

August 7, 2014

Consolidated Financial Results for the First Quarter Ended June 30, 2014 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 8, 2014
 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, 2014 (April 1, 2014 to June 30, 2014)

(1) Consolidated Operating Results

First Quarter Ended June 30 (Millions of Yen)	Net Sales		Operating Income		Ordinary Income		Net Income	
2014	¥50,704	21.2%	¥6,605	109.7 %	¥6,228	7.4 %	¥4,675	24.9 %
2013	41,851	(5.9)	3,149	(14.9)	5,801	198.3	3,742	183.2
(Note) Comprehensive income	First quarter ended June 30, 2014:				¥980 million		(90.7) %	
	First quarter ended June 30, 2013:				10,582 million		34.5	

First Quarter Ended June 30 (Yen)	Net Income Per Share-Basic	Net Income Per Share-Diluted
2014	¥36.93	¥ —
2013	29.56	—

(2) Consolidated Financial Position

	Total Assets (Millions of Yen)	Net Assets (Millions of Yen)	Net Worth Ratio (%)	Net Assets Per Share (Yen)
June 30, 2014	¥343,915	¥219,942	63.4 %	¥1,723.21
March 31, 2014	336,416	222,148	65.3	1,736.51

(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 June 30, 2014: ¥218,146 million
 As of March 31, 2014: 219,830 million

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			
2014 (Actual)	¥ —	¥11.00	¥ —		¥15.00	¥26.00
2015 (Actual)	—	n/a	n/a		n/a	n/a
2015 (Projected)	n/a	18.00	—		18.00	36.00

(Note) Change in dividend projection: none

3. Forecasts for the year ending March 31, 2015 (April 1, 2014 to March 31, 2015)

	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, 2014 (amount)	¥105,000	¥13,600	¥13,700	¥9,300	¥73.46
(percentage)	17.8%	81.7%	25.7%	30.5%	n/a
Year ending March 31, 2015 (amount)	¥210,000	¥27,000	¥28,000	¥19,000	¥150.09
(percentage)	13.2%	55.4%	18.5%	21.9%	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 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, 2014	133,856,903
	March 31, 2014	133,856,903
b. Treasury stock as of:	June 30, 2014	7,263,796
	March 31, 2014	7,263,269
c. Average number of common stock for the three months ended:	June 30, 2014	126,593,386
	June 30, 2013	126,596,261

5. Accounting Changes

Accounting Standard for Retirement Benefits—Effective April 1, 2014, THK applied "Accounting Standard for Retirement Benefits" (Statement No. 26, issued by Accounting Standards Board of Japan (ASBJ) on May 17, 2012) and "Guidance on Accounting Standard for Retirement Benefits" (Guidance No. 25, issued by ASBJ on May 17, 2012), in accordance with Section 35 of the aforementioned standard and Section 67 of the aforementioned guidance. In applying the new standard and guidance, THK reviewed the determination method of retirement benefit obligations and current service costs, and changed; (a) the method of attributing expected benefit to periods from straight-line basis to benefit formula basis, and; (b) the method to determine the discount rate. Prior to the application of the new standard, the discount rate was determined based on periods of bonds corresponding to the expected average remaining working lives of employees. Effective April 1, the discount rate has been a single weighted average discount rate reflecting the estimated timing and amount of benefit payment.

In applying the new standard and guidance, the effects of amendments in determination method of retirement benefit obligations and current service costs were recognized as an adjustment of the opening balance of retained earnings as of April 1, 2014 in accordance with the tentative treatment stipulated in Section 37 of the new standard.

As a result, the effects of applying the new standard and guidance were to increase net defined benefit liability by ¥1,663 million and to decrease retained earnings by ¥1,285 million, as of April 1, 2014. The effects on operating income, ordinary income, and income before income taxes and minority interests were immaterial.

Management's Discussion and Analysis

1. Operating results (From April 1, 2014 to June 30, 2014)

During the first quarter of this fiscal year, the world economy moved toward recovery continuously led by developed countries in an overall tone, despite of temporary weaknesses such as a backlash of last-minute demand corresponding to the consumption tax hike in Japan, and the unfavorable effects of the cold weather in the United States of America. On the other hand, the rapid economic growth in emerging countries slowed down.

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. As to Full-Scale Globalization, while emerging-country markets are growing by dint of factory automation progress which is also spreading to developed-country users, the THK Group endeavors to expand its global sales network. In addition, regarding Development of New Business Areas, while the THK Group's products are getting widely adopted in new business fields such as medical equipment, aircraft, robot, and renewable energy, the THK Group is working on expanding sales of not only existing products but also new developed products. In the first quarter, while demand for machine tool industry was recovering and demand for electronics-related products was increasing because of investments in the smart phones and tablet computers markets, the THK Group operated proactively to expand its sales with its strengthened operating structure. As a result, the THK Group successfully increased its sales by capturing such demand. Along with the favorable effect of weaker yen as compared to the level a year earlier, net sales for the quarter amounted to ¥50,704 million, up ¥8,852 million, or 21.2%, compared to the figure a 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 2.4% from a year earlier to 68.7%.

