

November 6, 2014

Consolidated Financial Results for the Second Quarter Ended September 30, 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
 Scheduled date of filing quarterly report (Japanese version only) : November 7, 2014
 Scheduled starting date of dividend payment : December 8, 2014

1. Consolidated Operating Results and Financial Position as of and for the six months ended September 30, 2014 (April 1, 2014 to September 30, 2014)

(1) Consolidated Operating Results

Second Quarter Ended September 30 (Millions of Yen)	Net Sales		Operating Income		Ordinary Income		Net Income	
2014	¥106,207	19.2%	¥14,300	91.0 %	¥15,472	42.0 %	¥10,887	52.7 %
2013	89,099	1.9	7,486	2.1	10,897	97.0	7,128	90.5
(Note) Comprehensive income	Second quarter ended September 30, 2014:				¥3,474 million	(82.3) %		
	Second quarter ended September 30, 2013:				19,629 million	250.9		

Second Quarter Ended September 30 (Yen)	Net Income Per Share-Basic	Net Income Per Share-Diluted
2014	¥86.00	¥ —
2013	56.31	—

(2) Consolidated Financial Position

	Total Assets (Millions of Yen)	Net Assets (Millions of Yen)	Net Worth Ratio (%)	Net Assets Per Share (Yen)
September 30, 2014	¥341,834	¥222,433	64.6 %	¥1,743.22
March 31, 2014	336,416	222,148	65.3	1,736.51

(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 September 30, 2014: ¥220,677 million
 As of March 31, 2014: 219,830 million

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	n/a
2015 (Projected)	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) 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.

(Note 2) The forecasts announced on May 13, 2014 have been amended to as in above table.

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:		
	September 30, 2014	133,856,903
	March 31, 2014	133,856,903
b. Treasury stock as of:		
	September 30, 2014	7,265,146
	March 31, 2014	7,263,269
c. Average number of common stock for the six months ended:		
	September 30, 2014	126,592,861
	September 30, 2013	126,595,988

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 September 30, 2014)

During the first half of this six month period, the developed countries economies showed temporary weaknesses such as a backlash of last-minute demand corresponding to the consumption tax hike in Japan, and the unfavorable effects of the cold weather in the United States of America. In the latter half, however, such weaknesses were gradually resolved and the world economy modestly recovered. On the other hand, the rapid economic growth in emerging countries 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 six 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 six month period amounted to ¥106,207 million, up ¥17,107 million, or 19.2%, 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 2.8% from a year earlier to 68.9%.

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 2.3% from a year earlier to 17.6%.

As a result, operating income increased from a year earlier by ¥6,814 million, or 91.0%, to ¥14,300 million. Ratio to net sales also improved by 5.1% to 13.5%.

Total non-operating income was ¥1,538 million. Major components of non-operating income were ¥457 million of foreign exchange gain and ¥306 million of equity earnings of affiliates. Total non-operating expense was ¥366 million. Major component of non-operating expenses was ¥204 million of interest expenses. As a result, ordinary income increased from a year earlier by ¥4,575 million, or 42.0%, to ¥15,472 million. Net income for the period also increased from a year earlier by ¥3,758 million, or 52.7%, to ¥10,887 million.

(1) Segment Information

(Japan)

During the first half of this six month 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, the electronics industry and the general machine industry, resulting in net sales for the period amounting to ¥60,565 million, up ¥8,376 million, or 16.1%, compared to the figure a year earlier. Operating income (segment income) amounted to ¥12,046 million, up ¥4,728 million, or 64.6%, 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)

In the first half of the period, the cold weather slowed down consumer spending that had been robust until then. In the latter half, however, capital investments gradually recovered in a steady economy. In such a situation, production and sales 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 ¥16,754 million, up ¥2,858 million, or 20.6%, from the figure a year earlier. Operating income (segment income) amounted to ¥835 million, up ¥225 million, or 37.1%, from the figure a year earlier.

(Europe)

In Europe, while signs of recovery were continuously seen, production and sales 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 ¥10,300 million, up ¥1,671 million, or 19.4%, 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 ¥931 million of operating income (segment income), a turnaround of ¥1,382 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. Driven by investments in smart phones and tablet computers market, demand increased principally in small-type products. 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 ¥12,546 million, up ¥3,632 million, or 40.7%, from the figure a year earlier. The THK Group recorded ¥166 million of operating income (segment income), a turnaround of ¥388 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 continues to expand and deepen transactions with existing customers and to cultivate new customers. In addition, the yen remained weak during the year. As a result, sales amounted to ¥6,039 million, up ¥569 million, or 10.4%, from the figure a year earlier. Operating income (segment income) amounted to ¥586 million, up ¥250 million, or 74.3%, from the figure a year earlier.

