

Consolidated Financial Results for the Second Quarter Ended September 30, 2012 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 14, 2012
 Scheduled starting date of dividend payment : December 10, 2012

1. Consolidated Operating Results and Financial Position as of and for the six months ended September 30, 2012 (April 1, 2012 to September 30, 2012)

(1) Consolidated Operating Results

Second Quarter Ended September 30 (Millions of Yen)	Net Sales		Operating Income		Ordinary Income		Net Income	
2012	¥87,432	(15.3)%	¥7,331	(41.2)%	¥5,531	(41.5)%	¥3,742	(38.8)%
2011	103,208	12.0%	12,461	30.3%	9,454	8.0%	6,111	7.1%
<i>(Note) Comprehensive income</i>	<i>Second quarter ended September 30, 2012:</i>				¥5,594 million		(37.9)%	
	<i>Second quarter ended September 30, 2011:</i>				9,006 million		407.7%	

Second Quarter Ended September 30 (Yen)	Net Income Per Share-Basic	Net Income Per Share-Diluted
2012	¥29.16	¥ —
2011	47.52	—

(2) Consolidated Financial Position

	Total Assets (Millions of Yen)	Net Assets (Millions of Yen)	Net Worth Ratio (%)
September 30, 2012	¥286,408	¥176,998	61.2%
March 31, 2012	288,333	175,516	60.3%
<i>(Note) Net worth</i>	<i>As of September 30, 2012:</i>		¥175,412 million
	<i>As of March 31, 2012:</i>		173,864 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
2012 (Actual)	—	9.00	—	11.00	20.00
2013 (Actual)	—	9.00	n/a	n/a	n/a
2013 (Projected)	n/a	n/a	—	9.00	18.00

(Note) The dividend projection announced on May 10, 2012 has been amended to as in the above table.

3. Forecasts for the year ending March 31, 2013 (April 1, 2012 to March 31, 2013)

	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, 2013					
(amount)	¥165,000	¥9,000	¥7,900	¥5,000	¥39.50
(percentage)	(16.2)%	(54.4)%	(58.6)%	(60.4)%	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 10, 2012 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, 2012	133,856,903
	March 31, 2012	133,856,903
b. Treasury stock as of:	September 30, 2012	7,259,292
	March 31, 2012	5,258,742
c. Average number of common stock for the six months ended:	September 30, 2012	128,335,562
	September 30, 2011	128,599,270

5. Accounting Changes

Depreciation methods of property, plant and equipment—Effective April 1, 2012, THK and certain domestic subsidiaries changed the depreciation methods of property, plant and equipment acquired on or after April 1, 2012 to the methods required under the revised Japanese tax laws. The effect of changing the depreciation methods was to increase operating income, ordinary income, and income before income taxes and minority interests by ¥15 million, respectively. The effects to each segment are discussed in “Segment Information.”

Management's Discussion and Analysis

1. Operating results (April 1, 2012 to September 30, 2012)

During this second quarter period, while the financial problem in Europe still continued, there was a slowdown in economy of developing countries that eventually spread to the world economy. In the overseas economy, while the economy in the United States of America was relatively strong, the European economy turned to the recession phase. Because Europe was the utmost export destination from China, it slowed down the economic growth there and in other development countries as well. In Japan, although the economy showed a modest trend toward recovery mainly due to domestic demand for restoration and eco-friendly cars, there were weaknesses, especially in export, due to the slowdown of the world economy.

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. The THK Group took steps to expand its sales network and enhance its productivity in China where medium-term economic growth has been anticipated. In addition, the THK Group has made proactive investments in other developing countries for its future growth such as in constructing facilities in Mexico. Also, the THK Group is focusing on seeking new business opportunities by implementing aggressive sales strategies to capture the demand of seismic isolation and control appliances that is anticipated to increase because of the recent earthquakes. In the first half of this second quarter period, while the electronics market that was showing signs of recovery driven by the demand for smart phones and tablet computers, the THK Group operated proactively to expand its sales. Because such demand decreased in the latter half of the period, however, net sales for the second quarter amounted to ¥87,432 million, down ¥15,775 million, or 15.3%, 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. As a result, although such activities successfully reduced the decline in profit, the cost of sales to sales ratio worsened by 1.8% from a year earlier to 73.0%.

