THE MARK OF LINEAR MOTION

THK

Annual Report 2009

CONTENTS

CONSOLIDATED PERFORMANCE OVERVIEW

Years ended March 31

	Millions of yen					Thousands of U.S. dollars (Note 1)
	2005	2006	2007	2008	**2009**	**2009**
Net Sales*	¥147,158	¥158,413	¥174,711	¥208,709	**¥179,269**	**$1,824,435**
Japan	105,555	112,245	119,513	136,322	**109,566**	**1,115,063**
The Americas	12,888	14,108	16,650	26,000	**23,266**	**236,785**
Europe	15,340	16,199	19,345	25,237	**24,916**	**253,571**
Asia and other	13,375	15,861	19,203	21,150	**21,521**	**219,016**
Gross Profit	53,607	57,922	65,142	68,053	**48,341**	**491,970**
Operating Income	25,974	27,080	31,816	26,938	**8,523**	**86,742**
Income before Income Taxes and Minority Interests	26,845	30,566	34,524	26,701	**6,284**	**63,954**
Net Income	17,348	18,584	21,038	18,323	**1,204**	**12,257**
Total Assets	220,008	244,385	263,281	264,229	**240,351**	**2,446,067**
Net Assets (Note 2)	128,606	169,792	189,040	192,953	**177,713**	**1,808,599**

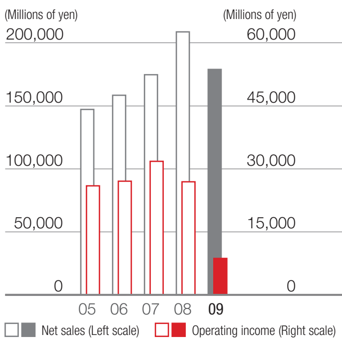
*Segments are based on where our customers are located.

	Yen					U.S. dollars (Note 1)
	2005	2006	2007	2008	**2009**	**2009**
Net Income per Share — basic	¥ 145.31	¥ 148.42	¥ 158.36	¥ 139.53	**¥ 9.36**	**$ 0.10**
Net Income per Share — diluted	130.05	137.97	157.22	138.74	**—**	**—**
Book Value per Share (Note 3)	1,067.42	1,266.39	1,407.84	1,484.78	**1,372.69**	**13.97**

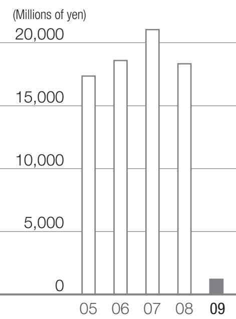
	2005	2006	2007	2008	**2009**
Operating Margin (%)	17.7	17.1	18.2	12.9	**4.8**
Return on Equity (%) (Note 3)	14.7	12.6	11.8	9.7	**0.7**
Return on Assets (%) (Note 4)	12.8	11.8	12.8	10.5	**3.6**
Equity Ratio (%) (Note 3)	58.0	68.9	71.1	72.3	**73.4**
Asset Turnover Ratio (times)	0.72	0.68	0.69	0.79	**0.71**

Notes: 1. U.S. dollar amounts represent translation of Japanese yen, for convenience only, at the rate of ¥98.26 = U.S.$1, the approximate rate of exchange prevailing in Tokyo on March 31, 2009.
2. Prior period figures have been reclassified to conform to the current year. Minority Interests is included in Net Assets.
3. Calculated on the basis of Net Assets less Minority Interests.
4. Operating Income plus Interest and Dividend Income as a percentage of average Total Assets.

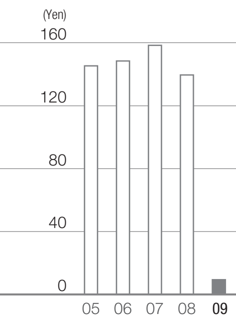
Net Sales/Operating Income



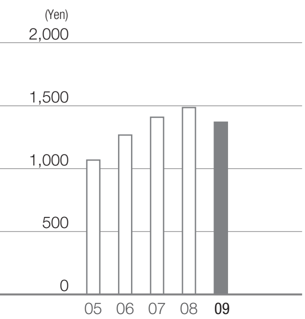
Net Income



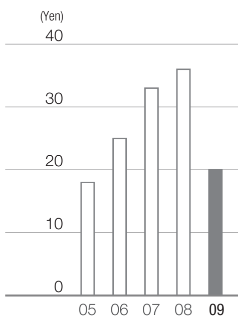
Net Income per Share



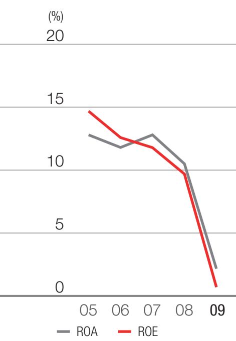
Book Value per Share



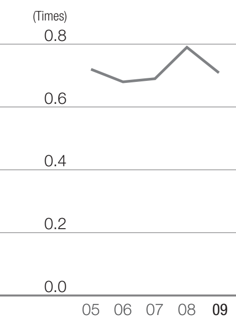
Cash Dividends per Share



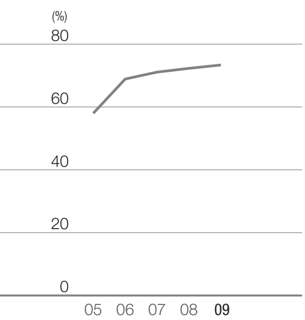
ROA/ROE



Asset Turnover Ratio



Equity Ratio



Leading share of the global market for LM guides

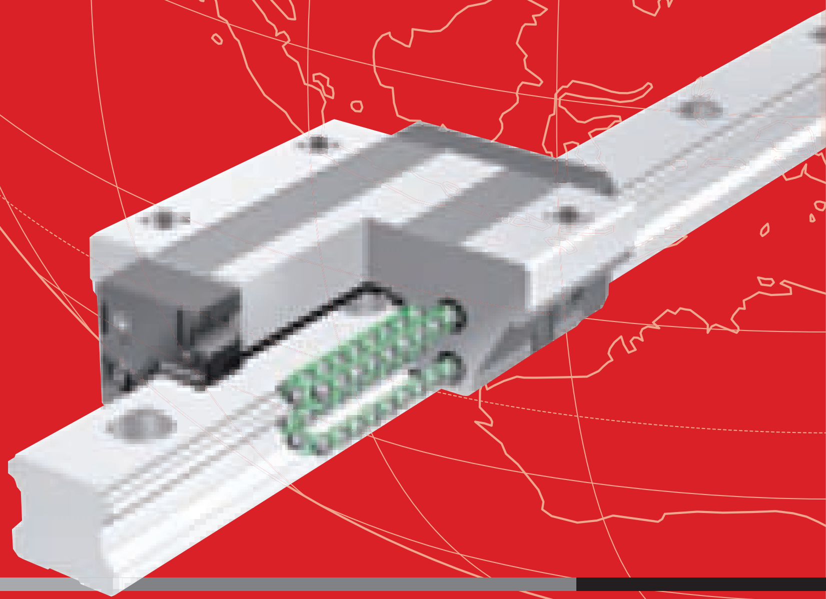
THK pioneered the development of the world's first linear motion (LM) guide, a vital machinery component. Today, the LM guides made by THK command a leading share of the global market.

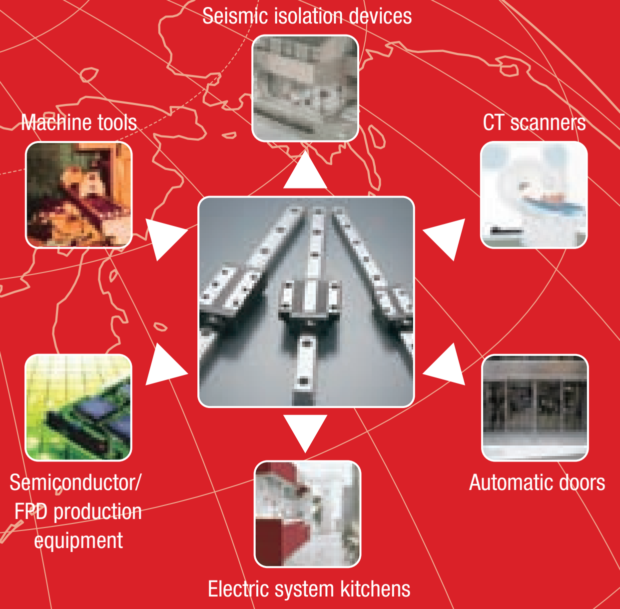
LM guides are a critical element in many types of machinery. By converting slippage into controlled rotary motion, they enable parts of machinery to move smoothly, easily, and precisely in a straight line. Since their original adoption by the U.S. machine tool industry, LM guides have made a major contribution to industrial development by facilitating increased precision and acceleration while reducing the need for labor. They have been used in various different types of machinery, such as machine tools, industrial robots, and semiconductor production equipment.

This is

Creative development-driven enterprise

THK's business philosophy is "providing innovative products to the world and generating new trends to contribute to the creation of an affluent society." This thinking has guided our drive to be a creative development-driven enterprise, enabling us to develop a stream of original products since our establishment in 1971. Our success in developing a new generation of LM guides with caged ball technology, realized in 1996, helped to promote the adoption of these products in various fields. LM guides based on caged ball technology not only provide customers with the benefit of long-term, maintenance-free use, but also have made a significant contribution to the development of high-speed, low-noise industrial machines that generate less dust and have longer productive lives.





The potential of LM guides

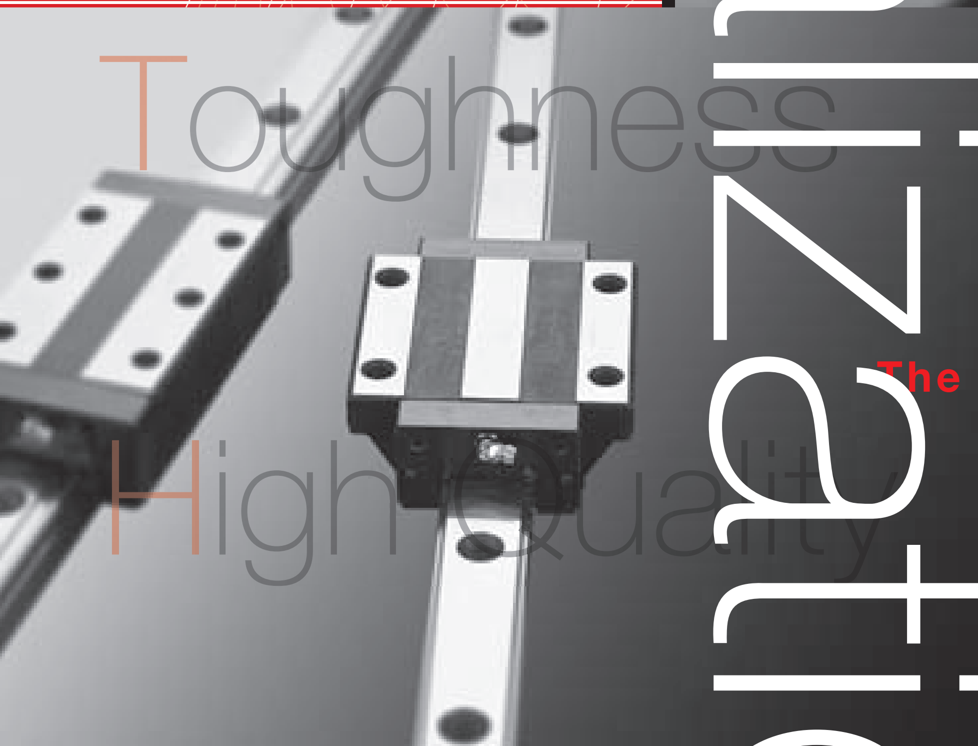
Machinery motion comprises rotary motion, linear motion, and combinations of the two. Rotary bearings, which introduce a rolling component to rotary motion, were initially used in industrial machinery, and their use later expanded into consumer product fields, most notably auto parts, a rapidly growing market. LM guides, which add a rolling component to linear motion, are now used primarily in industrial equipment such as machine tools and SPE. We expect their use to expand into consumer product fields such as automobiles. LM guides meet next-generation needs by enabling higher energy efficiency. Hence, the need for LM guides is rising.

THK

Growth through expanded business areas

THK has a two-pronged strategy for realizing the vast potential of its LM guides and other products: "Full-Scale Globalization" and "Development of New Business Areas." Through this strategy, the Company is working to expand its business domain both geographically and in terms of product applications. With "Full-Scale Globalization," we are working to optimize production by locating facilities closer to demand centers. To this end, we are strengthening our integrated manufacturing and sales systems in the four key geographic regions of Japan, the Americas, Europe, and Asia. With "Development of New Business Areas," we aim to expand applications to include consumer goods and related sectors. To this end, we have set up a number of specialist divisions. In addition, in May 2007 we acquired auto parts manufacturer RHYTHM CORPORATION and are working to strengthen new business areas.

Globalization



Toughness

High Quality

Know-how

Japan, United States

Canada, Brazil, Germany

United Kingdom, Ireland

The Mark of Linear Motion

Italy, Sweden, Austria

Spain, France, Turkey

Czech Republic, China, Taiwan

Singapore, India

Thailand, Korea

Building an integrated production/sales set-up to service world market requirements

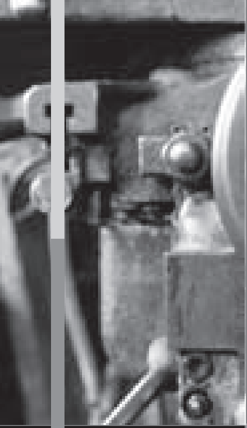
We adopted “Full-Scale Globalization” as one of the pillars of THK’s long-term business strategy in fiscal 2000, shortly before we celebrated the 30th anniversary of the company’s establishment. Supporting this view was the realization that a vast untapped potential market existed for the Company overseas. Although machine tools, semiconductor production equipment and other industrial machinery were being produced in every region of the world, THK’s overseas sales ratio in fiscal 2000 was a relatively low 26%. This implied many situations where firms based overseas were not using LM guides manufactured by THK in linear motion-related applications. The excellent prospects for growth in production of industrial machinery in developing countries provided another good reason why overseas markets held huge potential for THK.

We formulated a plan to expand and upgrade our sales network and reinforce our production set-up across the four regions of Japan, the Americas, Europe and Asia. By tailoring production to the precise needs of regional markets, our objective was to raise the overseas sales ratio to 50%. We started building an integrated manufacturing and sales set-up for this task.

In **the Americas**, we increased production capacity at local subsidiary THK Manufacturing of America, Inc., which we had originally established in 1997. A second factory began operating in 2001. At the same time, we strengthened our overall operating set-up in the region, creating a sales network within the United States while also starting to develop new markets such as Canada and Mexico. In **Europe**, our production subsidiary THK Manufacturing of Europe S.A.S., which is based in France, began operating in 2001. Today, we have established sales bases in 10 countries in Europe and we are continuing to upgrade our regional sales capabilities. In 2008, our new regional distribution center began operating on the site of THK’s manufacturing subsidiary in France. Located conveniently near the geographical center of the region, this facility is set to make our logistics operations more efficient while reinforcing our ability to provide customers with reliable supplies and short delivery lead-times. In **Asia**, we have production facilities in China, South Korea and Thailand. We are also rapidly expanding our sales network within the region, reflecting its high rate of economic growth. (Please refer to the following page for details of developments in China).

THK’s explicit focus on full-scale globalization since fiscal 2000 has helped to push up the overseas sales ratio from 26% in fiscal 2000 to 39% in fiscal 2008. Going forward, we remain focused on developing our global operations so that we can become more internationally competitive.

Globalization



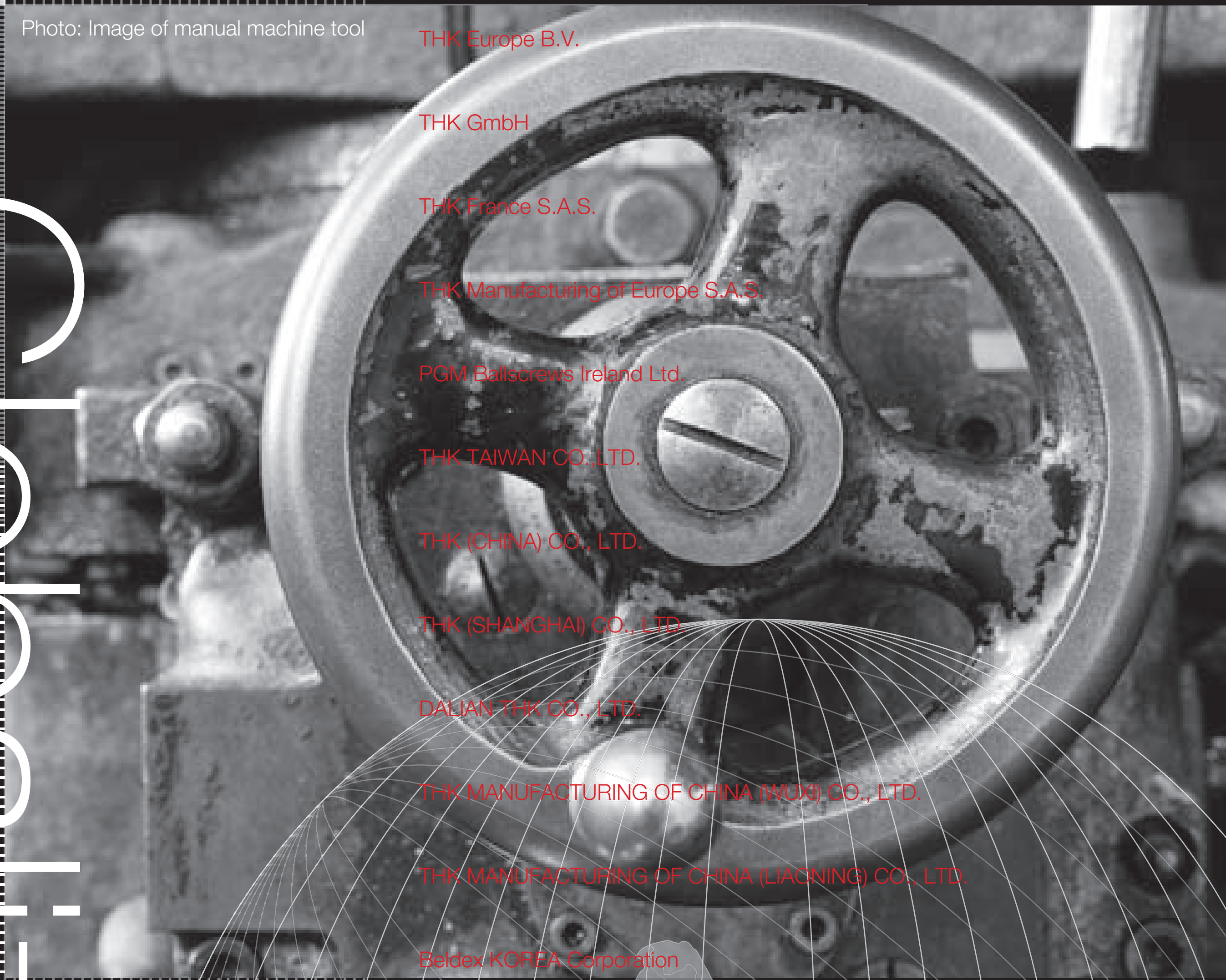


Photo: Image of manual machine tool

THK Holdings of America, L.L.C.

THK America, Inc.

THK Manufacturing of America, Inc.

Rhythm North America Corporation

THK Europe B.V.

THK GmbH

THK France S.A.S.

THK Manufacturing of Europe S.A.S.

PGM Ballscrews Ireland Ltd.

THK TAIWAN CO.,LTD.

THK (CHINA) CO., LTD.

THK (SHANGHAI) CO., LTD.

DALIAN THK CO., LTD.

THK MANUFACTURING OF CHINA (WUXI) CO., LTD.

THK MANUFACTURING OF CHINA (LIAONING) CO., LTD.

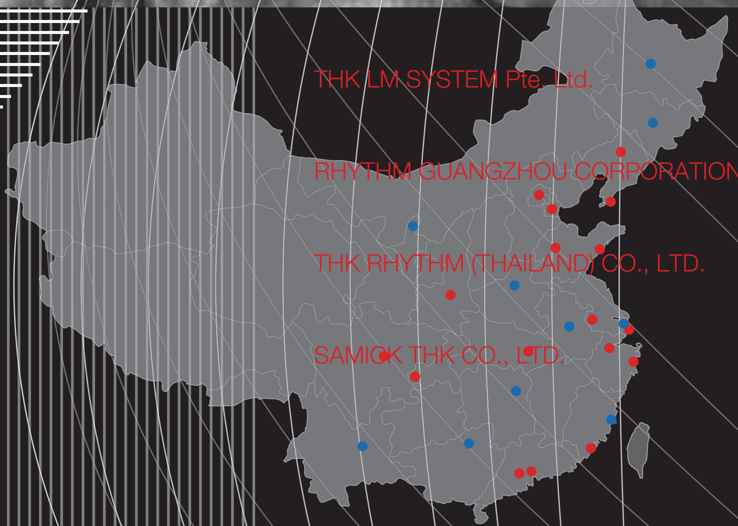
Beldex KOREA Corporation

THK LM SYSTEM Pte. Ltd.

RHYTHM GUANGZHOU CORPORATION

THK RHYTHM (THAILAND) CO., LTD.

SAMICK THK CO., LTD.



China: A story of economic growth and increasing adoption of NC machine tools

The sharp deterioration in the global economy during the second half of 2008 did nothing to alter the medium-to-long-term growth potential of the BRICs economies. In China, where the economy has also slowed, the effects of the central government's economic stimulus measures (totaling approximately 4 trillion yuan) have started to manifest. This has led to a revival in demand for small machine tools used in applications relating to consumer appliances. Demand for large machine tools, used in applications relating to sectors such as energy and railways, has also remained firm. Assuming that China's economy stages a complete recovery, we see THK's business in the country continuing to expand going forward.

We believe that there is significant growth potential for THK products in the Chinese market in the mainstay machine tools sector. China already has the highest demand for machine tools of any country in the world. As production volumes continue to increase, it is expected to become the leading producer of machine tools as well.

An increasing proportion of NC* models in the machine tools made in China also points to rising demand for THK products. The Japanese machine tool market evolved from manually operated models to NC models years ago. Machine tools used in metal fabrication require massive power. In this kind of situation, an LM guide is essential to enable the small or high-precision linear motion capabilities needed for rapid, efficient computer-controlled fabrication. In Japan today, approximately 90% of machine tools fall into the NC category. In China, the same ratio is no more than 20%. This implies that the market demand for LM guides could expand as much as fourfold as the shift to NC machine tools takes place in China.

