

November 12, 2010

Consolidated Financial Results for the Second Quarter Ended September 30, 2010 under Japanese GAAP

Company Name : THK CO., LTD.
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 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) : November 12, 2010
 Scheduled starting date of dividend payment : December 6, 2010

1. Consolidated Operating Results and Financial Position as of and for the six months ended September 30, 2010 (April 1, 2010 to September 30, 2010)

(1) Consolidated Operating Results

Second Quarter Ended September 30 (Millions of Yen)	Net Sales		Operating Income (Loss)		Ordinary Income (Loss)		Net Income (Loss)	
2010	¥92,120	94.3%	¥9,565	— %	¥8,755	— %	¥5,706	— %
2009	47,402	(55.2)%	(9,412)	— %	(8,760)	— %	(6,705)	— %

Second Quarter Ended September 30 (Yen)	Net Income (Loss) Per Share-Basic	Net Income Per Share-Diluted
2010	¥44.37	¥ —
2009	(52.14)	—

(2) Consolidated Financial Position

	Total Assets (Millions of Yen)	Net Assets (Millions of Yen)	Net Worth Ratio (%)	Net Assets Per Share (Yen)
September 30, 2010	¥249,127	¥163,066	65.0 %	¥1,258.77
March 31, 2010	236,374	162,258	68.2	1,252.71
(Note) Net worth	As of September 30, 2010:		¥161,879 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

	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
2010 (Actual)	—	7.50	—	7.50	15.00
2011 (Actual)	—	8.00	n/a	n/a	n/a
2011 (Projected)	n/a	n/a	—	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)
Year ending March 31, 2011					
(amount)	¥190,000	¥19,300	¥18,300	¥11,700	¥90.98
(percentage)	64.7%	—%	—%	—%	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, 2010 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:

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 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 | None |

(5) Number of shares

		(shares)
a. Common stock issued, including treasury stock, as of:	September 30, 2010	133,856,903
	March 31, 2010	133,856,903
b. Treasury stock as of:	September 30, 2010	5,256,292
	March 31, 2010	5,255,442
c. Average number of common stock for the six months ended:	September 30, 2010	128,601,096
	September 30, 2009	128,603,498

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 (April 1, 2010 to September 30, 2010)

In the first half of the six months period ended September 30, 2010, 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. In the latter stage of the period, the recent rapid appreciation of the yen weakened the momentum of exports that are leading the recovery in the Japanese economy. In the overseas economy, not only the recovery trend in Europe, America and other developed countries, the economic expansion of emerging countries also slowed down.

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, THK group steadily achieved to increase net sales amounted to ¥92,120 million for the second quarter (¥47,402 million in the previous second 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 13.2% from a year earlier to 72.3%.

Selling, general and administrative (SG&A) expenses decreased by ¥359 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 17.1% to 17.3% due to the decrease in SG&A expense and the increase in net sales.

As a result, an operating income of ¥9,565 million was recorded for this second quarter (¥9,412 million of operating loss in the previous second quarter).

Net non-operating income/expense was expense of ¥810 million due mainly to a combined effect of ¥250 million of equity earnings of affiliates and ¥1,139 million of foreign exchange loss. As a result, an ordinary income of ¥8,755 million was recorded (¥8,760 million of ordinary loss in the previous second quarter).

Based on the aforementioned and other factors, THK recorded ¥5,706 million of net income for the second quarter (¥6,705 million of net loss in the previous second quarter).

Summary of segment information

(Japan)

In this six months period, Japanese economy showed a recovery especially in exports that spread to capital investments. In such situation, THK developed aggressive business activities in order to link the recovery of demands to higher sales. As a result, sales to the machine tool industry, the general machinery industry, and the electronics industry forged ahead and amounted to ¥63,284 million. While sales were increasing in such core businesses, enhancement in productivity and expense containment contributed operating profit amounted to ¥8,343 million.

(The Americas)

While capital investments came out of slump and the car industry showed a steady performance, the sales and production divisions made efforts in an integrated manner to cultivate new customers as well as to expand transactions with existing customers. As a result, sales to the electronics industry and the transportation equipment industry forged ahead and amounted to ¥10,510 million, whereas operating profit amounted to ¥939 million.

