

Consolidated Financial Results for the First Quarter Ended June 30, 2010 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
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 Scheduled date of filing quarterly report (Japanese version only) : August 13, 2010
 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, 2010 (April 1, 2010 to June 30, 2010)

(1) Consolidated Operating Results

First Quarter Ended June 30 (Millions of Yen)	Net Sales		Operating Income (Loss)		Ordinary Income (Loss)		Net Income (Loss)	
2010	¥43,406	100.7%	¥3,944	— %	¥3,155	— %	¥1,885	— %
2009	21,622	(59.3)	(5,863)	— %	(5,104)	— %	(4,079)	— %

First Quarter Ended June 30 (Yen)	Net Income (Loss) Per Share-Basic	Net Income Per Share-Diluted
2010	¥14.66	¥ —
2009	(31.72)	—

(2) Consolidated Financial Position

	Total Assets (Millions of Yen)	Net Assets (Millions of Yen)	Net Worth Ratio (%)	Net Assets Per Share (Yen)
June 30, 2010	¥244,830	¥163,143	66.1 %	¥1,259.33
March 31, 2010	236,374	162,258	68.2	1,252.71
(Note) Net worth		As of June 30, 2010:	¥161,951 million	
		As of March 31, 2010:	161,100 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

For the year ended March 31	Dividend Per Share (Yen)				Year end	Total
	First Quarter End as of June 30	Second Quarter End as of September 30	Third Quarter End as of December 31			
2010 (Actual)	¥ —	¥ 7.50	¥ —	¥ 7.50	¥ 15.00	
2011 (Actual)	—	n/a	n/a	n/a	n/a	
2011 (Projected)	n/a	8.00	—	8.00	16.00	

(Note) Change in dividend projection: none

3. Forecasts for the year ending March 31, 2011 (April 1, 2010 to March 31, 2011)

	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, 2010 (amount)	¥92,000	¥9,500	¥9,000	¥5,400	¥41.99
(percentage)	94.1%	—%	—%	—%	n/a
Year ending March 31, 2011 (amount)	¥182,000	¥17,600	¥17,300	¥10,600	¥82.43
(percentage)	57.8%	—%	—%	—%	n/a

(Note 1) Change in forecasts: Please refer to "Forecast for the fiscal year ending March 31, 2011" in "Management's Discussion and Analysis".

(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:

a. Determination of allowance for bad debts

-As no significant change is noted, allowance for bad debts is determined based on the credit loss percentage as of the previous year-end.

b. Measurement of inventories

-Physical count of inventories for quarterly-end does not cover all of inventories, however, inventories are stated by amount reasonably calculated based on the physical count performed at the previous year-end.

c. Depreciation expense

-Depreciation expense is determined based on an allocation of the projected amount of annual depreciation expense to the applicable quarter period.

d. 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.

e. Tax expense

-Certain consolidated subsidiaries calculate their income taxes based on the estimated effective tax rates applicable to the current 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:	June 30, 2010	133,856,903
	March 31, 2010	133,856,903
b. Treasury stock as of:	June 30, 2010	5,255,642
	March 31, 2010	5,255,442
c. Average number of common stock for the three months ended:	June 30, 2010	128,601,388
	June 30, 2009	128,603,846

5. Accounting Changes

(1) Effective April 1, 2010, THK applied Statement No.16, "Accounting Standard for Equity Method of Accounting for Investments" issued by the Accounting Standards Board of Japan ("ASBJ") and ASBJ Practical Issues Task Force No. 24, "Practical Solution on Unification of Accounting Policies Applied to Associates Accounted for Using the Equity Method". This accounting change did not have any effect on ordinary income nor income before income taxes and minority interests.

(2) Effective April 1, 2010, THK applied ASBJ Statement No.18 "Accounting Standard for Asset Retirement Obligations" and ASBJ Guidance No.21 "Guidance on Accounting Standard for Asset Retirement Obligations". This accounting change did not have any effect on operating income, ordinary income nor income before income taxes and minority interests.

Under rent agreements of the head office and other spaces, THK group is obliged to pay restoring costs at relocation. The asset retirement obligation, however, is not reasonably determinable because the rent periods are uncertain. THK also has obligation for disposal costs of PCB (polychlorinated biphenyl) -contained wastes and contamination survey on land. The asset retirement obligation, however, is not reasonably determinable because the time of performance, amount, and other factors of such obligations are uncertain. Therefore, the aforementioned obligations are not recognized in the consolidated financial statements.

Management's Discussion and Analysis

1. Operating results (From April 1, 2010 to June 30, 2010)

During the first quarter of this fiscal year, the global economy showed a moderate recovery trend, aided by the economic stimulus measures in various countries implemented from the previous year that have contributed to recovery of consumer spending, corporate profitability, and capital investments. The Japanese economy also gained momentum mainly in exports, which affected to capital investments. In the overseas economy, not only the economic expansion of emerging countries such as China, a recovery trend has been also found in Europe, America and other developed countries.