Based on these two factors, we expect machine tool-related demand for THK products to grow in China as production volumes and the NC ratio increase. India is also at a similar stage to China in this area. These emerging markets are set to generate huge growth in future demand in volume terms.

Securing the latent demand for THK products in China is a key challenge for us. Accordingly, the industrial equipment-related business is continuing to focus on reinforcing its integrated manufacturing and sales set-up in China. On the sales side, we have 17 bases managed by THK (CHINA) CO., LTD., the regional operating company, and THK (SHANGHAI) CO., LTD.. On the production side, DALIAN THK CO., LTD., THK MANUFACTURING OF CHINA (WUXI) CO., LTD. and THK MANUFACTURING OF CHINA (LIAONING) CO., LTD. oversee our manufacturing operations in the country. Elsewhere in the Asian region, THK has a network of either sales and or production bases, or both, located in Taiwan, Singapore, Thailand, South Korea and India, another major focus of future world economic growth. Our aim is to construct a competitive base of operations across Asia to tap into the region's projected growth.

Local sourcing is expected to become an increasing feature of business in China in the sectors in which we operate. We see this as an excellent opportunity to bolster THK's domestic production capabilities within China. Going forward, we aim to use our upgraded production and sales system to leverage the power of the THK brand based on our trustworthy reputation in order to generate dramatic growth as the Chinese market continues to expand.

* NC stands for Numerical Control. NC machine tools operate automatically and are controlled using numerical information, as opposed to conventional manually operated machine tools.

Japan was a global pioneer in the adoption of NC machine tools starting in the 1960s. As a result of this success, Japan still dominates the global NC machine tool market. The mass adoption of high-precision fabrication and a progressive shift away from the use of skilled craftsmen have revolutionized production technology. NC machine tool technology has also become more advanced than simple industrial robots or other mechatronic equipment. It was one of the driving forces behind the rapid progress made by Japanese industry in the 1970s and 1980s.

LM Guide

Ball Spline

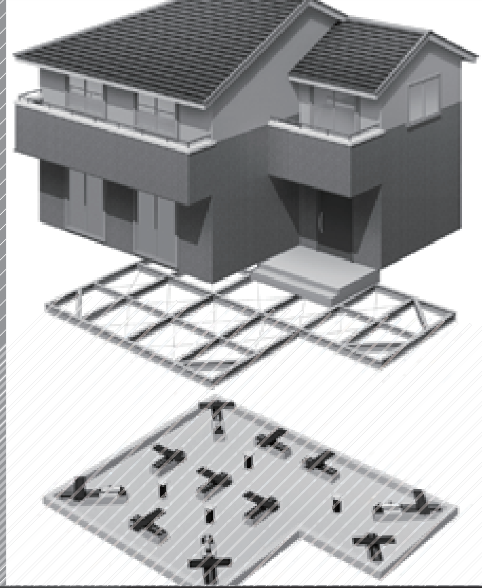
Actuator

Slide Pack

Ball Screw

Cross Roller Ring

Link Ball



New Businesses

Rod End

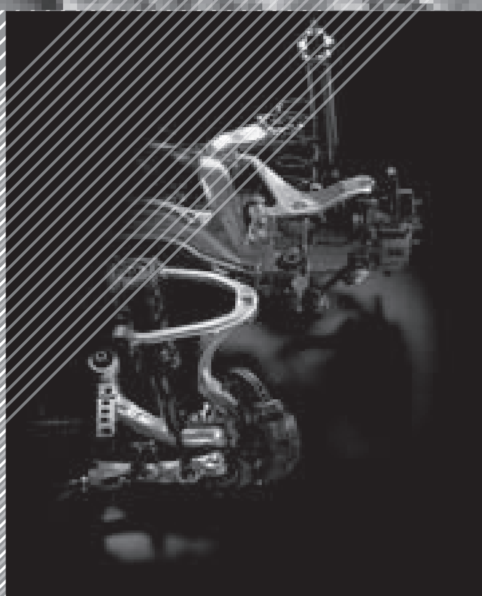
Tie Rod

Steering Linkage

Aluminum Suspension Link

Suspension Ball Joint

Stabilizer Connecting Rod



Building a presence as a global automotive parts maker

Since the establishment of THK in 1971, we have principally developed the business by trading with companies making capital goods such as machine tools, industrial robots and semiconductor production equipment. While these industries retain excellent future growth potential, they are heavily exposed to capital investment trends. In contrast, the scale of THK's business in areas related to consumer goods remains relatively small, which implies that there is major potential for THK products in these sectors. Business expansion into consumer-related areas offers the potential to achieve more stable growth in sales. Recognizing this opportunity, we made "development of new business areas" one of the pillars of THK's long-term business strategy in fiscal 2000. We have since been actively developing operations in new business areas. These efforts have been led by the FAI Division, which supplies automotive parts to improve vehicle safety and comfort, and the ACE Division, which is developing seismic isolation devices to protect human life and property from the threat of earthquakes.

One of the mainstay products sold by the FAI Division, link balls are used in automobile undercarriages as joint sections to connect the stabilizers to the suspension. Many leading automakers in Japan, the Americas and Europe have adopted link balls. THK offers a product that is made using aluminum die-casts, a process that makes them much lighter than conventional steel versions and also highly resistant to corrosion or abrasion. The performance benefits of THK's products are attracting increasing attention from automakers worldwide. Besides product performance, THK has also received plaudits for superior quality control and after-market servicing. In other areas, this division has also gained a solid reputation for THK's LM guides in applications relating to special vehicles designed for disabled people. LM guides are a vital part of such vehicles by facilitating movement of the driver's seat.

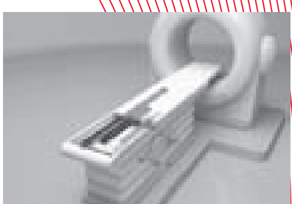
In 2007, RHYTHM CORPORATION became a consolidated subsidiary of THK as part of our ongoing efforts to accelerate the development of new business areas. RHYTHM is a company that has developed forging technologies and superior quality control systems to enable the supply of steel parts to extremely strict dimensional and strength tolerances. Within the transportation-related equipment sector, we plan to develop the operations of the FAI Division and RHYTHM as an integrated business. As well as trying to expand the range of vehicle models that use THK parts and grow our automaker client base, we are also working to develop applications for LM guides, ball screws, actuators and other THK products as automotive parts. At the same time, we are seeking to leverage the combined technical expertise of THK and RHYTHM to develop original products for the automotive sector.

One of the characteristics of the automobile business is that it typically takes several years to progress from the design stage to mass production, but once a model enters production it can generate stable revenues over a long period. Going forward, we plan to focus on expanding the scale of this business by responding quickly and precisely to changes in the global automotive market.

New business areas:

- Building
- Consumer Appliance
- Vehicle
- Humanoid Robots
- Medical Equipment
- Wind Power Generation
- Aerospace

New Businesses



Pursuing expansion opportunities in new business areas

In 2001, as part of efforts to expand into new business areas, we established the ACE Division to sell seismic isolation devices for enhancing the safety of housing. Despite seismic isolation devices being a more effective protective measure than earthquake proofing, there remains no de facto technical industry standard in this area. A number of structural designs are on the market, promoted not only by construction companies and house-builders, but also by firms making rubber goods and hydraulic equipment. In seismic isolation applications, the key technical characteristic of THK's products such as LM guides and ball screws is their ability to cope with high loads. This translates into the ability of our seismic isolation devices to be used in a wide variety of building types, from high-rise apartment blocks to detached houses and historical structures such as temples and shrines. We market a wide range of products in this area.

In addition, we have applied the know-how that we have gained in seismic isolation technology to sell seismic isolation platforms. These are products designed to protect specific business assets such as servers and PCs from damage due to earthquake. Compared with conventional products, our seismic isolation platforms are more effective in reducing the amount of vibration that affects the protected equipment during a tremor. This is one segment of the market where we expect to gain share going forward.

Another area where demand is expected to grow in the future is in the use of electric-powered technology to automate the movement of consumer goods around the home. Just as THK products have become more widely adopted with the shift to automatic electric-powered capital equipment, we expect to see THK products begin to play a wider role in enhancing everyday comfort and safety.

In the automotive sector, rapid growth is forecast in the adoption of hybrid and electric vehicles due to increasing global interest in environmental protection. We view this trend as a major opportunity, and we are actively engaged in R&D to broaden the utilization of THK products as automotive components.

TOP MESSAGE

Fiscal 2008 performance review

We were able to achieve positive sales growth in the first half of fiscal 2008, despite some concerns from the start of the year that the financial uncertainty originating in the United States would produce a global economic slowdown. Demand from the machine tool sector and for flat panel-related applications remained firm during this period. In the second half, however, the uncertainty amplified after the collapse of major U.S. financial institutions. The knock-on effects flowed through to the real economy. A global slump in consumption led to falls in capital investment, reducing demand for our products sharply.

For the year as a whole we posted consolidated net sales of ¥179.3 billion, which was a 14.1% decrease compared with the previous year. This marked our first decline in sales since fiscal 2001 seven years previously, when our sales were negatively affected by a slump in IT-related investment.

On the cost side, we made further productivity improvements by continuing to focus on achieving higher production yields and shorter manufacturing lead-times. We applied strict cost controls as our sales started to fall in the second half, which included revising facility operating periods and paring back our capital spending. Despite our best efforts at cost reduction, however, we were unable to offset the decline in sales revenue fully. Consolidated operating income fell 68.4% to ¥8.5 billion.

To date, we have focused on reinforcing our set-up so that we can achieve stable growth in performance over the long term by expanding the business of THK into new domains through a combination of “full-scale globalization” and “development of new business areas.” The results from both these strategic initiatives are now emerging steadily. Although fiscal 2008 marked our first dip in sales in seven years, overseas sales in fiscal 2008 were more than double the figure that we posted in fiscal 2001. We also made further inroads into the new business area of automotive parts, expanding both our client base in the industry and the number of vehicle models for which we supply parts.

Business environment outlook

The downturn in the real economy has affected not just the United States, Europe and Japan, but also developing countries such as China. The slump in consumption has had a worldwide impact. Consumer goods and capital goods industries have both been hit severely. With many markets having contracted suddenly, companies are now locked in fierce competition. What we need to realize is that business conditions are currently entering a “survival stage.”

Accordingly, we anticipate a harsh external environment during fiscal 2009. Whilst we will not reduce costs to the point of impairing our growth potential, we plan to redouble our cost controls and implement strict cash management. Despite our best efforts, a significant drop in sales is unavoidable. We expect to record an operating loss of ¥15 billion in fiscal 2009 due to a sharp drop in sales to ¥110 billion.

At present, we cannot say how long we expect current conditions to last or how deep the downturn will be. However, I am confident that we will not have to remain in this “survival stage” forever, and that a period of “revival” will commence in due course.

TOP MESSAGE

Reinforcing our medium-to-long-term business stance

In the short term, we must adopt a dynamic stance to navigate the current harsh operating conditions successfully. Our growth strategy to develop the business over the medium and long term based on "full-scale globalization" and "development of new business areas" remains unchanged. In fiscal 2000, we set a long-term performance target of consolidated net sales of ¥300 billion by fiscal 2010. In light of current conditions, it is extremely difficult for us to achieve this goal by the original target date of fiscal 2010. In view of the potential of THK's products, however, I am confident that we can achieve ¥300 billion in annual sales. This target figure is therefore unchanged.

Several factors support this confidence. First, we believe that there remains vast untapped potential for THK in markets outside Japan. For example, even in machine tools, which are a major source of demand for our products, there is considerable potential overseas. Japan is the top producer of machine tools by value, but its output is considerably exceeded by the regional production of Europe, which includes four of the top ten machine tool-producing countries in the world – Germany, Italy, Switzerland and Spain. In addition, production of machine tools is forecast to expand rapidly going forward in emerging markets such as China, Russia and India. At the moment, however, around 60% of our sales derive from our business with customers in Japan. We believe that this implies there is still a vast potential market for THK overseas in servicing the demand for linear motion applications by supplying our LM guides.

While there are fears that protectionism could become more prominent if the worldwide consumption slump continues, we have been strengthening our integrated production and sales set-up in each of four key regions worldwide. Going forward, we believe that we can maintain our competitive position at the global level.

Machinery motion can be rotary, linear or a combination of the two. Rotary bearings, which introduced a rolling component to rotary motion, were first used in industrial equipment before new applications were developed for them in consumer-related fields, notably in the automotive parts sector. Today, the automotive sector accounts for the majority of demand for rotary bearings. Our LM guides, which add a rolling component to linear motion, are following a similar development trajectory to rotary bearings. To date, demand for LM guides has expanded in line with the adoption of computer controls for machine tools, industrial robots and other types of industrial equipment. In the future, hybrid cars and electric vehicles are expected to occupy the new mainstream of the auto industry. The structural changes in automobiles and the increase in the degree of computer control that this trend will bring provide us with an opportunity to expand auto-related applications for LM guides.

A further potential opportunity for THK products comes from protecting the global environment, which is now an important corporate responsibility. We expect the corporate sector to accelerate further moves toward developing carbon-offset solutions that can help to reduce carbon dioxide emissions. In this context, we believe that there will be growing demand for products that can help to conserve energy or save space. We see this as another factor boosting demand for LM guides.

In view of these factors outlined above, I remain convinced that there is ample potential to achieve annual sales of ¥300 billion for THK products.

Strengthening our business platform for sustainable growth

In the current harsh business environment, there is a temptation when profits plunge to adopt cost-reduction measures that reduce a firm's human capital or damage technical capabilities. We will do our utmost to control costs by trying to reduce expenses and restrict waste, but at the same time it is imperative that we continue to strengthen our business platform due to the potential of THK's products. The three essential factors for the future growth of the company – our human, technological and financial capital – are supported by our business platform, which delivers functional capabilities in terms of development, production and sales. In the past, we have focused on projects aimed at reinforcing each of these functional capabilities. Recently we have set up a new cross-functional project whose objective is to increase profitability by lowering our break-even sales point. In this project, we plan to examine each of these functions thoroughly to determine whether there is any further waste or variability that needs to be eliminated in order to strengthen our business platform, and then put measures for improvement in place.

This project is a key element of our plans to ensure that THK endures and overcomes the current "survival stage." I believe that it will also be vital for creating the framework that will fuel the company's growth once the economy enters an inevitable "revival stage."

Based on the strategy of "full-scale globalization" combined with "development of new business areas," we plan to continue working to build corporate value in the current environment through strict cost control alongside ongoing efforts to strengthen our business platform. We plan to be ready for dramatic growth once the "revival stage" arrives so that we can contribute to the greater prosperity of shareholders and other stakeholders. In closing, I ask for your continued support and understanding.

August 2009

Akihiro Teramachi

Akihiro Teramachi
President and CEO
THK CO., LTD.

JAPAN

FY08

Operating conditions

– During the first half of the year, capex-related demand for products used in flat panel-related applications was firm despite an overall softening in levels of business investment.

– Entering the second half, the Japanese economy fell into a recession due to a variety of factors including the decline in both exports and capital investment. General demand for THK products fell sharply as a result.

Performance overview

– Sales in Japan fell 19.6% in year-on-year terms to ¥109.5 billion.

– Sales to the three main industrial sectors were lower than in the previous year. Sales growth rates by sector were –30.7% in machine tools, –21.4% in general machinery and –24.6% in electronics.

Operating activities

— Sales —

– THK continued implementing the “TAP 1” skills development program for sales personnel as part of broader efforts to deepen relationships with existing customers and develop new customers. Besides promoting the characteristics of the product range, this program trains salespeople to take the initiative by making customer proposals to apply THK products in solving specific issues.

– THK focused new customer development efforts on the mainstay capital goods sector, applying a combination of specific targeting and effective sales promotion activities. Other efforts focused on trying to expand THK’s business domain by actively developing new business sectors such as automotive parts and seismic isolation devices.

— Production —

– Efforts focused on boosting production margins by responding dynamically to variations in order levels, based on the efficient production system that had been developed previously through the “TAP 2” program of activities.

– The expansion of the technical engineering facilities at the Yamaguchi Plant was completed, with operations starting in January 2009. The new set-up includes capabilities for high-precision product-related measurements on a nanometer scale.

FY09

Operating initiatives

— Sales —

– With demand from capital goods manufacturers and other core customers expected to fall, THK will leverage solution-oriented sales proposals based on using THK products to both generate sales and focus on developing new business sectors such as automotive parts and seismic isolation devices.

— Production —

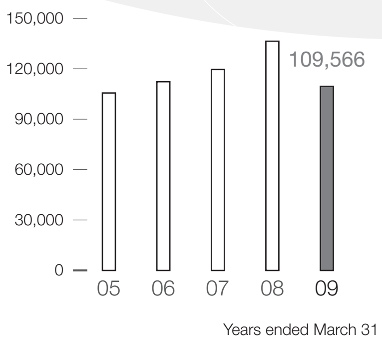
– In anticipation of a recovery in demand, worksite programs will be used to upgrade workforce skills and increase productivity.

— General outlook —

– THK will strive to lower costs further while business conditions remain harsh. In addition, ahead of a projected sharp revival in demand, a cross-functional project was launched in April 2009 aimed at boosting profitability by lowering the level of break-even sales. Under this project, each function will undertake detailed operational reviews to identify any areas of waste or inconsistency. In its second phase, the project aims to reinforce THK’s business platform by adopting proposed measures for improvement.

Sales in Japan

(Millions of yen)



Bases

Japan	Sales offices	50
	Plants	15
	Distribution centers	3

Group companies

As of March 31, 2009

- THK CO., LTD.
- DAITO SEIKI CO., LTD.
- TALK SYSTEM CORPORATION
- Beldex Corporation
- THK NIIGATA CO., LTD.
- RHYTHM CORPORATION
- Rhythm Kyushu Co., Ltd.
- Rhythm L Co., Ltd.
- L Tool Co., Ltd.
- L Trading Co., Ltd.
- L Engineering Co., Ltd.

Note: Please refer to p. 68 for details of the principal business activities of THK Group companies.

THE AMERICAS

FY08

Operating conditions

– The downward correction that began in the previous year in the electronics and automotive sectors continued.
– Demand declined sharply toward the end of the year and the yen gained substantially in value.

Performance overview

– Regional sales fell 10.5% in year-on-year terms to ¥23.2 billion.
– As in Japan, sales to the three main industrial sectors were lower than in the previous year. Sales growth rates by sector were –9.6% in machine tools, –25.7% in general machinery and –35.8% in electronics.

Operating activities

— Sales —

– Amid an ongoing downward correction in demand among existing customers, THK focused on developing and securing business in new areas and markets.
– With demand tending to shift from supplying individual components toward hybrid units, THK concentrated resources on expanding sales of hybrid units.
– Rationalization and consolidation of sales bases continued with the aim of building a more effective and efficient sales set-up.

— Production —

– To strengthen demand-servicing capabilities for hybrid units, THK installed production capacity and recruited design personnel to facilitate the supply of high-value-added products that meet customer requirements.
– Efforts continued to improve productivity, including programs to enhance operational transparency, to evaluate the technical skills of individual workers and to provide practical skills training where necessary. These moves helped to accelerate production by shortening individual processes.

FY09

Operating initiatives

— Sales —

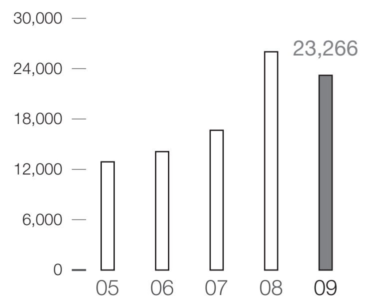
– Amid declining demand among existing customers, THK plans to continue focusing on developing new markets and expanding sales of hybrid units. This will involve efforts to upgrade sales force skills while improving sales systems through measures such as organizing joint sales visits with engineering staff.
– As part of constructing a more efficient sales set-up, THK plans to review the sales management structure within the U.S. Midwest region.

— Production —

– Plans call for making the production of existing product lines more efficient and expanding the range of locally produced items. At the same time, THK will focus on trying to reduce manufacturing expenses through more detailed cost management under the prevailing harsh operating conditions.

Sales in the Americas

(Millions of yen)



Years ended March 31

Bases

United States	Sales offices	10
	Plants	2
Canada	Sales office	1
Mexico	Sales office	1
Brazil	Sales office	1

Group companies

As of March 31, 2009

- THK Holdings of America, L.L.C.
- THK America, Inc.
- THK Manufacturing of America, Inc.
- Rhythm North America Corporation

Note: Please refer to p. 68 for details of the principal business activities of THK Group companies.

EUROPE

FY08

Operating conditions

– Strong demand from the aerospace, automotive and energy-related industries persisted in the first half of the year. Demand in the machine tool sector also remained firm, supported by increased production levels as European manufacturers continued to establish new facilities in Central and Eastern Europe.
– Demand declined sharply across the board toward the end of the year. The yen appreciated substantially in value on currency markets.

Performance overview

– Sales in Europe declined 1.3% in year-on-year terms to ¥24.9 billion.
– Sales growth rates by industrial sector were +5.1% in machine tools, –5.8% in general machinery and –11.1% in electronics.

Operating activities

— Sales —

– As part of the ongoing drive to strengthen the sales set-up in Europe, THK set up a new branch in the Netherlands and opened a branch office in the Czech Republic to service anticipated future growth in Central and Eastern Europe. Alongside development of regional sales infrastructure, THK also targeted the development of new markets by forming project teams to undertake strategic sales activities.
– Making maximal use of the operational start-up of a new distribution center in April 2008, THK aims to supply high-quality products to customers with short delivery lead-times.

— Production —

– THK made organizational changes to ensure the continued close alignment of manufacturing with customer requirements, including changes aimed at reinforcing quality control systems. In particular, THK established a dedicated department for hybrid units and set up a joint production-sales project team to strengthen supply capabilities for original high-value-added THK products.

FY09

Operating initiatives

— Sales —

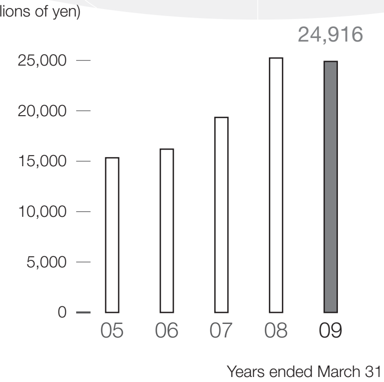
– Amid an ongoing downward correction in demand among existing customers, THK plans to focus on creating revenue-generating opportunities through development of new areas and aggressive expansion of the regional sales agent network.

