

February 6, 2015

Consolidated Financial Results for the Third Quarter Ended December 31, 2014 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, General Manager of Finance and Accounting Department, Corporate Strategy Division
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1. Consolidated Operating Results and Financial Position as of and for the nine months ended December 31, 2014 (April 1, 2014 to December 31, 2014)

(1) Consolidated Operating Results

Third Quarter Ended December 31 (Millions of Yen)	Net Sales		Operating Income		Ordinary Income		Net Income	
2014	¥160,299	17.2%	¥21,226	73.9 %	¥26,445	45.9 %	¥18,254	56.9 %
2013	136,792	6.5	12,208	27.9	18,131	88.6	11,636	83.1
(Note) Comprehensive income	Third quarter ended December 31, 2014:				¥17,160 million		(22.4)%	
	Third quarter ended December 31, 2013:				22,119 million		293.2	

Third Quarter Ended December 31 (Yen)	Net Income Per Share-Basic	Net Income Per Share-Diluted
2014	¥144.20	¥ —
2013	91.92	—

(2) Consolidated Financial Position

	Total Assets (Millions of Yen)	Net Assets (Millions of Yen)	Net Worth Ratio (%)	Net Assets Per Share (Yen)
December 31, 2014	¥352,871	¥234,012	65.6 %	¥1,829.10
March 31, 2014	336,416	222,148	65.3	1,736.51
(Note) Net worth	As of December 31, 2014:		¥231,547 million	
	As of March 31, 2014:		219,830 million	

(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.

2. Dividends

	Dividend Per Share (Yen)				
	First Quarter End as of June 30	Second Quarter End as of September 30	Third Quarter End as of December 31	Year end	Total
2014 (Actual)	—	11.00	—	15.00	26.00
2015 (Actual)	—	20.00	—	n/a	n/a
2015 (Projected)	n/a	n/a	n/a	20.00	40.00

(Note) Change in dividend projection: None

3. Forecasts for the year ending March 31, 2015 (April 1, 2014 to March 31, 2015)

	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 March 31, 2015					
(amount)	¥215,000	¥28,000	¥30,000	¥20,000	¥157.99
(percentage)	15.9%	61.2%	27.0%	28.3%	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/treatment/presentation manner due to:

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

(4) Number of shares

		(shares)
a. Common stock issued, including treasury stock, as of:	December 31, 2014	133,856,903
	March 31, 2014	133,856,903
b. Treasury stock as of:	December 31, 2014	7,266,046
	March 31, 2014	7,263,269
c. Average number of common stock for the nine months ended:	December 31, 2014	126,592,400
	December 31, 2013	126,595,646

5. Accounting Changes

Accounting Standard for Retirement Benefits— Effective April 1, 2014, THK applied " Accounting Standard for Retirement Benefits " (Statement No. 26, issued by Accounting Standards Board of Japan (ASBJ) on May 17, 2012) and "Guidance on Accounting Standard for Retirement Benefits" (Guidance No. 25, issued by ASBJ on May 17, 2012), in accordance with Section 35 of the aforementioned standard and Section 67 of the aforementioned guidance. In applying the new standard and guidance, THK reviewed the determination method of retirement benefit obligations and current service costs, and changed; (a) the method of attributing expected benefit to periods from straight-line basis to benefit formula basis, and; (b) the method to determine the discount rate. Prior to the application of the new standard, the discount rate was determined based on periods of bonds corresponding to the expected average remaining working lives of employees. Effective April 1, the discount rate has been a single weighted average discount rate reflecting the estimated timing and amount of benefit payment.

In applying the new standard and guidance, the effects of amendments in determination method of retirement benefit obligations and current service costs were recognized as an adjustment of the opening balance of retained earnings as of April 1, 2014 in accordance with the tentative treatment stipulated in Section 37 of the new standard.

As a result, the effects of applying the new standard and guidance were to increase net defined benefit liability by ¥1,663 million and to decrease retained earnings by ¥1,285 million, as of April 1, 2014. The effects on operating income, ordinary income, and income before income taxes and minority interests were immaterial.

Management's Discussion and Analysis

1. Operating results (April 1, 2014 to December 31, 2014)

During this nine months period, the modest recovery trend led by the United States of America continued in the world economy. In developed countries, the backlash of last-minute demand corresponding to the consumption tax hike in Japan was gradually resolved, and the European economy continued to recover from its recession phase. In emerging countries such as China, however, the rapid economic growth slowed down.

