

## Consolidated Financial Results for the Six Months Ended June 30, 2018 under Japanese GAAP

Company Name : THK CO., LTD.  
 Head Office : Tokyo, Japan (Tel: +81-3-5730-3911)  
 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, Executive Officer, General Manager of Finance and Accounting Department  
 Scheduled date of filing quarterly report (Japanese version only) : August 10, 2018  
 Scheduled starting date of dividend payment : September 10, 2018

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

#### (1) Consolidated Operating Results

Six Months Ended (Millions of Yen)	Net Sales		Operating Income		Ordinary Income		Net Income attributable to owners of the parent	
June 30, 2018	¥179,450	—%	¥26,187	—%	¥27,019	—%	¥19,607	—%
September 30, 2017	202,368	—	19,684	—	21,105	—	17,802	—
<i>(Note) Comprehensive income</i>			<i>Six months ended June 30, 2018:</i>		<i>¥12,998 million</i>		<i>— %</i>	
			<i>Six months ended September 30, 2017:</i>		<i>23,501 million</i>		<i>—</i>	

Six Months Ended (Yen)	Net Income Per Share-Basic	Net Income Per Share-Diluted
June 30, 2018	¥154.91	¥ —
September 30, 2017	140.65	—

(Note) In accordance with the partial amendments to the Articles of Incorporation approved at the 47th Ordinary General Meeting of Shareholders held on June 17, 2017, THK changed its closing date of each fiscal year from March 31 to December 31. 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 six months ended September 30, 2017 in the above table included the six months period (from April 1, 2017 to September 30, 2017) of consolidated subsidiaries whose closing date is March 31 and the nine months period (from January 1, 2017 to September 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, 2018	¥464,456	¥291,411	60.4 %	¥2,215.41
December 31, 2017	436,664	281,754	62.0	2,140.71

(Note) Net worth ratio is defined as net worth divided by total assets. Net worth consists of shareholders' equity and accumulated other comprehensive income in net assets.

Net worth As of June 30, 2018: ¥280,401 million  
 As of December 31, 2017: 270,948 million

## 2. Dividends

	Dividend Per Share (Yen)				
	First Quarter End	Second Quarter End	Third Quarter End	Year end	Total
Year ended December 31, 2017 (Actual)	¥ —	¥36.00	¥ —	¥26.00	¥62.00
Year ending December 31, 2018 (Actual)	—	47.00	n/a	n/a	n/a
Year ending December 31, 2018 (Projected)	n/a	n/a	—	—	—

(Note) Change in dividend projection: none

The amount of dividends for the year ending December 31, 2018 is planned to be determined in accordance with the targeted payout ratio of 30% on a consolidated basis and will be disclosed as soon as it is determined.

## 3. Forecasts for the year ending December 31, 2018 (January 1, 2018 to December 31, 2018)

	Net Sales (Millions of Yen)	Operating Income (Millions of Yen)	Ordinary Income (Millions of Yen)	Net Income attributable to owners of the parent (Millions of Yen)	Net Income per Share (Yen)
Year ending December 31, 2018					
(amount)	¥350,000	¥45,000	¥46,900	¥34,100	¥269.42
(percentage)	—%	—%	—%	—%	n/a

(Note 1) Change in forecasts: none

(Note 2) The above forecasts are based upon the information currently available at the time of the announcement of this report. Actual performance may differ from the estimates due to various unforeseen factors.

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.

If the previous fiscal year was a full-year (twelve months) period that covered January 1, 2017 to December 31, 2017, the year-on-year percentage changes of the consolidated forecasts would be as follows:

(Millions of Yen)	Net Sales		Operating Income		Ordinary Income		Net Income attributable to owners of the parent	
Year ending December 31, 2018	¥350,000	9.8 %	¥45,000	23.6 %	¥46,900	23.1%	¥34,100	12.5 %

#### 4. Other financial information

(1) Significant change in scope of consolidation: None

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

*(Income taxes)*

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

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

- |                                   |      |
|-----------------------------------|------|
| a. Changes in accounting standard | None |
| b. Other changes                  | None |

