Annual Report 2012

CONTENTS

About THK

THK CO., LTD. pioneered the development of the world's first linear motion (LM) guide—a vital machinery component. Today, LM guides made by THK command a leading share of the global market. The Company's business philosophy is "providing innovative products to the world and generating new trends to contribute to the creation of an affluent society." This philosophy has provided us with the momentum to become a creative development-driven enterprise, enabling us to develop a stream of original products since our establishment in 1971.

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.

Until now, LM guides have been used in various different types of machinery such as machine tools and industrial robots. As vital components that help increase precision, rigidity and speed, LM guides contribute significantly to industrial development.

Looking ahead, we expect their use to expand into consumer product areas such as seismic isolation and damping systems and automotive parts.

Consolidated Performance Overview

Years ended March 31

	2002	2003	2004	2005	2006
Net Sales*	¥ 89,340	¥ 94,600	¥119,254	¥147,158	¥158,413
Japan	59,645	65,280	85,344	105,555	112,245
The Americas	11,629	10,775	10,436	12,888	14,108
Europe	12,863	10,780	12,739	15,340	16,199
Asia and Other	5,203	7,765	10,735	13,375	15,861
Gross Profit	26,046	27,953	41,322	53,607	57,922
Operating Income (Loss)	2,176	4,893	16,232	25,974	27,080
Income (Loss) before Income Taxes and Minority Interests	833	3,597	15,521	26,845	30,566
Net Income (Loss)	820	1,892	8,584	17,348	18,584
Total Assets	179,705	193,197	191,105	220,008	244,385
Net Assets (Note 2)	104,115	102,788	109,539	128,606	169,792

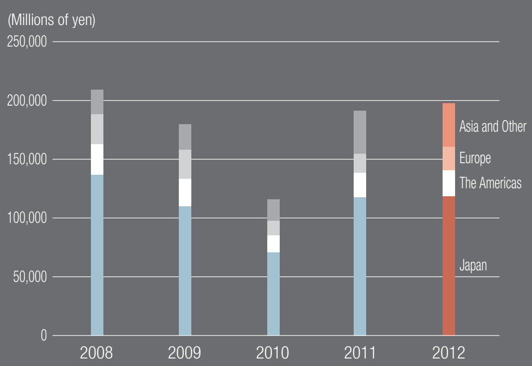
* Segments are based on where our customers are located.

Per Share					
Net Income (Loss) per Share—Basic	¥ 6.88	¥ 15.65	¥ 72.27	¥ 145.31	¥ 148.42
Net Income (Loss) per Share—Diluted	—	15.12	63.69	130.05	137.97
Book Value per Share (Note 3)	869.20	860.80	923.35	1,067.42	1,266.39
Cash Dividend per Share	15	15	15	18	25

Overseas Sales Ratio (%)	33.2	31.0	28.4	28.3	29.1
Operating Margin (%)	2.4	5.2	13.6	17.7	17.1
Return on Equity (ROE) (%) (Note 3)	0.8	1.8	8.1	14.7	12.6
Return on Assets (ROA) (%) (Note 4)	1.3	2.7	8.5	12.8	11.8
Equity Ratio (%) (Note 3)	57.7	53.0	57.1	58.0	68.9
Asset Turnover Ratio (Times)	0.47	0.51	0.62	0.72	0.68

Notes: 1. U.S. dollar amounts represent translation of Japanese yen, for convenience only, at the rate of ¥82.14 = U.S.$1, the approximate rate of exchange prevailing in Tokyo on March 31, 2012.
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 (Loss) plus Interest and Dividend Income as a percentage of average Total Assets.

Net Sales



Operating Income (Loss) and Operating Margin

In fiscal 2011, the fiscal year ended March 31, 2012, net sales came to ¥196.8 billion, an increase of 3.3% compared with the previous fiscal year.

Despite an adjustment to electronics-related demand in Japan entering the second half of the fiscal year under review, THK was able to link robust demand throughout the first half of fiscal 2011 to net sales.

Outside of Japan, and in addition to adjustments toward electronics-related activities in the second half, tight monetary conditions in China led to a decline in demand. For the full fiscal year, however, net sales in other areas in Asia were essentially unchanged from fiscal 2010. Turning to Europe and the United States, net sales increased steadily on the back of robust demand.

Operating income declined 9.6% compared with the previous fiscal year, to ¥19.7 billion.

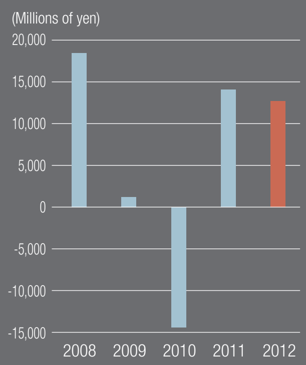
Despite the steady flow-on effects of demand through to net sales, operating income declined year on year. This was largely due to such factors as aggressive anticipatory capital investment, an upswing in fixed costs following a change in the depreciation method applied to property, plant and equipment, changes in the valuation method of inventories and appreciation in the volume of the yen. However, through such endeavors as the P25 Project—a cross-sectional initiative aimed at reinforcing the Company's operating foundation—the Company was able to contain the depth of operating income decline.

					Millions of yen	Thousands of U. S. dollars (Note 1)
2007	2008	2009	2010	2011	2012	2012
¥174,711	¥208,709	¥179,269	¥115,330	¥190,662	¥196,867	$2,396,722
119,513	136,322	109,566	70,296	117,305	117,900	1,435,358
16,650	26,000	23,266	14,552	20,812	22,279	271,235
19,345	25,237	24,916	12,636	16,107	19,979	243,236
19,203	21,150	21,521	17,846	36,438	36,709	446,893
65,142	68,053	48,341	23,189	54,443	53,976	657,117
31,816	26,938	8,523	(9,509)	21,844	19,746	240,393
34,524	26,701	6,284	(14,511)	21,613	18,520	225,472
21,038	18,323	1,204	(14,301)	13,960	12,642	153,908
263,281	264,229	240,351	236,375	279,769	288,333	3,510,266
189,040	192,953	177,713	162,259	167,937	175,517	2,136,800

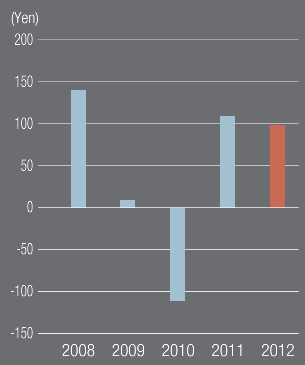
					Yen	U. S. dollars (Note 1)
¥ 158.36	¥ 139.53	¥ 9.36	¥ (111.20)	¥ 108.55	¥ 98.31	$ 1.20
157.22	138.74	—	—	—	—	—
1,407.84	1,484.78	1,372.69	1,252.71	1,296.52	1,352.00	16.46
33	36	20	15	16	20	0.24

31.6	34.7	38.9	39.0	38.5	40.1
18.2	12.9	4.8	(8.2)	11.5	10.0
11.8	9.7	0.7	(8.5)	8.5	7.4
12.8	10.5	3.6	(3.9)	8.6	7.1
71.1	72.3	73.4	68.2	59.6	60.3
0.69	0.79	0.71	0.48	0.74	0.69

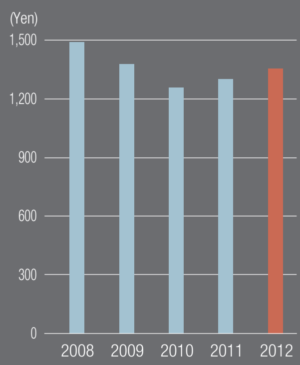
Net Income (Loss)



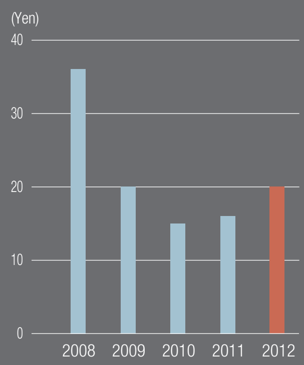
Net Income (Loss) per Share



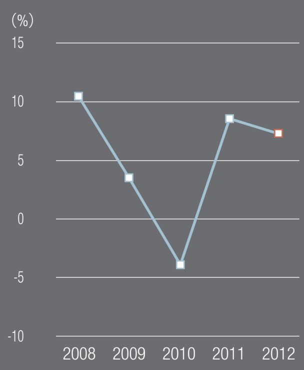
Book Value per Share



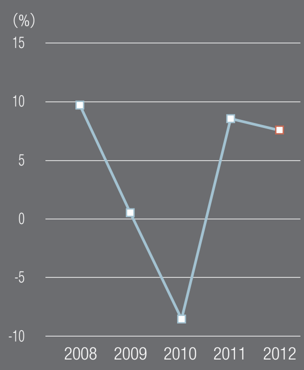
Cash Dividend per Share



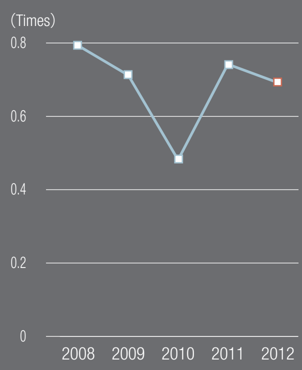
Return on Assets (ROA)



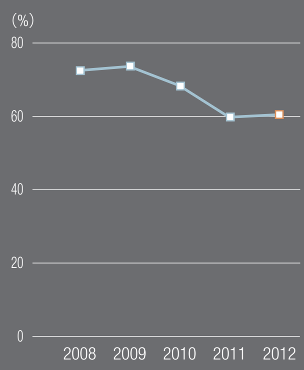
Return on Equity (ROE)

