

November 7, 2013

Consolidated Financial Results for the Second Quarter Ended September 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) : November 8, 2013
 Scheduled starting date of dividend payment : December 9, 2013

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

(1) Consolidated Operating Results

Second Quarter Ended September 30 (Millions of Yen)	Net Sales		Operating Income		Ordinary Income		Net Income	
2013	¥89,099	1.9%	¥7,486	2.1%	¥10,897	97.0%	¥7,128	90.5%
2012	87,432	(15.3)	7,331	(41.2)	5,531	(41.5)	3,742	(38.8)
(Note) Comprehensive income	Second quarter ended September 30, 2013:				¥19,629 million		250.9%	
	Second quarter ended September 30, 2012:				5,594 million		(37.9)%	

Second Quarter Ended September 30 (Yen)	Net Income Per Share-Basic	Net Income Per Share-Diluted
2013	¥56.31	¥ —
2012	29.16	—

(1) Consolidated Financial Position

	Total Assets (Millions of Yen)	Net Assets (Millions of Yen)	Net Worth Ratio (%)	Net Assets Per Share (Yen)
September 30, 2013	¥337,303	¥207,545	60.9%	¥1,623.01
March 31, 2013	293,145	189,058	63.9	1,479.41

(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, 2013: ¥205,466 million
 As of March 31, 2013: 187,288 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
2013 (Actual)	—	9.00	—	9.00	18.00
2014 (Actual)	—	11.00	n/a	n/a	n/a
2014 (Projected)	n/a	n/a	—	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)
Year ending March 31, 2014					
(amount)	¥190,000	¥20,000	¥20,800	¥14,200	¥112.17
(percentage)	12.8%	71.0%	40.9%	44.8%	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)

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 | None |
| b. Other changes | None |

(5) Number of shares

		(shares)
a. Common stock issued, including treasury stock, as of:	September 30, 2013	133,856,903
	March 31, 2013	133,856,903
b. Treasury stock as of:	September 30, 2013	7,261,598
	March 31, 2013	7,260,392
c. Average number of common stock for the six months ended:	September 30, 2013	126,595,988
	September 30, 2012	128,335,562

Management's Discussion and Analysis

1. Operating results (April 1, 2013 to September 30, 2013)

During the second quarter of this fiscal year, while economic growths in emerging countries slowed down and recovery trends were seen in developed countries, the world economy recovered moderately. In Japan, while consumer spending was increasing by dint of high stock prices that improved consumer sentiment, the Japanese economy recuperated with signs of recovery in capital investments. In the overseas economy, while the economy in the United States of America was recovering buoyed by strong consumer spending and the European economy showed signs of recovery from the recession phase, the tempo of economic growths in emerging countries such as China slowed down with slumping domestic demand.

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. In addition, while new drivers of economic growths see the light after the failure of Lehman Brothers, the THK Group accelerates the growth strategy to capture the demand. Along with economic growths higher than developed countries, increase in demand for machinery and development in factory automation is anticipated particularly in emerging countries. In such a situation, the THK Group made proactive investments for future growths by strengthening sales, productivity and development in China and by expanding sales channels in India and ASEAN countries. In developed countries, demand for the THK Group's products in consumer goods domain is anticipated to expand because of the growing awareness of disaster countermeasures and progress of motorization. At the same time, the THK Group is focusing on exploitation of new markets to achieve widespread adoption of its products such as linear motion systems. In the second 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. In addition, yen remained weak as compared to the level one year earlier and it resulted in increase in revenue generated in various areas. As a result, net sales for the second quarter amounted to ¥89,099 million, up ¥1,666 million, or 1.9%, 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. Such activities successfully streamlined fixed costs and lowered the variable cost ratio. As a result, the cost of sales to sales ratio improved by 1.3% from a year earlier to 71.7%.

As to selling, general and administrative expenses (SG&A), the THK Group made endeavors to contain costs and improve operating efficiency while sales were increasing. Ratio to net sales, however, worsened by 1.3% from a year earlier to 19.9 % due to increase in research and development costs for enhanced research activities.

As a result, operating income increased from a year earlier by ¥155 million, or 2.1%, to ¥7,486 million. The operating income to net sales ratio was 8.4%

Total non-operating income was ¥4,183 million. Major components of non-operating income were ¥3,200 million of net foreign exchange gain and ¥211 million of equity earnings of affiliates. Total non-operating expense was ¥773 million. Major components of non-operating expense were ¥408 million of interest expenses. As a result, ordinary income increased from a year earlier by ¥5,365 million, or 97.0%, to ¥10,897 million. Net income for the second quarter also increased from a year earlier by ¥3,385 million, or 90.5%, to ¥7,128 million.

