

## Consolidated Financial Results for the Six Months Ended June 30, 2019 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 8, 2019  
 Scheduled starting date of dividend payment : September 9, 2019

### 1. Consolidated operating results and financial position as of and for the six months ended June 30, 2019 (January 1, 2019 to June 30, 2019)

#### (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, 2019	¥149,134	(16.9)%	¥13,949	(46.7)%	¥14,787	(45.3)%	¥9,855	(49.7)%
June 30, 2018	179,450	—	26,187	—	27,019	— %	19,607	—
(Note) Comprehensive income	Six months ended June 30, 2019:		Six months ended June 30, 2018:		¥7,154 million		(45.0) %	
					12,998 million		—	

Six Months Ended (Yen)	Net Income Per Share-Basic	Net Income Per Share-Diluted
June 30, 2019	¥77.87	¥ —
June 30, 2018	154.91	—

(Note) THK changed its closing date of each fiscal year from March 31 to December 31 starting from the fiscal year ended December 31, 2017. The fiscal year ended December 31, 2017 was an irregular accounting period of transition that covered nine months from April 1, 2017 to December 31, 2017. Since the six months period of 2018 (January 1, 2018 to June 30, 2018) differs from that of 2017 (from April 1, 2017 to September 30, 2017), year-on-year percentage changes for the six months ended June 30, 2018 in the above table 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, 2019	¥474,565	¥296,697	60.2 %	¥2,257.60
December 31, 2018	462,931	294,719	61.3	2,240.74

(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, 2019: ¥285,739 million  
 : As of December 31, 2018: 283,605 million

(Note) Effective January 1, 2019, THK applied "Partial Amendments to Accounting Standard for Tax Effect Accounting" (Statement No. 28 issued by Accounting Standards Board of Japan). The 2018 figures in the above table have been retrospectively adjusted in accordance with the revised standard.

## 2. Dividends

	Dividend Per Share (Yen)				
	First Quarter End	Second Quarter End	Third Quarter End	Year end	Total
Year ended December 31, 2018 (Actual)	¥ —	¥47.00	¥ —	¥38.00	¥85.00
Year ending December 31, 2019 (Actual)	—	24.00	n/a	n/a	n/a
Year ending December 31, 2019 (Projected)	n/a	n/a	—	—	—

(Note) Change in dividend projection: none

The amount of dividends for the year ending December 31, 2019 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, 2019 (January 1, 2019 to December 31, 2019)

	Net Sales (Millions of Yen)	Operating Income (Millions of Yen)	Ordinary Income (Millions of Yen)	Net Income attributable to owners of the parent (Millions of Yen)	Net Income per Share (Yen)
Year ending December 31, 2019 (amount)	¥310,000	¥28,000	¥30,000	¥22,000	¥173.82
(percentage)	(12.3)%	(43.8)%	(42.0)%	(37.9)%	n/a

(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 | None |
| b. Other changes                  | None |

(4) Number of shares

		(shares)
a. Common stock issued, including treasury stock, as of:	June 30, 2019	133,856,903
	December 31, 2018	133,856,903
b. Treasury stock as of:	June 30, 2019	7,288,996
	December 31, 2018	7,288,846
c. Average number of common stock for the six months ended:	June 30, 2019	126,568,001
	June 30, 2018	126,568,776

(5) Additional information

Effective January 1, 2019, THK applied "Partial Amendments to Accounting Standard for Tax Effect Accounting" (Statement No. 28 issued by Accounting Standards Board of Japan). In accordance with the revised standard, deferred tax assets and deferred tax liabilities are presented as "investments and other" and "long-term liabilities," respectively, in the consolidated balance sheet.

## Management's Discussion and Analysis

### 1. Operating results (from January 1, 2019 to June 30, 2019)

In this six months period, while signs of economic slowdown were spreading mainly in China because of the US-China trade friction, there were growing concerns of the global economic slowdown. In Japan, uncertainty was spreading in the economy; exports and production weakened due to the declining demand from China and other countries.

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 such a situation where overall demand was in an adjustment phase due to the US-China trade friction, the THK Group captured the demand, which had been strong before entering the adjustment phase. The sales, however, amounted to ¥149,134 million, down ¥30,315 million, or 16.9%, compared to the figure a year earlier, which was robust.