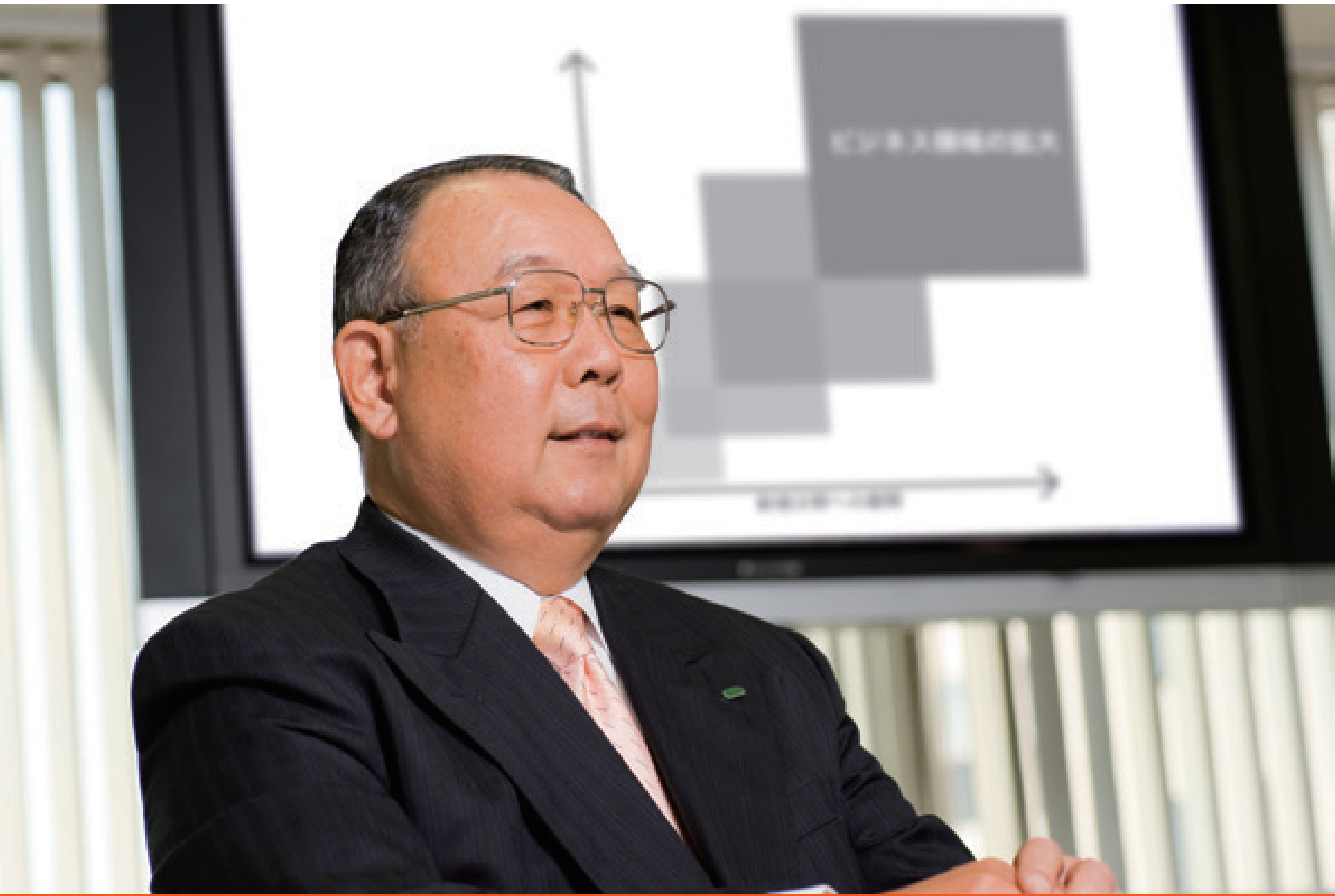


Asset Turnover Ratio



Equity Ratio





Looking Back on Our Business Environment and Performance in Fiscal 2011

Achieved Revenue Growth Against the Backdrop of a Volatile Business Environment

During the first half of fiscal 2011, the fiscal year ended March 31, 2012, the global economy continued along its path of recovery buoyed by economic growth in developing countries. Under these circumstances, trends in orders received were extremely robust in each of THK's operating regions. Particularly in China, the Company reported two consecutive quarters (January to March and April to June) of record-high orders received.

From the summer months, however, operating conditions throughout Asia shifted dramatically as the Chinese government pushed forward measures to tighten the supply of money. Taking into consideration this turnaround and the decline in electronics demand which resulted in a downturn in orders received mainly in Japan and Asia, THK revised downward its full fiscal year forecasts at the time of its interim results announcement in November 2011. In the period following this downward revision, the Company was successful in capturing a greater than expected level of orders. Reflecting the positive flow-on effects to net sales, consolidated top-line results in fiscal 2011 increased 3.3% compared with the previous fiscal year, to ¥196.8 billion. Accordingly, this year-on-year upswing in revenues resulted in an improvement on the revised plan.

From a profit perspective, operating income declined 9.6% compared with the previous fiscal year, to ¥19.7 billion, while net income contracted 9.4% year on year, to ¥12.6 billion. This largely reflected continued appreciation in the value of the yen, the impact of changes to accounting policies and expenses incurred as a part of efforts to build up the Company's systems to bolster its business continuity plan (BCP).

Despite this downturn, THK takes great stock in the results achieved under its P25 Project, an initiative that transcends business boundaries aimed at strengthening the Company's business base. Thanks to each improvement activity beginning with the P25 Project, we have limited the depth of profit decline to an absolute minimum and secured a profit performance that exceeds our revised plan. This augurs well for the future moving into the following business terms.

Looking Back on Our Policies and Business Initiatives in Fiscal 2011

Secured an Improvement in Our Earnings Base through a Variety of Improvement Measures

Our ability to secure an improvement in our earnings base is essentially attributable to our commitment to and unwavering implementation of a comprehensive growth strategy.

THK continues to engage in business development activities by expanding its business domains with the dual growth strategies of “Full-Scale Globalization” and the “Development of New Business Areas.” Getting the jump on its rivals, THK is adopting a particularly aggressive approach toward building, upgrading and expanding its sales network in China, which is enjoying prolonged high rates of economic growth. At the same time, the Company is ramping up its production capabilities. As a result, I am confident that we successively captured a significant share of demand in regions throughout China during the first half of the period. On the earnings front, China proved to be the most profitable of the countries in which we operate for the second consecutive year. This is also a measure of the initiatives that we have employed to date and has allowed us to reap considerable rewards.

Turning to the Company’s activities in Japan, THK continued to promote its P25 Project, an initiative that transcends business boundaries aimed at strengthening the Company’s business base in Japan. Under the P25 Project, we conduct thoroughgoing analyses of individual department issues across all related departments to apply improvement measures. This allows us to not only enhance our marginal profit ratio but also to increase the efficiency of fixed costs and lower the break-even sales point. In fiscal 2011, we implemented a variety of initiatives including the P25 Project. As a result, we were able to successfully enhance profitability.

Outlook for Fiscal 2012

Targeting an Increase in Revenues and Earnings

Conditions during fiscal 2012 are expected to remain unstable. This is attributable to a variety of external factors including uncertainties surrounding issues in South Europe and a slowdown in growth rates in China. Despite some measure of anxiety, the overall business environment in fiscal 2012 is projected to remain firm on the back of pump-priming initiatives implemented in such major countries as the United States and China as a result of presidential elections and a change in leadership.

Under these circumstances, orders received, which continued to climb from the October to December 2011 quarter to the January to March 2012 quarter, are anticipated to increase. On this basis, THK announced its consolidated forecasts in May 2012. For the fiscal year ending March 31, 2013, the Company is projecting consolidated net sales of ¥200.0 billion, an upswing of 1.6% compared with the fiscal year under review. From a profit perspective, we will continue to actively promote measures including the P25 Project aimed at strengthening our revenue base. Driven by these endeavors, operating income is expected to climb 13.9% year on year, to ¥22.5 billion.

Our Policies and Business Initiatives in Fiscal 2012

Further Accelerating the Implementation of Two Basic Strategies

While changes in the external environment are clearly evident over the short term, our forecast of steady growth in demand for THK products over the medium to long term remains unchanged. Our confidence is derived from the new growth drivers that continue to emerge amid current volatile fluctuations in the external environment.

First, the shift toward production of capital goods in developing countries continues to gather momentum, reflecting clear indications of economic growth in these countries. In addition, the ongoing trend toward execution of free-trade agreements in various regions throughout the world is prompting increased demand for machinery in these regions considered ideal as bases of operations for export activity. Turning to trends in developed countries, growing awareness toward disaster prevention countermeasures and interest in electric-powered equipment and devices is anticipated to fuel demand for THK products in the consumer goods field. In addressing each of the aforementioned changes, THK will accelerate efforts to implement Full-Scale Globalization and the Development of New Business Areas in an effort to generate new growth and expand its business domain.

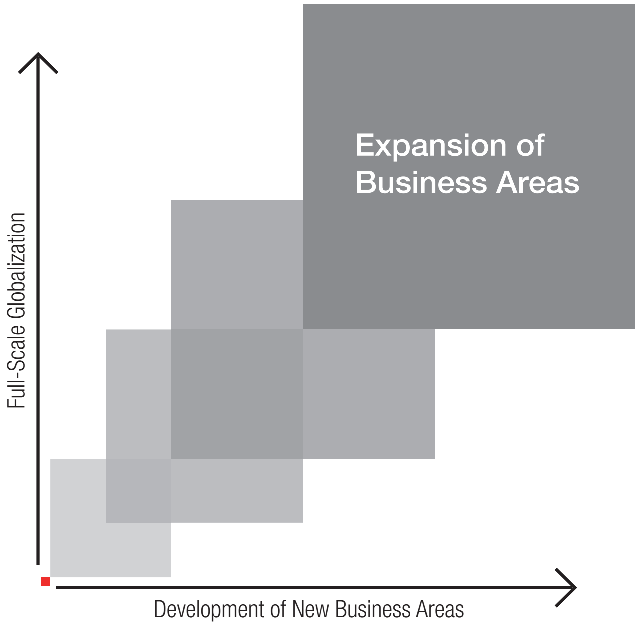
Growth Strategy: Full-Scale Globalization

Accelerating Business Development in Developing Countries

In promoting Full-Scale Globalization, THK is stepping up its efforts in developing countries, with a particular emphasis on the China market.

In China, machine tools represent the principal market for the Company’s products. After rising to the world’s top position in machine tool production by amount in 2009, China has continued to increase unit produced annually. In contrast, certain people have voiced concerns surrounding China’s economy going forward and the nation’s ability to maintain current growth rates in the machinery sector. Without a doubt, growth rates in China have slowed of late, with the government revising downward its forecasts. The country has entered a period of stable growth after an extended period of high growth. From Japan’s perspective, however, this stable growth has provided the underlying strength for continued substantial increases in GDP. Moreover, the ongoing trend toward factory automation (FA) has driven demand for advanced machine tools.

Japan experienced a period of stable growth from December 1973. Riding the wave of FA, this period saw a sharp rise in the ratio of numerically controlled (NC) machine tools, which in turn provided the momentum for steep growth in demand for the Company’s products. The NC machine tool ratio in Japan currently exceeds 90%. In China, on the other hand, this ratio stands at around 30%. Amid the shift toward domestic demand-led economic growth in China, increased demand for higher quality finished products reflecting the upswing in disposable incomes and a decline in



the labor force, China is expected to experience improved demand for advanced NC machine tools in similar fashion to the period of stable growth in Japan. For these reasons, we are confident that China will undoubtedly continue to offer significant growth potential going forward.

Against this backdrop, THK is proactively upgrading and expanding its sales network in an effort to capture a significant share of this demand. As of July 2012, the Company's branch network in China had expanded to 30 bases. Taking into account China's growth potential, 30 bases falls well short of the number required. On this basis, THK plans to double its network to 60 bases by 2014 and to further cement its position within the China market.

From the point of view of production, we are taking steps to increase capacity at each plant in order to capture growing demand. In addition to introducing machinery equipment, construction work to increase capacity at DALIAN THK CO., LTD. was completed in August 2011. At the same time, construction has been completed at THK MANUFACTURING OF CHINA (WUXI) CO., LTD. on a third plant since 2011. Operations at this new facility commenced in May 2012. Complementing these initiatives, THK established THK RHYTHM CHANGZHOU CO., LTD., the Group's fifth plant in China, focusing mainly on the production of automotive parts in China in April 2011. Deliveries to customers commenced in July 2012. Moreover, the Company established THK MANUFACTURING OF CHINA (CHANGZHOU) CO., LTD. as the Group's sixth plant in April 2012. Dealing in the production of linear motion-related materials and hybrid units, construction is scheduled to commence in October 2012.

Turning to development, THK established its first overseas R&D division within the headquarters of THK CHINA in April 2010. A specialist R&D Center at the division was brought online in April 2012. Research and development in China is proceeding in earnest, and the THK Group is engaging in the development of products that address local needs.

In addition to its activities in China, THK is upgrading and expanding its supply network in other areas. Currently, the THK Group maintains 15 overseas production bases including China. In order to further capture demand, every effort will be made to bolster the Group's supply structure with an ongoing focus on developing countries. THK established THK RHYTHM MEXICANA, S.A. DE C.V. in Mexico in February 2012 with the aim of supplying not only the Mexican market but also the Americas. Ground was broken on construction in May 2012. Beginning with automotive parts, this facility will look toward manufacturing linear motion-related products. In India, the Company will focus on strengthening direct sales during the current fiscal year and establish a local subsidiary. Maintaining a keen eye on trends in demand for automotive parts and capital goods, THK will assess the most appropriate timing to set up a production plant. In the ASEAN region, the Company is placing considerable emphasis on establishing sales bases in each country, actively raising the Group's presence and standing and capturing inherent demand.