(4) Number of shares

		(shares)
a. Common stock issued, including treasury stock, as of:	June 30, 2018	133,856,903
	December 31, 2017	133,856,903
b. Treasury stock as of:	June 30, 2018	7,288,596
	December 31, 2017	7,287,650
c. Average number of common stock for the three months ended:	June 30, 2018	126,568,776
	September 30, 2017	126,570,403

## Management's Discussion and Analysis

### 1. Operating results (from January 1, 2018 to June 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. 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 six months ended September 30, 2017 included the six months period (from April 1, 2017 to September 30, 2017) of consolidated subsidiaries whose closing date is March 31 and the nine months period (from January 1, 2017 to September 30, 2017) of consolidated subsidiaries whose closing date is December 31. Therefore, year-on-year percentage changes are not presented.

During this six months period, while the economy in developed countries such as Europe and the United States of America continuously rallied, the economy in emerging countries such as China was robust and the world economy continued its modest recovery. In Japan, while exports and capital investments were robust because of the recovery of the world economy, the economy continued its recovery trend.

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 six months period, overall demand was strong because of the expanding investments in the semiconductor industries and the automation and robotization industries. In such a situation, the THK Group captured the strong 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 period amounted to ¥179,450 million and ¥26,187 million, respectively.

Total non-operating income was ¥1,779 million of which major components were ¥399 million of equity earnings of affiliates and ¥326 million of interest income. Total non-operating expenses were ¥947 million of which major component was ¥483 million of foreign exchange loss—net.

As a result, THK recorded ¥27,019 million of ordinary income and ¥19,607 million of net income attributable to owners of the parent.

(For reference)

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

	Pro forma accounting period— Six months ended June 30, 2017 (A)	Six months ended June 30, 2018 (B)	(Millions of yen) Fluctuation (%) (B-A)/A
Net sales	¥ 154,819	¥ 179,450	15.9
Operating income	18,258	26,187	43.4
Ordinary income	18,824	27,019	43.5
Net income attributable to owners of the parent	13,322	19,607	47.2

## Segment Information

### (Japan)

In Japan, while exports and capital investments were strong because of the recovery of the world economy, the economy gradually rallied. In such a situation, where demand was overall robust in industries including general machine products and machine tool products, the THK Group successfully recorded ¥80,157 million of net sales and ¥20,150 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, where demand for electronics products and machine tool products was robust, the THK Group recorded ¥35,777 million of net sales and ¥577 million of operating income (segment income).

### (Europe)

In Europe, while the economy was robust because of strong capital investments and 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 ¥31,827 million of net sales and ¥223 million of operating income (segment income).

### (China)

In China, in addition to the increasing demand for electronics products, 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 ¥23,484 million of net sales and ¥3,746 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 ¥8,202 million and ¥1,110 million, respectively.

## **2. Financial position (As of June 30, 2018)**

Total assets stood at ¥464,456 million, ¥27,791 million more than the previous fiscal year-end, due mainly to a combined effect of increase in (1) cash and bank deposits by ¥11,795 million, (2) accounts and notes receivable by ¥7,755 million, (3) electronically recorded monetary claims by ¥3,098 million, (4) machinery and equipment—net by ¥2,794 million, and decrease in buildings and structures—net by ¥1,263 million.

Total liabilities stood at ¥173,045 million, ¥18,135 million more than the previous fiscal year-end, due mainly to a combined effect of increase in (1) electronically recorded obligations by ¥1,750 million, (2) income taxes payable by ¥6,059 million, and (3) long-term bonds of ¥10,000 million and decrease in long-term bank loans by ¥2,185 million.

Net assets stood at ¥291,411 million, ¥9,656 million more than the previous fiscal year-end, due mainly to a combined effect of increase in retained earnings by ¥16,316 million and decrease in (1) net unrealized gain on available-for-sale securities by ¥1,088 million and (2) foreign currency translation adjustments by ¥5,826 million.