— Production —

– With demand falling across the region, THK plans to continue developing its production management set-up to realize a consistent supply of high-quality products with short delivery lead-times. Efforts are also continuing to broaden the range of products manufactured locally and to maintain capacity utilization through a higher local production ratio.

Sales in Europe

(Millions of yen)



Bases

Germany	Sales offices	4
United Kingdom	Sales office	1
Ireland	Plant	1
Italy	Sales offices	2
Sweden	Sales office	1
Austria	Sales office	1
Spain	Sales office	1
France	Sales office	1
	Plant	1
Turkey	Sales office	1
Czech Republic	Sales office	1
Netherlands	Sales office	1
Russia	Sales office	1

Group companies

As of March 31, 2009

- THK Europe B.V.
- THK GmbH
- THK France S.A.S.
- THK Manufacturing of Europe S.A.S.
- PGM Ballscrews Ireland Ltd.

Note: Please refer to p. 68 for details of the principal business activities of THK Group companies.

ASIA

FY08

Operating conditions

– Demand from the mainstay machine tool sector remained strong in China during the first half of the year, reflecting the continued expansion of capital investment amid sustained high economic growth. Favorable growth in demand in South Korea for products used in flat panel-related applications was another positive factor.
-- Demand fell sharply across the entire region toward the end of the year, led by a slowdown in the machine tool sector.

Performance overview

– Sales in Asia increased 1.8% in year-on-year terms to ¥21.5 billion.
– Sales growth rates by territory were –10.3% in South Korea, –2.8% in Taiwan and –0.5% in China (for the industrial equipment-related business).

Operating activities

— Sales —

– Seeking to tap into robust demand in China, where growth is being driven by sectors such as machine tools, THK made further progress in developing the sales network while also upgrading sales activities in line with the needs of local customers.
– In Taiwan, besides targeting demand in the machine tool sector, THK also actively sought to expand revenue-generating opportunities. This included organizing technical seminars by THK engineers to try to raise the proportion of sales generated by hybrid units.

— Production —

– Production commenced of linear motion products other than LM guides, enabling THK to target new regional earnings opportunities.
– THK's production capacity in China increased following the completion of a plant upgrade at Dalian.
– THK continued to focus on raising profitability and productivity through the supply of high-quality products while at the same time focusing on heightening cost-consciousness among employees.

FY09

Operating initiatives

— Sales —

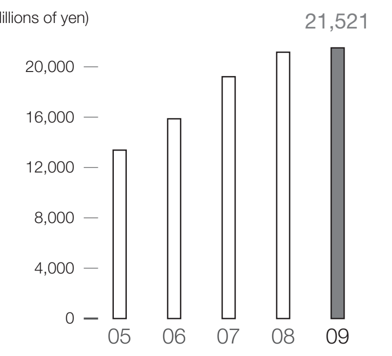
– In China, where there is considerable untapped demand, THK aims to build its presence within the market while making the most of its brand's reputation for high reliability. To this end, in addition to further expanding and upgrading the sales network, THK plans to tap latent demand among existing customers while at the same time aggressively developing new customers outside of the mainstay machine tool sector. In Taiwan, amid an ongoing downward correction in demand among existing customers in the machine tool sector, which remains the mainstay of the business, THK plans to develop new areas such as environmental and energy-related applications.

— Production —

– A rotating four-squad triple-shift production system has now been set up at each plant. THK plans to continue preparing for an anticipated recovery in demand by developing flexible response capabilities while also seeking to raise productivity and cultivate workforce skills at each site.

Sales in Asia

(Millions of yen)



Years ended March 31

Bases

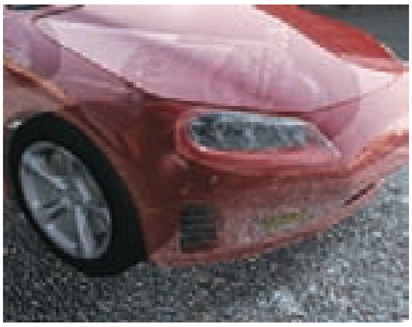
China	Sales offices	17
	Plants	4
Taiwan	Sales offices	3
Singapore	Sales office	1
India	Sales office	1
Thailand	Plant	1
Korea	Sales offices	13
	Plants	2

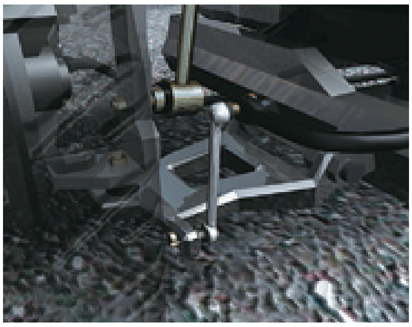
Group companies

As of March 31, 2009

- THK TAIWAN CO., LTD.
- THK (CHINA) CO., LTD.
- THK (SHANGHAI) CO., LTD.
- DALIAN THK CO., LTD.
- THK MANUFACTURING OF CHINA (WUXI) CO., LTD.
- THK MANUFACTURING OF CHINA (LIAONING) CO., LTD.
- Beldex KOREA Corporation
- THK LM SYSTEM Pte. Ltd.
- RHYTHM GUANGZHOU CORPORATION
- THK RHYTHM (THAILAND) CO., LTD.
- SAMICK THK CO., LTD.

Note: Please refer to p. 68 for details of the principal business activities of THK Group companies.





FAI Division

Targeting higher earnings from the transportation equipment-related business segment

FAI stands for Future Automotive Industry. THK set up the FAI Division in 1999 to expand usage of the company's products as automotive parts. Link balls, which are the division's mainstay product, are used in automobile undercarriages as joint sections to connect the stabilizers to the suspension. Many leading automakers in Japan, Europe and the Americas use link balls, and the business has grown steadily. THK's advantage in this area is an integral molding process for the production of aluminum die-casts. This makes each link ball much lighter than the conventional steel equivalent, as well as highly resistant to corrosion or abrasion. This product is attracting increasing attention from automakers as interest in fuel-efficient vehicles rises.

RHYTHM CORPORATION became a consolidated subsidiary in 2007 as part of THK's efforts to accelerate development of new business areas. RHYTHM has developed forging technologies and superior quality control systems to enable the supply of components to extremely strict dimensional and strength tolerances. The operations of the FAI Division complement the strengths of RHYTHM. THK is working to develop the transportation equipment-related business as an integrated whole. In Japan, the main FAI Division has been relocated to RHYTHM's head office and factory site. In the Americas, sites have been merged to create an efficient sales network and to eliminate unnecessary duplication. In Europe, THK has installed specialist personnel from RHYTHM at branch offices to reinforce sales capabilities. In Asia, a new production base was established at THK RHYTHM (THAILAND) in 2007.

Pursuing synergies with Rhythm

Efforts to integrate FAI Division and RHYTHM operations aim to expand the range of vehicle models in which THK products are utilized. Going forward, the THK Group is targeting a global presence as an automotive parts supplier through the pursuit of synergies with RHYTHM to enhance the Group's ability to respond rapidly and precisely to changes in the global automotive market.

Projected major developments in the transportation equipment-related sector over the medium-to-long term include significant growth in vehicle demand within emerging markets and in the number of major vehicle production regions. Amid rapid growth in vehicle demand in emerging markets, THK is currently targeting aggressive proposal-based sales activities across regions worldwide. By supplying highly competitive products, THK aims to expand its client base in the automotive sector and secure the uptake of components in new vehicle models.

Another key change is an ongoing trend to make vehicles lighter and more energy efficient, reflecting greater global interest in environmental protection. The FAI Division has already developed link balls made using an integral aluminum die-cast process that are substantially lighter than conventional steel parts. This has contributed to improvements in fuel economy. Going forward, THK aims to combine this technology with the forging technology of RHYTHM to develop products that will set new industry benchmarks.

In addition, hybrid and electric vehicles are expected to gain in popularity in the future. THK views this shift as a potentially revenue-boosting trend, and is actively engaged in R&D to expand the utilization of LM guides and other THK products as components for such vehicles.

ACE Division

Broad possibilities for THK's seismic isolation technology

ACE stands for Amenity Creation Engineering. Guided by the concept of "developing technology to realize creative living spaces for greater comfort," the ACE Division has sought to apply THK's original linear motion technology since its establishment in 2001. The division markets seismic isolation devices that protect human life and property from the threat of earthquakes.

Seismic isolation devices help buildings to dampen or absorb the vibrations and shaking caused by an earthquake. THK supplies a broad lineup of such devices, which apply basic technology such as LM guides and ball screws. These products are unique in that they can give adequate earthquake protection to a wide range of structural types, from high-rise buildings and low-rise residences to historical structures such as temples and shrines.

A related area where interest among Japanese companies has grown recently is in the development of business continuity plans (BCPs). Applying THK's original expertise in seismic isolation technology, the division is selling seismic isolation platforms for protecting operating assets such as PCs and servers from damage caused by earthquakes. Compared with rival products on the market, THK's high-performance seismic isolation platforms ensure greater stability when an earthquake hits by preventing any damaging twisting or vertical motion.

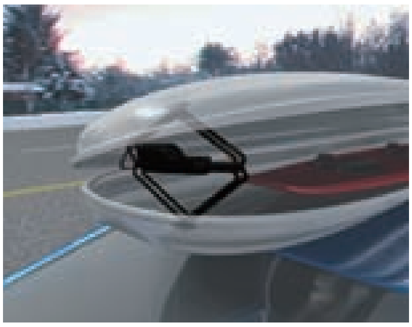
In fiscal 2008, the ACE Division continued actively conducting a nationwide PR campaign with the aim of further expanding the installed base of seismic isolation devices. This included the use of earthquake simulation vehicles at housing exhibitions. Elsewhere, the division engaged in PR activities targeting the corporate sector to emphasize the superiority of THK seismic isolation platforms in server protection applications.

These PR campaigns helped to raise awareness of seismic isolation systems based on THK's original linear motion technology and resulted in a steady increase in the uptake of divisional products.

Upgrading promotional campaigns and sales activities amid growing demand for BCP-related products

Amid increasing general awareness of the need to implement disaster-related contingency measures, THK expects demand for seismic isolation devices to continue growing over the long term.

To stimulate demand, the ACE Division plans to continue using PR campaigns to promote the benefits of THK's seismic isolation devices to architectural firms and homebuilders. The division also aims to promote more widespread product uptake by continuing to organize seminars for consumers to help explain to people the importance of installing seismic isolation devices, along with the advantages offered by THK technology and products. The division also plans to make more effective use of earthquake simulation vehicles in marketing activities. In addition, in an environment where corporate demand for BCP-related products continues to increase, the division is focusing on expanding sales of seismic isolation platforms to protect specific pieces of equipment such as servers.



CAP Project and MRC Center

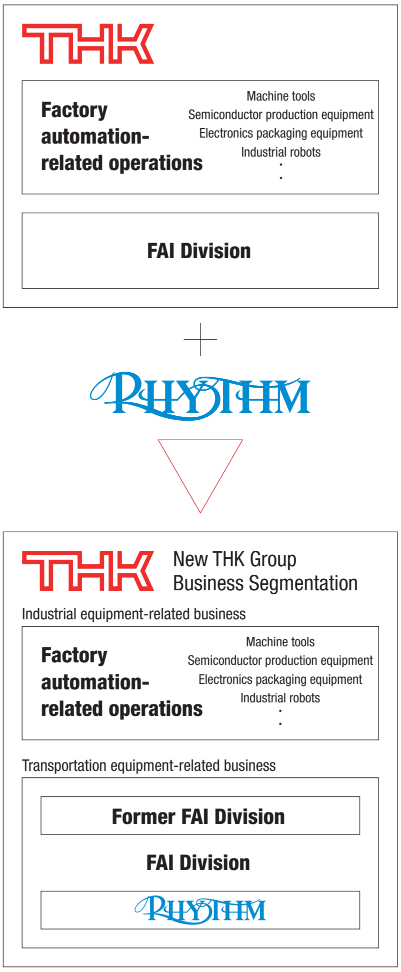
Toward electric-powered living and the creation of future sources of profit

THK established the CAP (Consumer Application Products) Project in 2002 with the aim of developing applications for THK products in end-use consumer applications and of cultivating new markets. Based on the core concept of "electric-powered living," THK is working to create business opportunities in a broad range of fields, mainly components for use in consumer appliances, other lifestyle goods and universal design equipment. Product development efforts are focused not only on developing new applications for THK products to meet existing market needs, but also on creating future-oriented products. Products in this sector that have already entered mass production include lens-shift units for commercial LCD projectors and sliding rails designed to fit electric induction hobs.

THK set up the MRC Center in 2000 with the aim of creating future pillars of earnings growth through the development of highly original products. As suggested by its name, the facility is engaged in creating new technology that spans the fields of mechatronics, robotics and computing. Leveraging the advantages provided by THK's technologies, the center is primarily focused on development of surgical assistance robots and other advanced technology, including humanoid robots. As part of a joint research project with a university, the MRC Center is working on the commercialization of a surgical assistance robot featuring mechatronics that facilitate considerably more complex and precise movements than previously achieved in this field.

In June 2009, as part of an organizational rearrangement, the CAP Project and MRC Center were merged into the Business Development Department in the Engineering Division. This move aims to expand the range of applications for THK products further by boosting the efficiency of development operations.

BUSINESS SEGMENT REVIEW



Business segment classification

In 2007, THK acquired a 100% equity stake in automotive parts manufacturer RHYTHM, which became a consolidated subsidiary of THK. This move greatly expanded the range of applications for THK products in the transportation equipment sector, including automobiles and motorcycles. To reflect this change, THK adopted a new business segment presentation from fiscal 2007. The two business segments are the industrial equipment-related business, which incorporates the core business focused mainly on industrial machinery such as machine tools and semiconductor production equipment, and the transportation equipment-related business, which comprises the FAI Division and consolidated subsidiary RHYTHM.

Business segment characteristics

The industrial equipment-related business is one that THK has constructed over the years by working to integrate manufacturing and sales systems. THK has developed efficient production systems to facilitate a dynamic response to variation in order levels, thus translating increased sales into higher profits. THK is reinforcing efforts to expand top-line sales within the four key regions of Japan, the Americas, Europe and Asia, while at the same time focusing on initiatives to raise profitability further.

In the transportation equipment-related business, THK aims to expand the scale of operations while improving profitability. This involves the pursuit of synergies with RHYTHM in all areas ranging from development to production and sales. Unlike the industrial equipment-related business, which has strong growth potential but where demand is influenced heavily by capital investment trends, the transportation equipment-related business tends to generate more stable earnings. THK's vision in this sector is to target first-tier supplier status by supplying products that are regarded as global benchmarks, based on the combination of innovative technology and a quality guarantee to customers to ensure zero defects or delivery problems. Going forward, THK plans to boost efforts to expand the range of automotive applications for core THK products such as LM guides and actuators.

Review of fiscal 2008

Industrial equipment-related business

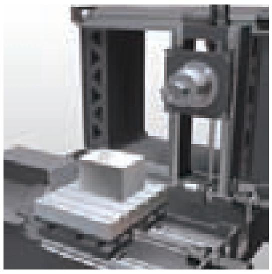
Net sales posted by the industrial equipment-related business segment were ¥144.3 billion in fiscal 2008, a year-on-year decline of ¥23.9 billion. Segment operating income fell by ¥16.3 billion to ¥19.9 billion. In Japan, despite declining capital investment and production levels in the first half of the year, THK was able to generate new growth from flat panel-related applications as a result of increased business with existing customers and the development of new clients. Demand declined sharply across the board in the second half of the year, however. In the Americas, business was affected by a broad-based downward correction in the general machinery and electronics sectors that began in the first half of the year. In Europe, THK's sales grew mainly in the machine tool and general machinery sectors, supported by buoyant demand for machinery in the first half. In Asia and other regions, growth came in the first half mainly from the machine tool sector in markets such as China and Taiwan and from the flat panel-related sector in South Korea. Demand fell sharply across all overseas regions toward the end of fiscal 2008, however.

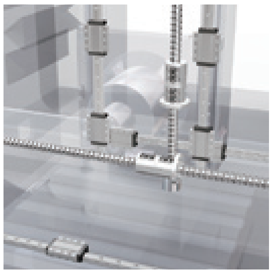
Transportation equipment-related business

Net sales posted by the transportation equipment-related business segment in fiscal 2008 were ¥34.9 billion, a year-on-year drop of ¥5.4 billion. Automobile production volumes were firm in the first half of the year in Japan and Europe, but weak in the Americas. Output fell across all regions in the second half of the year. Amid harsh conditions, coordinated efforts by the FAI Division and RHYTHM did result in more THK Group products being newly adopted by customers in vehicle models. The segment posted an operating loss of ¥4.5 billion for the year. This reflected amortization of goodwill and the impact of a sharp fall in demand, which outweighed the benefits gained from ongoing cost-reduction programs.

THK PRODUCTS

THK has been a global pioneer in the development of the linear motion (LM) guide, which is based on an original concept and innovative technology. Within the mechatronics sector, LM guides are a vital component of machinery and have varied industrial applications. THK also develops, produces and supplies to the world a range of other vital machinery components, including ball splines and ball screws.





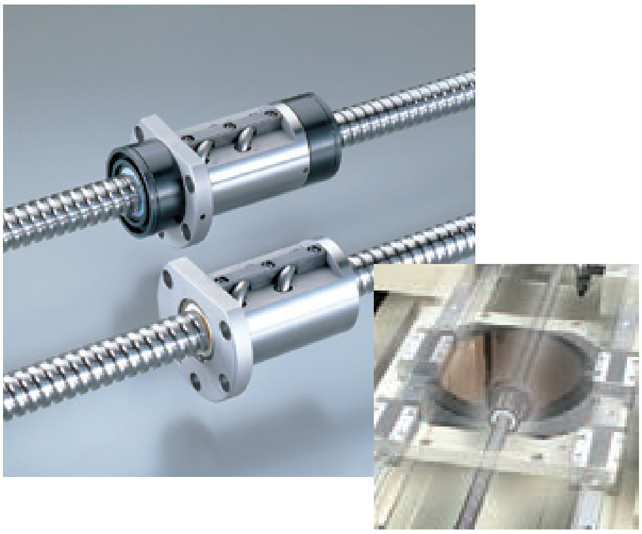
Linear Motion (LM) Guides

LM guides are a critical element in many types of machinery. By converting slippage into controlled rotary motion, they enable parts of machinery to move smoothly, easily, and precisely in a straight line. In 1996 THK became the first company in the world to successfully develop the next generation of LM guides featuring caged ball technology. Since then we have striven to expand the usage of these improved LM guides. The ball cages are plastic parts that keep the balls in place and guide them. This stops direct contact between the balls, eliminating noise and friction. Compared with first-generation LM guides, the use of caged ball technology reduces noise, extends service life, and enables longer maintenance-free periods. LM guides based on caged ball technology are now vital components of many types of equipment. They have made a major contribution to the development of high-speed, low-noise industrial machinery with longer productive lives, notably in the machine tool and semiconductor production equipment sectors.

THK PRODUCTS

Ball Screws

Ball screws are machinery parts that function by causing a large number of balls to circulate between the screw shaft and the nuts. This mechanism of action efficiently converts rotary motion into linear motion. Primarily employed in various types of industrial machinery, ball screws are labor-saving devices that act as drive components in motors. THK has also developed ball screws featuring caged ball technology that have made a significant contribution to the development of high-speed, low-noise industrial machinery with extended service lives, especially in sectors such as machine tools, industrial robots, and semiconductor production equipment. Other ball screws supplied by THK are designed to support high loads, making them ideally suited for replacing the hydraulic cylinders used in capital equipment such as injection molding machines, presses, die-cast machines.

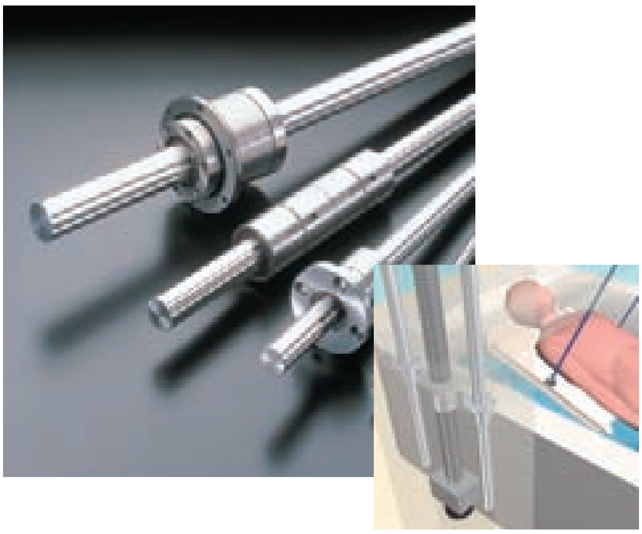


Actuators

Actuators are hybrid products combining a guide component such as an LM guide with a ball screw, linear motor, or other drive component. In industries such as electronics, there is an increasing need to shorten development and manufacturing lead-times. Modularization allows actuators to realize benefits such as simplified design and fewer assembly components, thus helping to meet such requirements. THK supplies a varied lineup of actuators ranging from basic, low-priced units to high-end components designed to operate at high speed or perform to clean-room specifications. Such advanced actuators have become indispensable parts in equipment used in the manufacture or inspection of semiconductors and flat-panel displays.

Ball Splines

Developed in 1971, the same year that the Company was established, ball splines were the precursor to the LM guide. Balls roll along an R-shaped groove machined into the spline axle. This critical advance boosts the load that the device can tolerate and permits the transmission of torque, resulting in a revolutionary linear-motion system. Compared with conventional linear-motion bearings, which do not contain such grooves, ball splines boost the tolerable load by a factor of 13 and service life by a factor of 2,200. Today, ball splines play a number of highly functionalized roles in a variety of machines. Usage examples include industrial robots, medical equipment, and chip mounters.



Cross Roller Rings

Cross roller rings are roller bearings that feature internal cylindrical rollers arranged orthogonally so as to facilitate load bearing in every direction. The incorporation of the spacer cages between these orthogonally arranged rollers prevents roller skew and reciprocal abrasion between the rollers. These rings are highly rigid despite their compact structure. Cross roller rings are used in the rotating parts of many different types of industrial machinery, including the joint areas and swiveling parts of industrial robots, machining center swivel tables, the rotating parts of industrial manipulators, and precision rotary tables. Other applications include medical equipment, measuring instruments, and equipment for manufacturing integrated circuits.