On the cost front, the THK Group continued to implement various activities to improve its productivity and thereby mitigated the decline in profitability. The cost to sales ratio, however, rose 2.4% from a year earlier to 73.3% due to the sharp decrease in sales.

Selling, general and administrative expenses amounted to ¥25,859 million, down ¥117 million, or 0.5%, compared to the figure a year earlier. This was mainly attributable to the THK Group's endeavors to contain costs and improve operating efficiency as well as the decreased sales. The ratio to net sales, however, worsened by 2.8% from a year earlier to 17.3%

As a result, operating income decreased from a year earlier by ¥12,237 million, or 46.7%, to ¥13,949 million. Ratio to net sales dropped by 5.2% to 9.4%.

Total non-operating income was ¥1,619 million of which major component was ¥489 million of interest income. Total non-operating expenses were ¥781 million of which major components were ¥155 million of interest expenses and ¥72 million of foreign exchange loss—net.

As a result, ordinary income decreased from a year earlier by ¥12,231 million, or 45.3%, to ¥14,787 million. Net income attributable to owners of the parent also decreased from a year earlier by ¥9,751 million, or 49.7%, to ¥9,855 million.

### **Segment Information**

(Japan)

In Japan, while exports and production weakened due to the declining demand from China and other countries, the THK Group successfully generated sales by capturing demand which was favorable overall. Sales, however, decreased by ¥14,545 million, or 18.1%, to ¥65,612 million. Operating income (segment income) decreased by ¥9,844 million, or 48.9%, to ¥10,305 million due to the decreased sales.

(The Americas)

In the Americas, while the economy continued its growth trend led by its domestic demand, 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. However, sales decreased by ¥5,077 million, or 14.2%, to ¥30,700 million due to the adjustment phase of demand mainly for electronics products. In addition to the decreased sales, the profitability of the transportation equipment business declined due mainly to the rising in material costs. As a result, the THK Group recorded ¥317 million of operating loss (segment loss), a turnaround of ¥894 million.

(Europe)

In Europe, while there were weaknesses in exports and production, the moderate economic growth continued because of the domestic demand mainly for consumer spending. 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 automobile, medical equipment, aircraft and robot. Sales, however, decreased by ¥2,020 million, or 6.3%, to ¥29,807 million. As a result, the THK Group recorded ¥10 million of operating loss (segment loss), a turnaround of ¥234 million, mainly due to the decreased sales.

(China)

In China, while adjustment phases caused by the US-China trade friction concern were widely seen in capital investments, the THK Group captured the growing demand for electronics products and automation

and robotization-related products. Sales, however, decreased by ¥7,343 million, or 31.3%, to ¥16,141 million. Operating income (segment income) decreased by ¥1,934 million, or 51.6%, to ¥1,811 million due to the decreased sales.

(Other)

In other countries and regions, the THK Group continued to expand and deepen transactions with existing customers and to cultivate new customers while demand for THK Group's products was widely expanded in India and the ASEAN countries. Sales, however, decreased by ¥1,328 million, or 16.2%, to ¥6,873 million, mainly owing to the decreased demand in China that unfavorably affected the sales in some countries. Operating income (segment income) decreased by ¥385 million, or 34.7%, to ¥724 million due to the decreased sales.

## **2. Financial position (As of June 30, 2019)**

Total assets stood at ¥474,565 million, ¥11,633 million more than the previous fiscal year-end, due mainly to a combined effect of increase in (1) cash and bank deposits by ¥14,743 million, (2) merchandise and finished goods by ¥2,911 million, (3) buildings and structures—net by ¥6,968 million, (4) machinery and equipment—net by ¥3,061 million and decrease in (1) accounts and notes receivable by ¥9,402 million and (2) electronically recorded monetary claims by ¥4,329 million.

Total liabilities stood at ¥177,868 million, ¥9,655 million more than the previous fiscal year-end, due mainly to a combined effect of increase in (1) bonds by ¥20,000 million and (2) long-term bank loans by ¥7,814 million and decrease in (1) accounts and notes payable by ¥2,411 million (2) electronically recorded obligations by ¥5,505 million, and (3) income taxes payable by ¥8,740 million.

