

November 13, 2019

Notice Regarding Amendments in Financial Forecasts and Dividend Projection

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THK CO., LTD. hereby announces that the financial forecasts and dividend projection reported on February 14, 2019 have been amended as follows:

1, Amendments in Financial Forecasts

(Consolidated)

	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)
For the year ending December 31, 2019					
Previous projections	¥310,000	¥28,000	¥30,000	¥22,000	¥173.82
Amended	276,000	16,800	18,200	9,500	75.06
Difference	(34,000)	(11,200)	(11,800)	(12,500)	
(Percentage)	(11.0)	(40.0)	(39.3)	(56.8)	
(For reference)					
Actual results of the year ended December 31, 2018	353,479	49,832	51,758	35,400	279.70

(Non-consolidated)

	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)
For the year ending December 31, 2019					
Previous projections	¥151,000	¥16,700	¥19,500	¥15,000	¥118.51
Amended	133,800	10,800	14,500	6,800	53.72
Difference	(17,200)	(5,900)	(5,000)	(8,200)	
(Percentage)	(11.4)	(35.3)	(25.6)	(54.7)	
(For reference)					
Actual results of the year ended December 31, 2018	186,311	34,699	39,053	28,035	221.50

Reasons of the amendments

While the US-China trade friction has made companies to hold off on investments mainly in China and this tendency is spreading worldwide, the latest demand situation of our industrial machinery business in Japan and various regions of the world remains at a low level. In addition, there are continuing uncertainties in the outlook for the external operating environment. In such a situation, THK expects net sales, operating income, ordinary income and net income to fall below its previous forecasts, respectively, both on a consolidated and non-consolidated basis.

For certain fixed assets owned by THK RHYTHM AUTOMOTIVE CANADA LIMITED, a consolidated subsidiary of THK who is engaged in the transportation equipment business, the THK Group reviewed for impairment in accordance with "Guidance for Accounting Standard for Impairment of Fixed Assets" because there were indications of impairment arising from decline in profitability due to the deterioration in market conditions. As a result, the carrying amounts of such fixed assets were written down to their recoverable amounts and the THK Group recorded an impairment loss of ¥2,136 million as an extraordinary loss.

On non-consolidated financial statements, THK recorded a ¥4,519 million of loss on write-down of investments in a subsidiary as an extraordinary loss because the substantial value of the above mentioned subsidiary significantly declined. This loss has been eliminated in consolidation and therefore does not have any impact on the consolidated operating results for the year ending December 31, 2019.

The average exchange rates used for the calculation of the forecasts are as follows:

From October 1 to December 31, 2019

U.S. dollar 1=¥106.05 Euro 1=¥116.52

From January 1 to September 30, 2019

U.S. dollar 1=¥109.14 Euro 1=¥122.64

2. Amendments in Dividend Projection

	Dividend Per Share (Yen)				
	First Quarter End	Second Quarter End	Third Quarter End	Year end	Total
Previous projections (Announced on February 14, 2019)	—	—	—	—	—
Amended	—	—	—	8.00	32.00
December 31, 2019 (Actual)	—	24.00	—		
December 31, 2018 (Actual)	—	47.00	—	38.00	85.00

Reason of the amendments

Our dividend policy places importance on stable and continuous distribution based on midterm operating results that reflects the change in external operating environment. In accordance with this policy, we planned to determine the amount of dividends for the year ending December 31, 2019 based on the targeted payout ratio of 30% on a consolidated basis; however, considering the estimated operating results for the year ending December 31, 2019, the dividend projection has been amended as in the table above.

The interim dividend for the six months ended June 30, 2019 and the projected year-end dividend for the year ending December 31, 2019 are ¥24 and ¥8 per share, respectively. As a result, the dividends for the year ending December 31, 2019 will be ¥32 with the payout ratio of 42.6% on a consolidated basis.