Link Balls

Link balls are spherical joints that are used primarily as automotive parts. THK has developed a proprietary process for link ball production in which a die-casting process is employed to fabricate holders for the high-precision steel ball bearings that form the spherical surfaces. The shank portions are then specially welded. We use an integral molding process for the aluminum die-cast, which makes the link balls highly resistant to corrosion and wear due to abrasion. They are also considerably lighter than the steel parts traditionally used. Link balls are used widely in automobile undercarriages, particularly in ground clearance sensors and the joint sections connecting the stabilizers to the suspension. As such, they play an important role in improving safety and comfort on the road. Over the past few years we have begun supplying link balls for an increasing number of vehicle models to leading automakers in Japan, Europe, and North America.

RHYTHM products

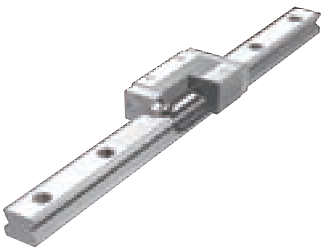
RHYTHM CORPORATION, which became a consolidated subsidiary in 2007, offers a product range that includes automotive parts used in steering, suspension, and braking systems as well as engines and transmissions. In addition to cold-rolled steel forged ball joints, RHYTHM is currently expanding into ball joints that are integrated with aluminum suspension links. As critical automotive safety components, RHYTHM's products must meet the highest standards of quality and performance. In striving to meet market demands by offering guarantees of zero defects and zero delivery problems, RHYTHM seeks to contribute to the production of safer and more comfortable vehicles.

R&D AND NEW PRODUCT DEVELOPMENT

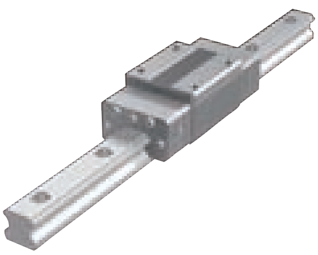
Guided by the business philosophy of "providing innovative products to the world and generating new trends to contribute to the creation of an affluent society," THK continually strives to create original products as a creative development-driven enterprise.

LM Guide with Caged Ball (SPR)

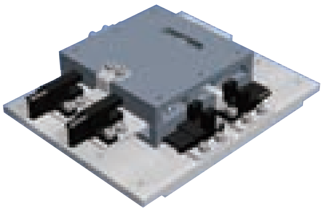
Oil-free LM guide



Medium-to-low vacuum LM guide



High-vacuum non-magnetic stage



THK product development as a contributor to industrial development

THK's business philosophy is based on the idea of "providing innovative products to the world and generating new trends to contribute to the creation of an affluent society." This thinking has guided our drive to be a creative development-driven enterprise, enabling us to develop a varied stream of products since our establishment in 1971. Besides contributing to industrial development, these efforts have also resulted in THK steadily accumulating technical expertise that has been a primary source of growth.

THK developed the world's first linear motion (LM) guide. For the first ten years after we started production and sale of these products in 1972, LM guides were primarily used in machine tools. During this period we developed a series of new products to fulfill our customers' needs for increased precision and lower cost. In the 1990s, other industries such as manufacturers of semiconductor production equipment and industrial robots began to adopt THK products. We responded by developing various new products that were optimized for customer-specific applications and operating environments in these sectors.

In 1996, we pioneered the development of the world's first-ever LM guide using caged ball technology, an advance that enabled LM guides to operate without maintenance for much longer periods. Although such technology was already common in rotary bearings at the time, the problem was that these bearings had to cope with both linear and circular movements. This made it extremely difficult to develop ball cages with sufficient durability to move along straight lines or curves. THK demonstrated superior technical prowess in overcoming this issue. LM guides based on caged ball technology not only provide the benefit of long-term maintenance-free use, but have also made a significant contribution to the development of high-speed, low-noise industrial machinery with longer productive lives, particularly in the machine tool and semiconductor production equipment sectors. The advance also paved the way for the development of LM guides for additional applications. Today, we continue to develop products that use cage-embedded technology. Besides LM guides, this range has expanded to include ball screws, ball splines and hybrid units combining LM guides with ball screws.

Fiscal 2008 achievements: launch of diverse selection of new products

Maintaining the previous year's focus, the main theme of R&D activities in fiscal 2008 was the "cubic E" concept, which embraces the three keywords Ecological, Economical and Endless. Based on this theme, we worked to speed up development with the aim of extending the range of applications for THK's technology while at the same time seeking to develop highly original and attractive products for launch five or ten years in the future.

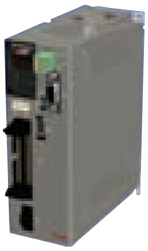
Major achievements in fiscal 2008 included the development of products for a number of original applications. These are outlined below.

■ LM Guide with Caged Ball (SPR/SPRS)

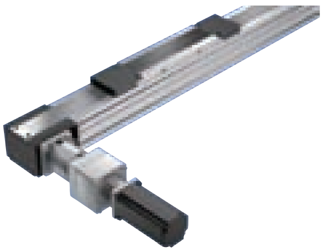
Extending THK's range of LM guides based on caged ball technology, we developed the SPR/SPRS-type LM guide, which offers ultra-high rigidity as well as ensuring extremely low levels of waving (rippling effects due to vertical or lateral movement of balls inside the block). The use of low-diameter balls and an ultra-long block significantly reduces waving. The product also realizes a dramatic improvement in rigidity by doubling the number of grooves in which the balls circulate from four to eight.

Linear motor actuator (GLM25)

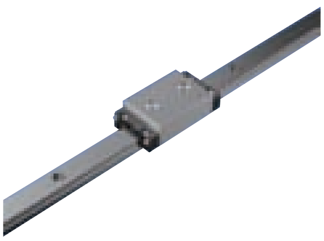
Super-FA HS series



LM actuator (TY)



Utility slide (UGR)



■ Oil-free and medium-to-low vacuum LM guides; high-vacuum non-magnetic stage

We developed and launched three new products for use in highly specialized environments. The oil-free and medium-to-low vacuum LM guides are for use in high-vacuum environments where oil cannot be used for lubrication. The high-vacuum non-magnetic stage is designed to be most effective when used in manufacturing processes for electronic components or flat-panel displays where magnetic substances such as iron must be excluded.

■ Linear motor actuator (GLM series)

We added the GLM15 and the GLM25 models to our range of linear motor actuators. The GLM series has gained both the CE Mark (an EU safety standard) and the UL Mark (a U.S. safety standard), enabling us to expand sales of these products worldwide.

■ Super-FA HS series

The Super-FA HS series is a system solution that links THK's diverse range of actuators to a newly developed high-performance controller using fiber-optic connections. This enables customers to extract maximum performance from the actuators.

■ LM actuator (TY)

Based on the application of belt-drive technology, the TY-type LM actuator offers the dual benefits of a long stroke (of up to 4,700 mm) and high-speed performance (up to 3.4 m/s).

■ Utility slide (UGR)

We developed and introduced this product to apply linear motion technology to a greater range of consumer applications. These utility guide rails can be used in motor vehicles, household furnishings and other types of equipment.

An efficient and effective R&D system

Organizational changes were implemented within the Engineering Division in June 2009 to boost development efficiency and further promote development of new applications for THK technology.

A new unit, the Business Development Department, was established to target the development of new business areas. This department works alongside the Engineering and Development Department, which has traditionally overseen all development related to vital machinery components and hybrid units. In a separate move, the Application Engineering Development Department was also added to the Engineering Division to provide timely technical support in line with the needs of customers.

The Technology Center, the Tokyo-based facility that undertakes all of THK's R&D activities, currently employs approximately 200 staff (including the IMT Division, which was established to expand the hybrid unit business).

Fiscal 2009 policies and programs

Based on the revamped R&D system, we plan to focus our efforts in fiscal 2009 on the efficient development of new products with the aim of expanding applications for THK technology further. Specifically, we will pursue themes such as customer convenience while promoting designs that incorporate the potential for enhanced productivity and quality. Moreover, by conducting basic and applied development programs in parallel, we will focus on developing products that can quickly generate commercial returns. In addition, we will focus on nurturing accelerated development by continuing to promote the internal "To Be Project," a human resources development program that is aimed at cultivating the technical personnel needed to foster the growth of THK as a creative development-driven enterprise.

ENVIRONMENTAL PRESERVATION

As a pioneering global manufacturer of vital machinery components, the THK Group has made an economic and social contribution via the development of linear motion systems such as LM guides. At the same time, we recognize our corporate social responsibility in terms of contributing to global environmental preservation efforts so that future generations can inherit a healthy planet. To this end, we are engaged in various activities aimed at continuously reducing the impact on the environment as well as trying to maintain and improve the natural environment.

THK Group's Basic Policy Regarding the Environment

1. Conservation of the environment is considered a major management concern, and we are striving to accurately grasp the impact on the environment produced by the Group's business activities, products, and services. Every division participates by setting relevant environmental goals.
2. In addition to following environmental laws, we set self-imposed standards for Group companies and regularly review them to improve the efficiency and effectiveness of our environmental management.
3. We will continually promote the development of products that help reduce environmental burdens.
4. We will continually promote conservation and recycling of resources, with particular attention to reducing and recycling waste from our manufacturing divisions.
5. To promote greater unity in our environmental activities, we will provide guidance and support to our affiliates and business partners, and strive to work in cooperation and harmony with local communities.
6. This basic policy regarding the environment shall be disseminated to all divisions in the Group through education, training, and activities designed to improve awareness. We will disclose information concerning the environment to parties within and outside the Group in a timely manner.

Environmental activities and targets

Area	Objectives and goals	Main activities
Energy conservation	Cut greenhouse gas emissions	(1) Energy diagnostics (2) Energy conservation (3) Use of clean energy
Material conservation, zero emissions	Reduce environmental impact; achieve zero emissions	(1) Input controls (materials, parts and by-products) to reduce usage and boost per-unit yields (2) Controls on emissions and final waste disposal (3) Material re-use/recycling
Harmful substance controls	Eliminate and control harmful substances in THK Group production/distribution activities	(1) Substitution of PRTR-designated substances (2) Green procurement and purchasing
Environment-friendly products and services	Develop products and supply services using LCA (Life Cycle Assessment) methods	(1) Cage-embedded product series development (2) Extension of service life and maintenance-free periods

New initiatives

A program of office-based environmental preservation activities commenced during the year. Special teams were formed at THK's head office and inside engineering and development divisions to promote environmental measures such as energy-saving initiatives and efforts to reduce the amounts of waste emitted or water used. THK Group companies outside Japan began collecting accurate environmental performance data, including energy consumption and CO_2 emissions.

The Company's Mie Plant has adopted energy-saving lighting fixtures that employ high-frequency inverters.

Prevention of global warming

THK Group facilities consume energy in machinery fabrication and grinding processes and in the operation of systems such as air conditioning, lighting and compressed air lines. We are trying to cut CO_2 emissions at our facilities by replacing equipment with more energy-efficient versions and by operating and managing equipment more efficiently. Alongside these efforts, the TAP-2 (THK Advantage Program 2) initiative, which targets our production division, involves ongoing activities aimed at conserving energy through improvements in productivity.

Employees attend a lecture on environmental issues at our Kofu Plant.

Reducing waste

THK Group facilities try to minimize waste generation through the appropriate management of the timing and volume of material input purchases. We also apply strict waste separation policies to promote the recycling of materials into metals, fuel oil, other fuels, raw materials for cement or asphalt, and plastics. Currently we recycle nearly all of the waste materials that we generate.

Management of environmental risk substances

The THK Group is promoting green procurement (initiatives and systems to facilitate preferential purchasing of products with low environmental impact from suppliers that are actively involved in environmental preservation efforts) based on cooperation with suppliers. These activities are aimed at ensuring compliance with the EU's RoHS and REACH directives, while also curtailing the use in production processes of those chemical substances regulated under Japan's Pollutant Release and Transfer Registry (PRTR) legislation.

Notes: 1. The EU directive on the Restriction of Hazardous Substances (RoHS) places strict limits on use of certain designated substances in electrical and electronic equipment.
2. The REACH (Registration, Evaluation, Authorization and Restriction of Chemicals) directive mandates the safety evaluation and registration of data on virtually all chemical substances sold in the EU.

Employees at our Yamagata Plant participate in a contingency drill based on a waste liquid pollution scenario.

Green logistics

Our logistics division is applying a total environmental management approach based on the "green logistics" concept. This involves measures to reduce energy used in transportation, save energy at distribution centers, and reduce waste. Specific initiatives to lower CO_2 emissions include modal shifts to distribution by rail and efforts to make truck haulage more energy efficient by increasing vehicle loading ratios or consolidating trucking routes.

CORPORATE GOVERNANCE AND INTERNAL CONTROLS

THK's aim as an enterprise is to maximize the generation of stable returns for shareholders over the long term. To this end, THK is working to strengthen corporate governance while upgrading compliance, risk management and other internal control systems.

Basic stance on corporate governance

THK's basic stance on corporate governance is that, from the perspective of maximizing shareholder returns, the Company aims to boost the transparency of management to shareholders while at the same time striving to achieve proper and efficient management.

The two basic management bodies are the Board of Directors and the Board of Auditors. THK has also established the Executive Council, a four-member body that comprises the President & CEO and senior executive directors, to provide additional support in the form of strategic input to guide the decisions made by the Board of Directors.

The Executive Council gathers from relevant internal departments the information required by directors to facilitate informed discussion and debate. Where necessary, the Executive Council may seek the opinion of lawyers, accountants or other third-party professionals so that any points of contention can be debated and resolved.

Based on such deliberations, the Board of Directors provides the forum for further discussion of issues. The Board of Directors has final decision-making power over all key management issues. As of June 2009, it was composed of 16 directors, with no external appointments.

The Board of Auditors comprises four members, two of whom are external auditors. THK is working to strengthen management oversight by reinforcing the role played by the Board of Auditors.

Implementation of corporate governance measures

THK's business environment is characterized by fierce competition from other companies and increasingly advanced customer requirements. To develop and offer products and services to satisfy customer demands within such an environment, THK believes that an important element of business execution is the cultivation of connections between directors who also serve in concurrent roles as senior managers with responsibility for functions such as production, sales and quality control. THK also believes that such directors should participate in important management decisions. While THK has not appointed any external directors to date, director terms are set at one year to ensure clearly defined managerial responsibilities.

To achieve a clear separation of management oversight from operational execution functions, senior executive directors (the members of the Executive Council) do not hold any line management position. This rule is designed to promote independent supervisory management functions. Mutual monitoring by those directors with concurrent senior management roles and auditing of management by the external and standing auditors enhance oversight at the senior level.

In cooperation with the independent auditors, the members of the Board of Auditors work to assess the status and results of financial accounting audits, based on reports requested from the independent auditors concerning the process and content of such audits.

Separately, THK has also established the Internal Audit Office. Based on internal audit regulations, this section conducts ongoing internal audits to help evaluate whether operational execution is done on a faithful, sound and rational basis and to assess overall management efficiency. The role of the external and standing auditors is to identify any matters requiring audit by the Internal Audit Office and to work with this section to implement appropriate auditing procedures. A separate liaison committee consisting of auditors working for the parent company and THK Group companies based in Japan also meets regularly to exchange information on auditing practices.

Active disclosure of corporate information

THK has consistently regarded active communication with all stakeholders as an important part of management. THK is actively committed to maintaining fair and proper disclosure of information.

In particular, in light of the basic stance on corporate governance to maximize shareholder returns, THK continues to devote efforts to upgrade and expand the disclosure of information to shareholders and investors. According prime importance to its business philosophy, THK releases long-term management targets, medium-term management plans and annual forecasts that collectively constitute its business framework on a regular basis, along with reports on the progress status of activities to achieve stated performance goals.

THK holds the General Meeting of Shareholders on a Saturday in mid-June. This policy deliberately avoids the period in late June when many shareholder meetings are clustered, thus making it easier for shareholders to attend.

Construction and reinforcement of system of internal controls

In compliance with Japanese legislation, THK is implementing initiatives to reinforce internal controls in order to strengthen the management platform. A project team overseeing the development of an internal controls framework was established in fiscal 2006. As required by the Financial Instruments and Exchange Law, THK has since established an internal framework to ensure the reliability of financial reporting. A system of internal controls covering the entire THK Group, including subsidiaries and affiliates, has also been created, in line with the internal controls development plan formulated in fiscal 2006. Tests undertaken on the system of internal controls during fiscal 2008 did not detect any flaws or serious outstanding issues. The conclusions from these tests have been submitted in a statutory regulatory filing on internal controls to the Prime Minister of Japan through the Kanto Local Finance Bureau.

Framework for promotion of compliance

THK established the Compliance Committee in 2005 as a permanent body chaired by the President & CEO. As well as discussing and approving all compliance-related policies, regulations and educational plans, this committee also oversees issues relating to legal and regulatory compliance, as well as managing the response to any instances of reported compliance violations.

THK's operating divisions have all established compliance working groups reporting to the Compliance Committee. Working group members are chosen to represent various sites and regions. Besides promoting compliance status and related awareness, the working groups also perform an advisory function in relation to compliance issues. Lawyers and other outside experts are regularly invited to host lectures, seminars and study groups to provide compliance-related training opportunities for members of the compliance working groups. These events cover topics such as protection of confidential information, insider trading and sexual harassment in the workplace.

The Company has established the THK Help Line to provide employees with an internal channel for reporting suspected compliance violations. The aim is to prevent executive officers or employees from committing violations and to help ensure that swift corrective measures can be taken in the event of any serious compliance-related problems arising. THK is trying to raise internal awareness of this help line facility through repeated ongoing measures. THK has also created compliance-related e-learning modules as a tool for raising internal awareness of compliance issues within everyday business activities.

Comprehensive risk management

THK has set up the Risk Management Department to monitor risks and to coordinate Group-wide efforts to address such risks. Within this department, separate sections are responsible for formulating guidelines and organizing educational and training programs relating to risks such as compliance, the environment, disasters, information security, export controls, and new forms of influenza.

DIRECTORS & AUDITORS

As of June 20, 2009

Akihiro Teramachi

President and CEO

Masamichi Ishii

Senior Managing Director

Takeki Shirai

Managing Director

Toshihiro Teramachi

Managing Director

Junichi Kuwabara

Director

President and Representative Director of THK Holdings of America, L.L.C.

President and Representative Director of THK America, Inc.

Takashi Okubo

Director

President of THK (CHINA) CO., LTD.

President of THK MANUFACTURING OF CHINA (LIAONING) CO., LTD.

Tetsuya Hayashida

Director

President and Representative Director of THK Europe B.V.

President and Representative Director of THK GmbH

President and Representative Director of THK France S.A.S.

President and Representative Director of PGM Ballscrews Ireland Ltd.

Hideyuki Kiuchi

Director

General Manager of Corporate Strategy Division

Masato Sawada

Director

General Manager of FAI Division

Isamu Hatanaka

Director

General Manager of Production Division

Junichi Sakai

Director

General Manager of Quality Assurance Division and Chief of the Advanced Technology Information Center

Hirokazu Ishikawa

Director

General Manager of Sales Support Division

Hiroshi Imano

Director
Deputy General Manager of Production Division
President and Representative Director of THK Manufacturing of Europe S.A.S.

Junji Shimomaki

Director
General Manager of Sales Division

Takanobu Hoshino

Director
General Manager of IMT Division

Kaoru Hoshide

Director
General Manager of Engineering Division

Yoshimi Sato

Standing Auditor

Kazunori Igarashi

Standing Auditor

Shizuo Watanabe

Auditor

Masatake Yone

Auditor

FINANCIAL SECTION

MANAGEMENT'S DISCUSSION & ANALYSIS

■ Analysis of Operating Results

Net sales

Fears of a global economic slowdown intensified from the start of fiscal 2008, the year ended March 31, 2009, due to the impact of financial uncertainty arising from the subprime mortgage crisis. The collapse of major financial institutions in the United States heightened uncertainty in the second half of the year, and the knock-on effects flowed through to the real economy. The Japanese economy entered a downturn amid rapid decreases in capital investment and exports, which had previously held up well. Outside Japan, besides the developed economies, the sudden downturn also exerted a negative impact on emerging markets such as China, reducing growth substantially.

Against this backdrop, THK continued to focus on reinforcing structures to realize stable long-term growth in performance, while also seeking to mitigate business risks such as changes in the operating environment based on expansion into new business domains, in line with THK's strategies of "Full-Scale Globalization" and "Development of New Business Areas." However, as the result of a fall in demand due to greater-than-expected external environmental changes, consolidated net sales decreased by ¥29,440 million, or 14.1% year-on-year, to ¥179,269 million.

Cost of sales

During the term under review, THK maintained a focus on cost containment through reduction in facility operating hours. We also endeavored to improve productivity; targeting increased production yields and shorter manufacturing lead-times. Nevertheless, the ratio of the cost of sales to sales increased by 5.6 percentage points over with the previous year, from 67.4% to 73.0%, reflecting the fall in sales caused by the sharp deterioration in operating conditions during the second half of the year, as well as the impact of higher material costs.

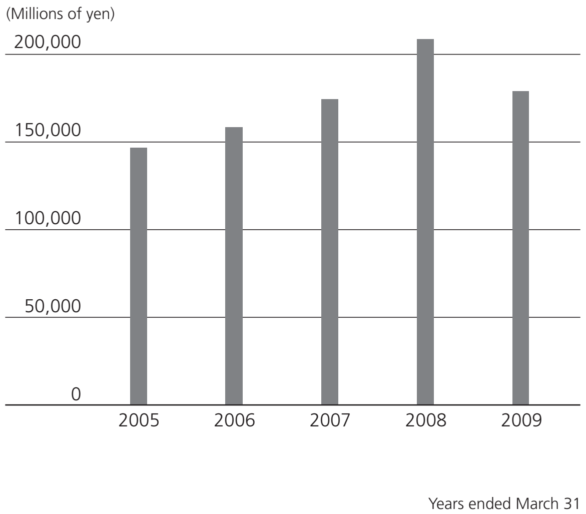
Selling, general and administrative (SG&A) expenses

SG&A expenses declined by ¥1,297 million year-on-year, due to lower personnel costs resulting from cuts in remuneration for directors and auditors, and a decline in total working hours, along with lower distribution costs in line with the decline in sales. Nonetheless, the ratio of SG&A expenses to sales increased by 2.5 percentage points to 22.2% due to a decline in sales.

