

May 11, 2017

Consolidated Financial Results for the Year Ended March 31, 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
 Contact : Kenji Nakane, Executive Officer, General Manager of Finance and Accounting Department, Corporate Strategy Headquarters
 Scheduled date of the general shareholders' meeting : June 17, 2017
 Scheduled starting date of dividend payment : June 19, 2017
 Scheduled date of filing the Securities Report (Japanese version only) : June 19, 2017

1. Consolidated Operating Results and Financial Position as of and for the year ended March 31, 2017 (April 1, 2016 to March 31, 2017)

(1) Consolidated Operating Results

Year ended March 31 (Millions of Yen)	Net Sales		Operating Income		Ordinary Income		Net Income attributable to shareholders of THK Co., Ltd.	
2017	¥273,577	13.8 %	¥24,653	6.4 %	¥23,398	22.2 %	¥16,731	23.2 %
2016	240,478	10.5	23,169	(18.4)	19,140	(43.8)	13,575	(40.2)
(Note) Comprehensive income	For the year ended March 31, 2017:				¥6,231 million		3.9 %	
	For the year ended March 31, 2016:				5,999 million		(82.4)	

Year ended March 31 (Yen)	Net Income Per Share-Basic	Net Income Per Share-Diluted
2017	¥132.18	¥ —
2016	107.24	—

Year ended March 31	Return on Equity (Net income / Shareholders' equity)	Return on Assets (Ordinary income / Total assets)	Operating Income / Net Sales
2017	6.7%	5.7 %	9.0 %
2016	5.5	4.9	9.6

(Note) Equity earnings of affiliates : For the year ended March 31, 2017: ¥524 million
 For the year ended March 31, 2016: 644 million

(2) Consolidated Financial Position

	Total Assets (Millions of Yen)	Net Assets (Millions of Yen)	Net Worth Ratio (%)	Net Assets Per Share (Yen)
As of March 31, 2017	¥414,931	¥251,540	60.0 %	¥1,966.80
As of March 31, 2016	407,808	250,540	60.7	1,953.97

(Note) Net worth ratio is defined as net worth divided by total assets. Net worth consists of shareholders' equity and adjustment/valuation items in net assets.

Net worth	As of March 31, 2017:	¥248,940 million
	As of March 31, 2016:	247,348 million

(3) Consolidated Cash Flows

Year ended March 31 (Millions of Yen)	Net Cash Provided by Operating Activities	Net Cash Used in Investing Activities	Net Cash Provided by (Used in) Financing Activities	Cash and Cash Equivalents, End of Year
2017	¥40,175	¥(17,960)	¥(7,548)	¥137,345
2016	19,753	(62,685)	19,252	126,964

2. Dividends

	Dividend Per Share (Yen)					Total	
	First end	Quarter	Second Quarter end	Third end	Quarter		Year/Period end
March 31, 2016 (Actual)	—		25.00	—		25.00	50.00
March 31, 2017 (Actual)	—		16.00	—		25.00	41.00
December 31, 2017 (Projected)	—		—	—		—	—
	Total Amount of Dividends for the year/period (Millions of Yen)		Payout Ratio (Consolidated)		Cash Dividends / Net Assets (Consolidated)		
March 31, 2016 (Actual)	6,329		46.6%		2.6%		
March 31, 2017 (Actual)	5,189		31.0%		2.1%		
December 31, 2017 (Projected)	n/a		—		n/a		

The amounts of dividends for the nine-month period ending December 31, 2017 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 nine-month period 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 shareholders of THK Co., Ltd. (Millions of Yen)	Net Income per Share (Yen)
Six-month period ending September 30, 2017					
(amount)	¥198,000	¥20,000	¥20,100	¥14,600	¥115.35
(percentage)	—%	—%	—%	—%	n/a
	Net Sales (Millions of Yen)	Operating Income (Millions of Yen)	Ordinary Income (Millions of Yen)	Net Income attributable to shareholders of THK Co., Ltd. (Millions of Yen)	Net Income per Share (Yen)
Nine-month period ending December 31, 2017					
(amount)	¥273,500	¥28,000	¥28,200	¥20,200	¥159.59
(percentage)	—%	—%	—%	—%	n/a