The THK Group is pursuing every avenue in its pursuit toward Full-Scale Globalization. One such avenue is the use of agencies and distributors. THK is not however a company that merely sells products. Its overarching mission also entails supporting its customers with comprehensive solutions. Taking these factors into consideration, the Company will effectively utilize an agency network, and place the utmost emphasis on putting forward improvement proposals that customers themselves have not identified while providing solutions that harness THK's technological capabilities as part of its effort to build robust ties of trust and confidence with its customers. Through these means, the Company will endeavor to cultivate global demand.

Growth Strategy: Development of New Business Areas

Striving for the Increased Use of THK Products in Consumer Goods Fields

As previously mentioned, we believe that demand will remain strong in developing countries over the medium to long term. At the same time, we are also aware that future operating conditions will fluctuate wildly, impacting demand in developed countries. It is therefore important that we not rest on our laurels and be satisfied with current steady status of our business. For this reason, we will continue to promote the second growth strategy of new business area development in the knowledge that expanding its activities into new areas is extremely important to its future.

As a first step, we are endeavoring to steadily promote the increased use of our products in the FAI Division, which is charged with the responsibility of expanding the application of THK products in transportation-related fields. In addition to boosting business activities in such traditional fields as ball joint parts, we are focusing on putting forward proposals that only THK can provide to address the change in configurations triggered by the growing demand in hybrid and electric vehicles. These proposals encompass a broad spectrum of configurations including surrounding driving, suspension and interior components. To this end, the THK Group will accelerate product development while stepping up its approach toward customers.

In the ACE Division, which is engaged in the provision of seimic isolation and damping systems that help protect people's lives and possessions from the threat of earthquakes, the THK Group is witnessing significant growth in demand amid increased awareness toward the dangers presented by such disasters. With a substantial upswing in interest in BCPs, demand for seismic isolation platforms is surging as the corporate sector looks to better protect its valuable assets. In a major development in fiscal 2011, THK marketed the Seismic Isolation Module, Model TGS. In addition to receiving the 54th 10 Major New Products Awards sponsored by Nikkan Kogyo Shimbun Ltd., this product was highly evaluated for its performance, prompting an extremely large number of orders received. In damping system-related products, the Company developed the Inertial Rotary Damping Tube (iRDT)—a new viscous damping system designed for use in controlling the shock range of long-period ground motions in high-rise buildings. At the same time, and due to its superior damping effects, iRDT reduces the number of installation units which helps to curtail overall costs. Moreover, this new product can not only be used in the construction of new buildings, but also in renovations to strengthen the seismic resistance of existing structures.

In the future, there are serious concerns that a major earthquake will strike the area beneath the Tokyo metropolitan area, as well as the three linked Tokai, Tonankai and Nankai regions of Japan. Accordingly, Japan's national government is considering earthquake countermeasures for all existing structures. Against this backdrop, THK has an extremely important role to play and is taking proactive ongoing sales and marketing steps to promote the increased use of its products. At the same time, the Company is endeavoring to contribute to society by raising awareness toward the importance of earthquake countermeasures by providing first-hand experience through its proprietary Seismic Isolation Experience Car.

The IMT Division is working diligently to expand its hybrid unit and equipment as well as electric actuator businesses. Looking ahead, the trend toward electric-powered devices is projected to expand across a variety of areas from capital to consumer goods. This in turn is fueling expectations of an increase in demand for the Company's electric actuators. In the fiscal year ended March 31, 2012, THK augmented its lineup and brought to market new products in four series. Harnessing the advanced product technologies the Company has nurtured over a lengthy period, the IMT Division is also pursuing research and development aimed at supplying components for such next-generation fields as robotics including humanoid robots. Looking ahead, THK will continue to promote the development of new proposals while working to further expand the potential of its products.

In addition to its activities through each of the aforementioned three divisions, THK will strive to expand the application of its products to such wide-ranging fields as renewable energy, including wind, hydraulic and solar power, as well as platform doors used in subways. Moving forward, every effort will be made to develop products that are capable of excelling across a wide variety of fields and that contribute to the creation of an affluent society. Through these means, the Company will continue to expand its business.

Enhancing Corporate Value

Striving for Further Growth

As previously mentioned, there are numerous inherent opportunities for investment with the potential to deliver to the Company renewed growth. Accordingly, there is considerable promise to further expand THK's business domain by promoting Full-Scale Globalization and Development of New Business Areas. Moving forward, THK will continue to steadfastly implement these two growth strategies and work diligently toward achieving its medium-term targets of consolidated net sales of ¥300.0 billion as well as an operating margin of 20% and ROA of 15%. In this regard, the Company will further enhance its corporate value and address the expectations of stakeholders including shareholders.

As we work toward fulfilling these stated targets, we kindly request the continued support and understanding of all concerned parties.

July 2012

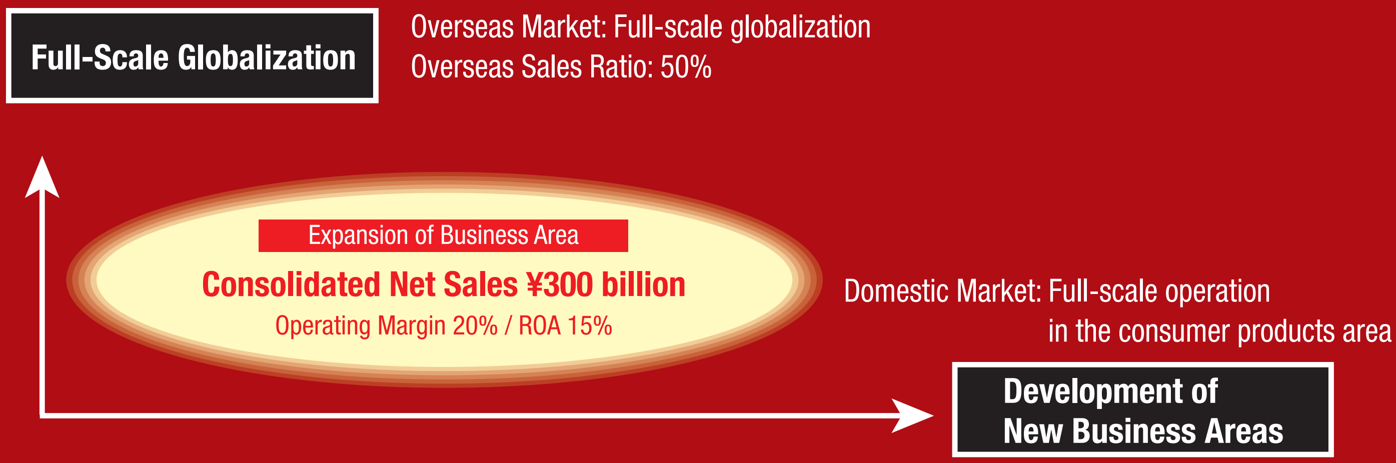
Akihiro Teramachi

Akihiro Teramachi
President and CEO
THK CO., LTD.

Realizing Further Growth through Two Basic Strategies

THK identified "Full-Scale Globalization" and "Development of New Business Areas" as underlying growth strategies aimed at realizing the vast potential of its products including linear motion (LM) guides. From a medium-term perspective, the Company is working toward achieving its established quantitative targets. This includes consolidated net sales of ¥300 billion, an operating margin of 20% and an ROA of 15%.

Management Targets



➤ Full-Scale Globalization

Recognizing that optimal production is best served by locating facilities closer to demand centers, THK pursues business development through integrated manufacturing and sales systems across the four core locations of Japan, the Americas, Europe and Asia.

In Japan, the Company maintains a production network of 12 plants, with the Yamaguchi Plant serving as a mother factory. THK also actively engages in research and development (R&D) activities through its Technology Center-based efforts to ensure the creation of innovative high-value-added products.

In the Americas, THK America, Inc. and THK Manufacturing of America, Inc. are the respective sales and marketing as well as manufacturing arms of THK Holdings of America, L.L.C., while Group company THK RHYTHM NORTH AMERICA CO., LTD. handles automotive parts. In Mexico, with an eye to the future supply of products to not only Mexico but also the Americas, THK established THK RHYTHM MEXICANA, S.A. DE C.V. in February 2012.

THK Europe B.V. serves as the regional operating company for THK's operations throughout Europe. Sales activities are for the most part divided between THK GmbH and THK France S.A.S., the Group's principal marketing subsidiaries in the region. The production function is the responsibility of THK Manufacturing of Europe S.A.S. and THK Manufacturing of Ireland Ltd.

In Asia, which continues to exhibit remarkable growth, we are promoting measures aimed at upgrading and expanding our sales network. At the same time, we are actively implementing wide-ranging initiatives including efforts to build a production structure in China, South Korea, Thailand, Vietnam and Malaysia. Marking another milestone in the THK Group's ongoing development, the Company established its first overseas R&D base in China, which will serve at the center of efforts to actively promote product development that addresses local Chinese market needs.

* For information regarding the Company's business development activities in China, please refer to the Special Feature section on pages 10–13.

➤ Development of New Business Areas

THK has positioned the Development of New Business Areas as another core pillar of its growth strategies aimed at business domain expansion. The Company's current principal customer base comprises manufacturers of such capital goods as machine tools and semiconductor production equipment. In order to expand the use of its products into consumer goods areas, we have set up and bolstered the activities of specialist divisions including the Future Automotive Industry (FAI) Division, the Amenity Creation Engineering (ACE) Division and the Innovation Mechatronics Technology (IMT) Division.

FAI Division

- Working through THK RHYTHM CORPORATION, the Group's automotive parts manufacturer, develops and supplies key automotive components that enhance automobile safety
- Other transportation equipment-related businesses

ACE Division

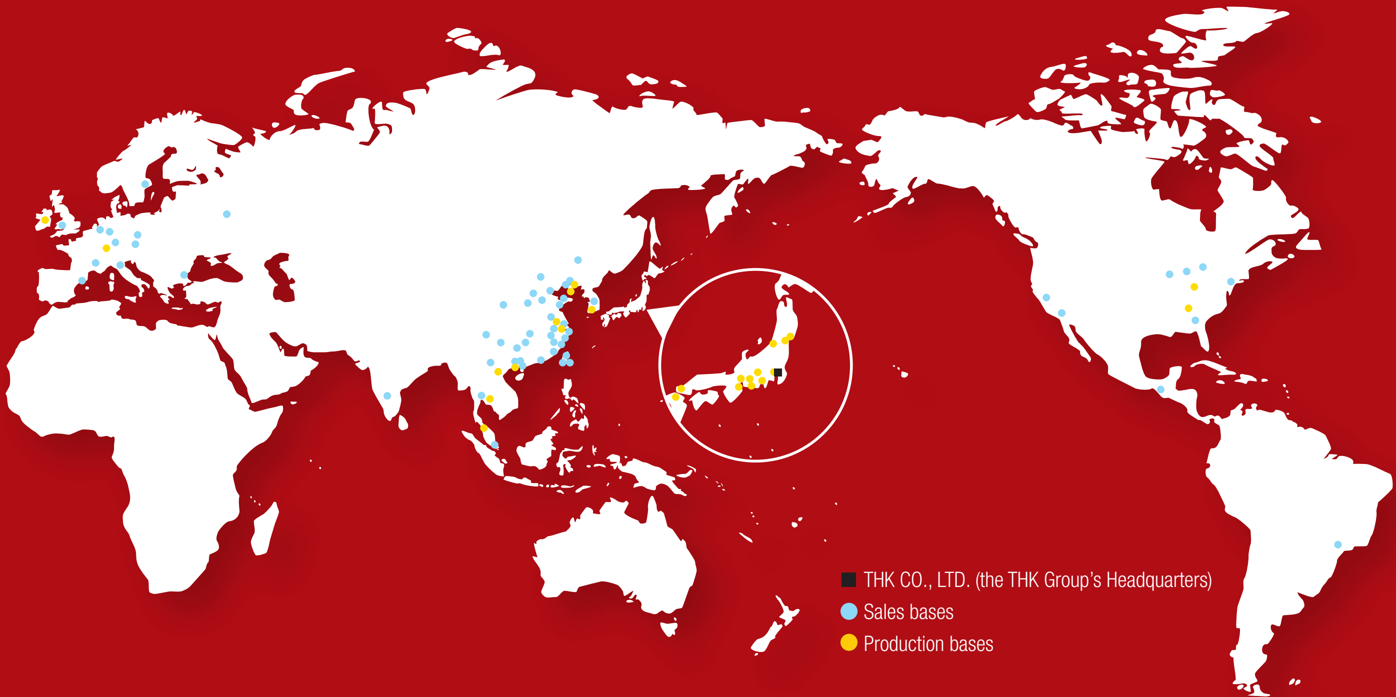
- Develops and supplies seismic isolation devices and damping systems that help ensure housing safety
- Home automation support

IMT Division

- Supplies unit products customized to each customer's needs
- Develops and supplies series of electric actuator products that address customers' general-purpose needs
- Develops next-generation robot-related products that are projected to expand in the future

Full-Scale Globalization

Building the Group's integrated manufacturing and sales systems in the four key geographic regions



Development of New Business Areas

Expanding the use of THK products into every possible consumer goods areas

THK Products

- Linear Motion (LM) Guides
- Ball Screws
- Actuators
- Ball Splines
- Cross Roller Rings
- Link Balls

etc.