3. Financial position (As of September 30, 2014)

Total assets stood at ¥341,834 million, ¥5,418 million more than the previous fiscal year-end, due mainly to a combined effect of (a) increase in cash and cash equivalents by ¥1,203 million, (b) increase in accounts and notes receivable by ¥8,245 million, (c) increase in work in process by ¥1,110 million, (d) decrease in buildings and structures by ¥1,385 million, and (e) decrease in machinery and equipment by ¥3,578 million.

Total liabilities stood at ¥119,401 million, ¥5,133 million more than the previous fiscal year-end, due mainly

to a combined effect of (a) increase in accounts and notes payable by ¥4,590 million, (b) ¥10,000 million new long-term bank loans, (c) increase in net defined benefit liability by ¥1,651 million, and (d) redemption of ¥10,000 million bonds.

Net assets stood at ¥222,433 million, ¥285 million more than the previous fiscal year-end, due mainly to a combined effect of (a) increase in retained earnings by ¥7,702 million and (b) decrease in foreign currency translation adjustments by ¥7,111 million.

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

No change from the forecasts reported in the announcement dated May 13, 2014.

Consolidated Financial Statements

Consolidated Balance Sheets

(Millions of Yen)

	Year End -Previous Year As of March 31, 2014	Second Quarter End -Current Year As of September 30, 2014
Assets		
Current Assets:		
Cash and cash equivalents	¥138,343	¥139,546
Accounts and notes receivable	52,557	60,802
Merchandise and finished goods	12,019	11,452
Work in process	5,185	6,296
Raw materials and supplies	11,561	11,924
Other current assets	8,355	8,556
Less: Allowance for bad debts	(131)	(116)
Total current assets	227,890	238,462
Fixed Assets:		
Property, plant and equipment -net:		
Buildings and structures	28,738	27,353
Machinery and equipment	43,177	39,599
Other	22,922	22,237
Total property, plant and equipment -net	94,838	89,189
Intangibles		
Goodwill	893	702
Other	3,320	3,324
Total intangibles	4,213	4,027
Investments and Other		
Long-term investments in securities	6,438	6,907
Other	3,082	3,295
Less: Allowance for bad debts	(46)	(47)
Total investments and other	9,474	10,155
Total fixed assets	108,526	103,372
Total assets	336,416	341,834

	(Millions of Yen)	
	Year End -Previous Year As of March 31, 2014	Second Quarter End -Current Year As of September 30, 2014
Liabilities		
Current Liabilities:		
Accounts and notes payable	¥25,411	¥30,001
Current portion of long-term bonds	10,000	—
Income taxes payable	5,808	5,150
Accrued bonuses	2,957	3,364
Other	10,312	10,246
Total current liabilities	54,490	48,763
Long-term Liabilities:		
Bonds	50,000	50,000
Long-term bank loans	—	10,000
Reserve for retirement benefits for directors and corporate auditors	127	102
Reserve for product warranty	149	151
Net defined benefit liability	4,083	5,735
Other	5,416	4,648
Total long-term liabilities	59,777	70,637
Total liabilities	114,267	119,401
Net Assets		
Shareholders' equity :		
Common stock	34,606	34,606
Additional paid-in capital	44,584	44,584
Retained earnings	141,474	149,177
Treasury stock	(13,934)	(13,939)
Total shareholders' equity	206,731	214,429
Accumulated other comprehensive income :		
Net unrealized gain on available-for-sale securities	801	1,020
Foreign currency translation adjustments	12,930	5,818
Remeasurements of defined benefit plans	(632)	(591)
Total accumulated other comprehensive income	13,099	6,248
Minority Interests	2,317	1,756
Total net assets	222,148	222,433
Total liabilities and net assets	336,416	341,834

Consolidated Statements of Income

(Millions of Yen)

	Second Quarter Ended September 30, 2013 (From April 1, 2013 to September 30, 2013)	Second Quarter Ended September 30, 2014 (From April 1, 2014 to September 30, 2014)
Net sales	¥89,099	¥106,207
Cost of sales	63,859	73,205
Gross profit	25,239	33,001
Selling, general and administrative expenses	17,753	18,700
Operating income	7,486	14,300
Non-operating income:		
Interest income	199	243
Equity earnings of affiliates	211	306
Foreign exchange gain, net	3,200	457
Other	571	530
Total non-operating income	4,183	1,538
Non-operating expense:		
Interest expenses	408	204
Other	364	162
Total non-operating expenses	773	366
Ordinary income	10,897	15,472
Extraordinary gains:		
Gain on sales of property, plant and equipment	4	7
Total extraordinary gains	4	7
Extraordinary losses:		
Loss on sales and disposal of property, plant and equipment	21	19
Total extraordinary losses	21	19
Income before income taxes and minority interests	10,880	15,460
Income taxes-current	3,813	5,370
Income taxes-deferred	(110)	(786)
Total income taxes	3,702	4,584
Income before minority interests	7,177	10,876
Minority interests in net income	48	(10)
Net income	7,128	10,887