THK plans to change its closing date of each fiscal year from March 31 to December 31, subject to approval at the 47th Ordinary General Meeting of Shareholders to be held in June 17, 2017. Since the 48th fiscal year is a transitional period, the above forecasts have been determined based on the forecasts for the nine-month period ending December 31, 2017 of THK and consolidated subsidiaries whose closing date is March 31, and for the year ending December 31, 2017 of the consolidated subsidiaries whose closing date is December 31. Therefore, percentage changes are not presented.

(For reference)

If the closing date was March 31 as before, the forecasts for the year ending March 31, 2018 would be as follows:

	Net Sales (Millions of Yen)	Operating Income (Millions of Yen)	Ordinary Income (Millions of Yen)	Net Income attributable to shareholders of THK Co., Ltd. (Millions of Yen)
Year ending March 31, 2018				
(amount)	¥305,000	¥34,500	¥34,800	¥25,000
(percentage)	11.5%	39.9%	48.7%	49.4%

(Note) 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:

Newly consolidated subsidiaries (specified subsidiaries)

- THK CAPITAL UNLIMITED COMPANY
- THK FINANCE UNLIMITED COMPANY

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

- | | |
|------------------------------------|---|
| a. Changes in accounting standards | Please refer to "5. Accounting Changes" |
| b. Other changes | None |

(3) Number of shares

		(shares)
a. Common stock issued, including treasury stock, as of:	March 31, 2017	133,856,903
	March 31, 2016	133,856,903
b. Treasury stock as of:	March 31, 2017	7,285,746
	March 31, 2016	7,269,394
c. Average number of common stock for the year ended:	March 31, 2017	126,582,277
	March 31, 2016	126,588,762

5. Accounting Changes

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

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

The effect of changing the depreciation method was to increase operating income, ordinary income and income before income taxes for the year ended March 31, 2017 each by ¥1,582 million.

- (2) During the year ended March 31, 2017, THK decided to relocate its head office and changed the accounting treatment of asset retirement obligations. Previously, THK recorded asset retirement obligations for the estimated restoration costs of the head office under the rent agreement. Since the decision of relocation was made, THK recognizes the reasonably-estimated uncollectible amount of the rent deposit as expenses for the portion attributable to the fiscal year.

The effect of changing the accounting estimates was to decrease operating income, ordinary income and income before income taxes for the year ended March 31, 2017 each by ¥13 million.

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

For Reference: Outline of Non-consolidated Financial Statements

1. Non-Consolidated Operating Results and Financial Position as of and for the year ended March 31, 2017 (April 1, 2016 to March 31, 2017)

(1) Operating Results

Year Ended March 31 (Millions of Yen)	Net Sales		Operating Income		Ordinary Income		Net Income	
2017	¥133,189	5.6 %	¥15,998	(10.8) %	¥16,241	1.1 %	¥12,165	2.6 %
2016	126,127	(5.0)	17,925	(18.1)	16,068	(41.3)	11,855	(32.6)
Year Ended March 31 (Yen)	Net Income Per Share-Basic		Net Income Per Share-Diluted					
2017	¥96.10		¥ —					
2016	93.65		—					

(2) Financial Position

	Total Assets (Millions of Yen)	Net Assets (Millions of Yen)	Net Worth Ratio (%)	Net Assets Per Share (Yen)
As of March 31, 2017	¥331,865	¥205,809	62.0 %	¥1,625.99
As of March 31, 2016	317,754	197,965	62.3	1,563.82

(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 March 31, 2017: ¥205,809 million
As of March 31, 2016: 197,965 million

