 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 March 31, 2017	Year End -Current Year As of December 31, 2017
<b>Assets</b>		
Current assets:		
Cash and bank deposits	¥137,345	¥129,920
Accounts and notes receivable	64,218	71,543
Electronically recorded monetary claims	11,216	15,514
Merchandise and finished goods	12,860	14,357
Work in process	8,607	10,104
Raw materials and supplies	15,960	19,340
Deferred tax assets	2,780	2,337
Short-term loans receivable	3	3
Other current assets	7,008	8,071
Less: Allowance for bad debts	(174)	(218)
Total current assets	259,827	270,975
Fixed assets:		
Property, plant and equipment:		
Buildings and structures	69,730	72,565
Accumulated depreciation	(38,456)	(41,312)
Buildings and structures-net	31,274	31,252
Machinery, equipment and vehicles	176,839	191,357
Accumulated depreciation	(125,123)	(134,844)
Machinery, equipment and vehicles-net	51,716	56,513
Land	13,854	13,955
Construction in progress	8,377	10,452
Other	20,026	21,201
Accumulated depreciation	(16,609)	(17,441)
Other-net	3,417	3,759
Total property, plant and equipment –net	108,639	115,934
Intangibles		
Goodwill	11,251	11,449
Other	20,976	20,945
Total intangibles	32,228	32,395
Investments and other		
Long-term investments in securities	8,289	11,377
Net defined benefit asset	2,110	2,295
Deferred tax assets	1,444	754
Other	2,454	3,007
Less: Allowance for bad debts	(64)	(75)
Total investments and other	14,235	17,359
Total fixed assets	155,103	165,689
Total assets	414,931	436,664

(Millions of Yen)

	Year End -Previous Year As of March 31, 2017	Year End -Current Year As of December 31, 2017
<b>Liabilities</b>		
Current liabilities:		
Accounts and notes payable	¥22,132	¥22,330
Electronically recorded obligations	20,556	23,923
Current portion of long-term bonds	13,000	20,000
Current portion of Long-term bank loans	2,185	2,185
Lease obligation	147	126
Income taxes payable	3,865	1,673
Accrued bonuses to employees	3,398	2,971
Other	15,593	19,986
Total current liabilities	80,880	93,196
Long-term liabilities:		
Bonds	40,000	20,000
Long-term bank loans	27,480	27,480
Lease obligation	156	114
Deferred tax liabilities	5,359	5,134
Reserve for retirement benefits for directors and corporate auditors	116	108
Reserve for product warranty	129	118
Net defined benefit liability	7,827	7,389
Other	1,440	1,368
Total long-term liabilities	82,510	61,713
Total liabilities	163,390	154,910
<b>Net assets</b>		
Shareholders' equity :		
Common stock	34,606	34,606
Additional paid-in capital	44,584	40,440
Retained earnings	176,617	194,626
Treasury stock	(13,991)	(13,998)
Total shareholders' equity	241,817	255,675
Accumulated other comprehensive income:		
Net unrealized gain on available-for-sale securities	1,585	2,847
Foreign currency translation adjustments	6,793	13,459
Remeasurements of defined benefit plans	(1,256)	(1,033)
Total accumulated other comprehensive income	7,122	15,272
Non-controlling Interests	2,600	10,806
Total net assets	251,540	281,754
Total liabilities and net assets	414,931	436,664

## Consolidated Statements of Income

(Millions of Yen)

	Year Ended March 31, 2017 (From April 1, 2016 to March 31, 2017)	Year Ended December 31, 2017 (From April 1, 2017 to December 31, 2017)
Net sales	¥273,577	¥286,603
Cost of sales	203,112	214,490
Gross profit	70,464	72,112
Selling, general and administrative expenses:		
Freight expenses	3,866	3,984
Advertisement expenses	1,436	1,214
Salaries and benefits	14,958	14,015
Accrual for bonuses	1,170	1,072
Net periodic retirement costs	483	403
Rent expenses	1,666	2,058
Depreciation and amortization	2,234	2,215
Research and development	4,653	3,984
Amortization of goodwill	978	854
Other	14,362	13,029
Total selling, general and administrative expenses	45,811	42,833
Operating income	24,653	29,279
Non-operating income:		
Interest income	418	465
Dividend income	79	85
Equity earnings of affiliates	524	948
Rent income	403	317
Other	1,170	1,014
Total non-operating income	2,596	2,830
Non-operating expenses:		
Interest expenses	397	360
Foreign exchange loss, net	2,942	270
Other	511	224
Total non-operating expenses	3,851	855
Ordinary income	23,398	31,254