The THK Group has identified "Full-Scale Globalization" and the "Development of New Business Areas" as cornerstones of its growth strategy to actualize the latent demand for its products such as LM Guide. As to Full-Scale Globalization, while emerging-country markets are growing by dint of factory automation progress which is also spreading to developed-country users, the THK Group endeavors to expand its global sales network. In addition, regarding Development of New Business Areas, while the THK Group's products are getting widely adopted in new business fields such as 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 this nine month period, while demand in the machine tool industry was recovering and demand for electronics-related products was increasing because of investments in the smart phones and tablet computers markets, the THK Group operated proactively to expand its sales with its strengthened operating structure. As a result, the THK Group successfully increased its sales by capturing such demand. Along with the favorable effect of the weaker yen as compared to the level a year earlier, net sales for the nine month period amounted to ¥160,299 million, up ¥23,506 million, or 17.2%, compared to the figure a year earlier.

On the cost front, the THK Group implemented various activities to improve its productivity. Those activities include an across-the-division project to reinforce the operating foundations, namely, P25 Project. Such activities successfully streamlined fixed costs and lowered the variable cost ratio. As a result, the cost of sales to sales ratio improved by 2.5% from a year earlier to 69.2%.

As to selling, general and administrative expenses, the THK Group made endeavors to contain costs and improve operating efficiency while sales were increasing. Ratio to net sales improved by 1.8% from a year earlier to 17.6%.

As a result, operating income increased from a year earlier by ¥9,017 million, or 73.9%, to ¥21,226 million. Ratio to net sales also improved by 4.3% to 13.2%.

Total non-operating income was ¥5,809 million. Major components of non-operating income were ¥4,154 million of foreign exchange gain and ¥444 million of equity earnings of affiliates. Total non-operating expense was ¥590 million. Major component of non-operating expenses was ¥266 million of interest expenses. As a result, ordinary income increased from a year earlier by ¥8,314 million, or 45.9%, to ¥26,445 million. Net income for the period also increased from a year earlier by ¥6,617 million, or 56.9%, to ¥18,254 million.

2. Segment Information

(Japan)

During the first half of this nine months period, the economy in Japan showed temporary weaknesses such as a backlash of last-minute demand corresponding to the consumption tax hike; however, such weaknesses were gradually resolved in the latter half of the period. While demand in the machine tool industry was recovering and demand for electronics-related products was increasing because of investments in the smart phones and tablet computers markets, the THK Group operated proactively and cultivated new business fields such as seismic isolation and damping systems. Consequently, the THK Group successfully increased its sales mainly to the machine tool industry and the electronics industry, resulting in net sales for the period amounting to ¥90,226 million, up ¥11,344 million, or 14.4%, compared to the figure a year earlier. Operating income (segment income) amounted to ¥17,600 million, up ¥6,044 million, or 52.3%, from the figure a year earlier due to various operating activities such as our across-the-division project, namely, P25 Project. Such activities successfully streamlined fixed costs and lowered the variable cost ratio. In addition, the weaker yen during the period was favorable to the operating result.

(The Americas)

The economy in the Americas continued to expand with increasing capital investments led by the robust consumer spending. In such a situation, 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. Because of these endeavors, the THK Group successfully increased its sales to the electronics industry, the machine tool industry and the transportation equipment industry. Along with the favorable effect of the weaker yen as compared to the level a year earlier, net sales for the period amounted to ¥25,232 million, up ¥4,063 million, or 19.2%, from the figure a year earlier. Operating income (segment income) amounted to ¥1,170 million, up ¥308 million, or 35.7%, from the figure a year earlier.

(Europe)

In Europe, while signs of recovery were continuously seen, production and sales sections proactively worked in unison to expand and deepen transactions with existing customers and to cultivate new business fields such as medical equipment, aircraft, and railway vehicle-related business. Consequently, the THK Group successfully increased its sales, especially to the machine tool industry, the general machine industry and the electronics industry. As a result, sales in Europe amounted to ¥15,428 million, up ¥1,824 million, or 13.4%, from the figure a year earlier, with the favorable effect of the weaker yen as compared to the level a year earlier. The THK Group recorded ¥1,441 million of operating income (segment income), a turnaround of ¥1,779 million from operating loss (segment loss) recorded in a year earlier.