Development of New Business Areas

Capital Goods

- Machine Tools
- Semiconductor Production Equipment
- Flat-Panel Production Equipment
- Chip Mounting Machines
- Industrial Robots

etc.

Consumer Goods

- Vehicles
- Seismic Isolation and Damping Systems
- Home Automation
- Wind-Power Generation
- Home Electric Appliances
- Medical Devices

etc.

End-consumer

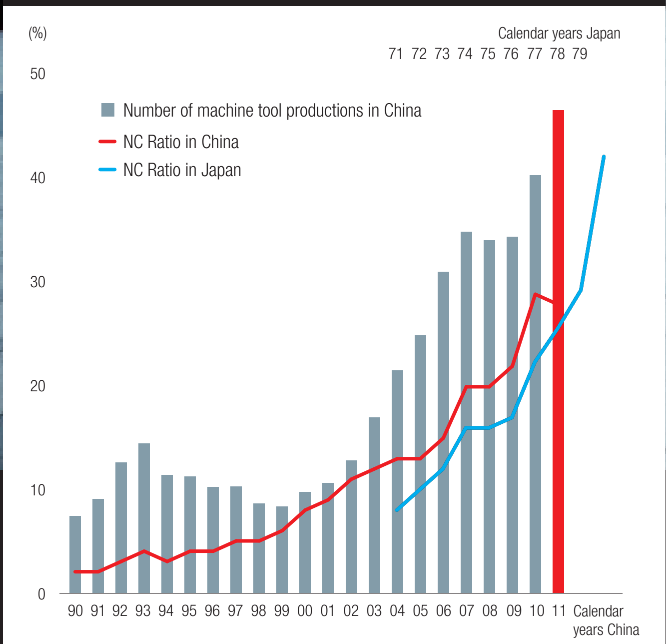
Special Feature 1

Steadfastly Capturing Growing Demand by Further Accelerating Business Development in China

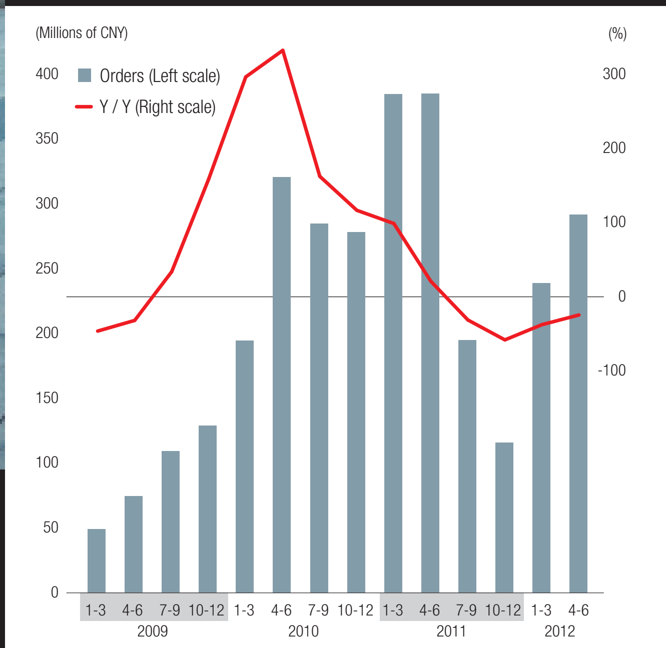
THK first entered the China market in the 1990s and was quick to build an integrated manufacturing and sales system. In fiscal 2011, the Company took steps to substantially increase its production capacity and dramatically increased the pace of sales base expansion in order to address the ever-increasing growth in demand.

Moreover, THK commenced operations at its first overseas research and development division in April 2012. Every effort is being made to develop products that match local needs.

Trends in the Number of Machine Tool Productions in China and the NC Ratio



Trends in the Combined Orders Received by THK CHINA (Sales Subsidiary) and THK SHANGHAI



Reference: China Statistical Year Book, JMTBA

Achieved Revenue Growth in Fiscal 2011 Despite a Year of Upheaval

Fiscal 2011 was a year of considerable turmoil and upheaval. Exhibiting continuous high rates of economic growth throughout the first half of the year, beginning with mainstay machine tools, orders received in China were extremely strong. THK reported record high results for the two consecutive January and April quarters. In the second half, measures imposed by the Chinese government to tighten credit had the effect of slowing economic growth. This in turn led to a downturn in orders received. Buoyed by successful efforts to steadfastly capture demand during the first half and to secure positive flow-on effects through to sales, revenues for the full fiscal year were up year on year.

Boasting Competitive Advantage across Various Facets of Our Business Activities from Development, through Production to Sales

Standing at the forefront of its industry, THK was quick to commence business in China. As early as the 1990s, the Company took proactive steps to build an integrated production and sales structure with facilities and operations closer to centers of demand. The THK Group maintains a competitive advantage over other companies in terms of its business operations with a sales network of 30 bases and five production facilities as of July 2012. From a development perspective, the Group established an R&D division in April 2010, which continues to develop products that address local needs. These efforts have provided the wellspring for the Company's competitive advantage and its ability to definitively capture demand in China, which continues to experience rapid economic growth. As a result, the THK Group maintains a high market share in China in its mainstay products. Looking ahead, THK will further cement its leading position within the China market by strengthening its integrated production and sales structure.

Steadily Increasing Production Volumes of Numerically Controlled (NC) Machine Tools and the Ratio of NC Machine Tools to Total Production (the "NC Ratio")

In addition to increasing the number of machine tool units produced in China, the ratio of NC machine tools is steadily rising. These trends are expected to provide considerable impetus for product demand going forward. Production volumes have risen sharply in recent years. After securing its position as the world's largest producer of machine tools in 2009 in terms of production amount, China has continued to enjoy accelerated growth throughout 2010 and 2011.

In Japan, the ratio of NC machine tools stands at around 90% while the same ratio in China is 30%. Moving forward, increases in disposable income are expected to fuel growing demand for higher quality products. Moreover, against the backdrop of a decline in the workforce, demand for advanced machine tools equipped with NC devices is projected to climb in similar fashion to earlier trends in Japan. At exhibitions in China, while low-priced, general-purpose machinery remains commonplace, an upswing in the number of medium-zone machinery is becoming evident.

Fiscal 2011 Results

In fiscal 2011, THK CHINA reported an approximate 20% increase in net sales compared with the previous fiscal year for a second consecutive year of record results. While orders received have recently declined owing mainly to government efforts to tighten monetary conditions from the second half of fiscal 2011, a recovery trend has emerged after order levels hit bottom in November 2011. Added to this, a change in the nation's leadership is triggering expectations of a further upswing based on the implementation of expansionary measures. Taking each of the aforementioned factors into consideration, THK CHINA is targeting a year-on-year increase in revenues of slightly below 20% in fiscal 2012.

Convinced of its vast potential, THK took the lead ahead of its rivals in upgrading and expanding its sales network in China while boosting its production capacity. As a result of these endeavors, in fiscal 2011, the Company was able to record an upswing in net sales by steadfastly capturing robust demand in the first half. From an earnings perspective, China was the most profitable geographic region of operations for the second consecutive fiscal year. As a market leader, THK has been successful in accurately addressing the vast demand inherent in China. There is therefore a strong sense that the Company is further garnering the trust and confidence of customers throughout the market.

Medium-Term Operating Activities

The entire THK Group has identified the medium-term goal of achieving consolidated net sales of ¥300 billion. On this basis, we will work to fulfill our role as a major contributor toward achieving this established goal by steadfastly laying a solid foundation and making tangible progress in the Asian market, which is expected to continue experiencing high rates of growth. We have identified the medium-term goal of achieving net sales of ¥50 billion in our business in China including sales to transportation equipment-related fields. Striving to achieve this goal, we will bolster our integrated manufacturing and sales systems.

In transportation equipment-related fields the FAI Division is mainly taking the lead in promoting business development. In this regard, aggressive efforts are being made to also approach the automobile industries of Asia. In addition, the IMT Division was established in 2009 to promote further take-up of electric actuators and unit products. Looking ahead, particular emphasis will be placed on cultivating the China market with a focus on electric-powered fields where investments aimed at advancing automation and reducing the need for labor are expected to expand.

Measures Aimed at Promoting Sales

Together with the economic policies promoted by the Chinese government, sharp upswings in personnel expenses are prompting global companies to diversify their geographic areas of expansion. As a result, demand for THK products, which to date has been concentrated around coastal areas, is steadily spreading throughout all of China, including the northeast and inland areas. Against the backdrop of China's vast business area, the Company is promoting sales and marketing activities that are deeply rooted in the local community while upgrading and expanding its sales network at a rapid pace. THK's nationwide network stood at 30 bases as of July 2012, with plans to bring this figure to 60 by 2014. In this manner, we are further expanding our sales network.

As part of THK's endeavors to bolster its sales and marketing structure and systems, the Company is fully aware of the importance that intangible development will play in combination with tangible expansion. With this in mind, THK newly recruited approximately 80 personnel to boost its local workforce in fiscal 2011. Taking into consideration the growing sophistication of customer needs in China, the Company is implementing thoroughgoing, unique human resource education and training in collaboration with the Engineering and Development Division in China as part of its comprehensive efforts to raise the skills set and capabilities of local staff.

Moreover, particular emphasis will be placed on expanding transactions with existing customers including major machine tool manufacturers. This emphasis will be complemented by endeavors to cultivate new customers.

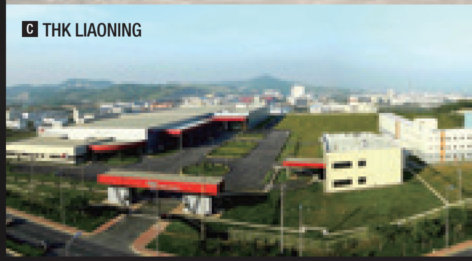
Steadfastly Capturing Growing Demand by Further Accelerating Business Development in China

Takashi Okubo | Director
President of THK (CHINA) CO., LTD.

A THK CHINA

B R&D Center

C THK LIAONING



In specific terms, THK will hold exhibitions in each region and effectively utilize its website to promote PR activities from a broad perspective.

Measures Aimed at Boosting Production

THK is working to expand the production activity of each plant in China with the aim of steadfastly capturing expanding demand. Compared with the beginning of 2011, the Company has managed to more than double its production capacity as of June 2012.

