

Consolidated Financial Results for the Third Quarter Ended December 31, 2013 under Japanese GAAP

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 URL : <http://www.thk.com/>
 Stock exchange listing : Tokyo Stock Exchange-First Section
 Code number : 6481
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1. Consolidated Operating Results and Financial Position as of and for the nine months ended December 31, 2013 (April 1, 2013 to December 31, 2013)

(1) Consolidated Operating Results

Third Quarter Ended December 31 (Millions of Yen)	Net Sales		Operating Income		Ordinary Income		Net Income	
2013	¥136,792	6.5%	¥12,208	27.9%	¥18,131	88.6%	¥11,636	83.1%
2012	128,402	(15.3)	9,547	(40.2)	9,615	(26.1)	6,353	(24.8)
<i>(Note) Comprehensive income</i>	<i>Third quarter ended December 31, 2013:</i>				¥22,119 million		293.2%	
	<i>Third quarter ended December 31, 2012:</i>				5,625 million		(6.8)%	

Third Quarter Ended December 31 (Yen)	Net Income Per Share-Basic	Net Income Per Share-Diluted
2013	¥91.92	¥ —
2012	49.75	—

(2) Consolidated Financial Position

	Total Assets (Millions of Yen)	Net Assets (Millions of Yen)	Net Worth Ratio (%)	Net Assets Per Share (Yen)
December 31, 2013	¥336,468	¥208,640	61.4%	¥1,632.04
March 31, 2013	293,145	189,058	63.9	1,479.41
<i>(Note) Net worth</i>	<i>As of December 31, 2013:</i>			¥206,606 million
	<i>As of March 31, 2013:</i>			187,288 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
2013 (Actual)	—	9.00	—	9.00	18.00
2014 (Actual)	—	11.00	—	n/a	n/a
2014 (Projected)	n/a	n/a	n/a	11.00	22.00

(Note) Change in dividend projection: None

3. Forecasts for the year ending March 31, 2014 (April 1, 2013 to March 31, 2014)

	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, 2014					
(amount)	¥190,000	¥20,000	¥20,800	¥14,200	¥112.17
(percentage)	12.8%	71.0%	40.9%	44.8%	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 for quarterly financial statements:
None

(4) Changes in accounting policy/treatment/presentation manner due to:

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

(5) Number of shares

		(shares)
a. Common stock issued, including treasury stock, as of:	December 31, 2013	133,856,903
	March 31, 2013	133,856,903
b. Treasury stock as of:	December 31, 2013	7,262,764
	March 31, 2013	7,260,392
c. Average number of common stock for the nine months ended:	December 31, 2013	126,595,646
	December 31, 2012	127,726,964

Management's Discussion and Analysis

1. Operating results (April 1, 2013 to December 31, 2013)

During the third quarter of this fiscal year, while economic growths in emerging countries slowed down and recovery trends were seen in developed countries, the world economy recovered moderately. In Japan, while consumer spending was increasing by dint of high stock prices that improved consumer sentiment, the Japanese economy recuperated with signs of recovery in capital investments. In the overseas economy, while the economy in the United States of America was recovering buoyed by strong consumer spending and the European economy showed a trend of recovery from the recession phase, the tempo of economic growths in emerging countries such as China slowed down with slumping domestic demand.

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. In addition, while new drivers of economic growths see the light after the failure of Lehman Brothers, the THK Group accelerates the growth strategy to capture the demand. Along with economic growths higher than developed countries, increase in demand for machinery and development in factory automation is anticipated particularly in emerging countries. In such a situation, the THK Group made proactive investments for future growths by strengthening sales, productivity and development in China and by expanding sales channels in India and ASEAN countries. In developed countries, demand for the THK Group's products in consumer goods domain is anticipated to expand because of the growing awareness of disaster countermeasures and progress of motorization. At the same time, the THK Group is focusing on exploitation of new markets to achieve widespread adoption of its products such as linear motion systems. In the third quarter of this year, while demand in the electronics industry showed a moderate recovery, the THK Group operated proactively to expand its sales with its strengthened operating structure. In addition, yen remained weak as compared to the level one year earlier and it resulted in increase in revenue generated in various areas. As a result, net sales for the third quarter amounted to ¥136,792 million, up ¥8,390 million, or 6.5%, compared to the figure one 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 1.9% from a year earlier to 71.7%.

As to selling, general and administrative expenses (SG&A), the THK Group made endeavors to contain costs and improve operating efficiency while sales were increasing. Ratio to net sales, however, worsened by 0.4% from a year earlier to 19.4 % due to increase in research and development costs for enhanced research activities.