Selling, general and administrative expenses (SG&A) decreased due mainly to various cost containment and improvement of operating efficiency as well as to the decline in sales. As a result, SG&A expenses decreased by ¥974 million, or 5.7%, to ¥16,262 million; however, ratio to net sales worsened by 1.9% from a year earlier to 18.6%.

As a result, operating income decreased from a year earlier by ¥5,129 million, or 41.2%, to ¥7,331 million. The operating income to net sales ratio dropped by 3.7% to 8.4%

Net non-operating income/expense was expense of ¥1,799 million due mainly to a combined effect of ¥126 million of equity earnings of affiliates and ¥2,157 million of foreign exchange loss. As a result, ordinary income decreased from a year earlier by ¥3,922 million, or 41.5%, to ¥5,531 million. Net income for the period also decreased from a year earlier by ¥2,368 million, or 38.8%, to ¥3,742 million.

2. Segment Information

(Japan)

In Japan, although the economy showed a modest trend toward recovery mainly due to domestic demand for restoration and eco-friendly cars, there were weaknesses, especially in export, due to the slowdown of the world economy. In the first half of this second quarter period, while the electronics market that was showing signs of recovery driven by the demand for smart phones and tablet computers, the THK Group operated proactively to promote sales and cultivate new business opportunities. Because such demand decreased in the latter half of the period, however, net sales for the second quarter amounted to ¥56,038 million, down ¥9,805 million, or 14.9%, compared to the figure one year earlier. There were positive effects on reducing the decline in profit from various operating activities such as our across-the-division project, namely, P25 Project; however, operating income in Japan amounted to ¥5,741 million, down ¥4,871 million, or 45.9%, due to the significant decline in sales.

(The Americas)

In the Americas, while the economy was firm, trends in automobile production were also strong. Amid a gradual upswing in capital investment, the THK Group took steps to expand transactions with existing customers and to cultivate new business fields. Based on these endeavors, sales were robust to the machine tool industry, the general machine industry and the transportation equipment industry in particular, amounting to ¥11,397 million, up ¥368 million, or 3.3%, from the figure one year earlier. Operating income amounted to ¥540 million, down ¥186 million, or 25.6%, from the figure one year earlier. This was mainly attributable to the appreciation of the yen against U.S. dollar.

(Europe)

In Europe, while the financial crisis led the economy to the recession phase, exports to Asia by machine manufacturers that had driven strong demand also weakened because of the economic slowdown in Asia. Although THK worked diligently to expand transactions with existing customers and to cultivate new

business fields, sales in Europe amounted to ¥8,312 million, down ¥2,098 million, or 20.2%, from the figure one year earlier because of decline in sales to existing customers. However, operating income in Europe amounted to ¥30 million, a turnaround of ¥384 million, due to the endeavors for cost containment and productivity improvement despite the strong yen against euro and the decline in sales.

(China)

From the summer of 2011, demand in the machine tool industry, the THK Group's mainstay customers, remained weak due to the financial restraint policy in China; however, there was signs of recovery in the demand situation in small-type products for smart phones and tablet computers. In that circumstances, though the THK Group implemented aggressive business activities with its strengthened sales channels, sales amounted to ¥6,469 million, down ¥2,307 million, or 26.3%, from the figure one year earlier, because of the weakness in the overall demand situation except for that of small-type products. Operating income amounted to ¥297 million, down ¥1,433 million, or 82.8%, from the figure one year earlier due to the decline in sales and proactive investments for the future growth.

(Other)

In other countries and regions including Taiwan, India and ASEAN countries, while there was signs of recovery in the demand situation especially in the electronics industry and for small-type products, THK continues to expand transactions with existing customers and to cultivate new customers. However, sales amounted to ¥5,214 million, down ¥1,932 million, or 27.0%, from the figure one year earlier. Operating income amounted to ¥144 million, down ¥186 million, or 56.3%, from the figure one year earlier due to the appreciation of the yen.

3. Financial position (As of September 30, 2012)

Total assets stood at ¥286,408 million, ¥1,924 million less than the previous fiscal year-end, due mainly to a combined effect of increase in cash and cash equivalents by ¥1,160 million, increase in machinery and equipment by ¥720 million, decrease in accounts and notes receivable by ¥3,126 million, and decrease in investments in securities by ¥496 million.

Total liabilities stood at ¥109,410 million, ¥3,406 million less than the previous fiscal year-end, due mainly to decrease in accounts and notes payable by ¥1,480 million and in income tax payable by ¥835 million.