2. Non-Consolidated forecasts for the nine-month period 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 (Millions of Yen)	Net Income per Share (Yen)
Six-month period ending September 30, 2017					
(amount)	¥80,000	¥10,000	¥10,100	¥7,300	¥57.67
(percentage)	31.0%	82.9%	189.9%	154.2%	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)
Nine-month period ending December 31, 2017					
(amount)	¥121,000	¥15,100	¥15,400	¥11,100	¥87.70
(percentage)	29.3%	70.1%	63.6%	57.2%	n/a

THK plans to change its closing date of each fiscal year from March 31 to December 31. Therefore, the fiscal year ending December 31, 2017 will be a nine-month fiscal period.

(For reference)

If the closing date was March 31 as before, the forecasts for the year ending March 31, 2018 would be as follows:

	Net Sales (Millions of Yen)	Operating Income (Millions of Yen)	Ordinary Income (Millions of Yen)	Net Income (Millions of Yen)
Year ending March 31, 2018				
(amount)	¥160,000	¥20,800	¥21,600	¥15,600
(percentage)	20.1%	30.0%	33.0	28.2%

(Note) 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.

Management's Discussion and Analysis

1, Operating results (From April 1, 2016 to March 31, 2017)

(1) Summary of overall performance

During this fiscal year, the economic growth in emerging countries such as China slowed down; however, the world economy continued its modest recovery which was mainly led by Europe and the United States of America that maintained their recovery trend. In Japan, there were some weaknesses in exports because of the strong yen; however, the economy rallied and made a mild recovery in the latter half of the fiscal year.

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 fiscal year, the THK Group operated proactively to expand its sales with its strengthened operating structure on a global scale. Moreover, in order to further expand its transportation equipment business, THK has included four subsidiaries into the scope of consolidation as THK RHYTHM AUTOMOTIVE ("TRA"). As a result, net sales for the year amounted to ¥273,577 million, up ¥33,098 million, or 13.8%, compared to the figure a year earlier.

On the cost front, the cost of sales to sales ratio worsened by 2.4% from a year earlier to 74.2% due to consolidating the four TRA subsidiaries of which cost of sales to sales ratios were higher than that of the THK Group's sales to industrial equipment-related industry. On the other hand, ratio of selling, general and administrative expenses to net sales improved by 1.8% from a year earlier to 16.7% because of consolidating the four TRA subsidiaries with lower ratios.

As a result, operating income increased from a year earlier by ¥1,483 million, or 6.4%, to ¥24,653 million,

whereas ratio to net sales dropped by 0.6% to 9.0%.

Total non-operating income and expenses were ¥2,596 million and ¥3,851 million, respectively. The major component of non-operating expenses was ¥2,942 million of foreign exchange loss due to the stronger yen.

As a result, ordinary income increased from a year earlier by ¥4,257 million, or 22.2%, to ¥23,398 million. Net income attributable to owners of the parent for the fiscal year also increased from a year earlier by ¥3,155 million, or 23.2%, to ¥16,731 million.

(2) Segment Information

(Japan)

In Japan, there were some weaknesses in exports because of the strong yen; however, the economy rallied and made a mild recovery in the latter half of the fiscal year. The THK Group operated proactively and cultivated new business fields such as seismic isolation and damping systems, medical equipment, renewable energy and robot. In such a situation, sales increased by ¥3,014 million, or 2.5%, to ¥121,865 million, compared to the figure a year earlier, owing mainly to increased demand for electronics-related products. On the other hand, operating income (segment income) amounted to ¥18,809 million, down ¥910 million, or 4.6%, from the figure a year earlier due mainly to the stronger yen as compared to the level a year earlier.

(The Americas)

In the Americas, the economy continued a gradual recovery trend by dint of the robust consumer spending and capital investments. In such a situation, the production and sales sections worked in unison to expand and deepen transactions with existing customers and to cultivate new business fields such as medical equipment, aircraft, and energy-related business. As a result, net sales for the fiscal year amounted to ¥62,870 million, up ¥13,378 million, or 27.0%, from the figure a year earlier. Operating income (segment income) amounted to ¥2,311 million, up ¥215 million, or 10.3%, from the figure a year earlier. This was mainly attributable to the robust demand in the electronics industry and the two newly-consolidated TRA subsidiaries in the Americas.