As a result, operating income increased from a year earlier by ¥2,661 million, or 27.9%, to ¥12,208 million. The operating income to net sales ratio was 8.9%

Total non-operating income was ¥7,006 million. Major components of non-operating income were ¥5,520 million of net foreign exchange gain and ¥360 million of equity earnings of affiliates. Total non-operating expense was ¥1,083 million. Major component of non-operating expense was ¥616 million of interest expenses. As a result, ordinary income increased from a year earlier by ¥8,516 million, or 88.6%, to ¥18,131 million. Net income for the third quarter also increased from a year earlier by ¥5,282 million, or 83.1%, to ¥11,636 million.

2. Segment Information

(Japan)

In Japan, while consumer spending was increasing by dint of high stock prices that improved consumer sentiment, the Japanese economy recuperated with signs of recovery in capital investments. In the first half of this third quarter period, while there was a modest recovery trend in demand in the electronics industry, the THK Group operated proactively to capture the demand and cultivate new business fields such as seismic isolation and damping systems. Net sales for the quarter, however, amounted to ¥78,882 million, down ¥2,671 million, or 3.3%, compared to the figure one year earlier. This was mainly attributable to less demand in other industries and to the adjustment phase of demand in the electronics industry in summer that came after the recovery trend. Operating income (segment income) amounted to ¥11,556 million, up ¥3,656 million, or 46.3%, from the figure one 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)

In the Americas, while consumer spending was strong, and automobile production was increasing, an upswing of capital investment continued. In such a situation, production and sales worked in unison to expand transactions with existing customers and to cultivate new business fields such as medical equipment, aircraft, and energy-related business. Based on these endeavors, sales were robust to the electronics industry and the transportation equipment industry in particular, amounting to ¥21,169 million, up ¥4,632 million, or 28.0%, from the figure one year earlier. Operating income (segment income) amounted to ¥862 million, up ¥125 million, or 17.1%, from the figure one year earlier.

(Europe)

In Europe, while there were signs of recovery from the recession phase prolonged by the governmental debt problem, production and sales worked in unison to expand transactions with existing customers and to cultivate new business fields such as medical equipment, aircraft, and energy-related business. As a result, sales in Europe amounted to ¥13,603 million, up ¥1,743 million, or 14.7%, from the figure one year earlier, with the favorable effect of the weaker yen during the period. On the other hand, the THK Group recorded ¥338 million of operating loss (segment loss), ¥201 million more than the figure one year earlier. The profit decline ratio, however, was reduced as compared to the second quarter.

(China)

In China, domestic demand was weak and it slowed down the economic growth. While there were signs of recovery in the demand situation in small-type products driven by investments in smart phones and tablet computers market, the THK Group implemented aggressive business activities with its strengthened sales channels. Although the small-type products demand weakened in the latter half of the period, demand in the general machine industry and the transportation equipment industry increased. As a result, sales amounted to ¥14,483 million, up ¥4,096 million, or 39.4%, from the figure one year earlier. However, the THK Group recorded ¥359 million of operating loss (segment loss), a turnover of ¥702 million from the figure one year earlier. This was due mainly to proactive investments for the future growth.

(Other)

In other countries and regions including Taiwan, India and ASEAN countries, while there were signs of recovery in the demand situation especially in the electronics industry and for small-type products, the THK Group continues to expand transactions with existing customers and to cultivate new customers. As a result, sales amounted to ¥8,654 million, up ¥589 million, or 7.3%, from the figure one year earlier, with the favorable effect of the weaker yen during the period. Operating income (segment income) amounted to ¥597 million, up ¥390 million, or 188.6%, from the figure one year earlier.

3. Financial position (As of December 31, 2013)

Total assets stood at ¥336,468 million, ¥43,322 million more than the previous fiscal year-end, due mainly to increase in cash and cash equivalents by ¥32,254 million, in accounts and notes receivable by ¥5,257 million, in merchandise and finished goods by ¥2,275 million and in machinery and equipment by ¥2,101 million.

Total liabilities stood at ¥127,827 million, ¥23,739 million more than the previous fiscal year-end, due mainly to increase in accounts and notes payable by ¥2,971 million and issuance of ¥20,000 million bonds.

Net assets stood at ¥208,640 million, ¥19,582 million more than the previous fiscal year-end, due mainly to increase in retained earnings by ¥9,104 million and in foreign currency translation adjustments by ¥9,921 million.

4. Forecast for the fiscal year ending March 31, 2014

No change from the forecasts reported in the announcement dated May 9, 2013.

