

Consolidated Financial Results for the Second Quarter Ended September 30, 2011 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 : Hideyuki Kiuchi, Director and General Manager of Corporate Strategy Department
 Scheduled date of filing quarterly report (Japanese version only) : November 11, 2011
 Scheduled starting date of dividend payment : December 5, 2011

1. Consolidated Operating Results and Financial Position as of and for the six months ended September 30, 2011 (April 1, 2011 to September 30, 2011)

(1) Consolidated Operating Results

Second Quarter Ended September 30 (Millions of Yen)	Net Sales		Operating Income		Ordinary Income		Net Income	
2011	¥103,208	12.0%	¥12,461	30.3 %	¥9,454	8.0 %	¥6,111	7.1 %
2010	92,120	94.3%	9,565	— %	8,755	— %	5,706	— %
<i>(Note) Comprehensive income</i>	<i>Second quarter ended September 30, 2011:</i>				¥9,006 million		407.7%	
	<i>Second quarter ended September 30, 2010:</i>				1,774 million		—%	

Second Quarter Ended September 30 (Yen)	Net Income Per Share-Basic	Net Income Per Share-Diluted
2011	¥47.52	¥ —
2010	44.37	—

(2) Consolidated Financial Position

	Total Assets (Millions of Yen)	Net Assets (Millions of Yen)	Net Worth Ratio (%)
September 30, 2011	¥284,884	¥176,160	61.3 %
March 31, 2011	279,768	167,937	59.6 %
<i>(Note) Net worth</i>	<i>As of September 30, 2011:</i>		¥174,556 million
	<i>As of March 31, 2011:</i>		166,731 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
2011 (Actual)	—	8.00	—	8.00	16.00
2012 (Actual)	—	9.00	n/a	n/a	n/a
2012 (Projected)	n/a	n/a	—	9.00	18.00

(Note) The dividend projection announced on August 10, 2010 has been amended to as in the above table.

3. Forecasts for the year ending March 31, 2012 (April 1, 2011 to March 31, 2012)

	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, 2012					
(amount)	¥190,000	¥18,500	¥15,000	¥9,500	¥73.87
(percentage)	(0.3)%	(15.3)%	(30.7)%	(31.9)%	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 August 10, 2011 have been amended to as in the 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 for quarterly financial statements:
None

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

a. Changes in accounting standard

Please refer to "5. Accounting Changes"

b. Other changes

Please refer to "5. Accounting Changes"

(5) Number of shares

		(shares)
a. Common stock issued, including treasury stock, as of:	September 30, 2011	133,856,903
	March 31, 2011	133,856,903
b. Treasury stock as of:	September 30, 2011	5,258,092
	March 31, 2011	5,257,342
c. Average number of common stock for the six months ended:	September 30, 2011	128,599,270
	September 30, 2010	128,601,096

5. Accounting Changes

(1) **Valuation method of work in process**—Prior to April 1, 2011, cost of work-in-process inventories were determined by the gross-average method. Effective April 1, 2011, THK changed the valuation method applied to made-to-order work in process to the specific identification method. This was because THK established the new cost accounting system and changed the cost calculation method from the group-based general cost accounting method to the by-lot specific cost accounting method, to reflect the operating results for accounting periods more accurately by improving the cost management. Since the accounting data of specific cost have been recorded from April 1, 2011, the beginning balances of inventories were recorded at the ending balances as of March 31, 2011, without any retroactive adjustments. The effect of changing the valuation method was to decrease work in process by ¥209 million, and to increase cost of sales by the same amount. As a result, operating income, ordinary income, and income before income taxes and minority interests decreased by ¥209 million, respectively.

(2) **Depreciation methods of property, plant and equipment**—Effective April 1, 2011, THK and certain domestic subsidiaries changed their depreciation methods of property, plant and equipment (PPE) acquired on or after April 1, 2007 to the methods required under the revised Japanese tax laws (revised in 2007), by operating the new accounting system for management of PPE corresponding to the revised tax laws. The effect of changing the depreciation methods was to decrease operating income, ordinary income, and income before income taxes and minority interests by ¥542 million, respectively.

