

August 7, 2015

Consolidated Financial Results for the First Quarter Ended June 30, 2015 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 : Kenji Nakane, General Manager of Finance and Accounting Department, Corporate Strategy Division
 Scheduled date of filing quarterly report (Japanese version only) : August 7, 2015
 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, 2015 (April 1, 2015 to June 30, 2015)

(1) Consolidated Operating Results

First Quarter Ended June 30 (Millions of Yen)	Net Sales		Operating Income		Ordinary Income		Net Income attributable to owners of the parent	
2015	¥54,919	8.3%	¥6,338	(4.1) %	¥7,542	21.1 %	¥5,188	11.0 %
2014	50,704	21.2	6,605	109.7	6,228	7.4	4,675	24.9
(Note) Comprehensive income	First quarter ended June 30, 2015: First quarter ended June 30, 2014:				¥1,747 million 980 million		78.3 % (90.7)	

First Quarter Ended June 30 (Yen)	Net Income Per Share-Basic	Net Income Per Share-Diluted
2015	¥40.98	¥ —
2014	36.93	—

(2) Consolidated Financial Position

	Total Assets (Millions of Yen)	Net Assets (Millions of Yen)	Net Worth Ratio (%)	Net Assets Per Share (Yen)
June 30, 2015	¥369,844	¥248,447	66.5 %	¥1,941.87
March 31, 2015	373,610	250,498	66.3	1,957.48

(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, 2015: ¥245,820 million
 As of March 31, 2015: 247,797 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			
2015 (Actual)	¥ —	¥20.00	¥ —		¥30.00	¥50.00
2016 (Actual)	—	n/a	n/a		n/a	n/a
2016 (Projected)	n/a	28.00	—		28.00	56.00

(Note) Change in dividend projection: none

3. Forecasts for the year ending March 31, 2016 (April 1, 2015 to March 31, 2016)

	Net Sales (Millions of Yen)	Operating Income (Millions of Yen)	Ordinary Income (Millions of Yen)	Net Income attributable to owners of the parent (Millions of Yen)	Net Income per Share (Yen)
Six months ending September 30, 2015 (amount)	¥117,000	¥15,200	¥16,000	¥10,800	¥85.31
(percentage)	10.2%	6.3%	3.4%	(0.8)%	n/a
Year ending March 31, 2016 (amount)	¥240,000	¥32,000	¥34,100	¥23,100	¥182.48
(percentage)	10.3%	12.7%	0.2%	1.7%	n/a

(Note 1) Change in forecasts: none—THK announced that the linkage and suspension business of TRW Automotive Inc. in Europe and North America will be transferred to THK. The impact of the business transfer will be announced as soon as it is determined.

(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 and estimates, and restatement 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, 2015	133,856,903
	March 31, 2015	133,856,903
b. Treasury stock as of:	June 30, 2015	7,267,146
	March 31, 2015	7,266,746
c. Average number of common stock for the three months ended:	June 30, 2015	126,589,943
	June 30, 2014	126,593,386

5. Accounting Changes

Effective April 1, 2015, THK applied "Revised Accounting Standard for Business combinations" (Statement No. 21, issued by Accounting Standards Board of Japan (ASBJ) on September 13, 2013), "Revised Accounting Standard for Consolidated Financial Statements" (Statement No. 22, issued by ASBJ on September 13, 2013) and "Revised Accounting Standard for Business Divestitures" (Statement No. 7, issued by ASBJ on September 13, 2013). In applying the new standards, THK recognized the difference associated with changes in equity in subsidiaries remaining under the control of THK as additional paid-in capital, and changed the accounting treatment of acquisition-related costs to the method under which such costs are recorded as expenses for the fiscal year they are incurred. For business combinations implemented on or after the beginning of the three months ended June 30, 2015, the accounting method has been changed to reflect the adjustments to the allocated amount of acquisition costs on the finalization of provisional accounting treatment in the consolidated financial statements for the quarter period containing the date of the business combinations. In addition, the Company changed the presentation manner of net income and other items. In the new presentation manner, minority interests are presented as non-controlling interests. To reflect these changes, certain reclassifications have been made to the consolidated financial statements for the three months ended June 30, 2014 and for the year ended March 31, 2014.