(Europe)

In Europe, 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 medical equipment, aircraft and robot. As a result, net sales for the fiscal year amounted to ¥48,775 million, up ¥17,552 million, or 56.2%, from the figure a year earlier. Operating income (segment income) amounted to ¥649 million, up ¥17 million, or 2.7%, from the figure a year earlier. This was also attributable to the effect of the two newly-consolidated TRA subsidiaries in Europe.

(China)

In China, the THK Group's products were getting widely adopted because of the factory automation progress brought by the shortage in labor and the hike in personnel expenses. In such a situation, the THK Group implemented aggressive business activities with its strengthened sales channels. As a result, THK Group successfully broadened the demand base even though the economy in China was slowing down. Sales, however, amounted to ¥28,008 million, down ¥164 million, or 0.6%, from the figure a year earlier due mainly to the stronger yen as compared to the level a year earlier. Despite the declining sales, the THK Group recorded ¥750 million of operating income (segment income), a turnaround of ¥2,095 million from the operating loss (segment loss) recorded a year earlier because of the various measures implemented to improve profitability.

(Other)

In other countries and regions, the THK Group continued to expand and deepen transactions with existing customers and to cultivate new customers while expanding its sales channels in the ASEAN countries and India. However, net sales for the fiscal year amounted to ¥12,056 million, down ¥682 million, or 5.4%, from the figure a year earlier due to the stronger yen as compared to the level a year earlier. On the other hand, operating income (segment income) amounted to ¥1,336 million, up ¥68 million, or 5.4%, from the figure a year earlier.

2, Financial position (As of March 31, 2017)

Total assets stood at ¥414,931 million, ¥7,122 million more than the previous fiscal year-end, due mainly to a combined effect of increase in (a) cash and bank deposits by ¥10,380 million, (b) electronically recorded monetary claims by ¥5,693 million, (c) machinery, equipment and vehicles (net) by ¥1,615 million, (d) work in process by ¥1,254 million, and (e) long-term investments in securities by ¥1,236 million, and decrease in (a) merchandise and finished goods by ¥3,758 million, (b) buildings and structures (net) by ¥2,268 million, (c) accounts and notes receivable by ¥1,759 million, and (d) goodwill by ¥1,528 million.

Total liabilities stood at ¥163,390 million, ¥6,122 million more than the previous fiscal year-end, due mainly to a combined effect of increase in (a) electronically recorded obligations by ¥4,012 million, (b) income taxes payable by ¥3,059 million, and (c) accounts and notes payable by ¥2,002 million, and decrease in long-term bank loans by ¥2,800 million.

Net assets stood at ¥251,540 million, ¥1,000 million more than the previous fiscal year-end, due mainly to a combined effect of increase in (a) retained earnings by ¥11,541 million and (b) net unrealized gain on available-for-sale securities by ¥920 million, and decrease in foreign currency translation adjustments by ¥10,965 million.

For reference: Cash Flow Indices

Year ended March 31	2013	2014	2015	2016	2017
Net Worth / Total Assets (%)	63.9	65.3	66.3	60.7	60.0
Market Capitalization / Total Assets (%)	83.0	92.2	109.6	68.1	90.4
Interest-bearing Debt / Operating Cash Flow (years)	2.9	2.5	2.6	4.3	2.1
Operating Cash Flow / Interest Paid (times)	28.7	29.5	57.8	46.3	101.1

(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 nine-month period ending December 31, 2017

Considering the change of closing date of each fiscal year and the latest favorable demand situation, THK expects ¥273,500 million of net sales, ¥28,000 million of operating income, ¥28,200 million of ordinary income, and ¥20,200 million of net income attributable to the owners of the parent, for the nine-month period ending December 31, 2017. For reference, forecasts for the year ending March 31, 2018, assuming that the closing date was March 31 as before, are also presented below.