	Year Ended March 31, 2017 (From April 1, 2016 to March 31, 2017)	Year Ended December 31, 2017 (From April 1, 2017 to December 31, 2017)
Extraordinary gain:		
Gain on sales of property, plant and equipment	¥15	¥20
Total extraordinary gain	15	20
Extraordinary losses:		
Loss on sales of property, plant and equipment	7	14
Loss on disposal of property, plant and equipment	348	128
Impairment losses	—	54
Other	—	41
Total extraordinary losses	356	240
Income before income taxes	23,057	31,034
Income taxes-current	6,447	5,091
Income taxes-deferred	(64)	(195)
Total income taxes	6,383	4,895
Net income	16,673	26,139
Net income (loss) attributable to non-controlling interests	(58)	409
Net income attributable to owners of the parent	16,731	25,729



## Consolidated Statements of Comprehensive Income

(Millions of Yen)

	Year Ended March 31, 2017 (From April 1, 2016 to March 31, 2017)	Year Ended December 31, 2017 (From April 1, 2017 to December 31, 2017)
Net income	¥16,673	¥26,139
Other comprehensive income:		
Net unrealized gain on available-for-sale securities	920	1,255
Foreign currency translation adjustments	(10,990)	6,469
Remeasurements of defined benefit plans	171	227
Share of other comprehensive income (loss) of affiliates accounted under the equity method	(542)	317
Total other comprehensive income (loss)	(10,441)	8,270
Comprehensive income	6,231	34,409
Attributable to:		
Owners of the parent	6,823	33,879
Non-controlling interests	(591)	530

## Consolidated Statements of Changes in Net Assets

(Millions of Yen)

	Year Ended March 31, 2017 (From April 1, 2016 to March 31, 2017)	Year Ended December 31, 2017 (From April 1, 2017 to December 31, 2017)
<b>Shareholders' equity</b>		
Common stock		
Beginning balance	¥34,606	¥34,606
Ending balance	34,606	34,606
Additional paid-in capital		
Beginning balance	44,584	44,584
Change in the year:		
Change in the parent's ownership interest due to transaction with non-controlling interests	—	(4,143)
Total change in the year	—	(4,143)
Ending balance	44,584	40,440
Retained earnings		
Beginning balance	165,076	176,617
Change in the year:		
Dividends paid	(5,190)	(7,721)
Net income attributable to owners of the parent	16,731	25,729
Total change in the year	11,541	18,008
Ending balance	176,617	194,626
Treasury stock		
Beginning balance	(13,950)	(13,991)
Change in the year:		
Purchase of treasury stocks	(41)	(6)
Total change in the year	(41)	(6)
Ending balance	(13,991)	(13,998)
Total shareholders' equity		
Beginning balance	230,317	241,817
Change in the year:		
Dividends paid	(5,190)	(7,721)
Net income	16,731	25,729
Purchase of treasury stocks	(41)	(6)
Change in the parent's ownership interest due to transaction with non-controlling interests	—	(4,143)
Total change in the year	11,499	13,857
Ending balance	241,817	255,675