The Company applied the new standards prospectively from the beginning of the three months period ended June 30, 2015 in accordance with the transitional treatments as prescribed in article 58-2 (4) of Revised Accounting Standard for Business combinations, article 44-5 (4) of Revised Accounting Standard for Consolidated Financial Statements, and article 57-4 (4) of Revised Accounting Standard for Business Divestitures.

As a result, the effect of applying the new standard was to decrease operating income, ordinary income and income before income taxes for the three months ended June 30, 2015 by ¥496 million, respectively.

Management's Discussion and Analysis

1. Operating results (From April 1, 2015 to June 30, 2015)

During the first quarter of this fiscal year, the economic growth in emerging countries such as China slowed down as compared to the former uptick; however, the world economy continued the modest recovery trend which was mainly led by the United States of America and other developed countries. In Japan, there were some weaknesses particularly in exports; however, capital investments were robust.

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 the markets in emerging countries such as China are growing by dint of the factory automation progress brought by the shortage in labor and the hike in personnel expenses, which is also spreading to developed-country users, the THK Group endeavors to expand its global sales network. 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. Moreover, THK announced that THK will acquire the linkage and suspension business of TRW Automotive Inc. in Europe and North America through a business transfer in order to further expand its transportation equipment business. The impact of the business transfer will be announced as soon as it is determined.

In the first quarter, while demand in the machine tool industry and the electronics industry is increasing, 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 the weaker yen as compared to the level a year earlier, net sales for the quarter amounted to ¥54,919 million, up ¥4,214 million, or 8.3%, compared to the figure a year earlier.

On the cost front, the THK Group has implemented various activities to streamline fixed costs and lower the variable cost ratio. As a result, the cost of sales to sales ratio improved by 0.1% from a year earlier to 68.6%.

As to selling, general and administrative expenses, the THK Group made endeavors to contain costs and improve operating efficiency while sales were increasing. However, ratio to net sales worsened by 1.6% from a year earlier to 19.8% due to the related costs of the aforementioned business transfer.

As a result, operating income decreased from a year earlier by ¥267 million, or 4.1%, to ¥6,338 million. Ratio to net sales dropped by 1.5% to 11.5%.

Total non-operating income was ¥1,427 million. Major components of non-operating income were ¥829 million of foreign exchange gain and ¥171 million of equity earnings of affiliates. Total non-operating expense was ¥223 million. The major component of non-operating expenses was ¥103 million of interest expenses. As a result, ordinary income increased from a year earlier by ¥1,314 million, or 21.1%, to ¥7,542 million. Net income attributable to owners of the parent for the first quarter also increased from a year earlier by ¥513 million, or 11.0%, to ¥5,188 million.

Segment Information

(Japan)

In Japan, there were some weaknesses particularly in exports; however, capital investments were robust. While demand in the machine tool industry and the electronics industry is increasing, 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 mainly to the machine tool industry, the general machine industry, and the electronics industry, resulting in net sales for the quarter amounting to ¥29,863 million, up ¥904 million, or 3.1%, compared to the figure a year earlier. Operating income (segment income) amounted to ¥5,795 million, up ¥102 million, or 1.8%, from the figure a year earlier due to various operating-improvement activities to streamline fixed costs and lower the variable cost ratio. In addition, the weaker yen during the quarter was favorable to the operating result.

(The Americas)

In the Americas economy, the cold weather brought temporary weaknesses; however, automobile production increased steadily. In such a situation, the production and sales sections worked in unison to expand and deepen 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 general machine 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 ¥9,740 million, up ¥1,446 million, or 17.4%, from the figure a year earlier. Operating income (segment income) amounted to ¥428 million, up ¥24 million, or 6.1%, from the figure a year earlier.