(3) **Accounting Standard for Accounting Changes and Error Corrections**—Effective April 1, 2011, THK applied "Accounting Standard for Accounting Changes and Error Corrections" (Statement No. 24, issued by Accounting Standards Board of Japan (ASBJ) on December 4, 2009) and "Guidance on Accounting Standard for Accounting Changes and Error Corrections" (Guidance No. 24, issued by ASBJ on December 4, 2009). This standard is applicable to accounting changes and error corrections made on or after April 1, 2011.

(4) **Retirement benefit plan**—On October 1, 2011, THK discontinued its non-contributory funded pension plan and made a transition mainly to a defined benefit pension plan, and partially to a defined contribution pension plan. In accordance with the "Guidance on Accounting Standard for Transitions in Retirement Benefit Plans" (ASBJ Guidance No. 1), THK recorded ¥323 million of loss on reorganization of retirement benefit plans for the second quarter ended September 30, 2011.

Management's Discussion and Analysis

1. Operating results (April 1, 2011 to September 30, 2011)

During the first half of this second quarter period, the global economy continued along its path of recovery buoyed by the economic growth in developing countries. In the latter half of the period, however, the world economic growth showed a slowdown trend on the back of the financial problem in Europe and the recession in the United States of America. In Japan, though there was a weakness in the economy in the first half of the period which was due to the Great East Japan Earthquake that caused the supply-chain disruption, the economy has started to turn into the recovery with the restoration from the disaster in the latter half of the period. In the overseas economy, the economic expansion of developing countries continued, but the momentum became slower. The slowdown was also found in Europe, America and other developed countries.

The THK Group has identified "Full-Scale Globalization" and the "Development of New Business Areas" as cornerstones of its growth strategy and efforts to expand its business domain. Amid growing clarity in the expansion of developing countries, the THK Group took steps to upgrade and expand its sales network particularly in such developing countries as China, which are anticipated to experience market growth, and to enhance productivity. As a result, though there was a sign of slowdown in the latter half of the period, the THK Group successfully linked the steady upswing in global demand to higher sales. Taking each of the aforementioned factors into consideration, net sales increased by ¥11,088 million, or 12.0%, to ¥103,208 million for the second quarter.

On the cost front, the THK Group made continuous endeavors to enhance its productivity by boosting materials yields and shortening manufacturing lead-time. As a result, the cost of sales to sales ratio improved 1.1 percentage points to 71.2% on the back of the steady increase in net sales and successful efforts to contain fixed expenses.

Selling, general and administrative expenses (SG&A) increased by ¥1,297 million, or 8.1%, to ¥17,237 million. The ratio to net sales, however, improved by 0.6 percentage points to 16.7% due to successful efforts to contain various expenses and improve operating efficiency, as well as the increase in net sales.

As a result, operating income increased from a year earlier by ¥2,895 million, or 30.3%, to ¥12,461 million. The operating income/net sales ratio improved by 1.7 percentage points to 12.1%

Net non-operating income/expense was expense of ¥3,006 million due mainly to a combined effect of ¥535 million of equity earnings of affiliates and ¥3,727 million of foreign exchange loss derived from the keen

appreciation of the yen. As a result, ordinary income increased from a year earlier by ¥698 million, or 8.0%, to ¥9,454 million. Net income for the second quarter also increased from a year earlier by ¥405 million, or 7.1%, to ¥6,111 million.

2. Segment Information

(Japan)

In Japan, though there was a weakness in the economy in the first half of the period which was due to the Great East Japan Earthquake that caused the supply-chain disruption, the economy has started to turn into the recovery with the restoration from the disaster. In the latter half of the period, though there was the slowdown in demand of the electronics industry, THK worked diligently to promote sales amid growing export activity as its mainstay customers in the industrial machine tool industry endeavored to capture robust demand in expanding developing countries. As a result, sales to the machine tool industry and the general machinery industry were strong contributing to sales in Japan of ¥65,844 million, up ¥2,559 million, or 4.0%, from the figure one year earlier. Fueled by improvements in productivity and cutbacks in SG&A expenses, operating income in Japan amounted to ¥10,613 million, up ¥2,269 million, or 27.2%, from the figure one year earlier.