In addition to introducing machinery facilities and equipment, construction to expand production at DALIAN THK CO., LTD. was completed in August 2011. With the aim of further increasing production, plans are in place to relocate to a new plant that boasts a site area that is approximately four times the size of the current base. THK MANUFACTURING OF CHINA (WUXI) CO., LTD. completed construction of a third plant. This facility came online in May 2012. Building on each of these initiatives, THK established THK RHYTHM CHANGZHOU CO., LTD. as its fifth plant in China in April 2011. Deliveries of automotive parts to customers began in July 2012. Moreover, in April 2012 THK MANUFACTURING OF CHINA (CHANGZHOU) CO., LTD. was established as the Group's sixth plant in China to manufacture linear motion-related parts and units. Operations are scheduled to commence in October 2012.

Complementing these activities, the THK Group will position its plant network in China as not only a source of supply that aims to address local demand but also as a platform for export to the rest of the world. Steps have already been taken to ship products to the United States, Europe and Taiwan. Amid these efforts and the pickup in orders in China, the THK Group implemented a four-squad "triple-shift" full production system from April 2012. Harnessing the collective strengths of all employees, THK will work diligently to boost production.

Measures Aimed at Advancing Development

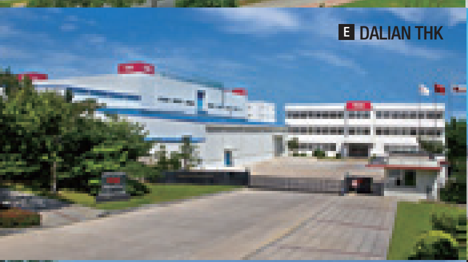
The Group's first overseas R&D division was established within the headquarters of THK CHINA in April 2010. In line with a market that continues to exhibit growth, customer needs in China are becoming increasingly diverse. THK recognizes the critical importance of providing high-value-added products that meet these needs. Since establishing this designated R&D division, the Company has focused on the education and training of its personnel. The specialist R&D Center was therefore brought online in April 2012, with steps taken to accelerate development that matches local needs in collaboration with the Engineering and Development Department in Japan.

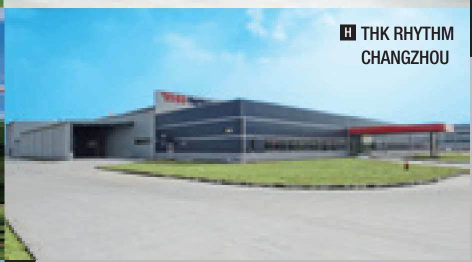
The THK Group places the utmost emphasis on global quality as part of its comprehensive efforts to ensure the same level of quality irrespective of the location of production throughout the Group's production network. Moreover, and in order to further increase its market share, the THK Group balances the equally critical requirements of quality maintenance and cost competitiveness. In this context, the Group is promoting local materials procurement and the shift to in-house operations wherever possible.

Engaging in Business Development Activities in Other Developing Countries

Based on the aforementioned measures and activities, THK began developing business in China ahead of its rivals. In addition to building an integrated manufacturing and sales system, the Company has continued to aggressively expand its business. As a result, THK continues to reap the many benefits of its pioneering position to secure definitive growth.

Drawing on its experiences and track record in China, THK is proactively promoting business development in other developing countries. In specific terms, the Company established THK RHYTHM MEXICANA, S.A. DE C.V. in Mexico. From the current fiscal year, the Company will also bolster direct sales in India and has plans to establish a local subsidiary. The THK Group is therefore picking up the pace of actively developing business in other developing countries going forward.





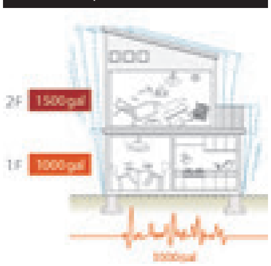
Special Feature 2

Supplying Safety and Peace of Mind to the World via Innovative Seismic Isolation and Damping Systems

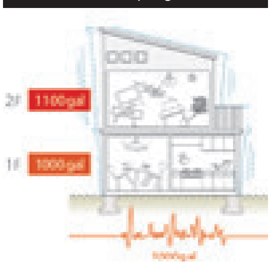
Earthquake Resistance, Damping and Seismic Isolation

The Great East Japan Earthquake disaster of March 11, 2011 prompted heightened social awareness of the importance of effective earthquake countermeasures. In regard to earthquake protection initiatives that are applied to buildings, there are three types of technologies—earthquake resistance, damping and seismic isolation. Earthquake resistance refers to a structure engineered to primarily improve the ability of pillars and beams to withstand seismic force. In this approach, the full force of an earthquake is conveyed to the ground floor, with the shock then amplified as the force rises to the second floor, third floor and above. Damping refers to a structure which incorporates damping systems with dampers to lower earthquake energy and reduce shocks. This approach is effective in high-rise buildings and other structures. Seismic isolation refers to a structure in which seismic isolation systems are set up between buildings and their foundations, eliminating direct transmission of earthquake shocks to buildings by effectively separating them from the ground. Among these three technologies, the seismic isolation structure manifests the highest results in controlling earthquake shocks, with THK seismic isolation systems contributing to the move to seismic isolation in various types of buildings.

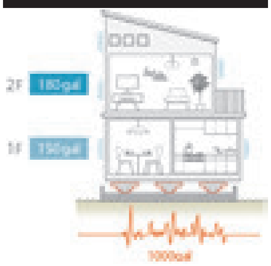
Earthquake resistance



Damping



Seismic isolation

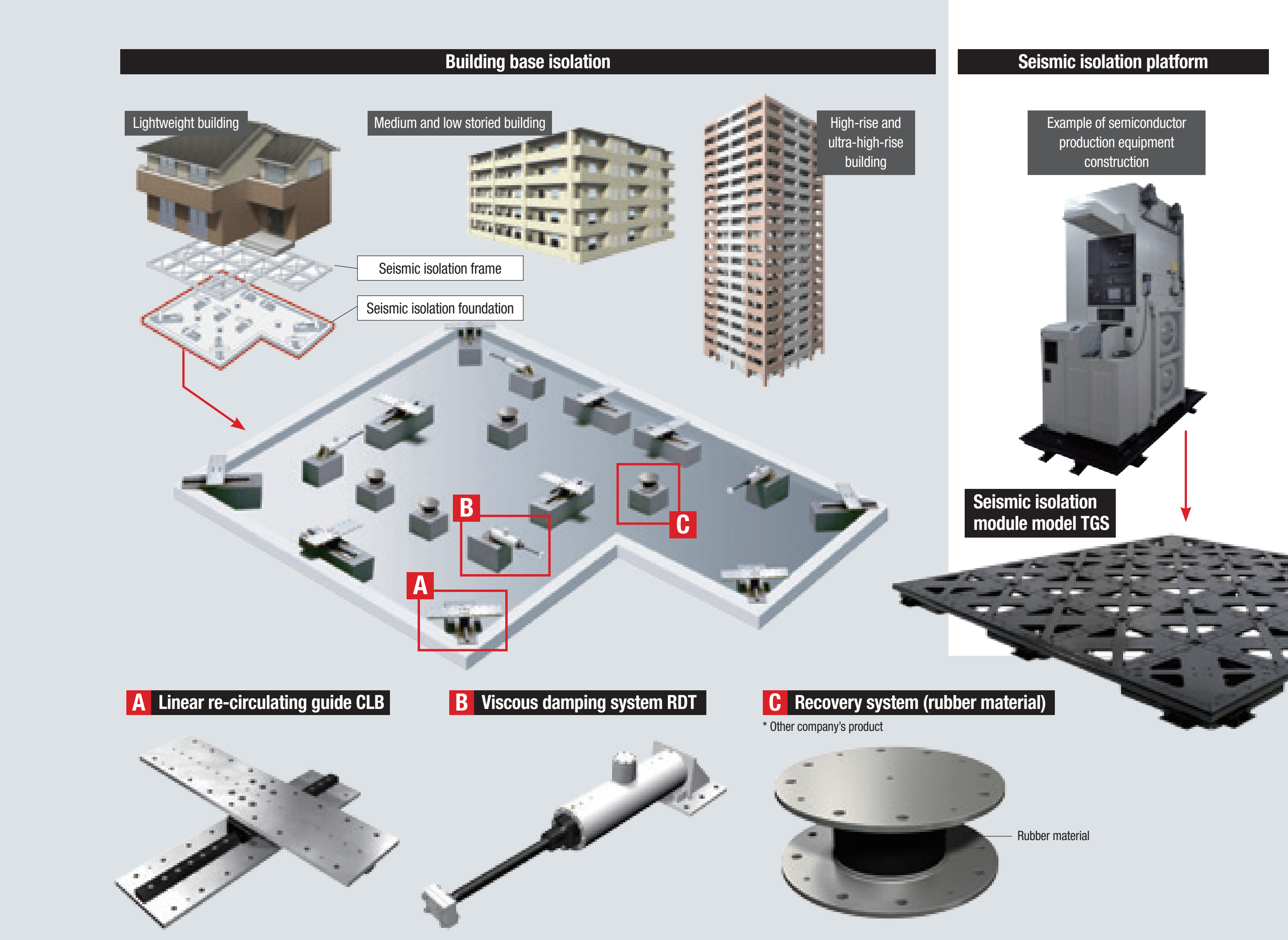


Gal is a unit of speed (cm/sec²) and one indicator used to measure the magnitude of earthquakes. Acceleration due to gravity ≒ 980 (gal).
The Kobe Marine Meteorological Observatory indicated that maximum acceleration of the Great Hanshin-Awaji Earthquake in 1995 was North-South 818 gal.
* Acceleration data in the above diagrams are rough estimates. Figures will differ depending on the structure of the building and magnitude of the earthquake.
* The location of load bearing walls as well as seismic isolation and damping systems provide a conceptual image and differ from actual conditions.

The Superiority of THK Seismic Isolation and Damping Systems

With the seismic isolation structure, which is comprised solely of laminated rubber, the scale of buildings enabling the shift to the seismic isolation approach is limited to those from about four to five stories to a maximum of 10 stories high. With low-rise buildings one or two stories above ground, the small load does not allow the laminated rubber to manifest its full strength, therefore no seismic isolation effects are realized. With high-rise buildings, meanwhile, because the intensity of the pull-out force upon the occurrence of an earthquake increases with the height of floors, it is insufficient to fully withstand the pull-out force with laminated rubber.

This dilemma was resolved with THK seismic isolation systems. The structure of THK isolation systems is comprised of crosswise combinations of LM guides. Because LM guides have low coefficients of friction and can easily move all



types of objects, it becomes possible to achieve seismic isolation in low-rise buildings. Moreover, the strong pull-out force renders the shift to seismic isolation possible in high-rise buildings as well, clearing the way for the use of seismic isolation in a broad range of applications.

THK also supplies the market with viscous damping systems. Damping is primarily a technology used to respond to long-period seismic motion in high-rise buildings. Long-period ground motion refers to earthquake tremors that are large and extended in cycle. While such long-period ground motions have hardly any impact on low- to medium-rise buildings, in high-rise buildings resonance occurs and the shocks are large and continue for extended periods. The conventional damping systems were classified into two categories—steel types and viscous types. The viscous types are distinguished by greater energy absorption as the speed increases. THK damping systems, comprised of viscous types, use ball screws to convert earthquake shocks from linear motion to rotary motion. That serves to amplify the speed, with energy absorption from the viscous bodies growing larger and making it possible to control seismic shocks to a greater degree than with conventional products.

The Expanding Potential of THK Seismic Isolation and Damping Systems

Against the backdrop of heightened awareness of the importance of effective disaster countermeasures, demand for THK seismic isolation and damping systems is expanding. Reflecting increased recognition of the importance of Business Continuity Plans (BCPs), attention is particularly growing with regard to seismic isolation platforms to protect servers and various types of manufacturing equipment from seismic shocks. To address that need, the Seismic Isolation Module, Model TGS, was marketed in fiscal 2011 as a new seismic isolation platform. Along with the addition of a damping function to the preceding model, broad latitudes in connectivity make it possible to mobilize seismic isolation platforms across a broad range of applications. Model TGS was honored with the 54th 10 Major New Products Awards sponsored by Nikkan Kogyo Shimbun Ltd. Furthermore, developed in April 2012 was the Inertial Rotary Damping Tube (iRDT)—a new viscous damping system designed for use in controlling the shock range of long-period ground motions in high-rise buildings.