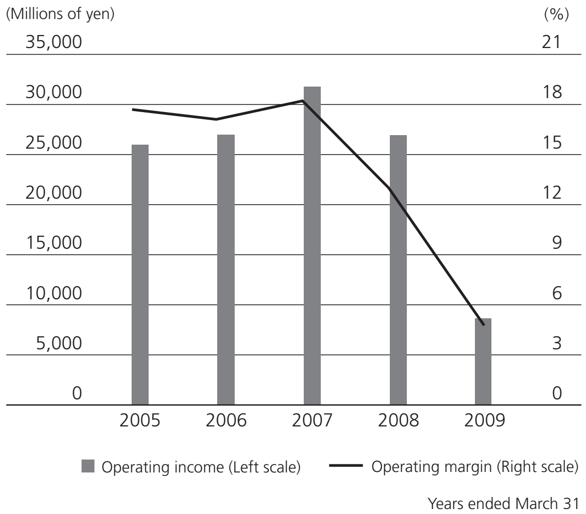
Operating income

Operating income fell by ¥18,415 million, or 68.4% year-on-year, to ¥8,523 million. The operating margin in fiscal 2008 was 4.8%, an 8.1-point deterioration from the previous year.

Net Sales



Operating Income and Operating Margin



Non-operating income and expenses

Non-operating income of ¥2,827 million is primarily attributable to interest and dividend income and the amortization of negative goodwill. Non-operating expenses totaled ¥5,066 million, which mainly consisted of foreign exchange losses, impairment losses on property, plant and equipment, and loss on write-down of long-term investments in securities. Overall, THK recorded net non-operating expenses of ¥2,239 million.

Net income

Net income declined by ¥17,119 million, or 93.4% year-on-year, to ¥1,204 million due to the factors outlined above. Other contributing factors primarily consisted of an increase in the deferred tax asset valuation allowance.

■ Business Segment Information

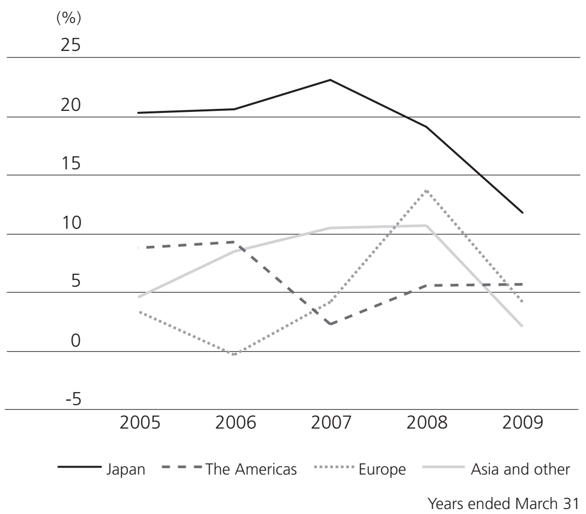
Industrial equipment-related business segment

In Japan, sales to general machinery and flat panel display manufacturers were strong during the first half of the year, against the backdrop of lower capital investment and declining production output. This result reflected our efforts to expand business with existing customers and develop business markets with new customers. In the second half, however, demand fell sharply across the board. Outside Japan, overall demand in the Americas was sluggish from the first half of fiscal 2008 onward, especially in the general machinery and electronics industries. In Europe, sales to machine tool and general machinery manufacturers were firm in the first half of the year, reflecting strong underlying demand for machinery. In Asia, sales grew in the first half, led by sales to machine tool manufacturers in China and Taiwan, as well as flat panel display makers in South Korea, but demand fell sharply across all overseas regions toward the end of fiscal 2008. As a result, segment sales and operating income fell by ¥23,951 million to ¥144,336 million and by ¥16,348 million to ¥19,935 million, respectively, compared with the previous year.

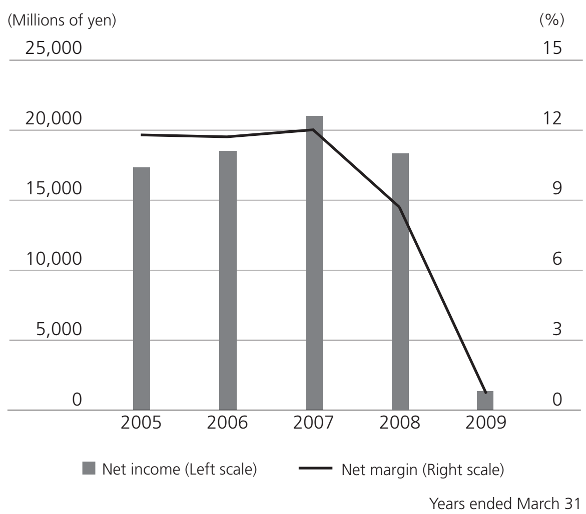
Transportation equipment-related business segment

Vehicle production volumes were depressed during the first half of the year in the Americas, but remained firm in Japan and Europe. In the second half, however, output slumped across all regions. At THK Group, we responded to these challenging conditions by continuing efforts to expand business with existing customers and develop business with new customers. Nevertheless, segment sales fell by ¥5,489 million to ¥34,933 million year-on-year. Despite further spending-cut initiatives, the segment recorded an increased operating loss of ¥4,526 million, in line with the sharp downturn in demand. The loss grew by ¥2,306 million in year-on-year. Contributing factors included amortization of goodwill, among others.

Operating Margin, by Geographic Segment



Net income and Net Margin



Geographic Segment Information

Japan

Reflecting our efforts to expand business with existing customers and develop business markets with new customers, sales to general machinery and flat panel display manufacturers were strong during the first half of the year, against the background of lower capital investment and declining production output. In the second half, however, overall demand fell sharply. Sales fell by ¥30,463 million year-on-year, to ¥115,282 million. As a result, operating income also fell, by ¥14,257 million to ¥13,653 million, despite our efforts to restrict costs through productivity improvements and a reduction in facility operating hours. The substantial decrease in operating income is primarily attributable to a decline in capacity utilization resulting from a decrease in sales, which led to a decrease in fixed costs recovered.

The Americas

We made efforts to integrate marketing and production functions with the aim of expanding business with existing customers and developing business markets with new customers. However, demand from electronics and auto-related manufacturers remained sluggish from the first half of the year, and overall demand dropped sharply in the second half. In addition, the yen strengthened toward the end of the year. Sales and operating income for the region declined by ¥1,551 million to ¥23,922 million and by ¥87 million to ¥1,352 million, respectively, compared with the previous year.

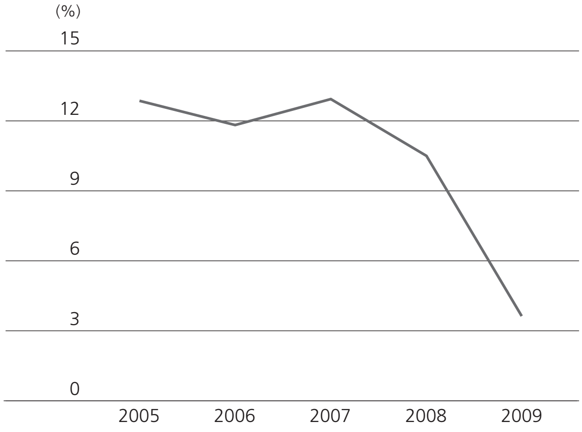
Europe

The integration of marketing and production functions enabled THK to expand sales to vehicle manufacturers. However, demand from machine tool, general machinery and electronic appliance manufacturers fell sharply toward the end of the year. The rapid appreciation of the yen during the second half of the year also had a negative effect. Sales in Europe fell by ¥539 million year-on-year, to ¥24,888 million, and operating income declined by ¥2,443 million to ¥1,049 million, reflecting the decrease in sales and the gain on refund of customs duties that had been recognized in the prior year.

Asia and other

Sales in this geographical region grew in the first half of the reporting period, led by sales to machine tool manufacturers in China and Taiwan and flat panel display manufacturers in South Korea. Although overall demand dropped sharply in the second half of the year, sales in this region increased by ¥3,113 million year-on-year, to ¥15,177 million. However, operating income fell by ¥975 million to ¥321 million, primarily as a result of an increase in fixed costs in China and the effects of the yen's appreciation on our business in Taiwan.

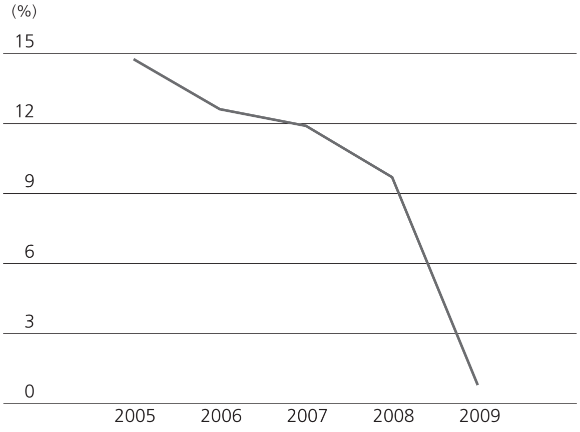
Return on Assets (ROA)



Note: Operating income plus interest and dividend income as a percentage of average total assets.

Years ended March 31

Return on Equity (ROE)



Years ended March 31

Financial Position

Assets, liabilities and net assets

• Assets

Current assets amounted to ¥135,369 million as of March 31, 2009, a decrease of ¥16,964 million, or 11.1%, compared with the previous year-end. Cash and bank deposits increased by ¥15,968 million, primarily due to proceeds from long-term borrowings, which more than offset cash outflow due to repayments of long-term debt. Accounts and notes receivable-trade decreased by ¥26,857 million, in line with a decline in sales.

Non-current assets* declined by ¥6,914 million, or 6.2% year-on-year, to ¥104,982 million at year-end. This was the combined result of capital investment of ¥15,295 million, depreciation expenses of ¥10,389 million, and impairment losses of ¥934 million, as well as a decline in the book value of property, plant and equipment in the amount of ¥3,070 million. Appreciation in the value of the yen through to the end of fiscal 2008 caused a decrease in the yen value of assets at overseas subsidiaries.

*Non-current assets include investments and other, property, plant and equipment, and deferred charges and intangibles.

Total assets at year-end amounted to ¥240,351 million, a year-on-year decrease of ¥23,878 million, or 9.0%.

• Liabilities

Current liabilities at year-end amounted to ¥33,841 million, declining by ¥27,702 million, or 45.0% year-on-year. The main factors were a decrease of ¥16,117 million in accounts and notes payable-trade as a result of a reduction in purchasing corresponding to lower sales, and the redemption of a ¥5,000 million corporate bond.

Reflecting an increase of ¥20,000 million in long-term bank loans, long-term liabilities increased by ¥19,064 million, or 195.9%, from the previous year-end, to ¥28,797 million.

Total liabilities at year-end amounted to ¥62,638 million, a year-on-year decrease of ¥8,638 million, or 12.1%.

• Net assets

Net assets at year-end amounted to ¥177,713 million, a year-on-year decline of ¥15,240 million. One of the primary factors was the yen's appreciation against the U.S. dollar and the euro, which resulted in a decline of ¥11,507 million in foreign currency translation adjustments.

Cash flows

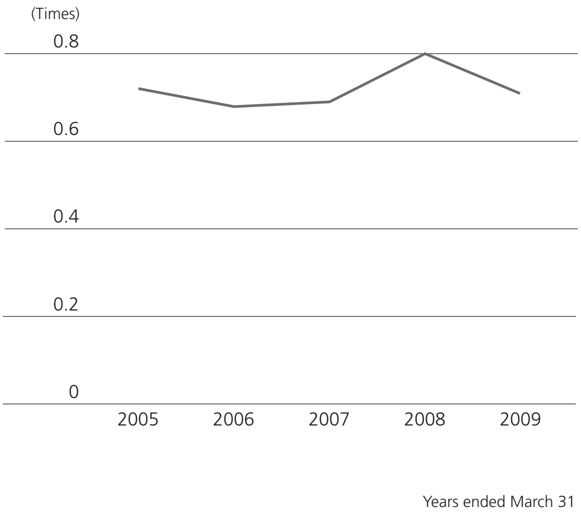
Net cash provided by operating activities amounted to ¥25,193 million, compared with ¥19,382 million in the previous year. This is attributable to income before income taxes and minority interests of ¥6,284 million, depreciation and amortization of ¥10,637 million, and a decrease in accounts and notes receivables of ¥26,170 million, which more than offset a decrease in accounts and notes payables of ¥13,389 million.

Cash used in investing activities amounted to ¥19,078 million, compared with ¥32,354 million in the previous year. Although THK made utmost efforts to derive efficiencies in capital spending amid the sudden changes in external operating conditions, expenditures reflected decisions to purchase property, plant and equipment that had mostly been finalized during the first half of fiscal 2008.

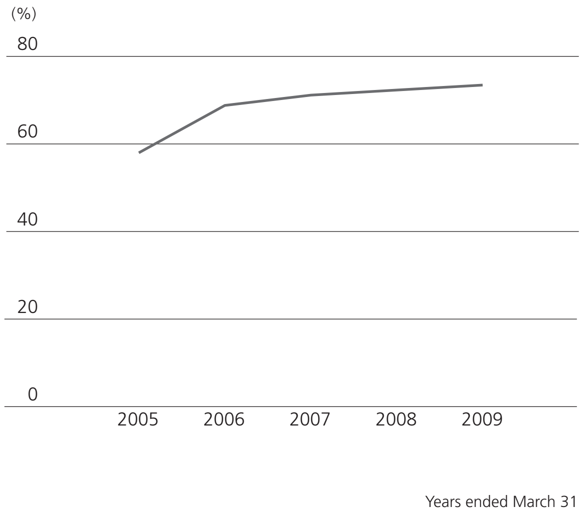
Net cash provided by financing activities amounted to ¥11,031 million, compared with a cash outflow of ¥29,976 million recorded in the previous year. This is attributable to proceeds from long-term bank loans (¥20,000 million), which more than offset redemption of bonds (¥5,000 million).

The year-end balance of cash and cash equivalents amounted to ¥64,130 million, an increase of ¥14,320 million from a year earlier.

Asset Turnover Ratio



Equity Ratio



RISK FACTORS

Risk factors and uncertainties that could affect the THK Group's business results and financial position include, but are not limited to, the items outlined in the following discussion. Please note that information provided on this page was accurate as of June 22, 2009. Any items relating to the future are based on the best judgment of THK Group management as of this date.

Dependence on linear motion systems

The principal business of the THK Group is the manufacture and sale of linear motion (LM) systems, notably LM guides. LM systems account for the majority of sales and are expected to continue to do so for the foreseeable future. Any unexpected technical revolution that jeopardized the position of LM systems as a critical machinery component could have a negative impact on the business results and financial position of the THK Group.

Effect of changes in production trends within specific industries

The THK Group manufactures and sells LM guides, ball screws and other machinery components as well as link balls, suspension ball joints and other transportation equipment components. The principal users of these products are companies that make industrial machinery and equipment including machine tools, general machinery and semiconductor production equipment as well as manufacturers of transportation equipment. While the THK Group is striving through full-scale globalization and development of new business areas to realize expansions in the user base in both quantitative and qualitative terms, the performance of the THK Group is influenced by production trends within industrial sectors such as machine tool, general machinery, semiconductor production equipment, and other transportation equipment that form the core customer base.

The business results and financial position of the THK Group could be affected negatively in the future by a downturn in production levels in these specific industries.

Overseas business expansion

The THK Group has manufacturing and sales operations in the Americas, Europe, Asia and other regions. Economic downturns in countries where the THK Group manufactures or sells products that result in reduced demand for the Company's products could have a negative impact on the THK Group's business results and financial position. Any unexpected legal and regulatory changes in countries other than Japan could also have a similar effect.

Exchange rate fluctuations

Reflecting the fact that it conducts some business in foreign currencies, the THK Group attempts to hedge currency risk using forward contracts and other instruments. Nonetheless, any significant unexpected fluctuations in foreign exchange rates have the potential to exert a negative impact on the business results and financial position of the THK Group.

Reliance on specific sources of supply

The THK Group procures some raw materials and parts from external supply sources. In some cases the sources of such supply are specific to the point that unexpected natural disasters and other incidents could lead to shortages of such raw materials and parts due to limitations imposed on supply capacity or related problems. Any such eventuality could negatively affect THK Group production activities.

Incidence of defective products

THK Group products are widely used in industrial fields that involve advanced mechatronics where the equipment is required to operate with high precision and at high speed while at the same time saving labor. Such sectors include machine tools, industrial robots, equipment for LCD production lines and semiconductor production equipment. Applications for THK products have also expanded to include various areas related to consumer goods and lifestyles, including automobiles, seismic isolation devices for buildings, medical equipment, amusement equipment and the aircraft industry.

In view of this expanded usage, the THK Group is working to build quality assurance systems to ensure that high product quality is maintained across all product sectors. However, any incidence of defective products that arises in any of these markets could potentially result in substantial unexpected costs or a loss of trust among the general public, thereby exerting a negative impact on the business results and financial position of the THK Group.

Information security

The THK Group collects, maintains and manages personal information as well as trade secrets relating to its customers, business partners and other stakeholders in the ongoing conduct of its business activities. While every effort is made to ensure that this information is stored and managed in a secure and appropriate manner, the loss or leakage of a part or all of this information due to a computer virus, information system defect or other factors have the potential to exert a negative impact on the Group's reputation, credibility and standing. This in turn could result in a deterioration in the Group's business results and financial position.

Disasters, Acts of Terrorism, Infectious Disease and Other Maladies

The THK Group maintains and operates manufacturing facilities as well as sales and marketing offices in Japan, the Americas, Europe, Asia as well as other countries and regions. In the event that any of the Group's points of representation are affected by natural disasters including earthquakes and fire, political unrest due to acts of terrorism or war, or outbreak of an infectious disease, the potential exists for the THK Group's business results and financial standing to be negatively impacted.

Sharp Hikes in the Prices of Raw Materials

In the event of unanticipated sharp hikes in the prices of raw materials due to such factors as high crude oil prices, social conditions in raw material supplying countries and rising demand in newly emerging nations, the costs associated with the manufacture of the Company's products can be expected to increase. As a result, the potential exists for the THK Group's business results and financial standing to be negatively impacted.

Consolidated Balance Sheets

as of March 31, 2008 and 2009

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2008	2009	2009
ASSETS			
Current Assets:			
Cash and bank deposits (Note 16)	¥ 48,162	¥ 64,130	$ 652,657
Short-term investments in securities (Notes 5 and 16)	1,648	—	—
Accounts and notes receivable–			
Trade	63,207	36,350	369,939
Unconsolidated subsidiaries and affiliates	2,160	462	4,698
Other	2,608	1,845	18,778
	67,975	38,657	393,415
Less allowance for bad debts	(247)	(233)	(2,373)
	67,728	38,424	391,042
Inventories (Note 6)	29,315	27,137	276,177
Short-term loans receivable–			
Unconsolidated subsidiaries and affiliates	716	2,047	20,836
Other	13	2	18
Deferred tax assets (Note 15)	3,373	2,739	27,872
Other current assets (Note 11)	1,378	890	9,052
Total current assets	152,333	135,369	1,377,654
Investments and Other:			
Long-term investments in securities (Note 5)	2,763	1,549	15,761
Investments in unconsolidated subsidiaries and affiliates	2,655	2,731	27,798
Deferred tax assets (Note 15)	2,426	1,636	16,649
Other investments	4,168	4,654	47,367
Total investments and other	12,012	10,570	107,575
Property, Plant and Equipment (Notes 4 and 10):			
Buildings and structures	49,221	51,032	519,353
Machinery and equipment	127,678	130,958	1,332,768
	176,899	181,990	1,852,121
Less accumulated depreciation	(109,609)	(113,925)	(1,159,419)
	67,290	68,065	692,702
Land	13,144	12,962	131,918
Construction in progress	7,637	3,974	40,445
Total property, plant and equipment	88,071	85,001	865,065
Intangibles:			
Goodwill (Note 12)	10,995	8,270	84,161
Other	818	1,141	11,612
Total intangibles	11,813	9,411	95,773
Total assets	¥264,229	¥240,351	$2,446,067

The accompanying notes are an integral part of these statements.

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2008	2009	2009
LIABILITIES AND NET ASSETS			
Current Liabilities:			
Current portion of long-term debt (Note 7)	¥ 5,000	¥ —	$ —
Accounts and notes payable–			
Trade	35,910	19,793	201,436
Unconsolidated subsidiaries and affiliates	1,266	630	6,415
Other	4,672	3,787	38,536
	41,848	24,210	246,387
Income taxes payable (Note 15)	1,495	364	3,704
Accrued bonuses to employees	2,704	1,716	17,466
Accrued bonuses to directors and statutory auditors	100	—	—
Other accrued expenses	8,596	6,245	63,555
Lease obligations	—	53	543
Other current liabilities	1,800	1,253	12,749
Total current liabilities	61,543	33,841	344,404
Long-term Liabilities:			
Long-term debt (Note 7)	—	20,000	203,542
Reserve for employees' retirement benefits (Note 14)	3,995	4,322	43,989
Reserve for directors' and statutory auditors' retirement benefits	113	126	1,278
Reserve for product warranty	154	118	1,201
Negative goodwill	972	324	3,298
Long-term lease obligations	—	116	1,179
Deferred tax liabilities (Note 15)	3,450	2,810	28,595
Other liabilities	1,049	981	9,982
Total long-term liabilities	9,733	28,797	293,064
Net Assets:			
Common stock			
Authorized: 465,877,700 shares;			
Issued: 133,856,903 shares			
at March 31, 2008 and 2009	34,606	34,606	352,191
Additional paid-in capital	44,343	44,343	451,279
Retained earnings	117,579	114,998	1,170,348
Treasury stock, at cost: 5,249,554 shares and 5,252,712 shares			
at March 31, 2008 and 2009, respectively	(11,347)	(11,352)	(115,528)
Net unrealized gain on other securities	470	144	1,468
Foreign currency translation adjustments	5,302	(6,205)	(63,159)
Minority interests	2,000	1,179	12,000
Total net assets	192,953	177,713	1,808,599
Contingent Liabilities (Note 9)			
Total liabilities and net assets	¥264,229	¥240,351	$2,446,067

Consolidated Statements of Income

for the years ended March 31, 2007, 2008, and 2009

	Millions of yen			Thousands of U.S. dollars (Note 2)
	2007	2008	**2009**	**2009**
Net Sales	¥174,711	¥208,709	**¥179,269**	**$1,824,435**
Cost of Sales (Note 13)	109,569	140,656	**130,928**	**1,332,465**
Gross profit	65,142	68,053	**48,341**	**491,970**
Selling, General and Administrative Expenses (Notes 12 and 13)	33,326	41,115	**39,818**	**405,228**
Operating income	31,816	26,938	**8,523**	**86,742**
Non-Operating Income (Expenses):				
Interest and dividend income	579	933	**559**	**5,687**
Interest expenses	(128)	(185)	**(119)**	**(1,211)**
Foreign exchange gain (loss), net	803	(2,287)	**(2,432)**	**(24,747)**
Loss on sales of long-term investments in securities, net	—	—	**(21)**	**(218)**
Equity earnings (losses) of an affiliate	490	197	**(46)**	**(468)**
Rental income	202	241	**254**	**2,587**
Insurance premium refunded on cancellation	—	62	**—**	**—**
Amortization of negative goodwill	648	648	**1,063**	**10,820**
Commission expenses	(77)	(66)	**(41)**	**(420)**
Loss on sales and disposal of property, plant and equipment, net	(326)	(184)	**(165)**	**(1,678)**
Loss on write-down of long-term investments in securities	—	(10)	**(758)**	**(7,711)**
Impairment losses (Note 4)	(71)	(137)	**(934)**	**(9,503)**
Other, net	588	551	**401**	**4,074**
	2,708	(237)	**(2,239)**	**(22,788)**
Income before income taxes and minority interests	34,524	26,701	**6,284**	**63,954**
Income Taxes (Note 15)				
Current	14,072	7,637	**3,805**	**38,725**
Deferred	(755)	552	**1,123**	**11,431**
Total income taxes	13,317	8,189	**4,928**	**50,156**
Minority interests in Net Income	169	189	**152**	**1,541**
Net income	¥ 21,038	¥ 18,323	**¥ 1,204**	**$ 12,257**

The accompanying notes are an integral part of these statements.