2. Segment Information

(Japan)

In Japan, while consumer spending was increasing by dint of high stock prices that improved consumer sentiment, the Japanese economy recuperated with signs of recovery in capital investments. In the first half of this second quarter period, 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 ¥52,189 million, down ¥3,849 million, or 6.9%, compared to the figure one year earlier, due to weak demand in other industries and decrease of demand in the electronics industry in the latter half of the period. Operating income (segment income) amounted to ¥7,317 million, up ¥1,575 million, or 27.4%, 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 such as medical equipment, aircraft, and energy-related business. Based on these endeavors, sales were robust to the general machine industry, the electronics industry and the transportation equipment industry in particular, amounting to ¥13,896 million, up ¥2,499 million, or 21.9%, from the figure one year earlier. Operating income (segment income) amounted to ¥609 million, up ¥68 million, or 12.7%, from the figure one year earlier.

(Europe)

In Europe, while there were signs of recovery from the recession phase prolonged by the governmental debt problem, production and sales worked in unison to expand transactions with existing customers and to cultivate new business fields such as medical equipment, aircraft, and energy-related business. As a result, sales in Europe amounted to ¥8,628 million, up ¥315 million, or 3.8%, from the figure one year earlier, because of higher sales to the electronics industry and the transportation equipment industry. However, the THK Group recorded ¥451 million of operating loss (segment loss), a turnover of ¥481 million from the figure one year earlier.

(China)

In China, domestic demand was weak and it slowed down the economic growth. 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 ¥8,914 million, up ¥2,444 million, or 37.8%, from the figure one year earlier. The profit decline ratio was successfully reduced as compared to the first quarter, however, the THK Group recorded ¥221 million of operating loss (segment loss), a turnover of ¥518 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 ¥5,470 million, up ¥256 million, or 4.9%, from the figure one year earlier. Operating income (segment income) amounted to ¥336 million, up ¥192 million, or 132.9%, from the figure one year earlier.

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

Total assets stood at ¥337,303 million, ¥44,157 million more than the previous fiscal year-end, due mainly to increase in cash and cash equivalents by ¥31,740 million, in accounts and notes receivable by ¥3,626 million, in merchandise and finished goods by ¥1,921 million, and in machinery and equipment by ¥2,874 million.

Total liabilities stood at ¥129,757 million, ¥25,670 million more than the previous fiscal year-end, due mainly to increase in accounts and notes payable by ¥4,393 million and issuance of ¥20,000 million bonds.

Net assets stood at ¥207,545 million, ¥18,487 million more than the previous fiscal year-end, due mainly to increase in retained earnings by ¥5,989 million and in foreign currency translation adjustments by ¥12,044 million.

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

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	Second Quarter End -Current Year As of September 30, 2013
Assets		
Current Assets:		
Cash and cash equivalents	¥115,967	¥147,708
Accounts and notes receivable	46,116	49,742
Merchandise and finished goods	9,125	11,046
Work in process	4,288	4,831
Raw materials and supplies	10,685	11,374
Other current assets	7,877	8,392
Less: Allowance for bad debts	(120)	(115)
Total current assets	193,940	232,981
Fixed Assets:		
Property, plant and equipment -net:		
Buildings and structures	26,066	27,035
Machinery and equipment	38,818	41,692
Other	22,812	22,551
Total property, plant and equipment -net	87,697	91,280
Intangibles		
Goodwill	1,170	1,065
Other	1,597	2,194
Total intangibles	2,767	3,259
Investments and Other		
Long-term investments in securities	5,258	5,839
Other	3,539	3,995
Less: Allowance for bad debts	(57)	(52)
Total investments and other	8,740	9,781
Total fixed assets	99,205	104,321
Total assets	293,145	337,303

	(Millions of Yen)	
	Year End -Previous Year As of March 31, 2013	Second Quarter End -Current Year As of September 30, 2013
Liabilities		
Current Liabilities:		
Accounts and notes payable	¥20,846	¥25,240
Current portion of long-term bank loans	20,000	20,000
Current portion of bonds	—	10,000
Income taxes payable	2,177	3,449
Accrued bonuses	2,571	3,120
Other	10,061	9,337
Total current liabilities	55,656	71,147
Long-term Liabilities:		
Bonds	40,000	50,000
Reserve for employees' retirement benefits	3,008	3,013
Reserve for retirement benefits for directors and corporate auditors	114	115
Reserve for product warranty	132	155
Other	5,175	5,326
Total long-term liabilities	48,430	58,610
Total liabilities	104,087	129,757
Net Assets		
Shareholders' equity :		
Common stock	34,606	34,606
Additional paid-in capital	44,584	44,584
Retained earnings	128,416	134,405
Treasury stock	(13,928)	(13,930)
Total shareholders' equity	193,678	199,665
Accumulated other comprehensive income :		
Net unrealized gain on available-for-sale securities	740	886
Foreign currency translation adjustments	(7,131)	4,913
Total accumulated other comprehensive income	(6,390)	5,800
Minority Interests	1,769	2,079
Total net assets	189,058	207,545
Total liabilities and net assets	293,145	337,303