Net assets stood at ¥176,998 million, ¥1,481 million more than the previous fiscal year-end, due mainly to a combined effect of increase in retained earnings by ¥2,327 million, increase in foreign currency translation

adjustments by ¥2,232 million, and repurchase of treasury stocks (a contra account of net assets) of ¥2,564 million.

4. Forecast for the fiscal year ending March 31, 2013

For details of the financial forecasts for the year ending March 31, 2013, please refer to “Notice Regarding the Amendments in Financial Forecasts” announced on November 13, 2012.

Consolidated Financial Statements

Consolidated Balance Sheets

	(Millions of Yen)	
	Year End -Previous Year As of March 31, 2012	Second Quarter End -Current Year As of September 30, 2012
Assets		
Current Assets:		
Cash and cash equivalents	¥110,788	¥111,949
Accounts and notes receivable	53,034	49,908
Merchandise and finished goods	10,411	9,955
Work in process	4,858	4,426
Raw materials and supplies	10,965	10,933
Other current assets	8,739	6,813
Less: Allowance for bad debts	(145)	(130)
Total current assets	198,652	193,855
Fixed Assets:		
Property, plant and equipment -net:		
Buildings and structures	23,395	23,552
Machinery and equipment	34,052	34,772
Other	22,164	23,779
Total property, plant and equipment -net	79,612	82,104
Intangibles		
Goodwill	1,413	1,266
Other	1,193	1,188
Total intangibles	2,606	2,454
Investments and Other		
Long-term investments in securities	4,841	4,344
Other	2,699	3,721
Less: Allowance for bad debts	(77)	(71)
Total investments and other	7,462	7,993
Total fixed assets	89,680	92,552
Total assets	288,333	286,408

	(Millions of Yen)	
	Year End -Previous Year As of March 31, 2012	Second Quarter End -Current Year As of September 30, 2012
Liabilities		
Current Liabilities:		
Accounts and notes payable	¥27,661	¥26,181
Short-term bank loans	117	83
Income taxes payable	2,151	1,316
Accrued bonuses	3,122	3,062
Other	11,488	10,544
Total current liabilities	44,542	41,187
Long-term Liabilities:		
Bonds	40,000	40,000
Long-term bank loans	20,000	20,000
Reserve for employees' retirement benefits	2,982	2,973
Reserve for retirement benefits for directors and corporate auditors	114	99
Reserve for product warranty	109	131
Other	5,068	5,018
Total long-term liabilities	68,274	68,222
Total liabilities	112,816	109,410
Net Assets		
Shareholders' equity :		
Common stock	34,606	34,606
Additional paid-in capital	44,584	44,584
Retained earnings	121,161	123,489
Treasury stock	(11,362)	(13,926)
Total shareholders' equity	188,990	188,753
Accumulated other comprehensive income :		
Net unrealized gain on available-for-sale securities	777	329
Foreign currency translation adjustments	(15,903)	(13,671)
Total accumulated other comprehensive income	(15,126)	(13,341)
Minority Interests	1,652	1,585
Total net assets	175,516	176,998
Total liabilities and net assets	288,333	286,408

Consolidated Statements of Income

(Millions of Yen)

	Second Quarter Ended September 30, 2011 (From April 1, 2011 to September 30, 2011)	Second Quarter Ended September 30, 2012 (From April 1, 2012 to September 30, 2012)
Net sales	¥103,208	¥87,432
Cost of sales	73,509	63,838
Gross profit	29,698	23,594
Selling, general and administrative expenses	17,237	16,262
Operating income	12,461	7,331
Non-operating income :		
Interest income	172	183
Equity earnings of affiliates	535	126
Other	475	570
Total non-operating income	1,183	880
Non-operating expense :		
Interest expenses	304	355
Foreign exchange loss, net	3,727	2,157
Other	158	166
Total non-operating expenses	4,190	2,679
Ordinary income	9,454	5,531
Extraordinary gains :		
Gain on sales of property, plant and equipment	7	17
Subsidy income	21	19
Total extraordinary gains	29	37
Extraordinary losses :		
Loss on sales and disposal of property, plant and equipment	56	19
Loss on write-down of investments in securities	13	1
Loss on reorganization of retirement benefit plans	323	—
Other	85	0
Total extraordinary losses	479	20
Income before income taxes and minority interests	9,004	5,548
Income taxes-current	2,251	1,375
Income taxes-deferred	478	389
Total income taxes	2,730	1,764
Income before minority interests	6,273	3,783
Minority interests in net income	162	41
Net income	6,111	3,742