Nine-month period ending December 31, 2017 (Consolidated)

	Net Sales	Operating Income	Ordinary Income	Net Income
Millions of Yen	¥273,500	¥28,000	¥28,200	¥20,200
Component ratio (%)	100.0%	10.2%	10.3%	7.4%
Fluctuation (%)	—%	—%	—%	—%

(Note) Since the nine-month period ending December 31, 2017 is a transitional period, the above forecasts have been determined based on the forecasts for the nine-month period ending December 31, 2017 of THK and consolidated subsidiaries whose closing date is March 31, and for the year ending December 31, 2017 of the consolidated subsidiaries whose closing date is December 31. Therefore, percentage changes are not presented.

(For reference)

If the closing date was March 31 as before, the consolidated forecasts for the year ending March 31, 2018 would be as follows:

	Net Sales	Operating Income	Ordinary Income	Net Income
Millions of Yen	¥305,000	¥34,500	¥34,800	¥25,000
Component ratio (%)	100.0%	11.3%	11.4%	8.2%
Fluctuation (%)	11.5%	39.9%	48.7%	49.4%

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

U.S. dollar 1=¥108.00 Euro 1=¥115.00

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 ¥25.00 per share for the year-end dividends. As a result, cash dividends applicable for the year ended March 31, 2017 will be ¥41.00 per share, including the interim dividends of ¥16.00 per share.

The amounts of dividends for the nine-month period ending December 31, 2017 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, 2016	Year End -Current Year As of March 31, 2017
Assets		
Current assets:		
Cash and bank deposits	¥126,964	¥137,345
Accounts and notes receivable	65,977	64,218
Electronically recorded monetary claims	5,523	11,216
Merchandise and finished goods	16,619	12,860
Work in process	7,352	8,607
Raw materials and supplies	15,270	15,960
Deferred tax assets	2,573	2,780
Short-term loans receivable	4	3
Other current assets	8,735	7,008
Less: Allowance for bad debts	(162)	(174)
Total current assets	248,858	259,827
Fixed assets:		
Property, plant and equipment:		
Buildings and structures	70,389	69,730
Accumulated depreciation	(36,846)	(38,456)
Buildings and structures-net	33,543	31,274
Machinery, equipment and vehicles	174,814	176,839
Accumulated depreciation	(124,713)	(125,123)
Machinery, equipment and vehicles-net	50,101	51,716
Land	13,998	13,854
Construction in progress	8,854	8,377
Other	19,569	20,026
Accumulated depreciation	(16,638)	(16,609)
Other-net	2,931	3,417
Total property, plant and equipment –net	109,428	108,639
Intangibles		
Goodwill	12,780	11,251
Other	23,688	20,976
Total intangibles	36,468	32,228
Investments and other		
Long-term investments in securities	7,052	8,289
Net defined benefit asset	1,493	2,110
Deferred tax assets	2,060	1,444
Other	2,545	2,454
Less: Allowance for bad debts	(99)	(64)
Total investments and other	13,052	14,235
Total fixed assets	158,950	155,103
Total assets	407,808	414,931

(Millions of Yen)