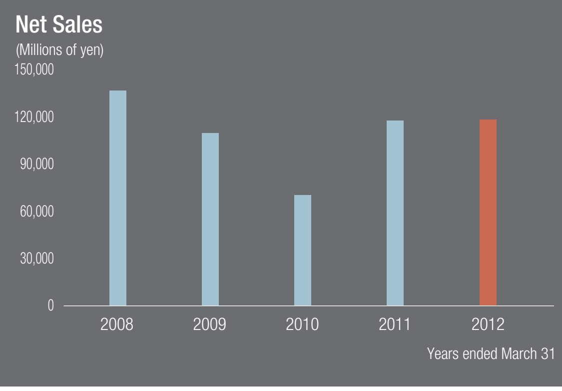
Today, concerns are being voiced about the likelihood of a major earthquake striking directly beneath the Tokyo metropolitan area, as well as three hypothetically linked earthquakes in the Tokai, Tonankai and Nankai regions of Japan. In this regard, demand can be expected for seismic isolation and damping systems from government offices to ensure that they are capable of serving as emergency disaster response headquarters as well as from hospitals when disasters occur. With regard to seismic isolation platforms in particular, an area in which further growth in demand is forecast, THK will be advancing spirited efforts to expand its sales for super-precision machinery and various other types of industrial machinery, while also pioneering overseas markets for its products.

THK will continue to develop and energetically increase sales of seismic isolation and damping systems from here on as well, striving to contribute to society by supplying safety and peace of mind when it comes to earthquakes.

Business Review

Geographic Business Review

Japan



FY2011 (Results)

Operating Conditions and Performance Overview

Sales in Japan increased 0.5% in year-on-year terms, to ¥117.9 billion.

In the first half of the fiscal year under review, as reconstruction progressed after the earthquake disaster, Japan's economy steadily recovered. Against the backdrop of an upswing in exports by capital goods manufacturers—THK's primary customers—largely reflecting growth in the economies of developing countries, demand increased mainly for machine tools. In the second half, operating conditions were impacted by such factors as ongoing appreciation in the value of the yen, a slow growth in overseas economies and adjustments in electronics-related activities. These factors contributed to overall weak demand. The increase in the THK Group's revenues in Japan, however, is attributable to successful efforts to link robust first-half demand to sales.

Operating Activities

Sales

- THK placed increased emphasis on aggressive sales and marketing activities while cultivating such new business areas as automotive parts and seismic isolation systems as part of its efforts to steadily link demand with sales.
- THK continued to implement the "TAP 1" skills development program for sales personnel in order to deepen relationships with existing customers and nurture new customers. In concrete terms, while showcasing the unique characteristics of each product, steps were also taken to actively promote sales proposals inviting customers to apply THK products as an answer to specific issues.
- Taking into consideration progress toward electric-powered living across a variety of fields, THK worked diligently to introduce new electric actuator products and to expand sales.

Production

- In addition to building a production structure that is capable of both flexibly and immediately addressing changes in demand, THK continued to adhere strictly to its policy of providing the highest quality, cost and delivery (QCD).
- THK channeled its energies toward further enhancing the skills of frontline production staff and boosting productivity. At the same time, the Company placed an increasing amount of weight on the shift to in-house production in order to lift cost competitiveness.

Management

- As a part of the P25 Project, a cross-functional initiative designed to lower the Company's break-even sales point by increasing profitability, THK took steps to consolidate the administrative and accounting functions of branches located in the Chubu and Western regions of Japan.

FY2012 (Plan)

Operating Activities

Sales

- Amid the growing shift of production overseas by capital goods manufacturers, THK will leverage its proposal capabilities nurtured in Japan to focus increasingly on capturing new customers and expanding transactions in new business areas.
- THK will continue to implement the "TAP 1" skills development program for sales personnel while proactively pursuing proposal-based sales and marketing that is designed to resolve outstanding issues.

Production

- The Company will endeavor to raise the skill levels of staff and enhance productivity in order to further increase cost competitiveness.

General Overview

- THK will look to further strengthen its business base by promoting the ongoing implementation of the P25 Project.

Bases (As of March 31, 2012)

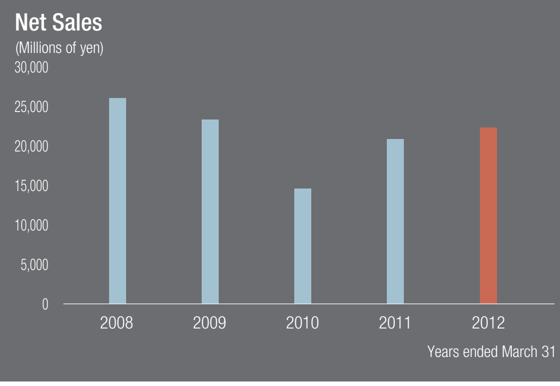
Japan	Sales offices	45
	Plants	12
	Distribution centers	3

Group Companies (As of March 31, 2012)

- THK CO., LTD.
- THK INTECHS CO., LTD.
- TALK SYSTEM CORPORATION
- THK NIIGATA CO., LTD.
- NIPPON SLIDE CO., LTD.
- THK RHYTHM CO., LTD.
- THK RHYTHM KYUSHU CO., LTD.
- L Trading Co., Ltd.

Geographic Business Review

The Americas



FY2011 (Results)

Operating Conditions and Performance Overview

Regional sales increased 7.0% in year-on-year terms, to ¥22.2 billion.

Amid ongoing firm automobile production and increased capital investment, demand climbed in each of the machine tool, general machinery and transportation equipment industries. Taking full advantage of its position as the only company in the industry to have a local production base, THK made efforts to adopt an integrated production and sales approach to expand transactions with existing customers and cultivate new customers. Against this backdrop, THK was successful in sure-footedly linking increased demand to sales growth and realizing higher revenues.

Operating Activities

Sales

- With capital goods manufacturers shifting their production activities overseas, particularly to Asia, THK worked diligently to cultivate business opportunities in aircraft-, medical instrument-, energy-related and other new areas. At the same time, the Company strove to cultivate new markets including Mexico and Canada.
- With demand trending to shift from supplying individual components toward hybrid units, THK continued to expand sales of hybrid unit products.

Production

- Taking into consideration the strong yen and transportation costs, the Company placed increased weight on local procurement and in-house activities. Through these means, THK worked to further bolster its cost competitiveness.

FY2012 (Plan)

Operating Activities

Sales

- THK will focus on aggressively engaging in sales and marketing activities in new areas, focusing on areas that can be expected to experience future growth, such as those related to aircraft, medical instruments and energy.
- The Company will continue to cultivate new markets including Mexico and Canada.

Production

- THK will take full advantage of its position as the only company in its industry to maintain a production network in North America to respond swiftly to market needs.
- The Company will continue to strengthen its cost competitiveness by maintaining its focus on the local procurement of component materials and the shift toward in-house operations.
- THK has established THK RHYTHM MEXICANA in Mexico and is taking all preparatory steps to commence operations in 2013 with the aim of supplying products not only to Mexico but also to the Americas.

Bases (As of March 31, 2012)

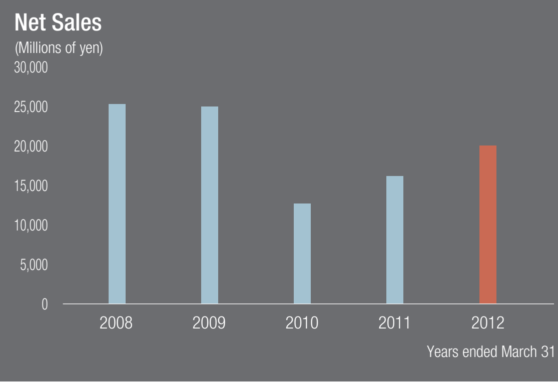
United States	Sales offices	7
	Plants	2
Canada	Sales offices	1
Mexico	Sales offices	1
Brazil	Sales offices	1

Group Companies (As of March 31, 2012)

- THK Holdings of America, L.L.C.
- THK America, Inc.
- THK Manufacturing of America, Inc.
- THK RHYTHM NORTH AMERICA CO., LTD.
- THK RHYTHM MEXICANA, S.A. DE C.V.
- THK RHYTHM MEXICANA ENGINEERING, S.A. DE C.V.

Geographic Business Review

Europe



FY2011 (Results)

Operating Conditions and Performance Overview

Regional sales increased 24.0% in year-on-year terms, to ¥19.9 billion.

Despite signs of a weakening in economic activity throughout the fiscal year under review, THK's customers and mainly machinery manufacturers took full advantage of the weak euro to ramp up exports to Asia. As a result, demand in the machine tool and general machinery industries increased. Under these circumstances, THK endeavored to expand transactions with existing customers and cultivate new areas with an integrated production and sales approach. In successfully linking the upswing in demand to steady sales growth, the Company recorded higher revenues.

Operating Activities

Sales

- Against the backdrop of robust export activity reflecting efforts by customers to take advantage of the weak euro, THK worked diligently to expand sales to existing customers in a wide range of fields including machine tools and general machinery.
- In new areas, the Company focused on nurturing activities in energy-related fields, which are projected to experience robust demand.

Production

- Amid the yen's continued appreciation against the weak euro, THK promoted local procurement to strengthen its cost competitiveness.

FY2012 (Plan)

Operating Activities

Sales

- In aircraft-, medical instrument-related and other new areas, which are projected to enjoy strong demand, THK will proactively strive to expand sales. At the same time, the Company will participate in exhibitions to showcase the competitive advantage and distinguishing features of its products.
- The Company will endeavor to take full advantage of the introduction of a 7m grinding machine to expand sales of elongated LM guides.

Production

- Every effort will be made to enhance the skills of staff and increase productivity, reduce material expenses and promote local procurement in order to lift cost competitiveness.

Bases (As of March 31, 2012)

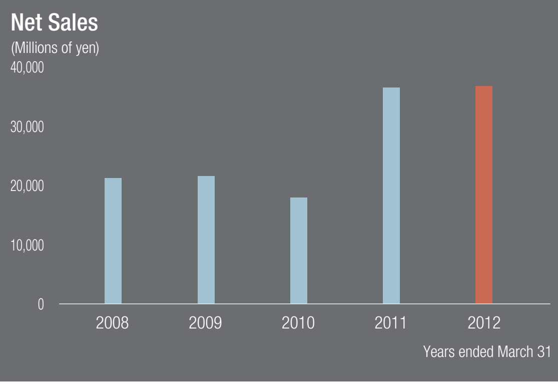
Germany	Sales offices	2
United Kingdom	Sales offices	1
Ireland	Plants	1
Italy	Sales offices	1
Sweden	Sales offices	1
Austria	Sales offices	1
Spain	Sales offices	1
France	Sales offices	1
	Plants	1
Turkey	Sales offices	1
Czech Republic	Sales offices	1
Netherlands	Sales offices	1
Russia	Sales offices	1

Group Companies (As of March 31, 2012)

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

Geographic Business Review

Asia and Other



FY2011 (Results)

Operating Conditions and Performance Overview

Sales in Asia and other regions increased 0.7% in year-on-year terms, to ¥36.7 billion.

Amid ongoing high rates of economic growth in Asia, particularly in China, demand increased mainly in the machine tool field in China and Taiwan. In the second half of the fiscal year under review, demand declined due largely to the implementation of monetary tightening measures in China. Demand also contracted in electronics-related fields. Buoyed, however, by robust demand mainly for machine tools in the first half, THK recorded an increase in revenues owing primarily to successful efforts to steadfastly link this demand to higher sales.