Net assets stood at ¥296,697 million, ¥1,977 million more than the previous fiscal year-end, due mainly to a combined effect of increase in retained earnings by ¥5,044 million and decrease in foreign currency translation adjustments by ¥3,342 million.

## **3. Forecast for the fiscal year ending December 31, 2019**

No change from the forecasts for the year ending December 31, 2019 reported in the announcement dated February 14, 2019.

## Consolidated Financial Statements

### Consolidated Balance Sheets

(Millions of Yen)

	Year End -Previous Year As of December 31, 2018	Second Quarter End -Current Year As of June 30, 2019
<b>Assets</b>		
Current Assets:		
Cash and bank deposits	¥134,513	¥149,256
Accounts and notes receivable	69,722	60,320
Electronically recorded monetary claims	22,973	18,643
Merchandise and finished goods	18,625	21,537
Work in process	10,815	10,644
Raw materials and supplies	20,624	21,359
Other current assets	7,741	7,352
Less: Allowance for bad debts	(134)	(111)
Total current assets	284,881	289,003
Fixed Assets:		
Property, plant and equipment -net:		
Buildings and structures	29,525	36,493
Machinery and equipment	62,735	65,796
Other	37,434	36,813
Total property, plant and equipment—net	129,695	139,103
Intangibles		
Goodwill	10,003	9,461
Other	18,102	16,869
Total intangibles	28,106	26,331
Investments and Other		
Long-term investments in securities	9,665	10,230
Other	10,666	9,966
Less: Allowance for bad debts	(83)	(69)
Total investments and other	20,248	20,127
Total fixed assets	178,049	185,562
Total assets	462,931	474,565

	(Millions of Yen)	
	Year End -Previous Year As of December 31, 2018	Second Quarter End -Current Year As of June 30, 2019
<b>Liabilities</b>		
Current Liabilities:		
Accounts and notes payable	¥22,084	¥19,673
Electronically recorded obligations	26,938	21,433
Current portion of long-term bonds	—	10,000
Current portion of long-term bank loans	12,185	2,185
Income taxes payable	12,271	3,531
Accrued bonuses	3,899	4,282
Other	20,850	18,360
Total current liabilities	98,230	79,466
Long-term Liabilities:		
Bonds	40,000	50,000
Long-term bank loans	15,295	33,110
Reserve for retirement benefits for directors and corporate auditors	131	104
Reserve for product warranty	112	102
Net defined benefit liability	7,908	7,832
Other	6,535	7,251
Total long-term liabilities	69,982	98,401
Total liabilities	168,212	177,868
<b>Net Assets</b>		
Shareholders' equity :		
Common stock	34,606	34,606
Additional paid-in capital	40,420	40,413
Retained earnings	220,787	225,832
Treasury stock	(14,002)	(14,003)
Total shareholders' equity	281,811	286,849
Accumulated other comprehensive income :		
Net unrealized gain on available-for-sale securities	1,102	1,504
Foreign currency translation adjustments	2,755	(586)
Remeasurements of defined benefit plans	(2,063)	(2,027)
Total accumulated other comprehensive income (loss)	1,794	(1,109)
Non-controlling interests	11,113	10,957
Total net assets	294,719	296,697
Total liabilities and net assets	462,931	474,565



## Consolidated Statements of Income

(Millions of Yen)

	Six Months Ended June 30, 2018 (From January 1, 2018 to June 30, 2018)	Six Months Ended June 30, 2019 (From January 1, 2019 to June 30, 2019)
Net sales	¥179,450	¥149,134
Cost of sales	127,285	109,325
Gross profit	52,165	39,809
Selling, general and administrative expenses	25,977	25,859
Operating income	26,187	13,949
Non-operating income:		
Interest income	326	489
Equity earnings of affiliates	399	54
Other	1,053	1,075
Total non-operating income	1,779	1,619
Non-operating expense:		
Interest expenses	137	155
Foreign exchange loss, net	483	72
Other	326	553
Total non-operating expenses	947	781
Ordinary income	27,019	14,787
Extraordinary gains:		
Gain on sales of property, plant and equipment	39	26
Total extraordinary gains	39	26
Extraordinary losses:		
Loss on sales and disposal of property, plant and equipment	107	27
Total extraordinary losses	107	27
Income before income taxes	26,951	14,786
Income taxes-current	8,090	3,955
Income taxes-deferred	(998)	658
Total income taxes	7,091	4,613
Net income	19,860	10,172
Net income attributable to non-controlling interests	252	316
Net income attributable to owners of the parent	19,607	9,855