(Europe)

In Europe, while there were a sign of recovery mainly in exports, the sales and production divisions made efforts in an integrated manner to cultivate new customers as well as to expand transactions with existing customers. As a result, THK accomplished to link the recovery of demands to higher sales amounted to ¥7,542 million. However, ¥430 million of operating loss was recorded due to the rapid appreciation of the yen against euro in the latter half of the period.

(China)

While capital investment steadily increase and the car industry was going strong, THK implemented aggressive business activities by taking advantage of sales channels that we have developed. As a result, sales to the machine tool industry and the transportation equipment industry forged ahead and amounted to ¥5,730 million, whereas operating profit amounted to ¥802 million.

(Other)

THK made continuous endeavors to cultivate new customers as well as to expand transactions with existing customers in Taiwan, India, and ASEAN countries. As a result, sales mainly to the machine tool industry forged ahead and amounted to ¥5,052 million, whereas operating profit amounted to ¥271 million.

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

Total assets stood at ¥249,127 million, ¥12,752 million more than the previous fiscal year-end, due mainly to increase in accounts and notes receivable by ¥14,029 million.

Total liabilities stood at ¥86,060 million, ¥11,944 million more than the previous fiscal year-end, due mainly to increase in accounts and notes payable by ¥8,244 million.

Net assets stood at ¥163,066 million, ¥807 million more than the previous fiscal year-end, due mainly to a combined effect of increase in retained earnings by ¥4,741 million and decrease in foreign currency translation adjustments by ¥3,773 million.

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

Since the latest demand situation and outlook of operating environment indicate that higher sales, operating income, ordinary income, and net income would be derived than originally expected, the financial forecasts for the year ending March 31, 2011 reported on August 10, 2010 have been amended.

(Note) Exchange rates assumed and used for the amended forecasts are as follows:

From October 1 to December 31, 2010

U.S.dollar 1=¥82.00 Euro 1=¥110.00

From January 1 to December 31, 2010

U.S.dollar 1=¥87.65 Euro 1=¥115.83

(Closing date of the consolidated subsidiaries located in other than Japan is December 31.)

Consolidated Financial Statements

Consolidated Balance Sheets

(Millions of Yen)

	Second Quarter End -Current Year As of September 30, 2010	Year End -Previous Year As of March 31, 2010
Assets		
Current Assets:		
Cash and bank deposits	¥71,858	¥69,266
Accounts and notes receivable	54,495	40,466
Merchandise and finished goods	9,047	9,673
Work in process	6,766	5,475
Raw materials and supplies	10,603	9,612
Other current assets	7,663	9,208
Less: Allowance for bad debts	(222)	(242)
Total current assets	160,211	143,460
Fixed Assets:		
Property, plant and equipment -net:		
Buildings and structures	24,940	26,505
Machinery and equipment	33,026	35,848
Other	18,245	17,488
Total property, plant and equipment -net	76,213	79,841
Intangibles		
Goodwill	128	140
Other	1,017	1,123
Total intangibles	1,146	1,263
Investments and Other		
Long-term investments in securities	4,874	5,225
Other	6,987	6,984
Less: Allowance for bad debts	(305)	(400)
Total investments and other	11,556	11,809
Total fixed assets	88,916	92,914
Total assets	249,127	236,374

	(Millions of Yen)	
	Second Quarter End -Current Year As of September 30, 2010	Year End -Previous Year As of March 31, 2010
Liabilities		
Current Liabilities:		
Accounts and notes payable	¥32,471	¥24,226
Short-term bank loans	239	28
Income taxes payable	1,645	290
Accrued bonuses	2,646	1,835
Accrued bonuses to directors and statutory auditors	10	—
Other	9,179	7,992
Total current liabilities	46,192	34,374
Long-term Liabilities:		
Bonds	10,000	10,000
Long-term bank loans	20,000	20,000
Reserve for employees' retirement benefits	4,965	4,796
Reserve for retirement benefits for directors and statutory auditors	95	141
Reserve for product warranty	111	95
Other	4,695	4,708
Total long-term liabilities	39,868	39,741
Total liabilities	86,060	74,116
Net Assets		
Shareholders' Equity:		
Common stock	34,606	34,606
Additional paid-in capital	44,342	44,342
Retained earnings	103,445	98,703
Treasury stock	(11,357)	(11,356)
Total shareholders' equity	171,036	166,296
Valuation and Adjustments:		
Net unrealized gain on other securities	354	542
Foreign currency translation adjustments	(9,512)	(5,738)
Total valuation and adjustments	(9,157)	(5,196)
Minority Interests	1,187	1,158
Total net assets	163,066	162,258
Total liabilities and net assets	249,127	236,374

