

August 7, 2013

Consolidated Financial Results for the First Quarter Ended June 30, 2013 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)	:	August 8, 2013
Scheduled starting date of dividend payment	:	n/a

1. Consolidated Operating Results and Financial Position as of and for the three months ended June 30, 2013 (April 1, 2013 to June 30, 2013)

(1) Consolidated Operating Results

First Quarter Ended June 30 (Millions of Yen)	Net Sales	Operating Income	Ordinary Income	Net Income
2013	¥41,851	(5.9)%	¥3,149 (14.9) %	¥5,801 198.3 %
2012	¥44,481	(12.0)	¥3,700 (36.7)	¥1,945 (66.4)
<i>(Note) Comprehensive income</i>		<i>First quarter ended June 30, 2013:</i>		
		<i>First quarter ended June 30, 2012:</i>		
First Quarter Ended June 30 (Yen)	Net Income Per Share-Basic	Net Income Per Share-Diluted		
2013	¥29.56	¥ —		
2012	10.28	—		

(2) Consolidated Financial Position

	Total Assets (Millions of Yen)	Net Assets (Millions of Yen)	Net Worth Ratio (%)	Net Assets Per Share (Yen)
June 30, 2013	¥324,960	¥198,500	60.5 %	¥1,552.65
March 31, 2013	293,145	189,058	63.9	1,479.41
<i>(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.</i>				
<i>Net worth</i>			¥196,558 million	
			187,288 million	

2. Dividends

For the year ended March 31	Dividend Per Share (Yen)					Total
	First Quarter End as of June 30	Second Quarter End as of September 30	Third Quarter End as of December 31	Year end		
2013 (Actual)	¥ —	¥9.00	¥ —	¥9.00		¥18.00
2014 (Actual)	—	n/a	n/a	n/a		n/a
2014 (Projected)	n/a	11.00	—	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)
Six months ending September 30, 2013 (amount) (percentage)	¥90,000 2.9%	¥8,200 11.9%	¥8,600 55.5%	¥5,700 52.3%	¥45.02 n/a
Year ending March 31, 2014 (amount) (percentage)	¥190,000 12.8%	¥20,000 71.0%	¥20,800 40.9%	¥14,200 44.8%	¥112.17 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 payable and deferred tax assets/liabilities)
-In determination of income taxes payable, taxable or deductible items to be incorporated in calculation are limited to that material.
-Basically, deferred taxes are determined based on the forecast and tax planning prepared as of the previous year-end. If significant changes are noted in temporary differences or business environment thereafter, the impact of such changes will be reflected in the forecasts, tax planning, and determination of deferred tax assets.
- (3) Changes in accounting policy/treatment/presentation manner due to:
- | | |
|-----------------------------------|------|
| a. Changes in accounting standard | None |
| b. Other changes | None |
- (4) Number of shares
- | | | (shares) |
|---|----------------|-------------|
| a. Common stock issued, including treasury stock, as of: | | |
| | June 30, 2013 | 133,856,903 |
| | March 31, 2013 | 133,856,903 |
| b. Treasury stock as of: | | |
| | June 30, 2013 | 7,260,832 |
| | March 31, 2013 | 7,260,392 |
| c. Average number of common stock for the three months ended: | | |
| | June 30, 2013 | 126,596,261 |
| | June 30, 2012 | 128,598,097 |

Management's Discussion and Analysis

1. Operating results (From April 1, 2013 to June 30, 2013)

During the first quarter of this fiscal year, while the deceleration phase in Europe still continued and economic growths in developing countries moderated, the world economy slowed down. In the Japanese economy, there were signs of recovery because of public spending by the government and monetary policies by Bank of Japan. In the overseas economy, while the economy in the United States of America was recovering by dint of strong consumer spending, the European economy was still in 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.

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. As to the Full-Scale Globalization, 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 and enhancing local sales networks in India and ASEAN countries. As regards the Development of New Business Areas, amid a growing awareness of disaster countermeasures triggered by the recent earthquakes, the THK Group has been trying to expand sales of seismic isolation and damping systems by appealing their effectiveness. At the same time, the THK Group is focusing on exploitation of new markets to achieve widespread adoption of its products including linear motion systems, in various markets such as medical device industry, aviation industry, and energy-related industry. In the first 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. Net sales for the first quarter, however, amounted to ¥41,851 million, down ¥2,629 million, or 5.9%, compared to the figure one year earlier, due to weak demand in other industries.

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 2.3% from a year earlier to 71.1%.