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

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

## Consolidated Financial Statements

### Consolidated Balance Sheets

(Millions of Yen)

	Year End -Previous Year As of December 31, 2017	Second Quarter End -Current Year As of June 30, 2018
<b>Assets</b>		
Current Assets:		
Cash and bank deposits	¥129,920	¥141,716
Accounts and notes receivable	71,543	79,299
Electronically recorded monetary claims	15,514	18,612
Merchandise and finished goods	14,357	13,826
Work in process	10,104	11,040
Raw materials and supplies	19,340	19,788
Other current assets	10,412	11,321
Less: Allowance for bad debts	(218)	(192)
Total current assets	270,975	295,412
Fixed Assets:		
Property, plant and equipment -net:		
Buildings and structures	31,252	29,989
Machinery and equipment	56,513	59,307
Other	28,168	31,916
Total property, plant and equipment –net	115,934	121,212
Intangibles		
Goodwill	11,449	10,628
Other	20,945	19,345
Total intangibles	32,395	29,973
Investments and Other		
Long-term investments in securities	11,377	10,490
Other	6,057	7,438
Less: Allowance for bad debts	(75)	(71)
Total investments and other	17,359	17,857
Total fixed assets	165,689	169,044
Total assets	436,664	464,456

(Millions of Yen)

	Year End -Previous Year As of December 31, 2017	Second Quarter End -Current Year As of June 30, 2018
<b>Liabilities</b>		
Current Liabilities:		
Accounts and notes payable	¥22,330	¥23,985
Electronically recorded obligations	23,923	25,674
Current portion of long-term bonds	20,000	10,000
Current portion of long-term bank loans	2,185	12,185
Income taxes payable	1,673	7,732
Accrued bonuses	2,971	4,331
Other	20,112	19,958
Total current liabilities	93,196	103,867
Long-term Liabilities:		
Bonds	20,000	40,000
Long-term bank loans	27,480	15,295
Reserve for retirement benefits for directors and corporate auditors	108	120
Reserve for product warranty	118	115
Net defined benefit liability	7,389	7,220
Other	6,616	6,426
Total long-term liabilities	61,713	69,177
Total liabilities	154,910	173,045
<b>Net Assets</b>		
Shareholders' equity :		
Common stock	34,606	34,606
Additional paid-in capital	40,440	40,440
Retained earnings	194,626	210,942
Treasury stock	(13,998)	(14,002)
Total shareholders' equity	255,675	271,987
Accumulated other comprehensive income :		
Net unrealized gain on available-for-sale securities	2,847	1,758
Foreign currency translation adjustments	13,459	7,633
Remeasurements of defined benefit plans	(1,033)	(978)
Total accumulated other comprehensive income	15,272	8,413
Non-controlling interests	10,806	11,010
Total net assets	281,754	291,411
Total liabilities and net assets	436,664	464,456

## Consolidated Statements of Income

(Millions of Yen)

	Six Months Ended September 30, 2017 (From April 1, 2017 to September 30, 2017)	Six Months Ended June 30, 2018 (From January 1, 2018 to June 30, 2018)
Net sales	¥202,368	¥179,450
Cost of sales	152,930	127,285
Gross profit	49,437	52,165
Selling, general and administrative expenses	29,753	25,977
Operating income	19,684	26,187
Non-operating income:		
Interest income	291	326
Equity earnings of affiliates	781	399
Other	956	1,053
Total non-operating income	2,029	1,779
Non-operating expense:		
Interest expenses	269	137
Foreign exchange loss, net	209	483
Other	128	326
Total non-operating expenses	607	947
Ordinary income	21,105	27,019
Extraordinary gains:		
Gain on sales of property, plant and equipment	14	39
Total extraordinary gains	14	39
Extraordinary losses:		
Loss on sales and disposal of property, plant and equipment	72	107
Total extraordinary losses	72	107
Income before income taxes	21,048	26,951
Income taxes-current	6,147	8,090
Income taxes-deferred	(3,172)	(998)
Total income taxes	2,975	7,091
Net income	18,072	19,860
Net income attributable to non-controlling interests	269	252
Net income attributable to owners of the parent	17,802	19,607

## Consolidated Statements of Comprehensive Income

(Millions of Yen)		
	Six Months Ended September 30, 2017 (From April 1, 2017 to September 30, 2017)	Six Months Ended June 30, 2018 (From January 1, 2018 to June 30, 2018)
Net income	¥18,072	¥19,860
Other comprehensive income:		
Unrealized gain (loss) on available-for-sale securities	771	(1,084)
Foreign currency translation adjustments	5,041	(6,286)
Remeasurements of defined benefit plans	(223)	65
Share of other comprehensive income (losses) of affiliates accounted under the equity method	(160)	443
Total other comprehensive income (loss)	5,429	(6,861)
Comprehensive income	23,501	12,998
Attributable to:		
Owners of the parent	23,185	12,794
Non-controlling interests	316	203