	Year End -Previous Year As of March 31, 2016	Year End -Current Year As of March 31, 2017
Liabilities		
Current liabilities:		
Accounts and notes payable	¥20,129	¥22,132
Electronically recorded obligations	16,544	20,556
Current portion of long-term bonds	—	13,000
Current portion of Long-term bank loans	2,253	2,185
Lease obligation	190	147
Income taxes payable	806	3,865
Accrued bonuses to employees	3,193	3,398
Other	16,454	15,593
Total current liabilities	59,572	80,880
Long-term liabilities:		
Bonds	53,000	40,000
Long-term bank loans	30,280	27,480
Lease obligation	234	156
Deferred tax liabilities	5,488	5,359
Reserve for retirement benefits for directors and corporate auditors	129	116
Reserve for product warranty	142	129
Net defined benefit liability	7,195	7,827
Other	1,224	1,440
Total long-term liabilities	97,695	82,510
Total liabilities	157,268	163,390
Net assets		
Shareholders' equity :		
Common stock	34,606	34,606
Additional paid-in capital	44,584	44,584
Retained earnings	165,076	176,617
Treasury stock	(13,950)	(13,991)
Total shareholders' equity	230,317	241,817
Accumulated other comprehensive income:		
Net unrealized gain on available-for-sale securities	665	1,585
Foreign currency translation adjustments	17,759	6,793
Remeasurements of defined benefit plans	(1,394)	(1,256)
Total accumulated other comprehensive income	17,030	7,122
Non-controlling Interests	3,192	2,600
Total net assets	250,540	251,540
Total liabilities and net assets	407,808	414,931

Consolidated Statements of Income

(Millions of Yen)

	Year Ended March 31, 2016 (From April 1, 2015 to March 31, 2016)	Year Ended March 31, 2017 (From April 1, 2016 to March 31, 2017)
Net sales	¥240,478	¥273,577
Cost of sales	172,711	203,112
Gross profit	67,766	70,464
Selling, general and administrative expenses:		
Freight expenses	4,000	3,866
Advertisement expenses	1,308	1,436
Salaries and benefits	13,723	14,958
Accrual for bonuses	1,075	1,170
Net periodic retirement costs	404	483
Rent expenses	1,789	1,666
Depreciation and amortization	1,836	2,234
Research and development	4,602	4,653
Amortization of goodwill	664	978
Other	15,191	14,362
Total selling, general and administrative expenses	44,597	45,811
Operating income	23,169	24,653
Non-operating income:		
Interest income	407	418
Dividend income	78	79
Equity earnings of affiliates	644	524
Rent income	387	403
Other	1,248	1,170
Total non-operating income	2,766	2,596
Non-operating expenses:		
Interest expenses	426	397
Foreign exchange loss, net	5,716	2,942
Other	651	511
Total non-operating expenses	6,795	3,851
Ordinary income	19,140	23,398

	Year Ended March 31, 2016 (From April 1, 2015 to March 31, 2016)	Year Ended March 31, 2017 (From April 1, 2016 to March 31, 2017)
Extraordinary gain:		
Gain on sales of property, plant and equipment	¥864	¥15
Total extraordinary gain	864	15
Extraordinary losses:		
Loss on sales of property, plant and equipment	73	7
Loss on disposal of property, plant and equipment	318	348
Other	0	—
Total extraordinary losses	392	356
Income before income taxes	19,612	23,057
Income taxes-current	5,289	6,447
Income taxes-deferred	1,073	(64)
Total income taxes	6,363	6,383
Net income	13,249	16,673
Net loss attributable to non-controlling interests	(325)	(58)
Net income attributable to owners of the parent	13,575	16,731

Consolidated Statements of Comprehensive Income

(Millions of Yen)

	Year Ended March 31, 2016 (From April 1, 2015 to March 31, 2016)	Year Ended March 31, 2017 (From April 1, 2016 to March 31, 2017)
Net income	¥13,249	¥16,673
Other comprehensive income:		
Net unrealized gain (loss) on available-for-sale securities	(643)	920
Foreign currency translation adjustments	(4,818)	(10,990)
Remeasurements of defined benefit plans	(1,223)	171
Share of other comprehensive loss of affiliates accounted under the equity method	(565)	(542)
Total other comprehensive loss	(7,250)	(10,441)
Comprehensive income	5,999	6,231
Attributable to:		
Owners of the parent	6,519	6,823
Non-controlling interests	(520)	(591)

Consolidated Statements of Changes in Net Assets

(Millions of Yen)