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 improved by 3.1% from a year earlier to 18.2%.

As a result, operating income increased from a year earlier by ¥3,456 million, or 109.7%, to ¥6,605 million. Ratio to net sales also improved by 5.5% to 13.0%.

Total non-operating income was ¥539 million. Major component of non-operating income was ¥134 million of equity earnings of affiliates. Total non-operating expense was ¥916 million. Major components of

non-operating expenses were ¥738 million of foreign exchange loss and ¥114 million of interest expenses. As a result, ordinary income increased from a year earlier by ¥427 million, or 7.4%, to ¥6,228 million. Net income for the quarter also increased from a year earlier by ¥932 million, or 24.9%, to ¥4,675 million.

(1) Segment Information

(Japan)

In Japan, while weaknesses are seen such as a backlash of last-minute demand corresponding to the consumption tax hike, the THK Group operated proactively and cultivated new business fields such as seismic isolation and damping systems. Consequently, the THK Group successfully increased its sales to the machine tool industry, the general machine industry and the transportation equipment industry, resulting in net sales for the quarter amounting to ¥28,958 million, up ¥3,411 million, or 13.4%, compared to the figure a year earlier. Operating income (segment income) amounted to ¥5,693 million, up ¥2,384 million, or 72.1%, from the figure a 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. In addition, the weaker yen during the period was favorable to the operating result.

(The Americas)

In the Americas, while the cold weather slowed down consumer spending, capital investments and exports weakened. 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. Because of these endeavors, the THK Group successfully increased its sales to the electronics industry, the machine tool industry and the transportation equipment industry. Along with the favorable effect of the weaker yen as compared to the level a year earlier, net sales for the quarter amounted to ¥8,293 million, up ¥1,775 million, or 27.2%, from the figure a year earlier. Operating income (segment income) amounted to ¥404 million, up ¥125 million, or 44.9%, from the figure a year earlier.

(Europe)

In Europe, while signs of recovery were continuously seen, production and sales proactively worked in unison to expand transactions with existing customers and to cultivate new business fields such as medical equipment, aircraft, and railway vehicle-related business. Consequently, the THK Group successfully increased its sales, especially to the machine tool industry, the general machine industry and the electronics industry. As a result, sales in Europe amounted to ¥5,188 million, up ¥1,063 million, or 25.8%, from the figure a year earlier, with the favorable effect of the weaker yen as compared to the level a year earlier. The THK Group recorded ¥553 million of operating income (segment income), a turnaround of

¥775 million from operating loss (segment loss) recorded in a year earlier.

(China)

In China, automobile production was still robust, however, the rapid economic growth slowed down. Driven by investments in smart phones and tablet computers market, demand increased principally in small-type products. In such a situation, the THK Group implemented aggressive business activities with its strengthened sales channels and successfully increased its sales to various industries such as the machine tool industry, the general machine industry and the transportation equipment industry. As a result, sales amounted to ¥5,420 million, up ¥2,330 million, or 75.4%, from the figure a year earlier. The THK Group recorded ¥218 million of operating loss (segment loss) due mainly to proactive investments for the future growth, however, the result improved by ¥184 million from the figure a year earlier because of increased sales and other factors.

(Other)

In other countries and regions including Taiwan, India and ASEAN countries, while demand was increasing especially for small-type products driven by investments in smart phones and tablet computers market, the THK Group continues to expand transactions with existing customers and to cultivate new customers. In addition, the yen remained weak during the year. As a result, sales amounted to ¥2,844 million, up ¥272 million, or 10.6%, from the figure a year earlier. Operating income (segment income) amounted to ¥247 million, up ¥137 million, or 124.9%, from the figure a year earlier.

3. Financial position (As of June 30, 2014)

Total assets stood at ¥343,915 million, ¥7,499 million more than the previous fiscal year-end, due mainly to a combined effect of increase in cash and cash equivalents by ¥6,729 million, increase in accounts and notes receivable by ¥3,555 million, decrease in buildings and structures-net by ¥729 million, and decrease in machinery and equipment-net by ¥1,816 million.

Total liabilities stood at ¥123,973 million, ¥9,705 million more than the previous fiscal year-end, due mainly to a combined effect of increase in accounts and notes payable by ¥2,606 million, increase in long-term bank loans of ¥10,000 million, increase in net defined benefit liability of ¥1,664 million, and decrease in income taxes payable by ¥3,954 million.

Net assets stood at ¥219,942 million, ¥2,205 million less than the previous fiscal year-end, due mainly to a combined effect of increase in retained earnings by ¥1,490 million and decrease in foreign currency translation adjustments by ¥3,317 million.

4. Forecast for the fiscal year ending March 31, 2015

No change from the forecasts (for the six months ending September 30, 2014 and the year ending March 31, 2015) reported in the announcement dated May 13, 2014.