(Europe)

In Europe, the signs of recovery were continuously seen. In such a situation, the production and sales sections proactively worked in unison to expand transactions with existing customers and to cultivate new business fields such as aircraft, railway vehicle-related, household goods, and space-defense business. Consequently, the THK Group successfully increased its sales, especially to the machine tool industry and the general machine industry. As a result, sales in Europe amounted to ¥5,533 million, up ¥345 million, or

6.7%, from the figure a year earlier. Operating income (segment income) dropped to ¥401 million, down ¥151 million, or 27.4%.

(China)

In China, automobile production was still robust; however, the economic growth slowed down as compared to the former uptick. While the THK Group's products were getting widely adopted because of the needs for high-quality products and the factory automation progress brought by the shortage in labor and the hike in personnel expenses in China, 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 ¥6,463 million, up ¥1,043 million, or 19.3%, from the figure a year earlier. The THK Group recorded ¥171 million of operating loss (segment loss) due mainly to proactive investments for the future growth; however, the result improved by ¥47 million from the figure a year earlier.

(Other)

In other countries and regions, the THK Group continued to expand and deepen transactions with existing customers and to cultivate new customers while expanding its sales channels by setting up a new business hub in India and customer support centers in the ASEAN countries. Along with the favorable effect of the weaker yen as compared to the level a year earlier, net sales for the quarter amounted to ¥3,318 million, up ¥474 million, or 16.7%, from the figure a year earlier. Operating income (segment income) amounted to ¥442 million, up ¥194 million, or 78.5%, from the figure a year earlier.

2. Financial position (As of June 30, 2015)

Total assets stood at ¥369,844 million, ¥3,766 million less than the previous fiscal year-end, due mainly to a combined effect of increase in electronically recorded monetary claims by ¥641 million, increase in merchandise and finished goods by ¥2,527 million, increase in raw materials and supplies by ¥732 million, decrease in cash and cash equivalents by ¥6,607 million, decrease in buildings and structures-net by ¥827 million, and decrease in machinery and equipment-net by ¥789 million.

Total liabilities stood at ¥121,397 million, ¥1,714 million less than the previous fiscal year-end, due mainly to a combined effect of increase in electronically recorded obligations by ¥2,308 million and decrease in income taxes payable by ¥5,242 million.

Net assets stood at ¥248,447 million, ¥2,051 million less than the previous fiscal year-end, due mainly to a combined effect of increase in retained earnings by ¥1,390 million and decrease in foreign currency translation adjustments by ¥3,525 million.

3. Forecast for the fiscal year ending March 31, 2016

No change from the forecasts (for the six months ending September 30, 2015 and the year ending March 31, 2016) reported in the announcement dated May 14, 2015.

Consolidated Financial Statements

Consolidated Balance Sheets

(Millions of Yen)

	Year End -Previous Year As of March 31, 2015	First Quarter End -Current Year As of June 30, 2015
Assets		
Current Assets:		
Cash and bank deposits	¥155,239	¥148,632
Accounts and notes receivable	58,276	58,368
Electronically recorded monetary claims	5,174	5,815
Merchandise and finished goods	13,738	16,266
Work in process	6,184	6,630
Raw materials and supplies	13,051	13,784
Other current assets	8,895	8,434
Less: Allowance for bad debts	(145)	(130)
Total current assets	260,414	257,801
Fixed Assets:		
Property, plant and equipment -net:		
Buildings and structures	32,473	31,645
Machinery and equipment	44,307	43,518
Other	20,952	21,500
Total property, plant and equipment –net	97,732	96,663
Intangibles		
Goodwill	580	489
Other	3,821	3,819
Total intangibles	4,401	4,308
Investments and Other		
Long-term investments in securities	8,096	8,256
Other	3,012	2,861
Less: Allowance for bad debts	(47)	(47)
Total investments and other	11,062	11,070
Total fixed assets	113,196	112,043
Total assets	373,610	369,844

(Millions of Yen)