(China)

In China, automobile production was still robust; however, the rapid economic growth slowed down. As to the THK Group, driven by investments in smart phones and tablet computers market, demand increased principally in small-type products. In addition, the THK Group's products were getting widely adopted because of the factory automation progress in China. In such a situation, the THK Group implemented aggressive business activities with its strengthened sales channels and successfully increased its sales to various industries such as the machine tool industry, the general machine industry and the transportation equipment industry. As a result, sales amounted to ¥20,065 million, up ¥5,582 million, or 38.5%, from the figure a year earlier. The THK Group recorded ¥523 million of operating income (segment income), a turnaround of ¥882 million from operating loss (segment loss) recorded in a year earlier, due mainly to the higher sales.

(Other)

In other countries and regions including Taiwan, India and ASEAN countries, while demand was increasing especially for small-type products driven by investments in smart phones and tablet computers market, the THK Group continued to expand and deepen transactions with existing customers and to cultivate new customers. Such endeavors included setting up customer support centers for Japanese companies that enter the ASEAN countries. In addition, the yen remained weak during the year. As a result, sales amounted to ¥9,346 million, up ¥692 million, or 8.0%, from the figure a year earlier. Operating income (segment income) amounted to ¥957 million, up ¥360 million, or 60.3%, from the figure a year earlier.

3. Financial position (As of December 31, 2014)

Total assets stood at ¥352,871 million, ¥16,454 million more than the previous fiscal year-end, due mainly to a combined effect of (a) increase in cash and cash equivalents by ¥2,551 million, (b) increase in accounts and notes receivable by ¥11,822 million, (c) increase in work in process by ¥1,118 million, (d) increase in long-term investments in securities by ¥1,337 million, and (e) decrease in machinery and equipment by ¥2,250 million.

Total liabilities stood at ¥118,859 million, ¥4,591 million more than the previous fiscal year-end, due mainly to a combined effect of (a) increase in accounts and notes payable by ¥4,250 million, (b) ¥10,000 million new long-term bank loans, (c) decrease of ¥3,000 million of current portion of bonds, and (d) decrease of ¥7,000 million bonds.

Net assets stood at ¥234,012 million, ¥11,863 million more than the previous fiscal year-end, due mainly to a combined effect of (a) increase in retained earnings by ¥12,537 million and (b) decrease in foreign currency translation adjustments by ¥1,205 million.

4. Forecast for the fiscal year ending March 31, 2015

No change from the forecasts reported in the announcement dated November 6, 2014.

Consolidated Financial Statements

Consolidated Balance Sheets

(Millions of Yen)

	Year End -Previous Year As of March 31, 2014	Third Quarter End -Current Year As of December 31, 2014
Assets		
Current Assets:		
Cash and cash equivalents	¥138,343	¥140,894
Accounts and notes receivable	52,557	64,379
Merchandise and finished goods	12,019	12,856
Work in process	5,185	6,304
Raw materials and supplies	11,561	12,454
Other current assets	8,355	8,306
Less: Allowance for bad debts	(131)	(127)
Total current assets	227,890	245,068
Fixed Assets:		
Property, plant and equipment -net:		
Buildings and structures	28,738	27,913
Machinery and equipment	43,177	40,927
Other	22,922	23,668
Total property, plant and equipment -net	94,838	92,509
Intangibles		
Goodwill	893	644
Other	3,320	3,564
Total intangibles	4,213	4,209
Investments and Other		
Long-term investments in securities	6,438	7,776
Other	3,082	3,356
Less: Allowance for bad debts	(46)	(47)
Total investments and other	9,474	11,084
Total fixed assets	108,526	107,803
Total assets	336,416	352,871