The basic underlying strategies of the THK group to expand its business are "Full-scale globalization" and "Development into new business areas". Guided by these strategies, THK group has made continuous endeavors for cutting and containing costs while strengthening its business bases such as human resources, capital, and technologies that are the engine of growth, under the severe circumstance of declining demands triggered by the financial crisis in 2008. As a result, while demands are rapidly reviving from the fourth quarter of the previous fiscal year, THK group steadily achieved to increase net sales amounted to ¥43,406 million for the first quarter (¥21,622 million in the previous first quarter).

On the cost front, the THK group made continuous endeavors to enhance its productivity such as raw materials' yield percentage improvement and production lead-time reduction. In addition, THK group thrived in seizing the increasing demands. As a result, the cost to sales ratio improved by 16.6% from a year earlier to 72.5%.

Selling, general and administrative (SG&A) expenses decreased by ¥250 million from a year earlier due to expense containment and lower amortization of goodwill because of a lump-sum amortization of goodwill recognized in the previous year. The ratio to net sales also improved by 19.7% to 18.4% due to the decrease in SG&A expense and the increase in net sales.

As a result, an operating income of ¥3,944 million was recorded for this first quarter (¥5,863 million of operating loss in the previous first quarter). THK accomplished to record operating income for the second consecutive quarter periods with the larger amount of income.

Net non-operating income/expense was expense of ¥788 million due mainly to a combined effect of ¥198 million of equity earnings of affiliates and ¥1,015 million of foreign exchange loss. As a result, an ordinary income of ¥3,155 million was recorded (¥5,104 million of ordinary loss in the previous first quarter).

Based on the aforementioned and other factors, THK recorded ¥1,885 million of net income for the first quarter. (¥4,079 million of net loss in the previous first quarter).

2. Financial position (As of June 30, 2010)

Total assets stood at ¥244,830 million, ¥8,455 million more than the previous fiscal year-end, due mainly to increase in accounts and notes receivable by ¥8,749 million.

Total liabilities stood at ¥81,686 million, ¥7,570 million more than the previous fiscal year-end, due mainly to increase in accounts and notes payable by ¥5,927 million.

Net assets stood at ¥163,143 million, ¥885 million more than the previous fiscal year-end, due mainly to increase in retained earnings by ¥920 million.

3. Forecast for the fiscal year ending March 31, 2011

The forecasts for the six months ending September 30, 2010 and the year ending March 31, 2011, that were reported in the announcement dated May 13, 2010, have been amended because the net sales, operating income, ordinary income, and net income are expected to be higher than the announced forecasts due to the latest demand situation that has been more favorable than we originally expected. Considering the economic environment which remains uncertain, the effect of expected increase in net sales and income have been reflected only to the first half of the fiscal year in preparing forecasts.

Consolidated Financial Statements

Consolidated Balance Sheets

(Millions of Yen)

	First Quarter End -Current Year As of June 30, 2010	Year End -Previous Year As of March 31, 2010
Assets		
Current Assets:		
Cash and bank deposits	¥69,111	¥69,266
Accounts and notes receivable	49,215	40,466
Merchandise and finished goods	9,148	9,673
Work in process	6,536	5,475
Raw materials and supplies	10,329	9,612
Other current assets	8,713	9,208
Less: Allowance for bad debts	(239)	(242)
Total current assets	152,814	143,460
Fixed Assets:		
Property, plant and equipment -net:		
Buildings and structures	25,998	26,505
Machinery and equipment	34,929	35,848
Other	17,797	17,488
Total property, plant and equipment -net	78,725	79,841
Intangibles		
Goodwill	134	140
Other	1,092	1,123
Total intangibles	1,226	1,263
Investments and Other		
Long-term investments in securities	5,283	5,225
Other	7,180	6,984
Less: Allowance for bad debts	(401)	(400)
Total investments and other	12,062	11,809
Total fixed assets	92,015	92,914
Total assets	244,830	236,374

(Millions of Yen)