	Year Ended March 31, 2016 (From April 1, 2015 to March 31, 2016)	Year Ended March 31, 2017 (From April 1, 2016 to March 31, 2017)
Shareholders' equity		
Common stock		
Beginning balance	¥34,606	¥34,606
Ending balance	34,606	34,606
Additional paid-in capital		
Beginning balance	44,584	44,584
Ending balance	44,584	44,584
Retained earnings		
Beginning balance	158,463	165,076
Change in the year:		
Dividends paid	(6,962)	(5,190)
Net income attributable to owners of the parent	13,575	16,731
Total change in the year	6,612	11,541
Ending balance	165,076	176,617
Treasury stock		
Beginning balance	(13,943)	(13,950)
Change in the year:		
Purchase of treasury stocks	(6)	(41)
Total change in the year	(6)	(41)
Ending balance	(13,950)	(13,991)
Total shareholders' equity		
Beginning balance	223,711	230,317
Change in the year:		
Dividends paid	(6,962)	(5,190)
Net income	13,575	16,731
Purchase of treasury stocks	(6)	(41)
Total change in the year	6,606	11,499
Ending balance	230,317	241,817

	Year Ended March 31, 2016 (From April 1, 2015 to March 31, 2016)	Year Ended March 31, 2017 (From April 1, 2016 to March 31, 2017)
Other comprehensive income		
Net unrealized gain on available-for-sale securities		
Beginning balance	¥1,312	¥665
Net change in the year		
Net changes in the items other than shareholders' equity	(646)	920
Total change in the year	(646)	920
Ending balance	665	1,585
Foreign currency translation adjustments		
Beginning balance	22,940	17,759
Net change in the year		
Net changes in the items other than shareholders' equity	(5,181)	(10,965)
Total change in the year	(5,181)	(10,965)
Ending balance	17,759	6,793
Remeasurements of defined benefit plans		
Beginning balance	(166)	(1,394)
Net change in the year		
Net changes in the items other than shareholders' equity	(1,227)	137
Total change in the year	(1,227)	137
Ending balance	(1,394)	(1,256)
Total other comprehensive income		
Beginning balance	24,086	17,030
Net change in the year		
Net changes in the items other than shareholders' equity	(7,055)	(9,907)
Total change in the year	(7,055)	(9,907)
Ending balance	17,030	7,122
Non-controlling interests		
Beginning balance	2,701	3,192
Net change in the year		
Net changes in the items other than shareholders' equity	490	(591)
Total change in the year	490	(591)
Ending balance	3,192	2,600

	Year Ended March 31, 2016 (From April 1, 2015 to March 31, 2016)	Year Ended March 31, 2017 (From April 1, 2016 to March 31, 2017)
Total net assets		
Beginning balance	250,498	250,540
Change in the year:		
Dividends paid	(6,962)	(5,190)
Net income	13,575	16,731
Purchase of treasury stocks	(6)	(41)
Net changes in the items other than shareholders' equity	(6,565)	(10,499)
Total change in the year	41	1,000
Ending balance	250,540	251,540

Consolidated Statements of Cash Flows

(Millions of Yen)

	Year Ended March 31, 2016 (From April 1, 2015 to March 31, 2016)	Year Ended March 31, 2017 (From April 1, 2016 to March 31, 2017)
Cash flows from operating activities:		
Income before income taxes	¥19,612	¥23,057
Depreciation and amortization	13,643	13,185
Loss (gain) on sale/disposal of property, plant and equipment	(472)	341
Increase in provisions	13	172
Increase in net defined benefit liability	75	421
Interest and dividend income	(485)	(497)
Interest expenses	426	397
Foreign exchange loss	2,659	1,409
Equity in earnings of affiliates	(644)	(524)
Amortization of goodwill	664	978
Increase in trade receivables	(1,318)	(5,906)
Decrease (increase) in inventories	(3,386)	422
Increase in trade payables	1,094	7,416
Other	992	1,819
Subtotal	32,875	42,693
Interest and dividend received	504	480
Interest paid	(508)	(351)
Income taxes paid	(13,117)	(2,646)
Net cash provided by operating activities	19,753	40,175
Cash flows from investing activities:		
Purchase of property, plant and equipment	(15,522)	(17,482)
Proceeds from sale of property, plant and equipment	1,743	20
Purchase of investments in securities	(67)	(238)
Increase in loans receivable	(11)	(125)
Purchase of a newly consolidated subsidiary's shares	(24,379)	—
Payment for a business transfer	(24,161)	—
Payment for insurance reserves	(671)	—
Proceeds from refunds of reserves for cancelled insurance	—	11
Other	385	(145)
Cash flows used in investing activities	(62,685)	(17,960)