(The Americas)

In the Americas, trends in automobile production were firm. Amid a positive upswing in capital investment, the THK Group took steps to expand transactions with existing customers and to cultivate new business fields underpinned by its integrated production and sales structure. Based on these endeavors, sales to the machine tool industry and the electronics industry were robust amounting to ¥11,028 million, up ¥518 million, or 4.9%, from the figure one year earlier. Operating income amounted to ¥727 million, down ¥212 million, or 22.6%, from the figure one year earlier. This was mainly attributable to the appreciation of the yen against U.S. dollar.

(Europe)

In the latter half of the period, the slowdown was found in the economy. While machine manufacturers expanded exports to Asia on the back of the weak euro, THK worked diligently to expand transactions with existing customers and to cultivate new business fields. As a result, the THK Group successfully linked the steady upswing in demand to higher sales amounted to ¥10,411 million, up ¥2,868 million, or 38.0%, from the figure one year earlier. However, ¥354 million of operating loss, though it improved by ¥76 million as compared to the figure one year earlier, was recorded due mainly to the rapid appreciation of the yen against euro.

(China)

While capital investment steadily increased on the back of the strong economic growth, the THK Group implemented aggressive business activities by taking advantage of sales channels that we have developed. In addition, the THK Group proactively enhanced its productivity to link the steady upswing in demand to higher sales. As a result, sales to the core machine tool industry were robust amounting to ¥8,777 million, up ¥3,047 million, or 53.2%, from the figure one year earlier. Operating income amounted to ¥1,730 million, up ¥928 million, or 115.8%, from the figure one year earlier.

(Other)

In other countries and regions including Taiwan, India and ASEAN, THK continues to expand transactions with existing customers while cultivating new customers. As a result, sales to the key machine tool industry were robust amounting to ¥7,146 million, up ¥2,094 million, or 41.5%, from the figure one year earlier. Operating income amounted to ¥330 million, up ¥59 million, or 21.8%, from the figure one year earlier.

3. Financial position (As of September 30, 2011)

Total assets stood at ¥284,884 million, ¥5,115 million more than the previous fiscal year-end, due mainly to increase in cash and cash equivalents by ¥1,252 million and in accounts and notes receivable by ¥4,133 million.

Total liabilities stood at ¥108,724 million, ¥3,107 million less than the previous fiscal year-end, due mainly to a combined effect of increase in accounts and notes payable by ¥2,574 million, decrease in income taxes payable by ¥3,685 million, and decrease in reserve for employees' retirement benefits by ¥1,946 million.

Net assets stood at ¥176,160 million, ¥8,223 million more than the previous fiscal year-end, due mainly to increase in retained earnings by ¥5,155 million and in foreign currency translation adjustments by ¥2,917 million.

4. Forecast for the fiscal year ending March 31, 2012

For details of the financial forecasts for the year ending March 31, 2012, please refer to "Notice Regarding the Amendments in Financial Forecasts" announced on November 11, 2011.

Consolidated Financial Statements

Consolidated Balance Sheets

(Millions of Yen)

	Year End -Previous Year As of March 31, 2011	Second Quarter End -Current Year As of September 30, 2011
Assets		
Current Assets:		
Cash and bank deposits	¥100,104	¥101,356
Accounts and notes receivable	56,442	60,575
Merchandise and finished goods	9,780	10,316
Work in process	6,396	6,049
Raw materials and supplies	10,728	11,041
Other current assets	8,398	8,182
Less: Allowance for bad debts	(184)	(187)
Total current assets	191,665	197,334
Fixed Assets:		
Property, plant and equipment -net:		
Buildings and structures	23,988	24,455
Machinery and equipment	32,223	33,096
Other	19,197	20,488
Total property, plant and equipment -net	75,409	78,041
Intangibles		
Goodwill	117	849
Other	976	1,140
Total intangibles	1,093	1,990
Investments and Other		
Long-term investments in securities	5,253	4,413
Other	6,650	3,398
Less: Allowance for bad debts	(304)	(294)
Total investments and other	11,599	7,518
Total fixed assets	88,103	87,550
Total assets	279,768	284,884