As to selling, general and administrative expenses (SG&A), the THK Group made endeavors to contain costs and improve operating efficiency. Ratio to net sales, however, worsened by 3.0% from a year earlier to 21.3 % due to increase in research and development costs for enhanced research activities and decrease in sales.

As a result, operating income decreased from a year earlier by ¥550 million, or 14.9%, to ¥3,149 million. The operating income to net sales ratio dropped by 0.8% to 7.5%

Total non-operating income was ¥3,068 million. Major components of non-operating income were ¥2,570 million of net foreign exchange gain and ¥115 million of equity earnings of affiliates. Total non-operating expense was ¥417 million. Major components of non-operating expense were ¥199 million of interest expenses. As a result, ordinary income increased from a year earlier by ¥3,856 million, or 198.3%, to ¥5,801 million. Net income for the quarter also increased from a year earlier by ¥2,420 million, or 183.2%, to ¥3,742 million.

(1) Segment Information

(Japan)

In the Japanese economy, there were signs of recovery because of public spending by the government and monetary policies by Bank of Japan. 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 ¥25,547 million, down ¥3,036 million, or 10.6%, compared to the figure one year earlier, due to weak demand in other industries. Operating income (segment income) amounted to ¥3,308 million, up ¥65 million, or 2.0%, 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.

(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. Based on these endeavors, sales were robust to the general machine industry and the transportation equipment industry in particular, amounting to ¥6,517 million, up ¥637 million, or 10.8%, from the figure one year earlier. Operating income (segment income) amounted to ¥278 million, down ¥19 million, or 6.4%, from the figure one year earlier.

(Europe)

In Europe, while the recession phase triggered by the financial crisis still continued, production and sales worked in unison to expand transactions with existing customers and to cultivate new business fields. Sales in Europe, however, amounted to ¥4,125 million, down ¥564 million, or 12.0%, from the figure one year earlier, due mainly to decline in demand in the machine tool industry and the general machine industry. Despite the endeavors for cost containment and streamlining of operations, the THK Group recorded ¥221 million of operating loss (segment loss), a turnover of ¥337 million from the figure one year earlier due to decline in sales.

(China)

During the first quarter, domestic demand in China was weak. Because Europe was the utmost export destination from China, the slump in European economy also slowed down the economic growth in China. 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. As a result, sales amounted to ¥3,089 million, up ¥122 million, or 4.1%, from the figure one year earlier. However, the THK Group recorded ¥403 million of operating loss (segment loss), a turnover of ¥507 million from the figure one year earlier 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 ¥2,572 million, up ¥210 million, or 8.9%, from the figure one year earlier. Operating income (segment income) amounted to ¥110 million, up ¥86 million, or 372.3%, from the figure one year earlier.

3. Financial position (As of June 30, 2013)

Total assets stood at ¥324,960 million, ¥31,814 million more than the previous fiscal year-end, due mainly to increase in cash and cash equivalents by ¥23,982 million, in accounts and notes receivable by ¥3,148 million, and in merchandise and finished goods by ¥1,098 million.

Total liabilities stood at ¥126,459 million, ¥22,372 million more than the previous fiscal year-end, due mainly to increase in accounts and notes payable by ¥2,405 million and issuance of ¥20,000 million bonds.

Net assets stood at ¥198,500 million, ¥9,442 million more than the previous fiscal year-end, due mainly to increase in retained earnings by ¥2,603 million and in foreign currency translation adjustments by ¥6,609 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	First Quarter End -Current Year As of June 30, 2013
Assets		
Current Assets:		
Cash and cash equivalents	¥115,967	¥139,949
Accounts and notes receivable	46,116	49,264
Merchandise and finished goods	9,125	10,223
Work in process	4,288	4,809
Raw materials and supplies	10,685	11,148
Other current assets	7,877	7,839
Less: Allowance for bad debts	(120)	(114)
Total current assets	<u>193,940</u>	<u>223,121</u>
Fixed Assets:		
Property, plant and equipment -net:		
Buildings and structures	26,066	26,668
Machinery and equipment	38,818	39,662
Other	22,812	23,505
Total property, plant and equipment -net	<u>87,697</u>	<u>89,835</u>
Intangibles		
Goodwill	1,170	1,159
Other	1,597	1,834
Total intangibles	<u>2,767</u>	<u>2,994</u>
Investments and Other		
Long-term investments in securities	5,258	5,592
Other	3,539	3,470
Less: Allowance for bad debts	(57)	(54)
Total investments and other	<u>8,740</u>	<u>9,008</u>
Total fixed assets	<u>99,205</u>	<u>101,838</u>
Total assets	<u>293,145</u>	<u>324,960</u>

(Millions of Yen)