	Year Ended March 31, 2017 (From April 1, 2016 to March 31, 2017)	Year Ended December 31, 2017 (From April 1, 2017 to December 31, 2017)
<b>Other comprehensive income</b>		
Net unrealized gain on available-for-sale securities		
Beginning balance	¥665	¥1,585
Net change in the year		
Net changes in the items other than shareholders' equity	920	1,261
Total change in the year	920	1,261
Ending balance	1,585	2,847
Foreign currency translation adjustments		
Beginning balance	17,759	6,793
Net change in the year		
Net changes in the items other than shareholders' equity	(10,965)	6,666
Total change in the year	(10,965)	6,666
Ending balance	6,793	13,459
Remeasurements of defined benefit plans		
Beginning balance	(1,394)	(1,256)
Net change in the year		
Net changes in the items other than shareholders' equity	137	222
Total change in the year	137	222
Ending balance	(1,256)	(1,033)
Total other comprehensive income		
Beginning balance	17,030	7,122
Net change in the year		
Net changes in the items other than shareholders' equity	(9,907)	8,149
Total change in the year	(9,907)	8,149
Ending balance	7,122	15,272
<b>Non-controlling interests</b>		
Beginning balance	3,192	2,600
Net change in the year		
Net changes in the items other than shareholders' equity	(591)	8,206
Total change in the year	(591)	8,206
Ending balance	2,600	10,806

	Year Ended March 31, 2017 (From April 1, 2016 to March 31, 2017)	Year Ended December 31, 2017 (From April 1, 2017 to December 31, 2017)
<b>Total net assets</b>		
Beginning balance	250,540	251,540
Change in the year:		
Dividends paid	(5,190)	(7,721)
Net income	16,731	25,729
Purchase of treasury stocks	(41)	(6)
Change in the parent's ownership interest due to transaction with non-controlling interests	—	(4,143)
Net changes in the items other than shareholders' equity	(10,499)	16,355
Total change in the year	1,000	30,213
Ending balance	251,540	281,754

## Consolidated Statements of Cash Flows

(Millions of Yen)

	Year Ended March 31, 2017 (From April 1, 2016 to March 31, 2017)	Year Ended December 31, 2017 (From April 1, 2017 to December 31, 2017)
Cash flows from operating activities:		
Income before income taxes	¥23,057	¥31,034
Depreciation and amortization	13,185	13,240
Impairment losses	—	54
Loss on sale/disposal of property, plant and equipment	341	165
Increase (decrease) in provisions	172	(439)
Increase in net defined benefit liability	421	420
Interest and dividend income	(497)	(551)
Interest expenses	397	360
Foreign exchange loss	1,409	110
Equity in earnings of affiliates	(524)	(948)
Amortization of goodwill	978	854
Increase in trade receivables	(5,906)	(9,897)
Decrease (increase) in inventories	422	(5,463)
Increase in trade payables	7,416	2,246
Other	1,819	856
Subtotal	42,693	32,044
Interest and dividend received	480	542
Interest paid	(351)	(398)
Income taxes paid	(2,646)	(6,572)
Net cash provided by operating activities	40,175	25,616
Cash flows from investing activities:		
Purchase of property, plant and equipment	(17,482)	(15,699)
Proceeds from sale of property, plant and equipment	20	26
Purchase of investments in securities	(238)	(209)
Increase in loans receivable	(125)	(11)
Payment for insurance reserves	—	(7)
Proceeds from refunds of reserves for cancelled insurance	11	—
Other	(145)	69
Cash flows used in investing activities	(17,960)	(15,831)

	Year Ended March 31, 2017 (From April 1, 2016 to March 31, 2017)	Year Ended December 31, 2017 (From April 1, 2017 to December 31, 2017)
Cash flows from financing activities:		
Repayments of long-term bank loans	¥ (2,185)	¥—
Redemption of bonds	—	(13,000)
Dividends paid	(5,185)	(7,726)
Proceeds from non-controlling shareholders	—	3,000
Purchase of treasury stocks	(41)	(6)
Repayments of lease obligations	(137)	(69)
Net cash used in financing activities	<u>(7,548)</u>	<u>(17,802)</u>
Foreign currency translation adjustments on cash and cash equivalents	<u>(4,285)</u>	<u>593</u>
Net increase (decrease) in cash and cash equivalents	<u>10,380</u>	<u>(7,424)</u>
Cash and cash equivalents, beginning of the year	<u>126,964</u>	<u>137,345</u>
Cash and cash equivalents, end of the year	<u>137,345</u>	<u>129,920</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 its 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.