	(Millions of Yen)	
	Year End -Previous Year As of March 31, 2011	Second Quarter End -Current Year As of September 30, 2011
Liabilities		
Current Liabilities:		
Accounts and notes payable	¥31,743	¥34,317
Short-term bank loans	249	114
Income taxes payable	5,808	2,122
Accrued bonuses	2,758	3,163
Accrued bonuses to directors and corporate auditors	50	—
Other	11,351	10,586
Total current liabilities	51,961	50,304
Long-term Liabilities:		
Bonds	30,000	30,000
Long-term bank loans	20,000	20,000
Reserve for employees' retirement benefits	4,963	3,017
Reserve for retirement benefits for directors and corporate auditors	89	101
Reserve for product warranty	110	122
Other	4,705	5,178
Total long-term liabilities	59,870	58,419
Total liabilities	111,831	108,724
Net Assets		
Shareholders' equity :		
Common stock	34,606	34,606
Additional paid-in capital	44,342	44,342
Retained earnings	110,632	115,788
Treasury stock	(11,359)	(11,361)
Total shareholders' equity	178,221	183,376
Accumulated other comprehensive income :		
Net unrealized gain on other securities	590	344
Foreign currency translation adjustments	(12,080)	(9,163)
Total accumulated other comprehensive income	(11,490)	(8,819)
Minority Interests	1,206	1,603
Total net assets	167,937	176,160
Total liabilities and net assets	279,768	284,884

Consolidated Statements of Income

(Millions of Yen)

	Second Quarter Ended September 30, 2010 (From April 1, 2010 to September 30, 2010)	Second Quarter Ended September 30, 2011 (From April 1, 2011 to September 30, 2011)
Net sales	¥92,120	¥103,208
Cost of sales	66,613	73,509
Gross profit	25,506	29,698
Selling, general and administrative expenses	15,940	17,237
Operating income	9,565	12,461
Non-operating income:		
Interest income	93	172
Equity earnings of affiliates	250	535
Other	425	475
Total non-operating income	769	1,183
Non-operating expense:		
Interest expenses	266	304
Foreign exchange loss, net	1,139	3,727
Other	174	158
Total non-operating expenses	1,579	4,190
Ordinary income	8,755	9,454
Extraordinary gains:		
Gain on sales of property, plant and equipment	6	7
Subsidy income	125	21
Subsidies for employment adjustment	2	—
Other	17	—
Total extraordinary gains	151	29
Extraordinary losses:		
Loss on sales and disposal of property, plant and equipment	31	56
Loss on write-down of investments in securities	12	13
Loss on reorganization of retirement benefit plans	—	323
Other	7	85
Total extraordinary losses	51	479
Income before income taxes and minority interests	8,855	9,004
Income taxes-current	1,779	2,251
Income taxes-deferred	1,301	478
Total income taxes	3,080	2,730
Income before minority interests	5,774	6,273
Minority interests in net income	68	162
Net income	5,706	6,111

Consolidated Statements of Comprehensive Income

(Millions of Yen)		
	Second Quarter Ended September 30, 2010 (From April 1, 2010 to September 30, 2010)	Second Quarter Ended September 30, 2011 (From April 1, 2011 to September 30, 2011)
Income before minority interests	¥5,774	¥6,273
Other comprehensive income:		
Unrealized loss on other securities	(184)	(248)
Foreign currency translation adjustments	(3,591)	2,833
Share of other comprehensive income (loss) of affiliates accounted under the equity method	(224)	147
Total other comprehensive income (loss)	(4,000)	2,732
Comprehensive income	1,774	9,006
Attributable to:		
Shareholders of THK Co., Ltd.	1,744	8,608
Minority interests	29	397

Consolidated Statements of Cash Flows

(Millions of Yen)