	Year End -Previous Year As of March 31, 2013	First Quarter End -Current Year As of June 30, 2013
Liabilities		
Current Liabilities:		
Accounts and notes payable	¥20,846	¥23,251
Current portion of long-term debt	20,000	20,000
Income taxes payable	2,177	1,566
Accrued bonuses	2,571	2,242
Other	10,061	10,966
Total current liabilities	55,656	58,027
Long-term Liabilities:		
Bonds	40,000	60,000
Reserve for employees' retirement benefits	3,008	2,977
Reserve for retirement benefits for directors and corporate auditors	114	122
Reserve for product warranty	132	132
Other	5,175	5,199
Total long-term liabilities	48,430	68,432
Total liabilities	104,087	126,459
Net Assets		
Shareholders' equity :		
Common stock	34,606	34,606
Additional paid-in capital	44,584	44,584
Retained earnings	128,416	131,019
Treasury stock	(13,928)	(13,929)
Total shareholders' equity	193,678	196,281
Accumulated other comprehensive income:		
Net unrealized gain on available-for-sale securities	740	799
Foreign currency translation adjustments	(7,131)	(521)
Total accumulated other comprehensive income	(6,390)	277
Minority Interests	1,769	1,941
Total net assets	189,058	198,500
Total liabilities and net assets	293,145	324,960

Consolidated Statements of Income

(Millions of Yen)

	First Quarter Ended June 30, 2012 (From April 1, 2012 to June 30, 2012)	First Quarter Ended June 30, 2013 (From April 1, 2013 to June 30, 2013)
Net sales	¥44,481	¥41,851
Cost of sales	32,663	29,775
Gross profit	11,818	12,075
Selling, general and administrative expenses	8,117	8,926
Operating income	3,700	3,149
Non-operating income:		
Interest income	72	91
Equity earnings of affiliates	117	115
Foreign exchange gain, net	—	2,570
Other	274	291
Total non-operating income	464	3,068
Non-operating expense:		
Interest expenses	174	199
Foreign exchange loss, net	1,975	—
Amortization of bond issuance costs	—	118
Other	70	98
Total non-operating expenses	2,220	417
Ordinary income	1,945	5,801
Extraordinary gains:		
Gain on sales of property, plant and equipment	3	2
Total extraordinary gains	3	2
Extraordinary losses:		
Loss on sales and disposal of property, plant and equipment	7	10
Other	0	—
Total extraordinary losses	7	10
Income before income taxes and minority interests	1,940	5,793
Income taxes-current	367	1,810
Income taxes-deferred	224	219
Total income taxes	592	2,029
Income before minority interests	1,348	3,763
Minority interests in net income	26	21
Net income	1,321	3,742

Consolidated Statements of Comprehensive Income

(Millions of Yen)

	First Quarter Ended June 30, 2012 (From April 1, 2012 to June 30, 2012)	First Quarter Ended June 30, 2013 (From April 1, 2013 to June 30, 2013)
Income before minority interests	¥1,348	¥3,763
Other comprehensive income:		
Unrealized gain (loss) on available-for-sale securities	(260)	54
Foreign currency translation adjustments	6,732	6,584
Share of other comprehensive income of affiliates accounted under the equity method	47	179
Total other comprehensive income	<hr/> 6,518	<hr/> 6,818
Comprehensive income	7,866	10,582
Attributable to:		
Shareholders of THK Co., Ltd.	7,789	10,410
Minority interests	77	172

Segment Information

For the first quarter ended June 30, 2012 (April 1, 2012 to June 30, 2012)

	Japan	The Americas	Europe	China	Other	Adjustments	(Millions of Yen) Consolidated
Sales to customers	¥28,583	¥5,880	¥4,689	¥2,966	¥2,361	¥—	¥44,481
Inter-segment	8,781	3	1	1,066	77	(9,930)	—
Total	37,364	5,883	4,691	4,033	2,439	(9,930)	44,481
Operating income	3,242	297	115	103	23	(83)	3,700

(Note) All adjustments are intercompany elimination.

For the first quarter ended June 30, 2013 (April 1, 2013 to June 30, 2013)

	Japan	The Americas	Europe	China	Other	Adjustments	(Millions of Yen) Consolidated
Sales to customers	¥25,547	¥6,517	¥4,125	¥3,089	¥2,572	¥—	¥41,851
Inter-segment	10,549	4	5	1,454	168	(12,182)	—
Total	36,096	6,522	4,131	4,543	2,740	(12,182)	41,851
Operating income (loss)	3,308	278	(221)	(403)	110	77	3,149

(Note) 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.