Consolidated Statements of Comprehensive Income

	(Millions of Yen)	
	Second Quarter Ended September 30, 2011 (From April 1, 2011 to September 30, 2011)	Second Quarter Ended September 30, 2012 (From April 1, 2012 to September 30, 2012)
Income before minority interests	¥6,273	¥3,783
Other comprehensive income:		
Net unrealized gain on available-for-sale securities	(248)	(449)
Foreign currency translation adjustments	2,833	2,203
Share of other comprehensive income (loss) of affiliates accounted under the equity method	147	56
Total other comprehensive income (loss)	2,732	1,810
Comprehensive income	9,006	5,594
Attributable to:		
Shareholders of THK Co., Ltd.	8,608	5,526
Minority interests	397	67

Consolidated Statements of Cash Flows

(Millions of Yen)

	Second Quarter Ended September 30, 2011 (From April 1, 2011 to September 30, 2011)	Second Quarter Ended September 30, 2012 (From April 1, 2012 to September 30, 2012)
Cash flows from operating activities:		
Income (loss) before income taxes and minority interests	¥9,004	¥5,548
Depreciation and amortization	5,116	4,692
Loss on sale/disposal of property, plant and equipment	48	1
Decrease in provisions	(1,643)	(83)
Interest and dividend income	(208)	(216)
Interest expenses	304	355
Foreign exchange loss (gain)	2,265	(109)
Equity in earnings of affiliates	(535)	(126)
Loss on write-down of investments in securities	13	1
Amortization of goodwill	127	268
Decrease (increase) in trade receivables	(3,372)	3,272
Decrease in inventories	114	1,024
Increase (decrease) in trade payables	1,691	(1,544)
Other	(1,029)	1,086
Subtotal	11,897	14,171
Interest and dividend received	207	365
Interest paid	(303)	(356)
Income taxes refunded (paid)	(5,920)	(1,982)
Net cash provided by operating activities	5,881	12,198
Cash flows from investing activities:		
Purchase of property, plant and equipment	(6,435)	(7,339)
Proceeds from sale of property, plant and equipment	26	67
Payment for a business transfer	(269)	—
Purchase of investments in securities	(8)	(8)
Proceeds from cancellation of a insurance contract	3,354	—
Increase in loans receivable	(1)	(36)
Collection on loans	30	1
Payment for an acquisition	(147)	—
Purchase of a subsidiary's stock from minority shareholders	—	(240)
Other	(6)	0
Net cash used in investing activities	(3,458)	(7,554)

	Second Quarter Ended September 30, 2011 (From April 1, 2011 to September 30, 2011)	Second Quarter Ended September 30, 2012 (From April 1, 2012 to September 30, 2012)
Cash flows from financing activities:		
Dividends paid	(1,031)	(1,417)
Dividends paid to minority shareholders	(643)	—
Purchase of treasury stocks	(1)	(2,564)
Repayments of lease obligations	(77)	(102)
Net cash used in financing activities	(1,754)	(4,084)
Foreign currency translation adjustments on cash and cash equivalents	314	601
Net increase in cash and cash equivalents	982	1,160
Cash and cash equivalents, beginning of the period	100,104	110,788
Increase in cash and cash equivalents due to a newly consolidated subsidiary	270	—
Cash and cash equivalents, end of the period	101,356	111,949

Segment Information

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) All adjustments are intercompany elimination.

For the six months ended September 30, 2012 (April 1, 2012 to September 30, 2012)

							(Millions of Yen)	
	Japan	The Americas	Europe	China	Other	Adjustments	Consolidated	
Sales to customers	¥56,038	¥11,397	¥8,312	¥6,469	¥5,214	¥-	¥87,432	
Inter-segment	16,924	12	5	2,403	156	(19,502)	-	
Total	72,963	11,409	8,318	8,873	5,370	(19,502)	87,432	
Operating income (loss)	5,741	540	30	297	144	576	7,331	

(Note 1) All adjustments are intercompany elimination.

(Note 2) As discussed in 5. Accounting Changes, effective April 1, 2012, THK and certain domestic subsidiaries changed the depreciation methods of property, plant and equipment acquired on or after April 1, 2012 to the methods required under the revised Japanese tax laws. The effect of changing the depreciation methods was to increase operating income in Japan segment by ¥15 million.

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.