Consolidated Financial Statements

Consolidated Balance Sheets

(Millions of Yen)

	Year End -Previous Year As of March 31, 2013	Third Quarter End -Current Year As of December 31, 2013
Assets		
Current Assets:		
Cash and cash equivalents	¥115,967	¥148,221
Accounts and notes receivable	46,116	51,373
Merchandise and finished goods	9,125	11,401
Work in process	4,288	4,589
Raw materials and supplies	10,685	11,355
Other current assets	7,877	6,364
Less: Allowance for bad debts	(120)	(117)
Total current assets	193,940	233,188
Fixed Assets:		
Property, plant and equipment -net:		
Buildings and structures	26,066	26,655
Machinery and equipment	38,818	40,919
Other	22,812	21,992
Total property, plant and equipment -net	87,697	89,567
Intangibles		
Goodwill	1,170	966
Other	1,597	3,013
Total intangibles	2,767	3,979
Investments and Other		
Long-term investments in securities	5,258	6,422
Other	3,539	3,361
Less: Allowance for bad debts	(57)	(51)
Total investments and other	8,740	9,732
Total fixed assets	99,205	103,280
Total assets	293,145	336,468

	(Millions of Yen)	
	Year End -Previous Year As of March 31, 2013	Third Quarter End -Current Year As of December 31, 2013
Liabilities		
Current Liabilities:		
Accounts and notes payable	¥20,846	¥23,817
Current portion of long-term bank loans	20,000	20,000
Current portion of bonds	—	10,000
Income taxes payable	2,177	3,486
Accrued bonuses	2,571	1,756
Other	10,061	10,101
Total current liabilities	55,656	69,161
Long-term Liabilities:		
Bonds	40,000	50,000
Reserve for employees' retirement benefits	3,008	3,046
Reserve for retirement benefits for directors and corporate auditors	114	122
Reserve for product warranty	132	157
Other	5,175	5,339
Total long-term liabilities	48,430	58,665
Total liabilities	104,087	127,827
Net Assets		
Shareholders' equity :		
Common stock	34,606	34,606
Additional paid-in capital	44,584	44,584
Retained earnings	128,416	137,520
Treasury stock	(13,928)	(13,933)
Total shareholders' equity	193,678	202,778
Accumulated other comprehensive income :		
Net unrealized gain on available-for-sale securities	740	1,038
Foreign currency translation adjustments	(7,131)	2,790
Total accumulated other comprehensive income	(6,390)	3,828
Minority Interests	1,769	2,033
Total net assets	189,058	208,640
Total liabilities and net assets	293,145	336,468

Consolidated Statements of Income

(Millions of Yen)

	Third Quarter Ended December 31, 2012 (From April 1, 2012 to December 31, 2012)	Third Quarter Ended December 31, 2013 (From April 1, 2013 to December 31, 2013)
Net sales	¥128,402	¥136,792
Cost of sales	94,497	98,048
Gross profit	33,904	38,744
Selling, general and administrative expenses	24,357	26,535
Operating income	9,547	12,208
Non-operating income:		
Interest income	275	301
Equity earnings of affiliates	137	360
Foreign exchange gain, net	—	5,520
Other	818	824
Total non-operating income	1,231	7,006
Non-operating expense:		
Interest expenses	528	616
Foreign exchange loss, net	371	—
Other	263	467
Total non-operating expenses	1,163	1,083
Ordinary income	9,615	18,131
Extraordinary gains:		
Gain on sales of property, plant and equipment	19	5
Subsidy income	19	17
Total extraordinary gains	39	22
Extraordinary losses:		
Loss on sales and disposal of property, plant and equipment	35	34
Other	0	—
Total extraordinary losses	36	34
Income before income taxes and minority interests	9,618	18,120
Income taxes-current	2,270	6,022
Income taxes-deferred	946	439
Total income taxes	3,216	6,461
Income before minority interests	6,402	11,658
Minority interests in net income	48	21
Net income	6,353	11,636

Consolidated Statements of Comprehensive Income

(Millions of Yen)		
	Third Quarter Ended December 31, 2012 (From April 1, 2012 to December 31, 2012)	Third Quarter Ended December 31, 2013 (From April 1, 2013 to December 31, 2013)
Income before minority interests	¥6,402	¥11,658
Other comprehensive income:		
Unrealized gain (loss) on other securities	(227)	292
Foreign currency translation adjustments	(645)	9,765
Share of other comprehensive income of affiliates accounted under the equity method	96	403
Total other comprehensive income (loss)	(776)	10,461
Comprehensive income	5,625	22,119
Attributable to:		
Shareholders of THK Co., Ltd.	5,572	21,855
Minority interests	53	264

Segment Information

For the nine months ended December 31, 2012 (April 1, 2012 to December 31, 2012)

							(Millions of Yen)	
	Japan	The Americas	Europe	China	Other	Adjustments	Consolidated	
Sales to customers	¥81,554	¥16,537	¥11,860	¥10,386	¥8,064	¥—	¥128,402	
Inter-segment	24,260	20	8	3,433	227	(27,949)	—	
Total	105,814	16,557	11,869	13,819	8,292	(27,949)	128,402	
Operating income (loss)	7,900	736	(137)	342	207	497	9,547	

(Note) All adjustments are intercompany elimination.

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.

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.