Consolidated Statements of Income

(Millions of Yen)

	Second Quarter Ended September 30, 2012 (From April 1, 2012 to September 30, 2012)	Second Quarter Ended September 30, 2013 (From April 1, 2013 to September 30, 2013)
Net sales	¥87,432	¥89,099
Cost of sales	63,838	63,859
Gross profit	23,594	25,239
Selling, general and administrative expenses	16,262	17,753
Operating income	7,331	7,486
Non-operating income:		
Interest income	183	199
Equity earnings of affiliates	126	211
Foreign exchange gain, net	—	3,200
Other	570	571
Total non-operating income	880	4,183
Non-operating expense:		
Interest expenses	355	408
Foreign exchange loss, net	2,157	—
Other	166	364
Total non-operating expenses	2,679	773
Ordinary income	5,531	10,897
Extraordinary gains:		
Gain on sales of property, plant and equipment	17	4
Subsidy income	19	—
Total extraordinary gains	37	4
Extraordinary losses:		
Loss on sales and disposal of property, plant and equipment	19	21
Other	1	—
Total extraordinary losses	20	21
Income before income taxes and minority interests	5,548	10,880
Income taxes-current	1,375	3,813
Income taxes-deferred	389	(110)
Total income taxes	1,764	3,702
Income before minority interests	3,783	7,177
Minority interests in net income	41	48
Net income	3,742	7,128

Consolidated Statements of Comprehensive Income

(Millions of Yen)

	Second Quarter Ended September 30, 2012 (From April 1, 2012 to September 30, 2012)	Second Quarter Ended September 30, 2013 (From April 1, 2013 to September 30, 2013)
Income before minority interests	¥3,783	¥7,177
Other comprehensive income:		
Net unrealized gain (loss) on available-for-sale securities	(449)	142
Foreign currency translation adjustments	2,203	12,105
Share of other comprehensive income of affiliates accounted under the equity method	56	203
Total other comprehensive income	1,810	12,451
Comprehensive income	5,594	19,629
Attributable to:		
Shareholders of THK Co., Ltd.	5,526	19,319
Minority interests	67	309

Consolidated Statements of Cash Flows

(Millions of Yen)

	Second Quarter Ended September 30, 2012 (From April 1, 2012 to September 30, 2012)	Second Quarter Ended September 30, 2013 (From April 1, 2013 to September 30, 2013)
Cash flows from operating activities:		
Income before income taxes and minority interests	¥5,548	¥10,880
Depreciation and amortization	4,692	5,432
Loss on sale/disposal of property, plant and equipment	1	16
Increase (decrease) in provisions	(83)	502
Interest and dividend income	(216)	(232)
Interest expenses	355	408
Foreign exchange gain	(109)	(3,858)
Equity in earnings of affiliates	(126)	(211)
Loss on write-down of investments in securities	1	—
Amortization of goodwill	268	178
Decrease (increase) in trade receivables	3,272	(2,061)
Decrease (increase) in inventories	1,024	(1,354)
Increase (decrease) in trade payables	(1,544)	2,961
Other	1,086	1,417
Subtotal	14,171	14,078
Interest and dividend received	365	382
Interest paid	(356)	(361)
Income taxes refunded (paid)	(1,982)	(2,320)
Net cash provided by operating activities	12,198	11,779
Cash flows from investing activities:		
Purchase of property, plant and equipment	(7,339)	(5,254)
Proceeds from sale of property, plant and equipment	67	180
Purchase of investments in securities	(8)	(8)
Increase in loans receivable	(36)	(0)
Collection on loans	1	1
Purchase of a subsidiary's stock from minority shareholders	(240)	—
Other	0	(28)
Net cash used in investing activities	(7,554)	(5,110)

	Second Quarter Ended September 30, 2012 (From April 1, 2012 to September 30, 2012)	Second Quarter Ended September 30, 2013 (From April 1, 2013 to September 30, 2013)
Cash flows from financing activities:		
Proceeds from issuance of bonds	—	20,000
Dividends paid	(1,417)	(1,136)
Dividends paid to minority shareholders	—	(3)
Purchase of treasury stocks	(2,564)	(2)
Proceeds from sales of treasury stocks	—	0
Repayments of lease obligations	(102)	(120)
Net cash provided (used) in financing activities	(4,084)	18,737
Foreign currency translation adjustments on cash and cash equivalents	601	6,334
Net increase in cash and cash equivalents	1,160	31,740
Cash and cash equivalents, beginning of the period	110,788	115,967
Cash and cash equivalents, end of the period	111,949	147,708

Segment Information

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	5,741	540	30	297	144	576	7,331	

(Note 1) All adjustments are intercompany elimination.

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.

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.

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