Consolidated Statements of Income

(Millions of Yen)

	Second Quarter Ended September 30, 2009 (From April 1, 2009 to September 30, 2009)	Second Quarter Ended September 30, 2010 (From April 1, 2010 to September 30, 2010)
Net sales	¥47,402	¥92,120
Cost of sales	40,514	66,613
Gross profit	6,887	25,506
Selling, general and administrative expenses	16,299	15,940
Operating income (loss)	(9,412)	9,565
Non-operating income:		
Interest income	89	93
Foreign exchange gain, net	108	—
Amortization of negative goodwill	324	—
Equity earnings of affiliates	85	250
Other	496	425
Total non-operating income	1,104	769
Non-operating expense:		
Interest expenses	221	266
Foreign exchange loss, net	—	1,139
Other	231	174
Total non-operating expenses	452	1,579
Ordinary income (loss)	(8,760)	8,755
Extraordinary gains:		
Gain on sales of property, plant and equipment	2	6
Gain on sales of long-term investments in securities	1	—
Reversal of reserve for product warranty	9	—
Subsidy income	—	125
Subsidies for employment adjustment	337	2
Other	18	17
Total extraordinary gains	369	151
Extraordinary losses:		
Loss on sales and disposal of property, plant and equipment	70	31
Loss on write-down of long-term investments in securities	—	12
Lay-off costs	341	—
Other	6	7
Total extraordinary losses	417	51
Income (loss) before income taxes and minority interests	(8,808)	8,855
Income taxes-current	21	1,779
Income taxes-deferred	(2,083)	1,301
Total income taxes	(2,062)	3,080
Income before minority interests	(6,746)	5,774
Minority interests in net income (loss)	(40)	68
Net income (loss)	(6,705)	5,706

Consolidated Statements of Cash Flows

(Millions of Yen)

	Second Quarter Ended September 30, 2009 (From April 1, 2009 to September 30, 2009)	Second Quarter Ended September 30, 2010 (From April 1, 2010 to September 30, 2010)
Cash flows from operating activities:		
Income (loss) before income taxes and minority interests	¥(8,808)	¥8,855
Depreciation and amortization	4,842	4,413
Loss on sale/disposal of property, plant and equipment	67	24
Increase in provisions	348	906
Interest and dividend income	(116)	(117)
Interest expenses	221	266
Foreign exchange loss	84	92
Equity in earnings of affiliates	(85)	(250)
Gain on sale of investments in securities	(1)	—
Loss on write-down of investments in securities	—	12
Amortization of goodwill	1,362	11
Amortization of negative goodwill	(324)	—
Decrease (increase) in trade receivables	9,549	(14,841)
Decrease (increase) in inventories	1,911	(2,464)
Increase (decrease) in trade payables	(6,314)	9,153
Other	(1,292)	266
Subtotal	1,444	6,329
Interest and dividend received	108	203
Interest paid	(204)	(269)
Income taxes refunded	440	1,143
Net cash provided by operating activities	1,789	7,407
Cash flows from investing activities:		
Purchase of property, plant and equipment	(4,429)	(2,568)
Proceeds from sale of property, plant and equipment	4	82
Purchase of investments in securities	(113)	(7)
Proceeds from sale of investments in securities	1	—
Increase in loans receivable	(32)	(374)
Collection on loans	0	211
Other	(8)	(0)
Net cash used in investing activities	(4,577)	(2,656)

	Second Quarter Ended September 30, 2009 (From April 1, 2009 to September 30, 2009)	Second Quarter Ended September 30, 2010 (From April 1, 2010 to September 30, 2010)
Cash flows from financing activities:		
Issuance of bonds	10,000	—
Dividends paid	(1,031)	(968)
Dividends paid to minority shareholders	(29)	—
Purchase of treasury stocks	(2)	(1)
Repayments of lease obligations	(38)	(22)
Net cash provided by (used in) financing activities	8,898	(992)
Foreign currency translation adjustments on cash and cash equivalents	533	(1,167)
Net increase in cash and cash equivalents	6,643	2,591
Cash and cash equivalents, beginning of the period	64,130	69,266
Cash and cash equivalents, end of the period	70,773	71,858