Consolidated Statements of Comprehensive Income

	(Millions of Yen)	
	Second Quarter Ended September 30, 2013 (From April 1, 2013 to September 30, 2013)	Second Quarter Ended September 30, 2014 (From April 1, 2014 to September 30, 2014)
Income before minority interests	¥7,177	¥10,876
Other comprehensive income:		
Net unrealized gain on available-for-sale securities	142	221
Foreign currency translation adjustments	12,105	(7,462)
Remeasurements of defined benefit plans	—	44
Share of other comprehensive income (losses) of affiliates accounted under the equity method	203	(205)
Total other comprehensive income (loss)	12,451	(7,402)
Comprehensive income	19,629	3,474
Attributable to:		
Shareholders of THK Co., Ltd.	19,319	4,035
Minority interests	309	(561)

Consolidated Statements of Cash Flows

(Millions of Yen)

	Second Quarter Ended September 30, 2013 (From April 1, 2013 to September 30, 2013)	Second Quarter Ended September 30, 2014 (From April 1, 2014 to September 30, 2014)
Cash flows from operating activities:		
Income before income taxes and minority interests	¥10,880	¥15,460
Depreciation and amortization	5,432	5,481
Loss on sale/disposal of property, plant and equipment	16	18
Increase in provisions	502	388
Increase in net defined benefit liability	—	68
Interest and dividend income	(232)	(285)
Interest expenses	408	204
Foreign exchange gain	(3,858)	(1,254)
Equity in earnings of affiliates	(211)	(306)
Amortization of goodwill	178	176
Increase in trade receivables	(2,061)	(9,062)
Increase in inventories	(1,354)	(1,729)
Increase in trade payables	2,961	5,290
Other	1,417	276
Subtotal	14,078	14,727
Interest and dividend received	382	488
Interest paid	(361)	(221)
Income taxes refunded (paid)	(2,320)	(5,833)
Net cash provided by operating activities	11,779	9,161
Cash flows from investing activities:		
Purchase of property, plant and equipment	(5,254)	(3,568)
Proceeds from sale of property, plant and equipment	180	182
Purchase of investments in securities	(8)	(8)
Increase in loans receivable	(0)	(0)
Collection on loans	1	1
Other	(28)	(29)
Net cash used in investing activities	(5,110)	(3,423)

	Second Quarter Ended September 30, 2013 (From April 1, 2013 to September 30, 2013)	Second Quarter Ended September 30, 2014 (From April 1, 2014 to September 30, 2014)
Cash flows from financing activities:		
Proceeds from long-term bank loans	—	10,000
Proceeds from issuance of bonds	20,000	—
Redemption of bonds	—	(10,000)
Dividends paid	(1,136)	(1,894)
Dividends paid to minority shareholders	(3)	(15)
Purchase of treasury stocks	(2)	(4)
Proceeds from sales of treasury stocks	0	—
Repayments of lease obligations	(120)	(133)
Net cash provided (used) in financing activities	<u>18,737</u>	<u>(2,047)</u>
Foreign currency translation adjustments on cash and cash equivalents	6,334	(2,486)
Net increase in cash and cash equivalents	<u>31,740</u>	<u>1,203</u>
Cash and cash equivalents, beginning of the period	<u>115,967</u>	<u>138,343</u>
Cash and cash equivalents, end of the period	<u>147,708</u>	<u>139,546</u>

Segment Information

For the six months ended September 30, 2013 (April 1, 2013 to September 30, 2013)

	(Millions of Yen)						
	Japan	The Americas	Europe	China	Other	Adjustments	Consolidated
Sales to customers	¥52,189	¥13,896	¥8,628	¥8,914	¥5,470	¥-	¥89,099
Inter-segment	20,809	7	11	2,240	338	(23,407)	-
Total	72,998	13,904	8,639	11,154	5,809	(23,407)	89,099
Operating income (loss)	7,317	609	(451)	(221)	336	(104)	7,486

(Note 1) All adjustments are intercompany elimination.

For the six months ended September 30, 2014 (April 1, 2014 to September 30, 2014)

	(Millions of Yen)						
	Japan	The Americas	Europe	China	Other	Adjustments	Consolidated
Sales to customers	¥60,565	¥16,754	¥10,300	¥12,546	¥6,039	¥-	¥106,207
Inter-segment	21,794	19	16	1,849	554	(24,234)	-
Total	82,360	16,774	10,316	14,395	6,593	(24,234)	106,207
Operating income	12,046	835	931	166	586	(264)	14,300

(Note 1) 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 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.