Operating Activities

Sales

- In China, THK continued to engage in aggressive sales and marketing drawing on the strengths of its sales network. At the same time, the Company took sure-footed steps to channel robust demand through to sales.
- In Taiwan, THK maintained its focus on new business areas. On this basis, the Company pursued ongoing steps to approach photovoltaic power generation-, LED- and touch panel production equipment-related fields.
- In addition to expanding transactions with existing customers in Singapore and cultivating new customers, THK worked diligently to deepen activities in the existing markets of Thailand and India. Moreover, the Company endeavored to foster new markets in Indonesia, Vietnam and Malaysia.

Production

- In China, expansion construction was completed at DALIAN THK. THK took further steps to bolster its structure and systems to put in place a framework that is capable of steadfastly capturing robust demand.
- Shipments commenced at THK MANUFACTURING OF VIETNAM, where construction was completed in 2010.

FY2012 (Plan)

Operating Activities

Sales

- In China, THK will upgrade and expand its sales network with the aim of capturing robust demand. At the same time, the Company will continue to focus on cultivating new customers outside the mainstay machine tools industry.
- In Taiwan, energies will be channeled toward expanding the use of actuators for which demand is projected to increase. Moreover, THK will continue to approach new business areas including the seismic isolation systems-, photovoltaic power generation- and LED-related industries.
- In other regions, THK will maintain its focus on expanding transactions and cultivating new customers in Singapore. At the same time, the Company will actively promote the cultivation of new markets in the ASEAN region. Building on these efforts, THK will bolster direct sales efforts in India and establish a local subsidiary.

Production

- THK will continue to strengthen its cost competitiveness through such measures as promotion of the shift to in-house operations and further diversification of procurement. At the same time, efforts to expand market share will also include the supply of products that match customer needs.
- In China, THK will actively introduce machinery and capital equipment in order to steadfastly capture a share of robust demand. The Company will be responsible for the global export function.
- Amid expectations of further increases in demand, THK established THK CHANGZHOU in April 2012 with the aim of manufacturing linear motion-related materials and hybrid units for industrial equipment. Construction on a new plant will commence in October 2012. Focusing on transportation equipment, THK RHYTHM CHANGZHOU was established in April 2011. Operations are scheduled to commence at this company in July 2012.

Other

- At the Group's first overseas R&D division, THK (CHINA) CO., LTD., THK commenced operations at the designated R&D Center building in April 2012. Moving forward, the Company is accelerating the development of products that match local needs.

Bases (As of March 31, 2012)

China	Sales offices	30
	Plants	5
	R&D Center	1
Taiwan	Sales offices	3
Singapore	Sales offices	1
India	Sales offices	1
Thailand	Sales offices	1
	Plants	1
Korea	Sales offices	14
	Plants	3
Vietnam	Plants	1
Malaysia	Plants	1

Group Companies (As of March 31, 2012)

- 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.
- THK MANUFACTURING OF VIETNAM CO., LTD.
- THK RHYTHM GUANGZHOU CO., LTD.
- THK RHYTHM (THAILAND) CO., LTD.
- THK RHYTHM CHANGZHOU CO., LTD.
- THK RHYTHM MALAYSIA Sdn. Bhd.
- SAMICK THK CO., LTD.

ACE Division

Broad Possibilities for THK's Seismic Isolation and Damping Technologies

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 develops and markets seismic isolation and damping systems that protect human life and property from the threat of earthquakes. In addition, steps are being taken to promote increased use of the division's products and technologies in home automation-related devices.

A distinguishing feature of THK's efforts in the seismic isolation and damping systems fields is its broad lineup of products that apply basic technologies such as LM guides and ball screws to protect a wide range of structural types, from high-rise buildings and low-rise residences to historical structures such as temple and shrines. Following the Great East Japan Earthquake that struck the nation on March 11, 2011, awareness toward the importance of business continuity plans (BCPs) has increased dramatically. This has in turn contributed to a sharp jump in demand for seismic isolation platforms to protect specific pieces of equipment and assets essential to business operations including servers and a variety of manufacturing equipment. Utilizing THK's original expertise in seismic isolation technology and know-how, the Company is working to expand the use of seismic isolation platforms.

In fiscal 2011, the ACE Division continued to undertake sales and marketing activities that emphasized the competitive advantage of THK's products. This was particularly the case for the number of THK seismic isolation systems for buildings, which account for over 70% of the division's total sales. In addition, the division secured a substantial increase compared with the previous fiscal year in the number of THK seismic isolation platforms. A highlight of the fiscal year under review was the release of the Seismic Isolation Module, Model TGS. In addition to its new dampening capabilities, Model TGS offers improved connectivity freedom, allowing a wider range of seismic isolation platform applications compared with existing products. As a result, the division received an extremely large number of orders.

An example of residential seismic isolation application

As another measure of the high esteem in which THK's products are held and recognition of its contributions to society in the field of earthquake protection, the Company was selected as a recipient in the 54th 10 Major New Products Awards sponsored by Nikkan Kogyo Shimbun Ltd.

Expanding Product Lineup and Bolstering Sales and Marketing Activities

Amid increasing general awareness of the need to implement disaster-related contingency measures, THK expects demand for seismic isolation and damping systems to continue growing over the long term. The ACE Division will continue to promote the considerable benefits of THK's seismic isolation and damping technologies to architectural firms and homebuilders and actively promote the use of its products in the construction of public offices and other buildings that are charged with the responsibility of providing a disaster headquarters function during periods of emergency in order to further diversify its customer base. Moreover, THK will upgrade and expand its lineup of seismic isolation platform systems where demand is climbing sharply. In addition to addressing increasingly diverse earthquake countermeasure needs, the Company will expand sales while promoting the appeal of its broad product applications. This includes the outstanding efficacy of its seismic isolation systems with regard to precision measuring equipment including detection equipment.

In fiscal 2012, the ACE Division will introduce to the market its Inertial Rotary Damping Tube (iRDT). In addition to controlling the degree of shaking caused by long-period ground motions, iRDT employs its high damping efficacy to reduce the number of installation units. This in turn curtails overall costs. iRDT can not only be used in the construction of new buildings but also in renovations to strengthen the seismic resistance of existing structures. Taking into consideration each of the aforementioned factors, this new product is anticipated to attract significant demand. Turning to the general consuming public, the division will work to promote more widespread product uptake by continuing to organize seminars for consumers to help explain the importance of installing seismic isolation and damping systems, along with the advantages offered by THK's technologies and products, and at the same time implement sales and promotional activities through effective use of the Seismic Isolation Experience Car initiative.

An example of seismic isolation table application (seismic isolation platforms for servers)

FAI Division

Targeting Higher Earnings from Transportation Equipment Fields

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. THK's link balls, which are the division's mainstay product, employ an integral molding process for the production of aluminum die-casts, making each link ball much lighter than their conventional steel equivalent. At the same time, the Company's link balls are highly resistant to corrosion and abrasion. This product is attracting keen interest from major automobile manufacturers in Japan and overseas as the demand for fuel-efficient automobiles continues to rise. In 2007, RHYTHM CORPORATION, an automotive parts manufacturer that boasts superior forging technologies, was included in THK's scope of consolidation as a subsidiary company. In the ensuing period, and with the addition of RHYTHM, the division has worked diligently to promote business development under an integrated format. In order to further strengthen this collaboration, steps were taken to change the name of RHYTHM to THK RHYTHM CO., LTD. in June 2010. The THK Group is targeting a global presence as an automotive parts supplier through the pursuit of synergies with THK RHYTHM to enhance the Group's ability to respond rapidly and precisely to changes in the global automotive market.

Toward Realizing Further Synergies with THK RHYTHM

Projected major developments in the FAI Division over the medium to long term include significant growth in automobile demand within emerging markets and expansion in the number of major automobile production regions. Another key change is an ongoing trend to make automobiles lighter and more energy efficient, reflecting greater global interest in environmental protection. As a result, hybrid and electric vehicles are expected to gain in popularity in the future. Against this backdrop, THK continues to further develop those synergy effects to accrue from its relationship with THK RHYTHM. In this manner, the Company is working to expand the use of its products across a wider spectrum of automotive models.

Among a host of specific benefits to accrue to date, and from a management perspective, THK has witnessed increased efficiency in the handling of orders with a fewer number of people attending to a larger volume of orders. This has been achieved by consolidating the corporate function at THK RHYTHM's head office, and has further helped in building a structure that increases the speed of product use. From the standpoint of sales, proposals with respect to THK RHYTHM's products were implemented using THK's sales channels as well as its established trading relationships with domestic and overseas manufacturers of finished automobiles. Moreover, steps have been taken to consolidate overseas branches and to bolster collaboration among staff. Turning to production, the manufacture of THK's link balls in Japan was taken over by THK RHYTHM. This initiative is designed to promote global business development, ensure agile and efficient business operations and further enhance profitability in transportation equipment-related businesses. By leveraging THK's outstanding production technologies accumulated as a leading manufacturer of LM guides together with the production and quality management techniques of THK RHYTHM, a manufacturer of automotive parts, successful efforts have been made to secure highly cost competitive production. On the technology front, subcommittees were established to better promote the interaction and exchange of the technological expertise of both companies. As one example, THK RHYTHM's forging technologies are being applied to the manufacture of LM guides, a core THK product. On this basis, the Group is implementing activities aimed at expanding use in consumer product areas and enhancing the cost competitiveness of LM guides. In this manner, the Group is working diligently to draw out synergies between THK RHYTHM and THK at each of the management, sales, production and technology levels.

Complementing the aforementioned initiatives, THK took steps to proactively expand its business in fiscal 2011. Working to address growing demand in Asia, the Company included TRW Steering & Suspension Malaysia (currently THK RHYTHM MALAYSIA) within its Group structure through the acquisition of shares. In these ways, the Company has successfully increased the number of global scale automobile models that employ its products.

In fiscal 2012, THK will work to bolster its production structure in developing countries which continue to experience demand growth. As a part of these efforts, THK RHYTHM CHANGZHOU in China will commence the delivery of products to customers. THK will also establish THK RHYTHM MEXICANA in Mexico with a view to supplying products not only to Mexico but also to the Americas. Looking further ahead, the FAI Division will accelerate efforts to realize synergies with the aim of promoting increased application of its products. At the same time, the division will also work to lift the take-up of the Company's core products including LM guides and actuators, as it strives toward improving profitability in transportation equipment fields.

An example of link ball application

New Business Review

IMT Division

Expanding Use of the Group's Actuator and Unit Products Businesses

The Innovation Mechatronics Technology (IMT) Division was established in June 2009 with the aim of expanding the Group's electric actuator and unit products businesses, areas which are projected to experience future market growth.

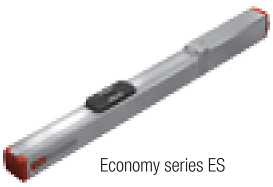
In recent years, and amid the growing need for enhanced productivity prompting advances in performance and diverse functionality with respect to such industrial machinery as semiconductor as well as flat-panel production equipment, calls for improved economy in machinery architecture and design have become increasingly prominent. Under these circumstances, demand for mechanical, hydraulic or air-based equipment including actuators, which assist in the movement and control of goods, is expected to rise. Moreover, as interest in global environmental protection gathers momentum, the need for electric actuators, which deliver superior energy efficiency compared with existing hydraulic- and air-based actuators, is projected to advance. In addition, extending beyond industrial machinery, momentum is projected to gather toward electric-powered production lines across all areas.

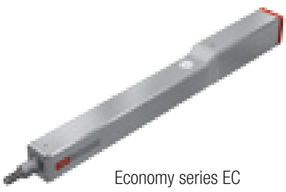
Against the backdrop of this operating environment, the IMT Division is leveraging THK's original concepts and innovative technologies to further cultivate markets. As an initial step, the division will work to expand the application of electric actuators and unit products in industrial machinery. Recognizing the existence of wide-ranging needs in such community and general living environment areas as fitness and nursing care, the division will endeavor to draw on this latent demand to spur earnings growth. In this regard, every effort will be channeled toward actively developing electric actuators that combine varied and diverse applications while at the same time nurturing the market.