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

For the three months ended September 30, 2010 (July 1, 2010 to September 30, 2010)

	(Millions of Yen)						
	Japan	The Americas	Europe	China	Other	Adjustments	Consolidated
Sales to customers	¥33,352	¥5,429	¥3,787	¥3,276	¥2,867	¥—	¥48,713
Inter-segment	9,699	51	3	872	1	(10,629)	—
Total	43,051	5,481	3,791	4,148	2,868	(10,629)	48,713
Operating income (loss)	4,611	597	(341)	570	169	14	5,621

Beginning with the three-month period ended June 30, 2010, segment information is presented according to THK's management approach based on "Accounting Standard for Disclosures about Segments of an Enterprise and Related Information" and "Accounting Standard for Disclosures about Segments of an Enterprise and Related Information" issued by the ASBJ.

THK's reportable segments are component of THK group for which separate financial information is available, and whose operating results are reviewed periodically by the Board of Directors to determine allocation of operating resources and evaluate its performance.

THK group's main products are machinery parts such as LM (linear motion) guides and ball screws, and transportation equipment-related parts such as link balls and suspension ball joints. In each country, local subsidiaries establish its comprehensive business strategies and conduct its business activities in a similar way that THK and domestic subsidiaries do in Japan.

Therefore, THK's reportable segment information consists of the five geographical segments in the table above based on the THK group's production/sales structure.

(Note) additional segment information for goodwill and impairment loss on fixed assets: Not applicable

For the six months ended September 30, 2009 (April 1, 2009 to September 30, 2009)

(1) Business segment

	(Millions of Yen)			
	Industrial Equipment-Related Business	Transportation Equipment-Related Business	Corporate/ Elimination	Consolidated
Sales to customers	¥34,082	¥13,320	¥—	¥47,402
Inter-segment	—	—	—	—
Total	34,082	13,320	—	47,402
Operating loss	(3,775)	(2,694)	(2,942)	(9,412)

(2) Geographical segment

	(Millions of Yen)					
	Japan	The Americas	Europe	Asia and other	Corporate/ Elimination	Consolidated
Sales to customers	¥30,669	¥6,373	¥6,255	¥4,104	¥—	¥47,402
Inter-segment	7,228	24	9	398	(7,661)	—
Total	37,898	6,398	6,264	4,503	(7,661)	47,402
Operating loss	(4,642)	(299)	(701)	(863)	(2,905)	(9,412)

(3) Overseas sales

	Millions of Yen	%
The Americas	¥6,408	13.5
Europe	6,348	13.4
Asia and other	6,586	13.9
Total	19,343	40.8
Consolidated	47,402	100.0

For the three months ended September 30, 2009 (July 1, 2009 to September 30, 2009)

(1) Business segment

(Millions of Yen)

	Industrial Equipment-Related Business	Transportation Equipment-Related Business	Corporate/ Elimination	Consolidated
Sales to customers	¥18,442	¥7,338	¥—	¥25,780
Inter-segment	—	—	—	—
Total	18,442	7,338	—	25,780
Operating loss	(923)	(1,183)	(1,441)	(3,548)

(2) Geographical segment

(Millions of Yen)

	Japan	The Americas	Europe	Asia and other	Corporate/ Elimination	Consolidated
Sales to customers	¥17,465	¥3,241	¥2,884	¥2,188	¥—	¥25,780
Inter-segment	4,304	14	2	254	(4,576)	—
Total	21,769	3,256	2,886	2,443	(4,576)	25,780
Operating loss	(1,233)	(228)	(495)	(235)	(1,355)	(3,548)

(3) Overseas sales

	Millions of Yen	%
The Americas	¥3,254	12.6
Europe	2,947	11.4
Asia and other	3,743	14.5
Total	9,945	38.5
Consolidated	25,780	100.0

Subsequent events

According to a resolution of the Board of Directors meeting held on November 24, 2009, THK issued the following domestic unsecured straight bonds at par on October 20, 2010, in order to raise funds for working capital and capital investments in R&D and manufacturing facilities:

THK unsecured straight bonds	#5	#6
(1) Total amount of issuance	¥7,000 million	¥13,000 million
(2) Interest rate per annum	0.461%	0.715%
(3) Maturity date	October 20, 2015 (5 years)	October 20, 2017 (7 years)

Due date of payment was October 20, 2010. 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 21, 2010.

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.