## Consolidated Statements of Comprehensive Income

	(Millions of Yen)	
	Six Months Ended June 30, 2018 (From January 1, 2018 to June 30, 2018)	Six Months Ended June 30, 2019 (From January 1, 2019 to June 30, 2019)
Net income	¥19,860	¥10,172
Other comprehensive income:		
Unrealized gain (loss) on available-for-sale securities	(1,084)	400
Foreign currency translation adjustments	(6,286)	(3,328)
Remeasurements of defined benefit plans	65	47
Share of other comprehensive income (losses) of affiliates accounted under the equity method	443	(137)
Total other comprehensive loss	(6,861)	(3,017)
Comprehensive income	12,998	7,154
Attributable to:		
Owners of the parent	12,794	6,950
Non-controlling interests	203	204

## Consolidated Statements of Cash Flows

(Millions of Yen)

	Six Months Ended June 30, 2018 (From January 1, 2018 to June 30, 2018)	Six Months Ended June 30, 2019 (From January 1, 2019 to June 30, 2019)
Cash flows from operating activities:		
Income before income taxes	¥26,951	¥14,786
Depreciation and amortization	7,711	8,369
Loss on sale/disposal of property, plant and equipment	68	1
Increase in provisions	1,375	320
Decrease in net defined benefit liability	(225)	(142)
Interest and dividend income	(393)	(548)
Interest expenses	137	155
Foreign exchange loss	1,379	631
Equity in earnings of affiliates	(399)	(54)
Amortization of goodwill	447	426
Decrease (increase) in trade receivables	(12,007)	13,382
Increase in inventories	(1,713)	(3,926)
Increase (decrease) in trade payables	3,903	(7,883)
Other	1,287	(2,014)
Subtotal	28,523	23,504
Interest and dividend received	394	547
Interest paid	(137)	(167)
Income taxes paid	(2,334)	(12,224)
Net cash provided by operating activities	26,445	11,660
Cash flows from investing activities:		
Purchase of property, plant and equipment	(14,426)	(17,057)
Proceeds from sale of property, plant and equipment	127	32
Purchase of investments in securities	(172)	(216)
Increase in loans receivable	(1,581)	(3)
Collection on loans	2	72
Payment for insurance funds	(16)	(49)
Other	0	27
Net cash used in investing activities	(16,065)	(17,195)

	Six Months Ended June 30, 2018 (From January 1, 2018 to June 30, 2018)	Six Months Ended June 30, 2019 (From January 1, 2019 to June 30, 2019)
Cash flows from financing activities:		
Proceeds from long-term bank loans	—	20,000
Repayments of long-term bank loans	(2,185)	(12,185)
Issuance of bonds	20,000	20,000
Redemption of bonds	(10,000)	—
Purchase of treasury stocks	(4)	(0)
Dividends paid	(3,342)	(4,887)
Dividends paid to non-controlling shareholders	—	(108)
Repayments of lease obligations	(65)	(242)
Net cash provided by (used in) financing activities	4,402	22,576
Foreign currency translation adjustments on cash and cash equivalents	(2,986)	(2,298)
Net increase in cash and cash equivalents	11,795	14,743
Cash and cash equivalents, beginning of the period	129,920	134,513
Cash and cash equivalents, end of the period	141,716	149,256

## Segment Information

### 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.

### For the six months ended June 30, 2019 (January 1, 2019 to June 30, 2019)

	(Millions of Yen)						
	Japan	The Americas	Europe	China	Other	Adjustments	Consolidated
Sales to customers	¥65,612	¥30,700	¥29,807	¥16,141	¥6,873	¥-	¥149,134
Inter-segment	25,959	78	120	3,208	917	(30,284)	-
Total	91,571	30,778	29,928	19,349	7,790	(30,284)	149,134
Operating income (loss)	10,305	(317)	(10)	1,811	724	1,435	13,949

(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.