Consolidated Statements of Changes in Net Assets

for the years ended March 31, 2007, 2008, and 2009

	Millions of yen			Thousands of U.S. dollars (Note 2)
	2007	2008	2009	2009
Common Stock				
At beginning of year	¥ 33,734	¥ 33,916	¥ 34,606	$ 352,191
Conversion of convertible bonds to common stock (Note 16)	182	690	—	—
At end of year	¥ 33,916	¥ 34,606	¥ 34,606	$ 352,191
Additional Paid-In Capital				
At beginning of year	¥ 43,471	¥ 43,653	¥ 44,343	$ 451,288
Conversion of convertible bonds to common stock (Note 16)	182	690	—	—
Gain (loss) from sale of treasury stock	0	0	(0)	(9)
At end of year	¥ 43,653	¥ 44,343	¥ 44,343	$ 451,279
Retained Earnings				
At beginning of year	¥ 87,091	¥104,276	¥117,579	$1,196,611
Adjustment due to accounting change in consolidation of foreign subsidiaries (Note 3 (a))	—	—	73	747
Net income	21,038	18,323	1,204	12,257
Cash dividends	(3,718)	(5,020)	(3,858)	(39,267)
Other	(135)	—	—	—
At end of year	¥104,276	¥117,579	¥114,998	$1,170,348
Treasury Stock, at cost				
At beginning of year	¥ (48)	¥ (63)	¥ (11,347)	$ (115,485)
Purchase of treasury stock	(16)	(11,279)	(7)	(67)
Sale of treasury stock	1	1	2	24
Net change in treasury stock held by an affiliate	—	(6)	—	—
At end of year	¥ (63)	¥ (11,347)	¥ (11,352)	$ (115,528)
Net Unrealized Gain on Other Securities				
At beginning of year	¥ 1,357	¥ 1,037	¥ 470	$ 4,779
Net change in the year	(320)	(567)	(326)	(3,311)
At end of year	¥ 1,037	¥ 470	¥ 144	$ 1,468
Foreign Currency Translation Adjustments				
At beginning of year	¥ 2,668	¥ 4,404	¥ 5,302	$ 53,965
Net change in the year	1,736	898	(11,507)	(117,124)
At end of year	¥ 4,404	¥ 5,302	¥ (6,205)	$ (63,159)
Minority Interests				
At beginning of year	¥ 1,519	¥ 1,817	¥ 2,000	$ 20,352
Net change in the year	298	183	(821)	(8,352)
At end of year	¥ 1,817	¥ 2,000	¥ 1,179	$ 12,000
Total Net Assets at End of Year	¥189,040	¥192,953	¥177,713	$1,808,599

Under the Companies Act of Japan, dividends proposed by a Board of Directors are subject to approval at the general shareholders' meeting in the following fiscal year and are shown as a reduction of retained earnings in consolidated statements of changes in net assets for the year they are approved and paid. Semi-annual interim dividends may also be paid once a year upon resolution by the Board of Directors if the articles of incorporation of the company so stipulate.

Cash dividends in the year ended March 31, 2009 were as follows:

At the general shareholders' meeting held on June 21, 2008, cash dividends to shareholders of common stock in the aggregate amount of ¥2,315 million ($23,560 thousand), ¥18 ($0.18) per share, were approved and commenced its payment on June 23, 2008.

At the board of directors' meeting held on November 12, 2008, cash dividends to shareholders of common stock in the aggregate amount of ¥1,543 million ($15,706 thousand), ¥12 ($0.12) per share, were approved and commenced its payment on December 8, 2008.

The following appropriation of retained earnings of the Company, which has not been reflected in the accompanying consolidated financial statements for the year ended March 31, 2009, was approved at the shareholders' meeting held on June 20, 2009 and commenced its payment on June 22, 2009:

	Millions of yen	Thousands of U.S. dollars (Note 2)
Cash dividends, ¥8 ($0.08) per share	¥1,029	$10,471

The accompanying notes are an integral part of these statements.

Consolidated Statements of Cash Flows

for the years ended March 31, 2007, 2008, and 2009

	Millions of yen			Thousands of U.S. dollars (Note 2)
	2007	2008	2009	2009
Cash Flows from Operating Activities:				
Income before income taxes and minority interest	¥ 34,524	¥ 26,701	**¥ 6,284**	**$ 63,954**
Adjustments:				
Depreciation and amortization	7,112	10,138	**10,637**	**108,251**
Amortization of goodwill and negative goodwill, net	(629)	2,107	**1,665**	**16,943**
Interest and dividend income	(579)	(933)	**(559)**	**(5,687)**
Interest expenses	128	185	**119**	**1,211**
Foreign exchange (gain) loss, net	136	(588)	**(391)**	**(3,975)**
Equity (earnings) losses of an affiliate	(490)	(197)	**46**	**468**
Loss on sales and disposal of property, plant and equipment, net	326	184	**165**	**1,678**
Loss on write-down of long-term investments in securities	—	10	**758**	**7,711**
Loss on sales of long-term investments in securities, net	—	—	**21**	**218**
Impairment losses	71	137	**934**	**9,503**
Changes in assets and liabilities:				
(Increase) decrease in accounts and notes receivable	(636)	486	**26,170**	**266,331**
Increase in inventories	(340)	(1,566)	**(836)**	**(8,513)**
Increase (decrease) in accounts and notes payable	3,835	(2,403)	**(13,389)**	**(136,256)**
Increase (decrease) in provision	551	606	**(610)**	**(6,210)**
Other, net	(1,335)	(2,129)	**(2,153)**	**(21,908)**
Subtotal	42,674	32,738	**28,861**	**293,719**
Interest and dividend received	710	1,028	**594**	**6,050**
Interest paid	(167)	(188)	**(136)**	**(1,381)**
Income taxes paid	(13,284)	(14,196)	**(4,126)**	**(41,999)**
Net cash provided by operating activities	29,933	19,382	**25,193**	**256,389**
Cash Flows from Investing Activities:				
Decrease in term deposits due over three months	2,558	—	**—**	**—**
Increase in term deposits due over three months	(463)	—	**—**	**—**
Purchase of property, plant and equipment, and intangibles	(12,848)	(19,618)	**(16,505)**	**(167,971)**
Proceeds from sales of property, plant and equipment	99	79	**91**	**924**
Increase in investments in securities, unconsolidated subsidiaries and affiliates	(516)	(637)	**(1,077)**	**(10,963)**
Proceeds from sales of investments in securities, unconsolidated subsidiaries and affiliates	25	19	**27**	**276**
Increase in loans receivable	(85)	(106)	**(2,007)**	**(20,430)**
Collections on loans receivable	58	77	**682**	**6,944**
Acquisition of a newly consolidated subsidiary, net of cash acquired (Note 16)	—	(12,130)	**—**	**—**
Other, net	288	(38)	**(289)**	**(2,943)**
Net cash used in investing activities	(10,884)	(32,354)	**(19,078)**	**(194,163)**
Cash Flows from Financing Activities:				
Repayments of short-term debt	—	(500)	**—**	**—**
Repayments of long-term debt	(10,072)	(13,142)	**(5,000)**	**(50,885)**
Proceeds from long-term debt	—	—	**20,000**	**203,542**
Cash dividends	(3,714)	(5,014)	**(3,857)**	**(39,253)**
Cash dividends to minority shareholders	(38)	(41)	**(31)**	**(311)**
Purchase of treasury stock	(16)	(11,279)	**(7)**	**(67)**
Proceeds from sale of treasury stock	1	1	**2**	**15**
Repayments of lease obligations	—	—	**(76)**	**(780)**
Other, net	(1)	(1)	**—**	**—**
Net cash provided by (used in) financing activities	(13,840)	(29,976)	**11,031**	**112,261**
Foreign Currency Translation Adjustments on Cash and Cash Equivalents	437	805	**(2,826)**	**(28,757)**
Net Increase (decrease) in Cash and Cash Equivalents	5,646	(42,143)	**14,320**	**145,730**
Cash and Cash Equivalents at Beginning of Year	86,307	91,953	**49,810**	**506,927**
Cash and Cash Equivalents at End of Year (Note 16)	¥ 91,953	¥ 49,810	**¥ 64,130**	**$ 652,657**

The accompanying notes are an integral part of these statements.

1. Basis of Presenting Consolidated Financial Statements

The accompanying consolidated financial statements of THK CO., LTD. (the “Company”) and its consolidated subsidiaries have been prepared in accordance with the provisions set forth in the Financial Instruments and Exchange Act of Japan and its related accounting regulations, and in conformity with accounting principles generally accepted in Japan (“Japanese GAAP”), which are different in certain respects from International Financial Reporting Standards as to application and disclosure requirements.

The accompanying consolidated financial statements include certain reclassifications and rearrangements in order to present them in a form that is more familiar to readers. Certain amounts previously reported may have been reclassified to conform to the current year financial statement presentation. Such reclassifications have been made solely for comparability of the consolidated financial statements, and do not affect net income or net assets. In addition, the notes to the consolidated financial statements include information that is not required under Japanese GAAP, but which is provided herein as additional information.

2. United States Dollar Amounts

U.S. dollar amounts presented in the consolidated financial statements are included solely for the convenience of the readers. These translations should not be construed as presentations that the yen amounts actually represent or could be converted into U.S. dollars at that or any other rate. For this purpose, the rate of ¥98.26 to U.S.$ 1, the approximate rate of exchange prevailing in Tokyo on March 31, 2009, have been used for the translation of the accompanying consolidated financial statements as of and for the year ended March 31, 2009.

3. Summary of Significant Accounting Policies

(a) Consolidation

The accompanying consolidated financial statements include the accounts of the Company and its subsidiaries that are controlled by the Company. Under the effective control approach, all majority-owned companies are to be consolidated. Additionally, those companies over which the Company is able to directly or indirectly exercise control are to be consolidated even if the holding ratio equals 50% or less. All significant inter-company transaction accounts and unrealized inter-company profits are eliminated upon consolidation. For consolidated subsidiaries or affiliates whose closing dates are different from that of the Company, certain adjustments necessary for consolidation have been made.

The Company had 34 (33 in 2008) subsidiaries as of March 31, 2009. The consolidated financial statements for the year ended March 31, 2009 include the accounts of the Company and 29 (29 for 2008) of its consolidated subsidiaries (collectively, “the Companies”). The consolidated subsidiaries as of March 31, 2009 are listed below:

Name of consolidated subsidiary	Holding ratio of the Company (directly and indirectly)	Fiscal year end
THK Holdings of America, L.L.C. (USA)	100%	Dec. 31, 2008
THK America, Inc. (USA)	100	Dec. 31, 2008
THK Manufacturing of America, Inc. (USA)	100	Dec. 31, 2008
Rhythm North America Corporation (USA)	100	Dec. 31, 2008
THK Europe B.V. (the Netherlands)	100	Dec. 31, 2008
THK GmbH (Germany)	100	Dec. 31, 2008
THK France S.A.S. (France)	100	Dec. 31, 2008
PGM Ballscrews Ireland Ltd. (Ireland)	98.97	Dec. 31, 2008
THK Manufacturing of Europe S.A.S. (France)	100	Dec. 31, 2008
THK TAIWAN CO., LTD. (Taiwan)	100	Dec. 31, 2008
Beldex KOREA Corporation (Korea)	100	Dec. 31, 2008
THK (CHINA) CO., LTD. (China)	100	Dec. 31, 2008
THK (SHANGHAI) CO., LTD. (China)	100	Dec. 31, 2008
DALIAN THK CO., LTD. (China)	70	Dec. 31, 2008
THK MANUFACTURING OF CHINA (WUXI) CO., LTD. (China)	100	Dec. 31, 2008
THK MANUFACTURING OF CHINA (LIAONING) CO., LTD. (China)	100	Dec. 31, 2008
THK LM SYSTEM Pte. Ltd. (Singapore)	100	Dec. 31, 2008
RHYTHM GUANGZHOU CORPORATION (China)	100	Dec. 31, 2008
THK RHYTHM (THAILAND) CO., LTD. (Thailand)	100	Dec. 31, 2008
DAITO SEIKI CO., LTD. (Japan)	100	Mar. 31, 2009
THK NIIGATA CO., LTD. (Japan)	100	Mar. 31, 2009
TALK SYSTEM Co., Ltd. (Japan)	99.00	Mar. 31, 2009
Beldex Corporation (Japan)	100	Mar. 31, 2009
RHYTHM CORPORATION (Japan)	100	Mar. 31, 2009
Rhythm Kyusyu Co., Ltd. (Japan)	100	Mar. 31, 2009
Rhythm L Co., Ltd. (Japan)	100	Mar. 31, 2009
L Tool Co., Ltd. (Japan)	100	Mar. 31, 2009
L Trading Co., Ltd. (Japan)	100	Mar. 31, 2009
L Engineering Co., Ltd. (Japan)	100	Mar. 31, 2009

There were no changes in the scope of consolidation for the year ended March 31, 2009.

The Company has three (three in 2008) affiliates and five (four in 2008) unconsolidated subsidiaries at March 31, 2009. Under the control concept, companies over which the Company directly or indirectly has the ability to exercise significant influence are accounted for using the equity method. For the years ended March 31, 2008 and 2009, the Company has applied the equity method to investment in SAMICK THK CO., LTD. Investments in the remaining affiliates and unconsolidated subsidiaries are stated at cost. If the equity method had been applied to the investments in those companies, the effect on the consolidated financial statements would not have been significant.

Prior to April 1, 2008, under Japanese GAAP, a company could use the financial statements of its foreign subsidiaries which had been prepared in accordance with generally accepted accounting principles in their respective jurisdictions for its consolidation process unless they were clearly unreasonable. On May 17, 2006, the Accounting Standards Board of Japan ("ASBJ") issued ASBJ Practical Issues Task Force ("PITF") No.18, "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements". PITF No.18 prescribes: (1) the accounting policies and procedures applied to a parent company and its subsidiaries for similar transactions and events under similar circumstances should in principle be unified for the preparation of the consolidated financial statements, (2) financial statements prepared by foreign subsidiaries in accordance with either International Financial Reporting Standards or the generally accepted accounting principles in the United States of America tentatively may be used for the consolidation process, (3) however, the following items should be adjusted in the consolidation process so that net income is accounted for in accordance with Japanese GAAP unless they are immaterial; 1) amortization of goodwill; 2) scheduled amortization of actuarial gain or loss of pensions that has been directly recorded in net assets; 3) expensing capitalized development costs of research and development; 4) cancellation of the fair value model accounting for property, plant, and equipment and investment properties and incorporation of the cost model accounting; 5) recording the prior years' effects of changes in accounting policies in the income statement where retrospective adjustments to financial statements have been incorporated; and 6) exclusion of minority interests from net income, if contained.

PITF No.18 is effective for fiscal years beginning on or after April 1, 2008 with early adoption permitted. The Company adopted the new accounting standard effective April 1, 2008. The accounting change did not have a material effect on the accompanying consolidated statements of income. However, the beginning balance of retained earnings as of April 1, 2008 was adjusted by ¥73 million ($747 thousand) as if this accounting standard had been retroactively applied.

(b) Translation of Foreign Currency Financial Statements

Assets and liabilities of foreign subsidiaries and affiliates are translated into Japanese yen at the exchange rates prevailing at the balance sheet date. The net assets except for minority interest account at beginning of the year are translated into Japanese yen at the historical rates. Profit and loss accounts for the year are translated into Japanese yen using the average exchange rate during the year. Differences in yen amounts arising from the use of different rates are presented as foreign currency translation adjustments in the net assets section.

(c) Inventories

Inventories are stated at cost determined principally by the gross average method. If acquisition cost of an inventory exceeds its net selling value, the carrying amount of such inventory would be written down to its net selling value and the difference would be charged to income.

Prior to April 1, 2008, inventories had been stated at cost or the lower of cost or market, determined principally by the average method. On July 5, 2006, the ASBJ issued ASBJ Statement No. 9, "Accounting Standard for Measurement of Inventories", which is effective for fiscal years beginning on or after April 1, 2008 with early adoption permitted. This standard requires that inventories held for sale in the ordinary course of business be measured at the lower of cost or net selling value, which is defined as the selling price less additional estimated manufacturing costs and estimated direct selling expenses.

The Company adopted the new accounting standard for measurement of inventories as of April 1, 2008. The effect of adopting this accounting standard was to decrease gross profit, operating income, and income before income taxes and minority interests for the year ended March 31, 2009 by ¥699 million ($7,114 thousand).

(d) Financial Instruments

Securities

Investments in securities are classified and accounted for, depending on management's intent, as follows: (1) trading securities, which are held for the purpose of earning capital gains in the near term, are reported at fair value, and the related unrealized gains and losses are included in earnings; (2) held-to-maturity debt securities, which are expected to be held to maturity with the positive intent and ability to hold to maturity, are reported at amortized cost; and (3) other securities, which are not classified as either of the aforementioned securities, are reported at fair value, with unrealized gains and losses, net of applicable taxes, reported as a separate component of net assets. If the fair value of other securities is not readily determinable, such investments are stated at cost.

For other than temporary declines in fair value, investments in securities are written down to the net realizable value and the difference is charged to income.

Derivative

The Companies use a variety of derivative financial instruments, including forward foreign currency exchange contracts, foreign currency swap contracts, and interest rate swap contracts to manage foreign exchange risks and interest rate fluctuation risks. The Company has established a control environment, which includes policies and procedures for risk assessments and approval, and reporting and monitoring of transactions involving derivative financial instruments. The Companies do not hold or issue derivative financial instruments for speculative purposes.

Derivative financial instruments are stated at fair value and changes in fair value are recognized as gains or losses. If forward foreign currency exchange contracts and foreign currency swap contracts qualify the required condition under the related Japanese accounting standards, the hedged foreign currency assets and liabilities are translated at the contract rates and no gains or losses are recognized.

For interest rate swap contracts which qualify the required condition under the related Japanese accounting standards, the differential paid or received under the swap contracts are recognized and included in the interest income or expenses.

(e) Property, Plant and Equipment

Property, plant and equipment of the Company and its domestic subsidiaries are depreciated mainly using the declining-balance method, whereas the straight-line method or accelerated methods are mainly applied to those of foreign subsidiaries. The range of useful lives is principally from 5 to 50 years for buildings and structures and from 4 to 12 years for machinery and equipment.

Normal repairs and maintenance, including minor renewals and improvements, are charged to income as incurred.

(f) Amortization

Amortization of intangible assets is computed using the straight-line method.

Software for internal use is amortized on a straight-line basis over a period of no more than five years, the estimated useful life of the software.

Goodwill represents the excess of the costs of an acquisition over the fair value of the underlying net equity of a business or a subsidiary and is being amortized by the straight-line method over an estimated period from 5 to 10 years. If the fair value of such acquisition exceeds the acquisition cost, such differences are recognized as negative goodwill and amortized using the straight-line method over five years.

(g) Allowance for Bad Debts

Allowance for bad debts is stated in amounts considered to be appropriate based on the Companies' past credit loss experience and an evaluation of potential losses in the receivables outstanding.

(h) Accrued Bonuses to Employees

Accrued bonuses to employees are stated at an estimated amount to be paid in the following year based on the employees' compensation in the current year.

(i) Accrued Bonuses to Directors and Statutory Auditors

Bonuses to directors and statutory auditors are accrued at the year end and to be paid in the following year when such bonuses are attributable.

(j) Reserve for Employees' Retirement Benefits

The reserve for employees' retirement benefits represents the estimated present value of projected benefit obligations in excess of the fair value of the plan assets. Amortization of unrecognized actuarial differences is initiated from the following fiscal year on a straight-line basis over a period from 5 to 18 years.

(k) Reserve for Directors' and Statutory Auditors' Retirement Benefits

Reserve for directors' and statutory auditors' retirement benefits represents the liability at amount that would be required if all eligible directors and statutory auditors retired at each balance sheet date.

(l) Reserve for Product Warranty

Reserve for product warranty is stated at amount based on the Companies' experience in order to cover possible warranty liabilities.

(m) Lease

In March 2007, the ASBJ issued ASBJ Statement No. 13, "Accounting Standard for Lease Transactions", which revised the previous accounting standard for lease transactions issued in June 1993. The revised accounting standard for lease transactions is effective for fiscal years beginning on or after April 1, 2008 with early adoption permitted.

Under the previous accounting standard, finance leases that deemed to transfer ownership of the leased property to the lessee were to be capitalized, however, other finance leases were permitted to be accounted for as operating lease transactions if certain "as if capitalized" information was disclosed in the notes to the lessee's financial statements. The revised accounting standard requires that all finance lease transactions be capitalized recognizing lease assets and lease obligations in the balance sheet. In addition, the revised accounting standard permits leases which existed at the transition date and do not transfer ownership of the leased property to the lessee to be accounted for as operating lease transactions.

The Company adopted this revised accounting standard as of April 1, 2008, applying the permission discussed above to leases which existed at the transition date and do not transfer ownership of the leased property to the lessee. This accounting change did not have a material effect on the accompanying consolidated statements of income.