	First Quarter End -Current Year As of June 30, 2010	Year End -Previous Year As of March 31, 2010
Liabilities		
Current Liabilities:		
Accounts and notes payable	¥30,154	¥24,226
Short-term bank loans	200	28
Income taxes payable	222	290
Accrued bonuses	1,725	1,835
Other	9,557	7,992
Total current liabilities	41,860	34,374
Long-term Liabilities:		
Bonds	10,000	10,000
Long-term bank loans	20,000	20,000
Reserve for employees' retirement benefits	4,884	4,796
Reserve for retirement benefits for directors and statutory auditors	89	141
Reserve for product warranty	98	95
Other	4,752	4,708
Total long-term liabilities	39,825	39,741
Total liabilities	81,686	74,116
Net Assets		
Shareholders' Equity:		
Common stock	34,606	34,606
Additional paid-in capital	44,342	44,342
Retained earnings	99,624	98,703
Treasury stock	(11,356)	(11,356)
Total shareholders' equity	167,217	166,296
Valuation and Adjustments:		
Net unrealized gain on other securities	412	542
Foreign currency translation adjustments	(5,678)	(5,738)
Total valuation and adjustments	(5,265)	(5,196)
Minority Interests	1,192	1,158
Total net assets	163,143	162,258
Total liabilities and net assets	244,830	236,374

Consolidated Statements of Income

(Millions of Yen)

	First Quarter Ended June 30, 2009 (From April 1, 2009 to June 30, 2009)	First Quarter Ended June 30, 2010 (From April 1, 2010 to June 30, 2010)
Net sales	¥21,622	¥43,406
Cost of sales	19,256	31,483
Gross profit	2,365	11,923
Selling, general and administrative expenses	8,229	7,978
Operating income (loss)	(5,863)	3,944
Non-operating income:		
Interest income	39	42
Foreign exchange gain, net	427	—
Amortization of negative goodwill	162	—
Equity earnings of affiliates	1	198
Other	317	231
Total non-operating income	948	471
Non-operating expense:		
Interest expenses	100	132
Foreign exchange loss, net	—	1,015
Other	89	112
Total non-operating expenses	189	1,260
Ordinary income (loss)	(5,104)	3,155
Extraordinary gains:		
Gain on sales of property, plant and equipment	0	5
Gain on sales of long-term investments in securities	1	—
Reversal of allowance for bad debts	6	—
Subsidies for employment adjustment	—	2
Other	—	0
Total extraordinary gains	8	8
Extraordinary losses:		
Loss on sales and disposal of property, plant and equipment	42	16
Loss on write-down of investments in securities	—	1
Lay-off costs	269	—
Other	—	6
Total extraordinary losses	311	24
Income (loss) before income taxes and minority interests	(5,408)	3,138
Income taxes-current	78	210
Income taxes-deferred	(1,380)	1,021
Total income taxes	(1,302)	1,232
Income (loss) before minority interests	(4,106)	1,906
Minority interests in net income	(26)	21
Net income (loss)	(4,079)	1,885

Consolidated Statements of Cash Flows

(Millions of Yen)

	First Quarter Ended June 30, 2009 (From April 1, 2009 to June 30, 2009)	First Quarter Ended June 30, 2010 (From April 1, 2010 to June 30, 2010)
Cash flows from operating activities :		
Income (loss) before income taxes and minority interests	¥(5,408)	¥3,138
Depreciation and amortization	2,338	2,165
Loss (gain) on sale/disposal of property, plant and equipment	41	11
Increase (decrease) in provisions	(307)	(58)
Interest and dividend income	(64)	(64)
Interest expenses	100	132
Foreign exchange loss (gain)	(50)	305
Equity in losses (earnings) of affiliates	(1)	(198)
Loss (gain) on sale of investments in securities	(1)	—
Loss on write-down of investments in securities	—	1
Amortization of goodwill	681	5
Amortization of negative goodwill	(162)	—
Decrease (increase) in trade receivables	10,393	(8,727)
Decrease (increase) in inventories	972	(1,336)
Increase (decrease) in trade payables	(6,500)	5,977
Other	(635)	799
Subtotal	1,396	2,152
Interest and dividend received	64	150
Interest paid	(3)	(2)
Income taxes refunded (paid)	(472)	104
Net cash provided by operating activities	983	2,404
Cash flows from investing activities :		
Purchase of property, plant and equipment	(2,189)	(1,182)
Proceeds from sale of property, plant and equipment	1	18
Purchase of investments in securities	(8)	(3)
Proceeds from sale of investments in securities	1	—
Increase in loans receivable	(52)	(373)
Collection on loans	0	171
Other	(11)	(0)
Cash flows used in investing activities	(2,258)	(1,369)

	First Quarter Ended June 30, 2009 (From April 1, 2008 to March 31, 2009)	First Quarter Ended June 30, 2010 (From April 1, 2009 to March 31, 2010)
Cash flows from financing activities:		
Dividends paid	(1,036)	(966)
Purchase of treasury stocks	(1)	(0)
Repayments of lease obligations	(23)	(11)
Net cash used in financing activities	(1,061)	(977)
Foreign currency translation adjustments on cash and cash equivalents	803	(213)
Net increase (decrease) in cash and cash equivalents	(1,532)	(155)
Cash and cash equivalents, beginning of the period	64,130	69,266
Cash and cash equivalents, end of the period	62,597	69,111

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.