Consolidated Financial Statements

Consolidated Balance Sheets

(Millions of Yen)

	Year End -Previous Year As of March 31, 2014	First Quarter End -Current Year As of June 30, 2014
Assets		
Current Assets:		
Cash and cash equivalents	¥138,343	¥145,072
Accounts and notes receivable	52,557	56,112
Merchandise and finished goods	12,019	11,776
Work in process	5,185	5,994
Raw materials and supplies	11,561	11,723
Other current assets	8,355	7,861
Less: Allowance for bad debts	(131)	(130)
Total current assets	227,890	238,410
Fixed Assets:		
Property, plant and equipment -net:		
Buildings and structures	28,738	28,009
Machinery and equipment	43,177	41,361
Other	22,922	22,265
Total property, plant and equipment -net	94,838	91,635
Intangibles		
Goodwill	893	797
Other	3,320	3,298
Total intangibles	4,213	4,095
Investments and Other		
Long-term investments in securities	6,438	6,450
Other	3,082	3,371
Less: Allowance for bad debts	(46)	(47)
Total investments and other	9,474	9,773
Total fixed assets	108,526	105,504
Total assets	336,416	343,915

(Millions of Yen)

	Year End -Previous Year As of March 31, 2014	First Quarter End -Current Year As of June 30, 2014
Liabilities		
Current Liabilities:		
Accounts and notes payable	¥25,411	¥28,018
Current portion of long-term bonds	10,000	10,000
Income taxes payable	5,808	1,854
Accrued bonuses	2,957	2,386
Other	10,312	10,926
Total current liabilities	54,490	53,186
Long-term Liabilities:		
Bonds	50,000	50,000
Long-term bank loans	—	10,000
Reserve for retirement benefits for directors and corporate auditors	127	98
Reserve for product warranty	149	151
Net defined benefit liability	4,083	5,748
Other	5,416	4,788
Total long-term liabilities	59,777	70,787
Total liabilities	114,267	123,973
Net Assets		
Shareholders' equity :		
Common stock	34,606	34,606
Additional paid-in capital	44,584	44,584
Retained earnings	141,474	142,965
Treasury stock	(13,934)	(13,935)
Total shareholders' equity	206,731	208,220
Accumulated other comprehensive income :		
Net unrealized gain on available-for-sale securities	801	925
Foreign currency translation adjustments	12,930	9,612
Remeasurements of defined benefit plans	(632)	(611)
Total accumulated other comprehensive income	13,099	9,926
Minority Interests	2,317	1,795
Total net assets	222,148	219,942
Total liabilities and net assets	336,416	343,915

Consolidated Statements of Income

(Millions of Yen)

	First Quarter Ended June 30, 2013 (From April 1, 2013 to June 30, 2013)	First Quarter Ended June 30, 2014 (From April 1, 2014 to June 30, 2014)
Net sales	¥41,851	¥50,704
Cost of sales	29,775	34,854
Gross profit	12,075	15,850
Selling, general and administrative expenses	8,926	9,244
Operating income	3,149	6,605
Non-operating income:		
Interest income	91	113
Equity earnings of affiliates	115	134
Foreign exchange gain, net	2,570	—
Other	291	291
Total non-operating income	3,068	539
Non-operating expense:		
Interest expenses	199	114
Foreign exchange loss, net	—	738
Amortization of bond issuance costs	118	—
Other	98	62
Total non-operating expenses	417	916
Ordinary income	5,801	6,228
Extraordinary gains:		
Gain on sales of property, plant and equipment	2	1
Total extraordinary gains	2	1
Extraordinary losses:		
Loss on sales and disposal of property, plant and equipment	10	9
Total extraordinary losses	10	9
Income before income taxes and minority interests	5,793	6,220
Income taxes-current	1,810	1,653
Income taxes-deferred	219	(82)
Total income taxes	2,029	1,571
Income before minority interests	3,763	4,649
Minority interests in net income	21	(25)
Net income	3,742	4,675

Consolidated Statements of Comprehensive Income

	(Millions of Yen)	
	First Quarter Ended June 30, 2013 (From April 1, 2013 to June 30, 2013)	First Quarter Ended June 30, 2014 (From April 1, 2014 to June 30, 2014)
Income before minority interests	¥3,763	¥4,649
Other comprehensive income:		
Unrealized gain on available-for-sale securities	54	126
Foreign currency translation adjustments	6,584	(3,465)
Remeasurements of defined benefit plans	—	22
Share of other comprehensive income (losses) of affiliates accounted under the equity method	179	(352)
Total other comprehensive income (loss)	6,818	(3,669)
Comprehensive income	10,582	980
Attributable to:		
Shareholders of THK Co., Ltd.	10,410	1,502
Minority interests	172	(521)

Segment Information

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

							(Millions of Yen)	
	Japan	The Americas	Europe	China	Other	Adjustments	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.

For the first quarter ended June 30, 2014 (April 1, 2014 to June 30, 2014)

							(Millions of Yen)	
	Japan	The Americas	Europe	China	Other	Adjustments	Consolidated	
Sales to customers	¥28,958	¥8,293	¥5,188	¥5,420	¥2,844	¥-	¥50,704	
Inter-segment	10,867	17	10	925	229	(12,050)	-	
Total	39,825	8,310	5,199	6,345	3,073	(12,050)	50,704	
Operating income (loss)	5,693	404	553	(218)	247	(74)	6,605	

(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.