The Companies lease certain computers, equipment, software, and other assets. Lease assets of which leasing period initiate on or after April 1, 2008 are included in machinery and equipment or other assets in the consolidated balance sheets. Depreciation of lease assets is computed using the straight-line method over the leasing period with no residual value.

(n) Foreign Currency Translation

All monetary assets and liabilities denominated in foreign currencies, whether long-term or short-term, are translated into Japanese yen at the exchange rates prevailing at the balance sheet date. Gains and losses from translation are recognized in the income statement to the extent that they are not hedged by forward foreign currency exchange contracts.

(o) Consumption Tax

Japanese consumption tax is levied at the flat rate of 5% on all domestic consumption of goods and services, with certain exemptions. The consumption tax withheld by the Company and domestic subsidiaries upon sale is excluded from net sales but is recorded as a liability. The consumption tax paid by the Company and domestic subsidiaries on purchases of goods and services is excluded from costs or expenses but is recorded as an asset. The net balance of liability after offsetting against assets is included in “Other current liabilities” in the consolidated balance sheets.

(p) Income Taxes

Income taxes of the Company and its domestic subsidiaries consist of corporate income taxes, local inhabitants’ taxes and enterprise taxes.

The provision for income taxes is computed based on the pretax income included in the consolidated statements of income. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Deferred taxes are determined by applying currently enacted tax laws to the temporary differences.

(q) Cash and Cash Equivalents

Cash and cash equivalents are composed of cash on hand, bank deposits that can be withdrawn on demand and short-term investments with original maturity of three months or less and which carry a minor risk of fluctuations in value.

(r) Per Share Information

Net assets per share is computed by dividing net assets except minority interests at the year end by the number of common stock outstanding at the year end.

Net income per share is computed by dividing net income available to common shareholders by the weighted-average number of common shares outstanding for the period.

Diluted net income per share reflects the potential dilution that could occur if securities were exercised or converted into common stock. Diluted net income per share of common stock assumes full conversion of the outstanding convertible notes and bonds at the beginning of the year (or at the time of issuance) with an applicable adjustment for related interest expense, net of tax, and full exercise of outstanding warrants.

4. Impairment Losses

In assessing whether there is an impairment of long-lived assets, assets are grouped basically based on the production facility units, managerial accounting and investment decision-making purposes. Idle assets and rental real estate are grouped at each unit level. Long-lived assets without identifiable cash flows, such as those held in corporate headquarters and sales branch facilities, are grouped as corporate level assets.

For assets whose operating profitability has substantially worsened due to ongoing decline in their fair market value, the carrying amount of such assets are written down to the net realizable value and the differences are recorded as the impairment losses.

The impairment losses for the years ended March 31, 2007, 2008, and 2009 are summarized below:

Year ended March 31	Location	Assets	Amount
2007	Aichi and Niigata, Japan	Land and buildings	¥71 million
2008	Shizuoka and Miyagi, Japan	Land, buildings and other	¥137 million
2009	Jiangsu, China	Buildings, machinery and other	¥934 million ($9,503 thousand)

5. Investments in Securities

At March 31, 2008 and 2009, other securities with available fair value were as follows:

	Millions of yen		
	2008		
	Cost	Fair value	Net unrealized gain (loss)
Fair value exceeds acquisition cost:			
Equity securities	¥ 554	¥1,574	¥1,020
Other	1	1	0
Subtotal	555	1,575	1,020
Fair value does not exceed acquisition cost:			
Equity securities	968	713	(255)
Other	—	—	—
Subtotal	968	713	(255)
Total	¥1,523	¥2,288	¥ 765

	Millions of yen		
	2009		
	Cost	Fair value	Net unrealized gain (loss)
Fair value exceeds acquisition cost:			
Equity securities	¥455	¥ 719	¥264
Other	1	1	0
Subtotal	456	720	264
Fair value does not exceed acquisition cost:			
Equity securities	489	450	(39)
Other	—	—	—
Subtotal	489	450	(39)
Total	¥945	¥1,170	¥255

	Thousands of U.S. dollars		
	2009		
	Cost	Fair value	Net unrealized gain (loss)
Fair value exceeds acquisition cost:			
Equity securities	$ 4,629	$ 7,313	$2,684
Other	6	8	2
Subtotal	4,635	7,321	2,686
Fair value does not exceed acquisition cost:			
Equity securities	4,974	4,584	(390)
Other	—	—	—
Subtotal	4,974	4,584	(390)
Total	$9,609	$11,905	$2,296

At March 31, 2008 and 2009, other securities whose fair value is not readily determinable were as follows:

	Millions of yen		Thousands of U.S. dollars
	2008	2009	2009
Other securities			
Unlisted equity securities	¥ 424	¥379	$3,856
Unlisted foreign mutual funds	248	—	—
Certificate of deposits	¥1,400	¥ —	$ —

In addition to the balances shown on the above tables, the Companies held investments in funds. At March 31, 2008, carrying amounts of the investments in fund was ¥51 million, with ¥2 million of unrealized gain which was included in the net unrealized gain on other securities. No investments in funds remained at March 31, 2009.

6. Inventories

Inventories at March 31, 2008 and 2009 comprised of the following:

	Millions of yen		Thousands of U.S. dollars
	2008	2009	2009
Merchandise and finished goods	¥13,310	¥12,511	$127,322
Work in process	5,842	4,422	44,999
Raw materials and supplies	10,163	10,204	103,856
Total	¥29,315	¥27,137	$276,177

7. Long-term Debt

Long-term debt at March 31, 2008 and 2009 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2008	2009	2009
1.94% Unsecured syndicated loan payable to banks, due 2014	¥ —	¥20,000	$203,542
1.37% Unsecured straight bonds due 2008	5,000	—	—
	5,000	20,000	203,542
Less current portion	5,000	—	—
	¥ —	¥20,000	$203,542

8. Committed Line of Credit

At March 31, 2009, the Companies had committed lines of credit amounting to ¥15,000 million ($152,656 thousand). None of the committed lines of credit were used.

9. Contingent Liabilities

The Company guarantees trade accounts payable of NIPPON SLIDE CO., LTD., an unconsolidated subsidiary of the Company. The amount of guaranty as of March 31, 2009 was ¥70 million ($708 thousand).

10. Lease

The Companies lease certain machinery, equipment, software, and other assets.

The following information summarizes finance lease contracts that do not transfer ownership of the leased property to the lessee and that were entered into prior to April 1, 2008.

Pro forma information of leased property such as acquisition costs, accumulated depreciation, future minimum lease payments under finance leases on an "as if capitalized" basis as of March 31, 2008 and 2009 were as follows:

	Millions of yen		
	2008		
	Machinery and equipment	Other	Total
Acquisition costs	¥3,843	¥105	¥3,948
Accumulated depreciation	2,570	44	2,614
Net leased property	¥1,273	¥ 61	¥1,334

	Millions of yen		
	2009		
	Machinery and equipment	Other	Total
Acquisition costs	¥3,794	¥105	¥3,899
Accumulated depreciation	3,190	67	3,257
Net leased property	¥ 604	¥ 38	¥ 642

	Thousands of U.S. dollars		
	2009		
	Machinery and equipment	Other	Total
Acquisition costs	$38,608	$1,069	$39,677
Accumulated depreciation	32,465	679	33,144
Net leased property	$ 6,143	$ 390	$ 6,533

Future minimum lease payments under finance leases as of March 31, 2008 and 2009 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2008	2009	2009
Due within one year	¥ 678	¥431	$4,391
Due after one year	656	211	2,142
Total	¥1,334	¥642	$6,533

Total lease payments under these leases were ¥673 million, ¥731 million, and ¥673 million ($6,854 thousand) for the years ended March 31, 2007, 2008, and 2009, respectively.

The amounts of acquisition costs and future minimum lease payments under finance leases include the imputed interest expense. Depreciation expenses, which are not reflected in the accompanying consolidated statements of income, computed using the straight-line method, were ¥673 million, ¥731 million, and ¥673million ($6,854 thousand) for the years ended March 31, 2007, 2008, and 2009, respectively.

Obligations under non-cancelable operating leases as of March 31, 2008 and 2009 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2008	**2009**	**2009**
Due within one year	¥ 654	**¥ 535**	**$ 5,445**
Due after one year	1,521	**1,099**	**11,188**
Total	¥2,175	**¥1,634**	**$16,633**

11. Derivative and Hedging Activities

For the years ended March 31, 2007, 2008, and 2009, the Companies utilized certain interest rate swap, foreign currency swap agreements, and forward foreign currency exchange contracts. Fair value information of such derivative financial instruments as of March 31, 2008 is summarized as follows:

	Millions of yen
Foreign currency forward contract: Purchased-Japanese yen	2008
Contract cost	¥1,491
Fair value	1,509
Unrealized gain	¥ 18

Derivative financial instruments which qualify for the requirement of hedge accounting under Japanese GAAP are excluded from disclosure of fair value information. Since all of the derivative financial instruments qualify the requirement, such information as of March 31, 2009 is not presented.

12. Amortization of Goodwill

Amortization of goodwill included in selling, general and administrative expenses for the years ended March 31, 2007, 2008, and 2009 were ¥19 million, ¥2,755 million, and ¥2,728 million ($27,763 thousand), respectively.

13. Research and Development

Research and development expenses included in cost of sales or selling, general and administrative expenses for the years ended March 31, 2007, 2008, and 2009 were ¥2,616 million, ¥3,550 million, and ¥3,643 million ($37,078 thousand), respectively.

14. Reserve for Employees' Retirement Benefits

The Company and certain subsidiaries have lump-sum retirement payment programs and defined benefit pension plans. When certain qualified employees retire, additional retirement benefits will be paid. Other subsidiaries have mainly defined contribution plans.

The reserve for employees' retirement benefits as of March 31, 2008, and 2009 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2008	2009	2009
Projected benefit obligations	¥ 9,035	¥ 9,690	$ 98,613
Fair value of plan assets	(4,072)	(3,649)	(37,135)
	4,963	6,041	61,478
Unrecognized actuarial differences	(968)	(1,719)	(17,489)
Reserve for employees' retirement benefits	¥ 3,995	¥ 4,322	$ 43,989

Net periodic pension and severance costs for the years ended March, 2007, 2008, and 2009 were as follows:

	Millions of yen			Thousands of U.S. dollars
	2007	2008	2009	2009
Service cost	¥606	¥ 821	¥ 889	$ 9,043
Interest cost	128	156	168	1,706
Expected return on plan assets	(17)	(59)	(57)	(576)
Recognized actuarial differences	110	96	154	1,572
Net periodic pension and severance costs	¥827	¥1,014	¥1,154	$11,745

Assumptions used for calculation of the above information were as follows:

	2007	2008	2009
Discount rate	2.0%	2.0%	2.0%
Expected rate of return on plan assets	0.5%	1.0%–1.5%	1.5%
Amortization of unrecognized actuarial differences	5–10 years	5–18 years	5–18 years

Allocation of the projected benefits to service periods is based on the straight-line method.

15. Income Taxes

The Company and its domestic subsidiaries are subject to Japanese national and local income taxes which, in the aggregate, resulted in normal effective statutory tax rate of approximately 40.7% for the years ended March 31, 2007, 2008, and 2009.

At March 31, 2008 and 2009, significant components of deferred tax assets and liabilities were as follows:

	Millions of yen		Thousands of U.S. dollars
	2008	2009	2009
Deferred tax assets:			
Reserve for employees' retirement benefits	¥ 1,561	¥ 1,696	$ 17,256
Loss on devaluation of inventories	1,205	1,247	12,692
Tax loss carried forward	520	1,034	10,522
Valuation loss of investments in subsidiaries	954	954	9,707
Accrued bonuses to employees	1,098	689	7,011
Unrealized gain on intercompany sales of property, plant and equipment	635	476	4,842
Retirement benefits payable to directors and statutory auditors	420	418	4,251
Impairment losses	368	368	3,742
Software	372	297	3,022
Allowance for bad debts	146	186	1,895
Unrealized gain on intercompany sales of inventories	576	177	1,191
Enterprise tax payable	55	79	804
Other	924	1,328	13,533
Total	8,834	8,889	90,468
Less: valuation allowance	(1,325)	(2,447)	(24,904)
Total deferred tax assets	7,509	6,442	65,564
Deferred tax liabilities:			
Unrealized gains on marketable equity securities	(2,255)	(2,022)	(20,577)
Unrealized gains on land revaluation	(1,422)	(1,422)	(14,473)
Insurance premium	(456)	(518)	(5,271)
Special depreciation reserve for tax purpose	(202)	(193)	(1,962)
Other	(825)	(722)	(7,355)
Total deferred tax liabilities	(5,160)	(4,877)	(49,638)
Net deferred tax assets	¥ 2,349	¥ 1,565	$ 15,926

Reconciliation between the normal effective statutory tax rate and the actual effective tax rate reflected in the accompanying consolidated statement of income for the years ended March 31, 2007, 2008, and 2009 was as follows:

	2007	2008	**2009**
Normal effective statutory tax rate	40.7%	40.7%	**40.7%**
Permanent differences	0.1	(3.1)	**0.8**
Net operating losses of consolidated subsidiaries	0.6	0.9	**18.3**
Amortization of goodwill	—	4.2	**17.5**
Amortization of negative goodwill	(0.8)	(1.0)	**(6.9)**
Lower tax rates applicable to foreign subsidiaries	(1.2)	(1.6)	**(7.7)**
Exemption for research and development	(0.6)	(0.9)	**(3.8)**
Valuation allowance	—	(0.4)	**(17.8)**
Changes in tax consequences on devaluation of investments in consolidated subsidiaries	—	(6.1)	**0.7**
Other	(0.3)	(2.0)	**1.0**
Actual Effective tax rate	38.5%	30.7%	**78.4%**

16. Supplemental Cash Flow Information

1) Cash and cash equivalents on the consolidated statements of cash flows consisted of:

	Millions of yen			Thousands of U.S. dollars
	2007	2008	**2009**	**2009**
Cash and bank deposits	¥48,912	¥48,162	**¥64,130**	**$652,657**
Short-term investments in securities	43,041	1,648	**—**	**—**
Cash and cash equivalents	¥91,953	¥49,810	**¥64,130**	**$652,657**

2) Significant acquisition

The following table summarizes the acquisition of Rhythm Corporation in 2008:

	Millions of yen
Current assets	¥ (9,707)
Non-current assets	(14,028)
Goodwill	(13,511)
Current liabilities	7,455
Long-term liabilities	16,708
Acquisition cost	(13,083)
Cash and cash equivalents held by Rhythm Corporation and their seven subsidiaries	953
Acquisition of a newly consolidated subsidiary, net of cash acquired	¥(12,130)

No significant acquisition occurred in the year ended March 31, 2007 and 2009.

3) Significant non-cash transactions

In the years ended March 31, 2007 and 2008, a portion of convertible bonds were converted into the Company's common stock, resulting in increases in the Company's common stock and additional paid-in capital. The following table summarizes the effect of the conversion:

	Millions of yen	
	2007	2008
Common stock increased	¥182	¥ 690
Additional paid-in capital increased	182	690
Convertible bonds decreased	¥364	¥1,380

All of the convertible bonds had been redeemed as of March 31, 2008 and no balance remained.

17. Per Share Information

Per share information for the years ended March 31, 2007, 2008, and 2009, and as of March 31, 2008 and 2009 are as follows:

	Yen			U.S. dollars
	2007	2008	**2009**	**2009**
Net income–basic	¥ 158.36	¥ 139.53	**¥ 9.36**	**$ 0.10**
Net income–diluted	¥ 157.22	¥ 138.74	**¥ —**	**$ —**
Net assets	¥1,407.84	¥1,484.78	**¥1,372.69**	**$13.97**

Diluted net income per share for the year ended March 31, 2009 is not presented since the Company did not have any kind of securities with potential dilutive effect.

18. Segment Information

1) Business Segment Information

Prior to April 1, 2007, the Companies had engaged mainly in one segment, namely, production and sales of linear motion systems. Since the other businesses had been insignificant, the business segment information had not been presented for or before the year ended March 31, 2007. Effective April 1, 2007, the Companies' business segmentation was reorganized into following two business segments, namely, (1) Industrial Equipment-Related Business and (2) Transportation Equipment-Related Business, due to acquisition of RHYTHM CORPORATION.

Major products in each business segment are as follows:

Industrial Equipment-Related Business — LM SYSTEM and other

Transportation Equipment-Related Business — Link Ball and Suspension Ball Joint and other

Business segment information for the years ended March 31, 2008 and 2009 is summarized as follows:

	Millions of yen				
	2008				
	Industrial Equipment-Related Business	Transportation Equipment-Related Business	Total	Eliminations and corporate	Consolidated
I. Net sales and operating income–					
Net sales:					
Customers	¥168,287	¥40,422	¥208,709	¥ —	¥208,709
Inter-segment	—	—	—	—	—
Total	168,287	40,422	208,709	—	208,709
Operating expenses	132,004	42,642	174,646	7,125	181,771
Operating income (loss)	¥ 36,283	¥ (2,220)	¥ 34,063	¥ (7,125)	¥ 26,938
II. Assets, depreciation and amortization, impairment losses and capital expenditure–					
Assets	¥177,478	¥42,229	¥219,707	¥44,522	¥264,229
Depreciation and amortization	¥ 7,805	¥ 2,272	¥ 10,077	¥ 61	¥ 10,138
Impairment losses	¥ 1	¥ 136	¥ 137	¥ —	¥ 137
Capital expenditure	¥ 14,511	¥ 3,363	¥ 17,874	¥ 127	¥ 18,001

	Millions of yen				
	2009				
	Industrial Equipment-Related Business	Transportation Equipment-Related Business	Total	Eliminations and corporate	Consolidated
I. Net sales and operating income–					
Net sales:					
Customers	¥144,336	¥34,933	¥179,269	¥ —	¥179,269
Inter-segment	—	—	—	—	—
Total	144,336	34,933	179,269	—	179,269
Operating expenses	124,401	39,459	163,860	6,886	170,746
Operating income (loss)	¥ 19,935	¥ (4,526)	¥ 15,409	¥ (6,886)	¥ 8,523
II. Assets, depreciation and amortization, impairment losses and capital expenditure–					
Assets	¥145,418	¥31,599	¥177,017	¥63,334	¥240,351
Depreciation and amortization	¥ 8,152	¥ 2,415	¥ 10,567	¥ 70	¥ 10,637
Impairment losses	¥ 934	¥ —	¥ 934	¥ —	¥ 934
Capital expenditure	¥ 12,321	¥ 3,561	¥ 15,882	¥ 98	¥ 15,980

	Thousands of U.S. dollars				
	2009				
	Industrial Equipment-Related Business	Transportation Equipment-Related Business	Total	Eliminations and corporate	Consolidated
I. Net sales and operating income–					
Net sales:					
Customers	$1,468,922	$ 355,513	$1,824,435	$ —	$1,824,435
Inter-segment	—	—	—	—	—
Total	1,468,922	355,513	1,824,435	—	1,824,435
Operating expenses	1,266,045	401,576	1,667,621	70,072	1,737,693
Operating income (loss)	$ 202,877	$ (46,063)	$ 156,814	$ (70,072)	$ 86,742
II. Assets, depreciation and amortization, impairment losses and capital expenditure–					
Assets	$1,479,931	$ 321,589	$1,801,520	$644,547	$2,446,067
Depreciation and amortization	$ 82,961	$ 24,580	$ 107,541	$ 710	$ 108,251
Impairment losses	$ 9,503	$ —	$ 9,503	$ —	$ 9,503
Capital expenditure	$ 125,389	$ 36,245	$ 161,634	$ 998	$ 162,632

Operating expenses incurred mainly in administrative departments are included in “Eliminations and corporate” since they cannot be allocated into specific segments. The aggregate amounts of such operating expenses for the years ended March 31, 2008 and 2009 were 7,125 million and ¥6,886 million ($70,072 thousand), respectively.

Corporate assets which cannot be allocated into specific segments are included in “Eliminations and corporate”. Such corporate assets primarily consist of term deposits, investment securities, deferred tax assets and land. At March 31, 2008 and 2009, the aggregate amounts of such assets were ¥44,522 million and ¥63,334 million ($644,547 thousand), respectively.

The effect of adopting the new accounting standard for measurement of inventories as discussed in Note 3 (c) was to decrease operating income in Industrial Equipment-Related Business by ¥568 million ($5,780 thousand) and operating income in Transportation Equipment-Related Business by ¥131 million ($1,334 thousand), respectively.

2) Geographical Segment Information

Principal countries and jurisdictions in each segment are as follows:

“The Americas” mainly includes the United States.
“Europe” mainly includes Germany, the United Kingdom and the Netherlands.
“Asia and other” mainly includes China, Korea and Taiwan.