	(Millions of Yen)	
	Year End -Previous Year As of March 31, 2014	Third Quarter End -Current Year As of December 31, 2014
Liabilities		
Current Liabilities:		
Accounts and notes payable	¥25,411	¥29,661
Current portion of long-term bonds	10,000	7,000
Income taxes payable	5,808	4,577
Accrued bonuses	2,957	2,072
Other	10,312	11,849
Total current liabilities	54,490	55,160
Long-term Liabilities:		
Bonds	50,000	43,000
Long-term bank loans	—	10,000
Reserve for retirement benefits for directors and corporate auditors	127	108
Reserve for product warranty	149	152
Net defined benefit liability	4,083	5,750
Other	5,416	4,686
Total long-term liabilities	59,777	63,698
Total liabilities	114,267	118,859
Net Assets		
Shareholders' equity :		
Common stock	34,606	34,606
Additional paid-in capital	44,584	44,584
Retained earnings	141,474	154,012
Treasury stock	(13,934)	(13,941)
Total shareholders' equity	206,731	219,261
Accumulated other comprehensive income :		
Net unrealized gain on available-for-sale securities	801	1,132
Foreign currency translation adjustments	12,930	11,724
Remeasurements of defined benefit plans	(632)	(571)
Total accumulated other comprehensive income	13,099	12,286
Minority Interests	2,317	2,464
Total net assets	222,148	234,012
Total liabilities and net assets	336,416	352,871

Consolidated Statements of Income

(Millions of Yen)

	Third Quarter Ended December 31, 2013 (From April 1, 2013 to December 31, 2013)	Third Quarter Ended December 31, 2014 (From April 1, 2014 to December 31, 2014)
Net sales	¥136,792	¥160,299
Cost of sales	98,048	110,859
Gross profit	38,744	49,440
Selling, general and administrative expenses	26,535	28,213
Operating income	12,208	21,226
Non-operating income:		
Interest income	301	352
Equity earnings of affiliates	360	444
Foreign exchange gain, net	5,520	4,154
Other	824	857
Total non-operating income	7,006	5,809
Non-operating expense:		
Interest expenses	616	266
Other	467	323
Total non-operating expenses	1,083	590
Ordinary income	18,131	26,445
Extraordinary gains:		
Gain on sales of property, plant and equipment	5	20
Subsidy income	17	—
Total extraordinary gains	22	20
Extraordinary losses:		
Loss on sales and disposal of property, plant and equipment	34	86
Total extraordinary losses	34	86
Income before income taxes and minority interests	18,120	26,379
Income taxes-current	6,022	8,386
Income taxes-deferred	439	(319)
Total income taxes	6,461	8,066
Income before minority interests	11,658	18,313
Minority interests in net income	21	59
Net income	11,636	18,254

Consolidated Statements of Comprehensive Income

(Millions of Yen)		
	Third Quarter Ended December 31, 2013 (From April 1, 2013 to December 31, 2013)	Third Quarter Ended December 31, 2014 (From April 1, 2014 to December 31, 2014)
Income before minority interests	¥11,658	¥18,313
Other comprehensive income:		
Net unrealized gain on available-for-sale securities	292	329
Foreign currency translation adjustments	9,765	(1,521)
Remeasurements of defined benefit plans	—	66
Share of other comprehensive income (loss) of affiliates accounted under the equity method	403	(27)
Total other comprehensive income (loss)	10,461	(1,153)
Comprehensive income	22,119	17,160
Attributable to:		
Shareholders of THK Co., Ltd.	21,855	17,013
Minority interests	264	146

Segment Information

For the nine months ended December 31, 2013 (April 1, 2013 to December 31, 2013)

							(Millions of Yen)	
	Japan	The Americas	Europe	China	Other	Adjustments	Consolidated	
Sales to customers	¥78,882	¥21,169	¥13,603	¥14,483	¥8,654	¥-	¥136,792	
Inter-segment	29,862	10	19	3,029	520	(33,442)	-	
Total	108,744	21,180	13,622	17,512	9,174	(33,442)	136,792	
Operating income (loss)	11,556	862	(338)	(359)	597	(110)	12,208	

(Note) All adjustments are intercompany elimination.

For the nine months ended December 31, 2014 (April 1, 2014 to December 31, 2014)

							(Millions of Yen)	
	Japan	The Americas	Europe	China	Other	Adjustments	Consolidated	
Sales to customers	¥90,226	¥25,232	¥15,428	¥20,065	¥9,346	¥-	¥160,299	
Inter-segment	33,193	22	21	2,991	901	(37,129)	-	
Total	123,420	25,254	15,449	23,056	10,247	(37,129)	160,299	
Operating income	17,600	1,170	1,441	523	957	(468)	21,226	

(Note) All adjustments are intercompany elimination.

Additional notes:

- (1) Going concern issues: Not applicable.
- (2) Significant change in shareholders' equity: 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 the Company 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.