	Second Quarter Ended September 30, 2010 (From April 1, 2010 to September 30, 2010)	Second Quarter Ended September 30, 2011 (From April 1, 2011 to September 30, 2011)
Cash flows from operating activities:		
Income (loss) before income taxes and minority interests	¥8,855	¥9,004
Depreciation and amortization	4,413	5,116
Loss on sale/disposal of property, plant and equipment	24	48
Increase (decrease) in provisions	906	(1,643)
Interest and dividend income	(117)	(208)
Interest expenses	266	304
Foreign exchange loss	92	2,265
Equity in earnings of affiliates	(250)	(535)
Loss on write-down of investments in securities	12	13
Amortization of goodwill	11	127
Increase in trade receivables	(14,841)	(3,372)
Decrease (increase) in inventories	(2,464)	114
Increase in trade payables	9,153	1,691
Other	266	(1,029)
Subtotal	6,329	11,897
Interest and dividend received	203	207
Interest paid	(269)	(303)
Income taxes refunded (paid)	1,143	(5,920)
Net cash provided by operating activities	7,407	5,881
Cash flows from investing activities:		
Purchase of property, plant and equipment	(2,568)	(6,435)
Proceeds from sale of property, plant and equipment	82	26
Payment for a business transfer	—	(269)
Purchase of investments in securities	(7)	(8)
Proceeds from cancellation of a insurance contract	—	3,354
Increase in loans receivable	(374)	(1)
Collection on loans	211	30
Payment for an acquisition	—	(147)
Other	(0)	(6)
Net cash used in investing activities	(2,656)	(3,458)

	Second Quarter Ended September 30, 2010 (From April 1, 2010 to September 30, 2010)	Second Quarter Ended September 30, 2011 (From April 1, 2011 to September 30, 2011)
Cash flows from financing activities:		
Dividends paid	(968)	(1,031)
Dividends paid to minority shareholders	—	(643)
Purchase of treasury stocks	(1)	(1)
Repayments of lease obligations	(22)	(77)
Net cash used in financing activities	(992)	(1,754)
Foreign currency translation adjustments on cash and cash equivalents	(1,167)	314
Net increase in cash and cash equivalents	2,591	982
Cash and cash equivalents, beginning of the period	69,266	100,104
Increase in cash and cash equivalents due to a newly consolidated subsidiary	—	270
Cash and cash equivalents, end of the period	71,858	101,356

Segment Information

For the six months ended September 30, 2010 (April 1, 2010 to September 30, 2010)

	(Millions of Yen)						
	Japan	The Americas	Europe	China	Other	Adjustments	Consolidated
Sales to customers	¥63,284	¥10,510	¥7,542	¥5,730	¥5,052	¥-	¥92,120
Inter-segment	18,389	66	7	1,605	1	(20,070)	-
Total	81,674	10,577	7,549	7,336	5,054	(20,070)	92,120
Operating income (loss)	8,343	939	(430)	802	271	(360)	9,565

(Note) All adjustments are intercompany elimination.

For the six months ended September 30, 2011 (April 1, 2011 to September 30, 2011)

	(Millions of Yen)						
	Japan	The Americas	Europe	China	Other	Adjustments	Consolidated
Sales to customers	¥65,844	¥11,028	¥10,411	¥8,777	¥7,146	¥-	¥103,208
Inter-segment	23,597	114	8	1,686	69	(25,476)	-
Total	89,441	11,143	10,419	10,464	7,216	(25,476)	103,208
Operating income (loss)	10,613	727	(354)	1,730	330	(587)	12,461

(Note 1) All adjustments are intercompany elimination.

(Note 2) As discussed in 5. Accounting Changes (1), effective April 1, 2011, THK changed the valuation method applied to made-to-order work in process to the specific identification method. The effect of changing the valuation method was to decrease operating income in Japan segment by ¥209 million.

(Note 3) As discussed in 5. Accounting Changes (2), effective April 1, 2011, THK and certain domestic subsidiaries changed the depreciation methods of property, plant and equipment (PPE) acquired on or after April 1, 2007 to the methods required under the revised Japanese tax laws (revised in 2007), by operating the new accounting system for management of PPE corresponding to the revised tax laws. The effect of changing the depreciation methods was to decrease operating income in Japan segment by ¥542 million.

Subsequent events

According to a resolution of the Board of Directors meeting held on May 20, 2011, THK issued the following domestic unsecured straight bonds at par on October 27, 2011, in order to raise funds for capital investments in manufacturing facilities:

THK unsecured straight bonds	#7
(1) Total amount of issuance	¥10,000 million
(2) Interest rate per annum	0.850%
(3) Maturity date	October 26, 2018 (7 years)

Due date of payment was October 27, 2011. All the bonds are redeemable at the maturity date in one lump sum, while repurchase of the bonds is available at anytime on or after October 28, 2011.

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.