Geographical segment information for the years ended March 31, 2007, 2008, and 2009 is summarized as follows:

	Millions of yen						
	2007						
	Japan	The Americas	Europe	Asia and other	Total	Eliminations and corporate	Consolidated
I. Net sales and operating income–							
Net sales:							
Customers	¥130,352	¥16,525	¥19,516	¥ 8,318	¥174,711	¥ —	¥174,711
Inter-segment	25,207	60	97	1,948	27,312	(27,312)	—
Total	155,559	16,585	19,613	10,266	202,023	(27,312)	174,711
Operating expenses	125,390	16,213	18,798	9,396	169,797	(26,902)	142,895
Operating income	¥ 30,169	¥ 372	¥ 815	¥ 870	¥ 32,226	¥ (410)	¥ 31,816
II. Assets	¥195,603	¥17,681	¥21,252	¥23,012	¥257,548	¥ 5,733	¥263,281

	Millions of yen						
	2008						
	Japan	The Americas	Europe	Asia and other	Total	Eliminations and corporate	Consolidated
I. Net sales and operating income–							
Net sales:							
Customers	¥145,745	¥25,473	¥25,427	¥12,064	¥208,709	¥ —	¥208,709
Inter-segment	34,577	59	97	2,494	37,227	(37,227)	—
Total	180,322	25,532	25,524	14,558	245,936	(37,227)	208,709
Operating expenses	152,412	24,093	22,032	13,262	211,799	(30,028)	181,771
Operating income	¥ 27,910	¥ 1,439	¥ 3,492	¥ 1,296	¥ 34,137	¥ (7,199)	¥ 26,938
II. Assets	¥211,029	¥21,044	¥19,314	¥31,378	¥282,765	¥(18,536)	¥264,229

	Millions of yen						
	2009						
	Japan	The Americas	Europe	Asia and other	Total	Eliminations and corporate	Consolidated
I. Net sales and operating income–							
Net sales:							
Customers	**¥115,282**	**¥23,922**	**¥24,888**	**¥15,177**	**¥179,269**	**¥ —**	**¥179,269**
Inter-segment	**45,946**	**55**	**74**	**5,178**	**51,253**	**(51,253)**	**—**
Total	**161,228**	**23,977**	**24,962**	**20,355**	**230,522**	**(51,253)**	**179,269**
Operating expenses	**147,575**	**22,625**	**23,913**	**20,034**	**214,147**	**(43,401)**	**170,746**
Operating income	**¥ 13,653**	**¥ 1,352**	**¥ 1,049**	**¥ 321**	**¥ 16,375**	**¥ (7,852)**	**¥ 8,523**
II. Assets	**¥117,888**	**¥11,568**	**¥11,462**	**¥25,410**	**¥166,328**	**¥74,023**	**¥240,351**

	Thousands of U.S. dollars						
	2009						
	Japan	The Americas	Europe	Asia and other	Total	Eliminations and corporate	Consolidated
I. Net sales and operating income–							
Net sales:							
Customers	$1,173,231	$243,459	$253,283	$154,462	$1,824,435	$ —	$1,824,435
Inter-segment	467,593	561	760	52,693	521,607	(521,607)	—
Total	1,640,824	244,020	254,043	207,155	2,346,042	(521,607)	1,824,435
Operating expenses	1,501,880	230,256	243,369	203,887	2,179,392	(441,699)	1,737,693
Operating income	$ 138,944	$ 13,764	$ 10,674	$ 3,268	$ 166,650	$ (79,908)	$ 86,742
II. Assets	$1,199,759	$117,733	$116,652	$258,593	$1,692,737	$ 753,330	$2,446,067

Prior to April 1, 2007, all of operating expenses incurred in the Company have been included in the Japan segment. Effective April 1, 2007, expenses incurred in the administrative departments of the Company have been reclassified into “Eliminations and corporate” in order to reflect actual operating performances of each segment more accurately. This change was made because the Company’s control functions over its subsidiaries were strengthened by reorganizing its group-level administrative systems through developing its internal controls. The aggregate amounts of such operating expenses for the years ended March 31, 2008 and 2009 were 7,125 million and of ¥6,886 million ($70,072 thousand), respectively. The segment information for the year ended March 31, 2007 is presented in accordance with the previous accounting treatment since such accounting change does not require a retroactive adjustment to the prior year financial statements under Japanese GAAP.

Corporate assets which cannot be allocated into specific segments are included in “Eliminations and corporate”. Such corporate assets primarily consist of term deposits, investment securities, deferred tax assets and land. At March 31, 2008 and 2009, the aggregate amounts of such assets were ¥44,522 million and ¥63,334 million ($644,547 thousand), respectively.

The effect of adopting the new accounting standard for measurement of inventories as discussed in Note 3 (c) was to decrease operating income in Japan segment by ¥699 million ($7,114 thousand) for the year ended March 31, 2009.

3) Sales to foreign customers

Sales to foreign customers for the years ended March 31, 2007, 2008, and 2009 were summarized as follows:

	Millions of yen			
	2007			
	The Americas	Europe	Asia and other	Total
Sales to foreign customers	¥16,650	¥19,345	¥19,203	¥ 55,198
Consolidated net sales				¥174,711
Ratio to consolidated net sales	9.5%	11.1%	11.0%	31.6%

	Millions of yen			
	2008			
	The Americas	Europe	Asia and other	Total
Sales to foreign customers	¥26,000	¥25,237	¥21,150	¥ 72,387
Consolidated net sales				¥208,709
Ratio to consolidated net sales	12.5%	12.1%	10.1%	34.7%

	Millions of yen (Thousands of U.S. dollars)			
	2009			
	The Americas	Europe	Asia and other	Total
Sales to foreign customers	**¥23,266**	**¥24,916**	**¥21,521**	**¥ 69,703**
	($236,785)	**($253,571)**	**($219,016)**	**($ 709,372)**
Consolidated net sales				**¥179,269**
				($1,824,435)
Ratio to consolidated net sales	**13.0%**	**13.9%**	**12.0%**	**38.9%**

Grant Thornton

Grant Thornton Taiyo ASG

Report of Independent Auditors

To the Board of Directors and Shareholders of THK Co., Ltd.

We have audited the accompanying consolidated balance sheets of THK Co., Ltd. and its subsidiaries as of March 31, 2008 and 2009, and the related consolidated statements of income, changes in net assets, and cash flows for each of the three years in the period ended March 31, 2009, all expressed in Japanese yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of THK Co., Ltd. and its subsidiaries as of March 31, 2008 and 2009, and the consolidated results of their operations and their cash flows for each of the three years in the period ended March 31, 2009, in conformity with accounting principles generally accepted in Japan.

As described in Note 3(c), effective April 1, 2008, the Company adopted a new accounting standard for measurement of inventories.

The amounts expressed in U.S. dollars, which are provided solely for the convenience of readers, have been translated on the basis set forth in Note 2 to the accompanying consolidated financial statements.

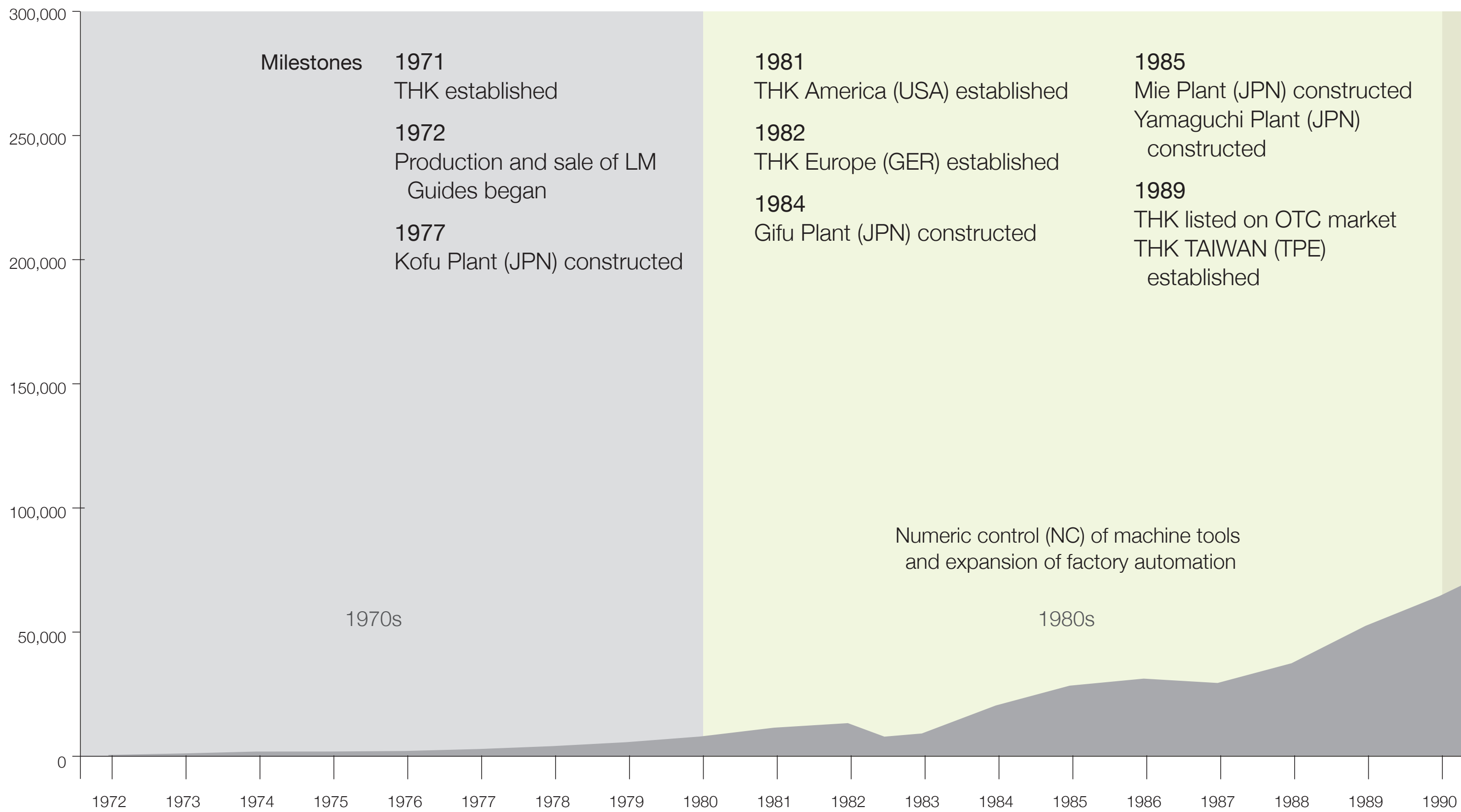
Grant Thornton Taiyo ASG

Tokyo, Japan
June 22, 2009

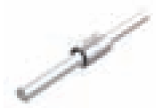
HISTORY OF THK

Sales

(Millions of yen)



Product Timeline



1971
Ball Spline
(LBS)

1971
Link Ball
(RBL)

1972
LM Guide
(LSR)

1975
LM Guide
(NSR)

1979
Ball Screw
(BNFN)

1981
LM Guide
(HSR)

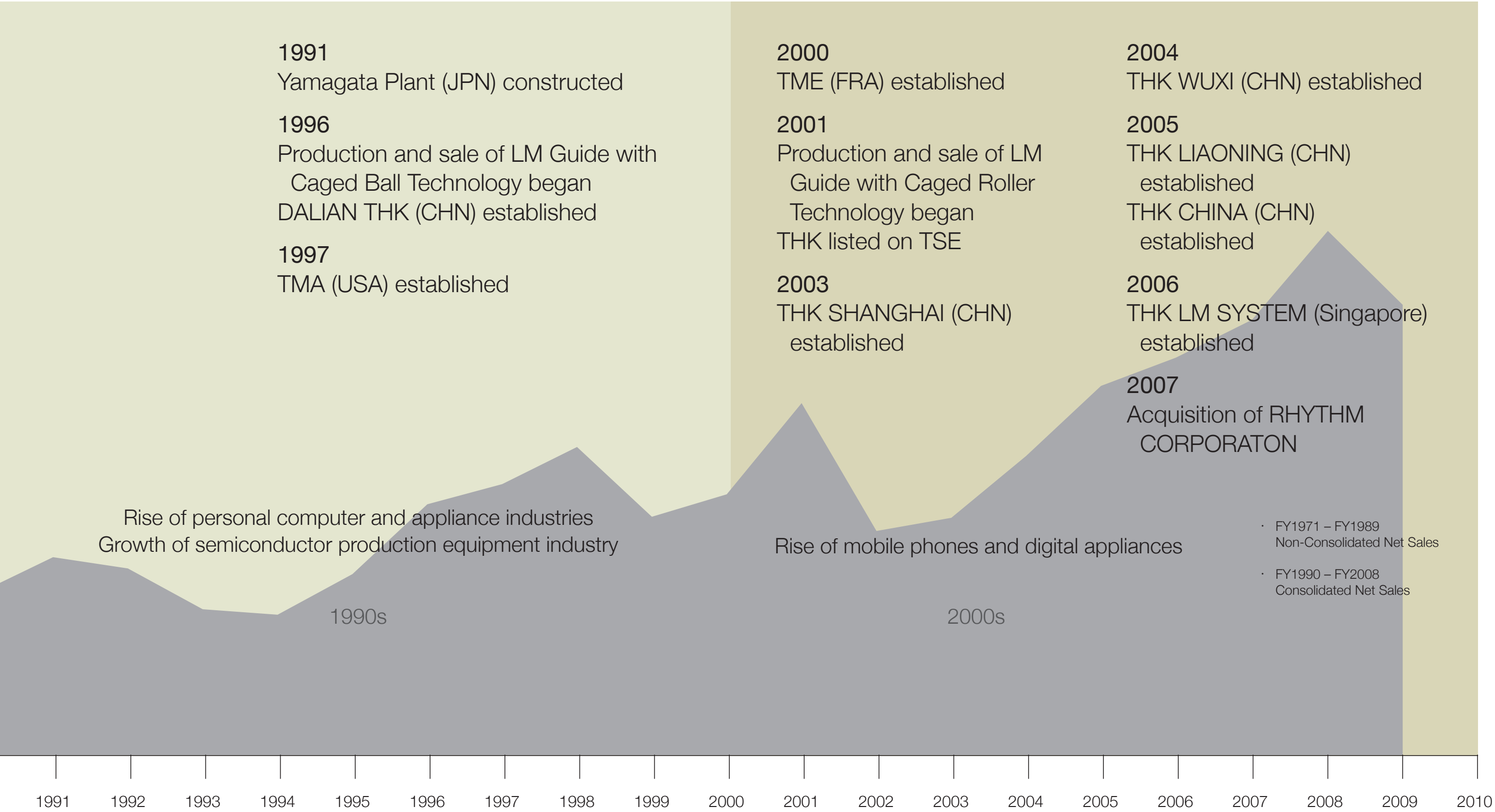
1982
Cross Roller Ring
(RB)

1983
Rolled Ball Screw
(BLK)

1988
Link Ball
(BL)

1990
LM Guide
Actuator (KR)

1992
R Guide
(HCR)



1996
LM Guide with
Caged Ball
(SSR)

1997
Linear Motor
Actuator
(GLM)

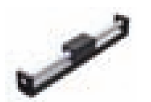
1998
LM Guide with
Caged Ball
(SHS)

1999
Alignment Stage
(CMX)

2001
Seismic Isolation
Cross Liner Bearing
(CLB)

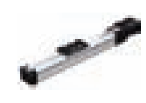
2001
Seismic Isolation
Viscous Damper
(RDT)

2001
LM Guide with
Caged Roller
(SRG)



2002
Linear Motor
Actuator
(RDM)

2002
Ball Screw with
Caged Ball
(HBN)



2002
Low Price Actuator
(VLA)

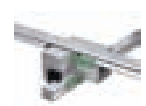
2003
LM Guide
(HMG)

2003
LM Guide Actuator
with Caged Ball
(SKR)

2003
LM Guide with
Caged Roller
(SRW)

2004
Micro LM Guide
(RSR 1.2)

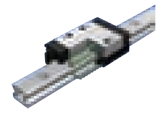
2004
Rod Actuator
(CRES)



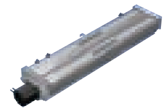
2004
Cross LM Guide with
Caged Ball
(SCR)

2005
Limited Stroke
LM Guide
(EPF)

2006
LM Actuator
(GL-N)



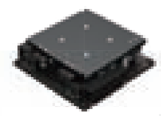
2007
LM Guide Light



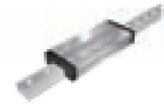
2007
LM Actuator for
Clean Environment Model
(CGL)

2007
Isolation Table
(TSD)

2008
Ball Screw with
Caged Ball
(SBKH)



2008
Ultra-thin Alignment Stage
(CHX)



2008
LM Guide with
Caged Ball
(SPR)

SUBSIDIARIES & AFFILIATE

As of March 31, 2009

Subsidiaries	Main operations	Head office	Percentage owned by the Company, directly or indirectly (%)
DAITO SEIKI CO., LTD.*	Manufacture of parts and equipment for machinery	Tokyo, Japan	100.00
TALK SYSTEM CORPORATION	Sale of machinery parts and various types of equipment	Tokyo, Japan	99.00
Beldex Corporation*	Manufacture and sale of glass-type substrate processing equipment (used in FPD production processes) and optical machinery	Tokyo, Japan	100.00
THK NIIGATA CO., LTD.	Manufacture of ball splines	Niigata, Japan	100.00
RHYTHM CORPORATION	Transportation equipment-related business	Shizuoka, Japan	100.00
Rhythm Kyushu Co., Ltd.	Transportation equipment-related business	Oita, Japan	100.00
Rhythm L Co., Ltd.	Transportation equipment-related business	Shizuoka, Japan	100.00
L Tool Co., Ltd.	Transportation equipment-related business	Shizuoka, Japan	100.00
L Trading Co., Ltd.	Transportation equipment-related business	Shizuoka, Japan	100.00
L Engineering Co., Ltd.	Transportation equipment-related business	Shizuoka, Japan	100.00
THK Holdings of America, L.L.C.	Holding company for THK Group operations in the Americas	Illinois, U.S.A.	100.00
THK America, Inc.	Sale of LM guides, ball screws, spherical joints	Illinois, U.S.A.	100.00
THK Manufacturing of America, Inc.	Manufacture of LM guides, spherical joints	Ohio, U.S.A.	100.00
Rhythm North America Corporation	Transportation equipment-related business	Tennessee, U.S.A.	100.00
THK Europe B.V.	Holding company for THK Group operations in Europe	Amsterdam, Netherlands	100.00
THK GmbH	Sale of LM guides, ball screws, spherical joints	Ratingen, Germany	100.00
THK France S.A.S.	Sale of LM guides, ball screws, spherical joints	Champagne Au Mont d'or, France	100.00
THK Manufacturing of Europe S.A.S.	Manufacture of LM guides, ball screws, spherical joints	Ensisheim, France	100.00
PGM Ballscrews Ireland Ltd.	Manufacture and sale of ball screws	Dublin, Ireland	98.97
THK TAIWAN CO., LTD.	Sale of LM guides, ball screws, spherical joints	Taipei, Taiwan	100.00
THK (CHINA) CO., LTD.	Management of THK Group operations in China	Dalian, China	100.00
THK (SHANGHAI) CO., LTD.	Sale of LM guides, ball screws, spherical joints	Shanghai, China	100.00
DALIAN THK CO., LTD.	Manufacture and sale of ball screws, actuators	Dalian, China	70.00
THK MANUFACTURING OF CHINA (WUXI) CO., LTD.	Manufacture of LM guides	Wuxi, China	100.00
THK MANUFACTURING OF CHINA (LIAONING) CO., LTD.	Manufacture of LM guides	Dalian, China	100.00
Beldex KOREA Corporation	Manufacture and sale of glass-type substrate processing equipment (used in FPD production processes) and optical machinery	Seoul, South Korea	100.00
THK LM SYSTEM Pte. Ltd.	Sale of LM guides, ball screws, spherical joints	Singapore	100.00
RHYTHM GUANGZHOU CORPORATION	Transportation equipment-related business	Guangzhou, China	100.00
THK RHYTHM (THAILAND) CO., LTD.	Transportation equipment-related business	Rayong, Thailand	100.00

Affiliate			
SAMICK THK CO., LTD.	Manufacture and sale of LM guides	Daegu, South Korea	33.82

*New THK Group company THK INTECHS CO., LTD. was started on July 1, 2009 through the business integration of DAITO SEIKI CO., LTD. and Beldex Corporation.

CORPORATE DATA

As of March 31, 2009

Company Profile

Head Office	3-11-6 Nishi-Gotanda, Shinagawa-ku, Tokyo 141-8503 JAPAN
Telephone	+81-3-5434-0351
Established	April 1971
Number of Employees	7,266 (consolidated); 3,210 (parent company)
Month of Ordinary General Meeting of Shareholders	June
Web Site URL	http://www.thk.com/
Independent Auditors	Grant Thornton Taiyo ASG

Stock Information

Common Stock:	
Authorized	465,877,700 shares
Issued	133,856,903 shares
Stock Exchange Listing	Tokyo Stock Exchange
Stock Transfer Agent	Mitsubishi UFJ Trust and Banking Corporation
Number of Shareholders	25,969

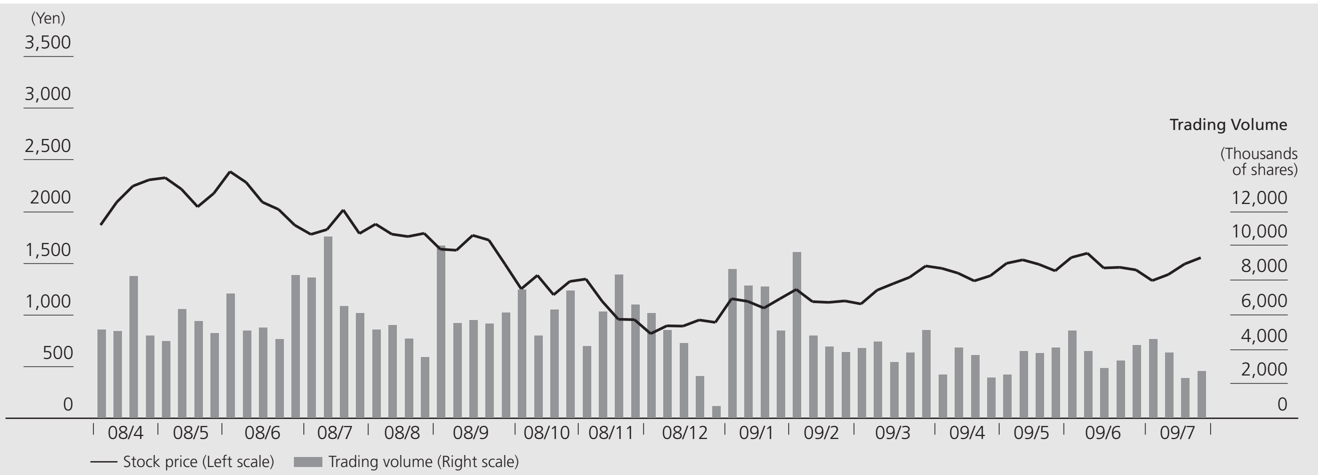
■ Major Shareholders

	Number of Issued Shares Held	Percentage of Voting Rights (%)
State Street Bank and Trust Company	18,189,955	13.58
The Chase Manhattan Bank 385036	6,641,400	4.96
Akihiro Teramachi	5,842,500	4.36
Japan Trustee Services Bank, Ltd. (Trust Account)	5,572,100	4.16
Japan Trustee Services Bank, Ltd. (Trust Account 4G)	5,419,500	4.04
THK CO., LTD.	5,249,330	3.92
The Master Trust Bank of Japan, Ltd. (Trust Account)	4,832,900	3.61
State Street Bank and Trust Company 505224	3,667,475	2.73
Japan Trustee Services Bank, Ltd. (Trust Account 4)	2,155,300	1.61
Mizuho Corporate Bank, Ltd.	2,123,800	1.58

■ Shareholder Composition

Shareholder Type	Number of Shareholders	Number of Issued Shares Held	Shareholding Ratio (%)
Government and Municipalities	0	0	0.00
Financial Institutions	81	30,970,544	23.14
Securities Companies	33	873,498	0.65
Other Corporations	347	4,802,212	3.59
Overseas Institutions	326	65,911,341	49.24
Individuals and Others	25,181	26,049,978	19.46
Treasury Stock	1	5,249,330	3.92

■ Stock Price and Trading Volume



THK

Annual Report 2009

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