	Year Ended March 31, 2016 (From April 1, 2015 to March 31, 2016)	Year Ended March 31, 2017 (From April 1, 2016 to March 31, 2017)
Cash flows from financing activities:		
Proceeds from long-term bank loans	¥22,534	¥—
Repayments of long-term bank loans	—	(2,185)
Redemption of bonds	(7,000)	—
Proceeds from issuance of bonds	10,000	—
Dividends paid	(6,953)	(5,185)
Proceeds from non-controlling shareholders	1,011	—
Purchase of treasury stocks	(6)	(41)
Proceeds from sale of treasury stocks	0	—
Repayments of lease obligations	(321)	(137)
Payment for additional purchases of a subsidiary shares	(10)	—
Net cash provided by (used in) financing activities	19,252	(7,548)
Foreign currency translation adjustments on cash and cash equivalents	(4,596)	(4,285)
Net increase (decrease) in cash and cash equivalents	(28,275)	10,380
Cash and cash equivalents, beginning of the year	155,239	126,964
Cash and cash equivalents, end of the year	126,964	137,345

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 other), (3) Europe (Germany, the United Kingdom, Netherlands, and other), (4) China, and (5) Other (Taiwan, Singapore, and other) 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.

As discussed in 5. Accounting Changes, prior to April 1, 2016, the depreciation method for property, plant and equipment of THK and its domestic consolidated subsidiaries mainly was the declining-balance method, whereas that of certain consolidated subsidiaries in the United States of America was the accelerated depreciation method. Effective April 1, 2016, THK and the aforementioned consolidated subsidiaries changed their depreciation method to the straight-line method.

The effect of changing the depreciation method was to increase segment income of Japan and the Americas for the year ended March 31, 2017 by ¥1,432 million and ¥150 million, respectively.

For the year ended March 31, 2016 (April 1, 2015 to March 31, 2016)

	(Millions of Yen)						
	Japan	The Americas	Europe	China	Other	Adjust-ments	Consoli-dated
Sales to customers	¥118,851	¥49,491	¥31,223	¥28,173	¥12,738	¥-	¥240,478
Inter-segment	41,287	17	26	5,831	1,352	(48,516)	-
Total	160,138	49,509	31,249	34,005	14,091	(48,516)	240,478
Operating income (loss)	19,719	2,096	632	(1,344)	1,267	797	23,169
Assets	348,106	88,686	65,047	65,747	14,502	(174,281)	407,808
Other items							
Depreciation and amortization	5,644	2,272	1,019	4,437	447	(177)	13,643
Amortization of goodwill	61	58	231	-	312	-	664
Investments to affiliates accounted under the equity method	4,312	-	-	-	-	-	4,312
Capital expenditures	10,686	18,383	5,319	3,272	496	522	38,680

(Note) Adjustments of operating income (loss) of ¥797 million consist of ¥2,285 million of intercompany elimination and ¥ (1,487) million of corporate expenses not allocable to a specific segment. Such expenses are mainly comprised of selling, general and administrative expenses. All other adjustments are intercompany elimination.

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

	(Millions of Yen)						
	Japan	The Americas	Europe	China	Other	Adjustments	Consolidated
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.

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.