### For the year ended March 31, 2017 (April 1, 2016 to March 31, 2017)

	(Millions of Yen)						
	Japan	The Americas	Europe	China	Other	Adjust-ments	Consoli-dated
Sales to customers	¥121,865	¥62,870	¥48,775	¥28,008	¥12,056	¥-	¥273,577
Inter-segment	44,982	39	47	4,091	1,464	(50,625)	-
Total	166,848	62,909	48,822	32,100	13,521	(50,625)	273,577
Operating income	18,809	2,311	649	750	1,336	795	24,653
Assets	363,731	67,579	84,757	60,801	15,000	(176,938)	414,931
Other items							
Depreciation and amortization	4,450	2,935	2,007	3,556	313	(77)	13,185
Amortization of goodwill	20	157	649	-	151	-	978
Investments to affiliates accounted under the equity method	4,016	-	-	-	-	-	4,016
Capital expenditures	8,486	3,482	3,608	2,157	187	(81)	17,840

(Note) All adjustments are intercompany elimination.

**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)	—
<b>Total</b>	<b>147,418</b>	<b>67,242</b>	<b>57,278</b>	<b>44,604</b>	<b>17,528</b>	<b>(47,469)</b>	<b>286,603</b>
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.*



## **Business combinations**

(Business combination under common control)

According to the resolution made at the Board of Directors' meeting held on October 23, 2017, THK transferred all of its holdings of shares of THK RHYTHM CO., LTD. (hereinafter, "RHYTHM") to TRA Holdings, CO., LTD. (hereinafter, "TRA") on November 14, 2017.

### 1. Outline of the business combination

#### (1) Name of acquiree and nature of its business

Name: THK RHYTHM CO., LTD.

Business: Manufacturing and sales of parts of automobile and other transportation equipment

#### (2) Date of the business combination

November 14, 2017 (Date of transfer)

December 31, 2017 (Deemed date of transfer)

#### (3) Legal form of the business combination

Sale of shares in exchange of cash

#### (4) Purposes of the business combination

On October 5, 2017, the Company established TRA in charge of comprehensive management of the THK Group's expanding transportation equipment business. In order to improve the value of the aforementioned business and reinforce the THK Group's management, THK decided to transfer all of its holdings of shares of RHYTHM to TRA.

#### (5) Number of shares transferred and holding status before and after the transfer

Number of shares held by THK before the share transfer: 4,900 shares (100%)

Number of shares transferred: 4,900 shares

Number of shares held by THK after the share transfer: no shares (0%)

### 2. Outline of accounting treatments

The business combination was treated as a transaction under common control in accordance with the Statement No. 21, "Accounting Standard for Business Combinations" issued on September 13, 2013 by the Accounting Standards Board of Japan ("ASBJ") and ASBJ Guidance No. 10, "Guidance on Accounting Standards for Business Combinations and Business Divestitures" issued on September 13, 2013.

3. Items related to the change in THK's ownership interest due to transaction with non-controlling interests

(1) Reason of the change in additional paid-in capital

Sale of shares of a subsidiary without change in consolidation scope

(2) The amount of decrease in additional paid-in capital due to the transaction with non-controlling interests

¥4,143 million

### Subsequent event

(Issuance of domestic straight bonds)

According to the resolution made at the Board of Directors' meeting held on June 17, 2017, THK issued the following domestic straight bonds on February 7, 2018.

1. Eleventh 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	0.140% per annum
(4) Maturity	Five years
(5) Method of redemption	• The Bonds will be redeemable in whole on February 7, 2023. • THK may retire all or part of the bonds by purchase at any time after the payment date.
(6) Payment date	February 7, 2018
(7) Use of proceeds	Redemption of other bonds

2. Twelfth 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	0.270% per annum
(4) Maturity	Seven years
(5) Method of redemption	• The Bonds will be redeemable in whole on February 7, 2025. • THK may retire all or part of the bonds by purchase at any time after the payment date.
(6) Payment date	February 7, 2018
(7) Use of proceeds	Redemption of other bonds

**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.