	Year End -Previous Year As of March 31, 2015	First Quarter End -Current Year As of June 30, 2015
Liabilities		
Current Liabilities:		
Accounts and notes payable	¥14,298	¥15,339
Electronically recorded obligations	15,255	17,563
Current portion of long-term bonds	7,000	7,000
Income taxes payable	7,413	2,171
Accrued bonuses	3,225	2,881
Other	12,977	13,612
Total current liabilities	60,171	58,569
Long-term Liabilities:		
Bonds	43,000	43,000
Long-term bank loans	10,000	10,000
Reserve for retirement benefits for directors and corporate auditors	110	114
Reserve for product warranty	156	143
Net defined benefit liability	4,964	4,937
Other	4,708	4,631
Total long-term liabilities	62,940	62,828
Total liabilities	123,112	121,397
Net Assets		
Shareholders' equity :		
Common stock	34,606	34,606
Additional paid-in capital	44,584	44,584
Retained earnings	158,463	159,854
Treasury stock	(13,943)	(13,945)
Total shareholders' equity	223,711	225,100
Accumulated other comprehensive income :		
Net unrealized gain on available-for-sale securities	1,312	1,484
Foreign currency translation adjustments	22,940	19,414
Remeasurements of defined benefit plans	(166)	(178)
Total accumulated other comprehensive income	24,086	20,720
Non-controlling interests	2,701	2,626
Total net assets	250,498	248,447
Total liabilities and net assets	373,610	369,844

Consolidated Statements of Income

(Millions of Yen)

	First Quarter Ended June 30, 2014 (From April 1, 2014 to June 30, 2014)	First Quarter Ended June 30, 2015 (From April 1, 2015 to June 30, 2015)
Net sales	¥50,704	¥54,919
Cost of sales	34,854	37,691
Gross profit	15,850	17,227
Selling, general and administrative expenses	9,244	10,889
Operating income	6,605	6,338
Non-operating income:		
Interest income	113	98
Equity earnings of affiliates	134	171
Foreign exchange gain, net	—	829
Other	291	328
Total non-operating income	539	1,427
Non-operating expense:		
Interest expenses	114	103
Foreign exchange loss, net	738	—
Other	62	119
Total non-operating expenses	916	223
Ordinary income	6,228	7,542
Extraordinary gains:		
Gain on sales of property, plant and equipment	1	3
Total extraordinary gains	1	3
Extraordinary losses:		
Loss on sales and disposal of property, plant and equipment	9	30
Total extraordinary losses	9	30
Income before income taxes	6,220	7,515
Income taxes-current	1,653	1,869
Income taxes-deferred	(82)	519
Total income taxes	1,571	2,388
Net income	4,649	5,126
Net loss attributable to non-controlling interests	(25)	(61)
Net income attributable to owners of the parent.	4,675	5,188

Consolidated Statements of Comprehensive Income

	(Millions of Yen)	
	First Quarter Ended June 30, 2014 (From April 1, 2014 to June 30, 2014)	First Quarter Ended June 30, 2015 (From April 1, 2015 to June 30, 2015)
Net income	¥4,649	¥5,126
Other comprehensive income:		
Unrealized gain on available-for-sale securities	126	169
Foreign currency translation adjustments	(3,465)	(3,258)
Remeasurements of defined benefit plans	22	(10)
Share of other comprehensive losses of affiliates accounted under the equity method	(352)	(278)
Total other comprehensive income (loss)	(3,669)	(3,379)
Comprehensive income	980	1,747
Attributable to:		
Owners of the parent	1,502	1,821
Non-controlling interests	(521)	(74)

Segment Information

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.

For the first quarter ended June 30, 2015 (April 1, 2015 to June 30, 2015)

							(Millions of Yen)	
	Japan	The Americas	Europe	China	Other	Adjustments	Consolidated	
Sales to customers	¥29,863	¥9,740	¥5,533	¥6,463	¥3,318	¥—	¥54,919	
Inter-segment	11,498	4	3	1,960	355	(13,822)	—	
Total	41,361	9,744	5,537	8,423	3,673	(13,822)	54,919	
Operating income (loss)	5,795	428	401	(171)	442	(558)	6,338	

(Note) Adjustments of operating income (loss) of ¥558 million consist of ¥62 million of intercompany elimination and ¥496 million of corporate expenses not allocable to a specific segment. Such expenses are mainly comprised of selling, general and administrative expenses.

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 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.