## Consolidated Statements of Cash Flows

(Millions of Yen)

	Six Months Ended September 30, 2017 (From April 1, 2017 to September 30, 2017)	Six Months Ended June 30, 2018 (From January 1, 2018 to June 30, 2018)
<b>Cash flows from operating activities :</b>		
Income before income taxes	¥21,048	¥26,951
Depreciation and amortization	9,418	7,711
Loss on sale/disposal of property, plant and equipment	57	68
Increase in provisions	1,101	1,375
Increase (decrease) in net defined benefit liability	83	(225)
Interest and dividend income	(346)	(393)
Interest expenses	269	137
Foreign exchange loss	2,409	1,379
Equity in earnings of affiliates	(781)	(399)
Amortization of goodwill	628	447
Increase in trade receivables	(10,380)	(12,007)
Increase in inventories	(4,659)	(1,713)
Increase in trade payables	1,639	3,903
Other	809	1,287
Subtotal	21,297	28,523
Interest and dividend received	346	394
Interest paid	(309)	(137)
Income taxes paid	(4,333)	(2,334)
Net cash provided by operating activities	17,000	26,445
<b>Cash flows from investing activities :</b>		
Purchase of property, plant and equipment	(9,816)	(14,426)
Proceeds from sale of property, plant and equipment	16	127
Purchase of investments in securities	(116)	(172)
Increase in loans receivable	(5)	(1,581)
Collection on loans	75	2
Payment for insurance funds	(11)	(16)
Other	1	0
Net cash used in investing activities	(9,856)	(16,065)

	Six Months Ended September 30, 2017 (From April 1, 2017 to September 30, 2017)	Six Months Ended June 30, 2018 (From January 1, 2018 to June 30, 2018)
Cash flows from financing activities:		
Repayments of long-term bank loans	—	(2,185)
Issuance of bonds	—	20,000
Redemption of bonds	—	(10,000)
Purchase of treasury stocks	(4)	(4)
Dividends paid	(3,167)	(3,342)
Repayments of lease obligations	(65)	(65)
Net cash provided by (used in) financing activities	(3,237)	4,402
Foreign currency translation adjustments on cash and cash equivalents	(2,116)	(2,986)
Net increase in cash and cash equivalents	1,789	11,795
Cash and cash equivalents, beginning of the period	137,345	129,920
Cash and cash equivalents, end of the period	139,134	141,716

## Segment Information

### For the six months ended September 30, 2017 (April 1, 2017 to September 30, 2017)

							(Millions of Yen)	
	Japan	The Americas	Europe	China	Other	Adjustments	Consolidated	
Sales to customers	¥68,918	¥50,383	¥42,514	¥28,759	¥11,793	¥-	¥202,368	
Inter-segment	26,211	53	11	2,916	1,003	(30,196)	-	
Total	95,130	50,436	42,525	31,675	12,796	(30,196)	202,368	
Operating income	12,314	2,532	618	1,843	1,508	866	19,684	

(Note) All adjustments are intercompany elimination.

### For the six months ended June 30, 2018 (January 1, 2018 to June 30, 2018)

							(Millions of Yen)	
	Japan	The Americas	Europe	China	Other	Adjustments	Consolidated	
Sales to customers	¥80,157	¥35,777	¥31,827	¥23,484	¥8,202	¥-	¥179,450	
Inter-segment	28,018	227	22	3,501	937	(32,708)	-	
Total	108,176	36,005	31,850	26,986	9,139	(32,708)	179,450	
Operating income	20,150	577	223	3,746	1,110	380	26,187	

(Note) All adjustments are intercompany elimination.

Since 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. The consolidated operating results for the six months ended September 30, 2017 included the six months period (from April 1, 2017 to September 30, 2017) of consolidated subsidiaries whose closing date is March 31 and the nine months period (from January 1, 2017 to September 30, 2017) of consolidated subsidiaries whose closing date is December 31.

**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.