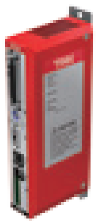
Building an Operating Structure that is Capable of Fulfilling Market Needs

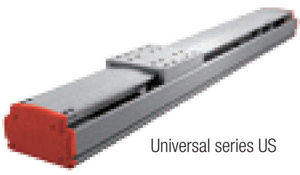
Since its establishment, the IMT Division has taken steps to build a sales system that is capable of accurately and swiftly responding to wide-ranging customer needs. Moreover, the division has adhered strictly to a policy of human resource education and training. In specific terms, the division has combined its individual electric actuator catalogues into a single comprehensive package while also putting in place an information website complete with video presentations. Through these means, considerable emphasis has been placed on enhancing the convenience of its production presentation tools. In order to better respond to customer inquiries and requests for technical advice, the division has put in place a specialized electric actuator customer support service. From a human resource education and training perspective, the division is implementing broad training programs to help gain a higher level of technical expertise.

In fiscal 2011, the IMT Division worked diligently to analyze market trends while reconfirming customer needs. The results of this analysis and reconfirmation were then reflected in its new product development activities as the division endeavored to upgrade and expand its product lineup. Looking ahead, every effort will be made to actively expand sales of these new products. The division will, for example, hold private events and technical seminars when necessary. In addition to putting forward proposals that address customer issues, the IMT Division will strive to expand applications of its electric actuators in overall terms and aggressively promote the development of next-generation electric actuators. While strengthening the structure of its operating structure in Japan as a matter of course, the division will promote Full-Scale Globalization throughout the Americas, Europe and Asia. The division will also actively build local operating bases incorporating production and sales focusing mainly on Asia, where significant market growth is forecast.


Economy series ES

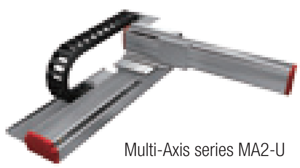

Economy series EC


Driver controller TSC


Universal series US


Press series PC

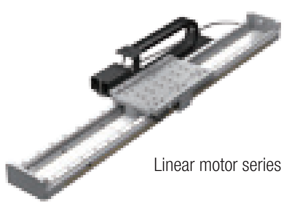

Multi-Axis series MA2-S


Multi-Axis series MA2-U


Compact series SKR


Clean series CSKR


Super FA series KT

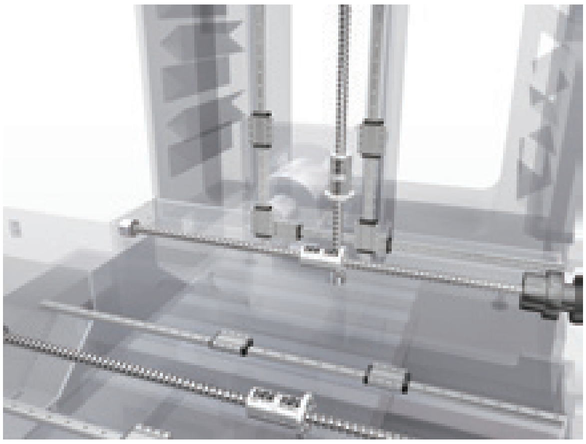

Linear motor series GLM

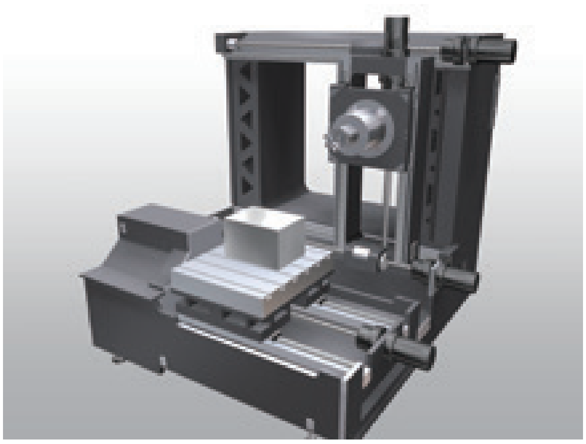
THK Products

As a global pioneer, THK developed the linear motion (LM) guide, which is based on an original concept and innovative technology. Within the mechatronics sector, LM guides are used as a vital machinery component 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.

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. Later, in 2001, the Company introduced to the market LM guides with caged rollers. Since then we have striven to expand the usage of these improved LM guides. The ball cages are resin parts that keep the balls in place and guide them. This stops direct contact between the balls or rollers, eliminating noise and friction. Compared with first-generation LM guides, the use of caged ball technology achieves low noise, long service life and long-term maintenance-free operation. LM guides based on caged ball technology are now vital components of many types of equipment. They have made a major contribution to increasing precision, rigidity and speed, most notably in the machine tool and semiconductor production equipment sectors.





LM guide used in a machining center (a type of machine tool)

Ball Screws

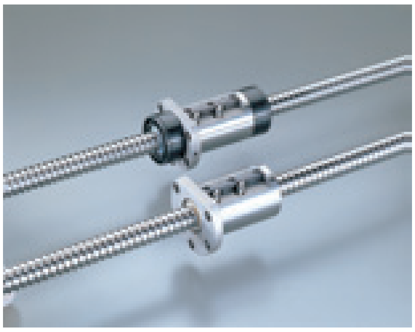
Ball screws are machinery parts that function by causing a large number of balls to circulate between the screw shaft and the nuts. This mechanism of action efficiently converts rotary motion into linear motion. THK has developed ball screws featuring caged ball technology that have made a significant contribution to increasing precision, rigidity and speed, 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 and die-cast machines.

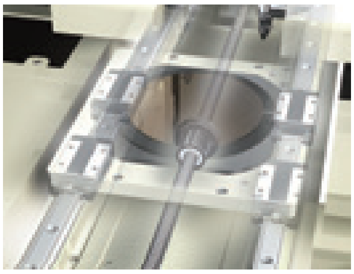
Actuators

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.

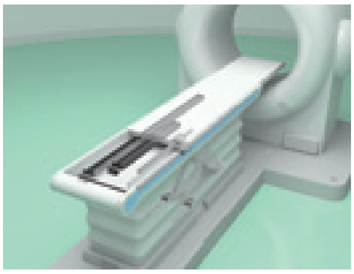
Ball Splines

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 the existing configuration, which does 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.

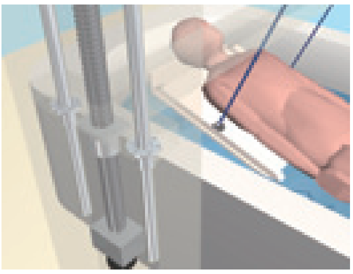




Ball screw used in a dicing saw (for semiconductor production)



Actuators are used in medical equipment such as CT scanners



Used in bathing assistance equipment

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 semiconductor production equipment.

Usage in industrial robots

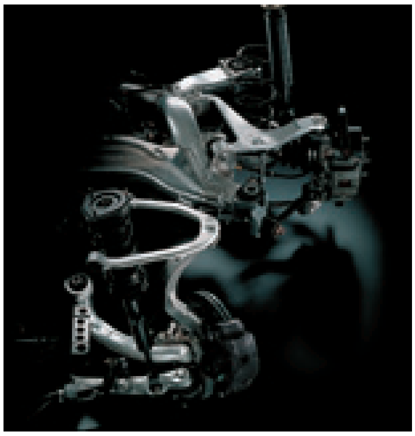
Link Balls

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, North America and Europe.

Usage in automotive parts

THK RHYTHM Products

THK RHYTHM CO., LTD. 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, THK RHYTHM is currently expanding into aluminum links that are integrated ball joints with aluminum suspension links. As critical automotive safety components, THK 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, THK RHYTHM seeks to contribute to the production of safer and more comfortable vehicles.



Usage in automotive parts

Research and 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.

THK Product Development as a Contributor to Industrial Development

THK's concept toward business is based on the philosophy 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 10 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.

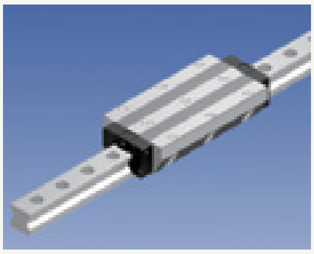
In 1996, we pioneered the development on the world's first-ever LM guide using caged ball technology, an advance that enabled LM guides to operate without maintenance for much longer periods. Although such technology was already common in rotary bearings at that time, the problem was the need to cope 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 successfully took steps to overcome 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 caged ball technology. Besides LM guides, this range has expanded to include ball screws, ball splines and hybrid units.

A Global R&D System for the Next Generation

Drawing on elite minds from the ACE, FAI and IMT divisions, with a particular focus on the Engineering Division, a task force engages in R&D activities, primarily out of the Technology Center located in Tokyo, in such wide-ranging products as LM systems—a core THK product—and diverse markets including mechatronics, consumer products and automobiles.

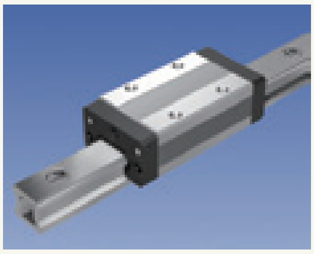
In April 2010, operations commenced at an R&D facility established within the head office of THK (CHINA) CO., LTD. in Dalian, Liaoning Province. This is the Group's first such overseas base. More recently, operations commenced at a new designated R&D Center in April 2012.

MAJOR NEW PRODUCTS DEVELOPED IN FISCAL 2011



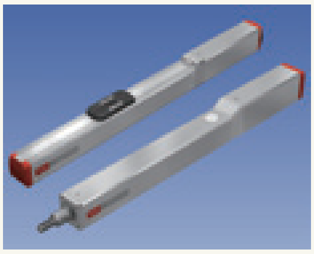
LM Guide with Caged Rollers (Ultra-Long Block Type): SRG

Model SRG was developed with an ultra-long block and uses roller cages to eliminate friction, enabling long-term maintenance-free operation, while delivering ultra-high rigidity. This particular model enables THK to meet the demand for even higher load-carrying capacity.



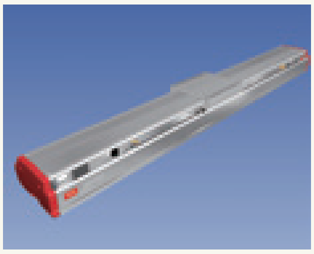
Caged Ball LM Guide with Lighter LM Rails: SHS Light

Model SHS caged ball LM guide sets the global standard. Model SHS Light, which utilizes hollow rails, realizes an overall reduction in weight of 40%. In addition to speeding up the operations of various machinery, Model SHS Light is expected to penetrate into fields where the Company's products had previously been unable to enter due to issues concerning weight.



Economy Series Electric Actuator: ES/EC

THK's economy series electric actuators, which boast outstanding energy efficiency, help realize a lighter weight, compact body by combining actuators with motors. By minimizing the number of component parts, costs are also reduced. Model ES/EC enables the computation of operating life in line with conditions of use.



Universal Series Electric Actuator: US

Model US realizes a smart structure by incorporating a sensor into the actuator. The amount of space required can also be reduced at the time of set up. In addition to the industry's leading operating life, Model US allows for long-term maintenance-free use. Moreover, by lining up double the lead with respect to the ball screw shaft diameter, Model US delivers outstanding speed.

This is helping to accelerate product development. Amid a Chinese market that continues to enjoy growth, the THK Group will develop products that address local needs in a timely manner by locating this R&D base at the point of demand.

Product Development in Fiscal 2011: Realizing the "cubic E" Concept

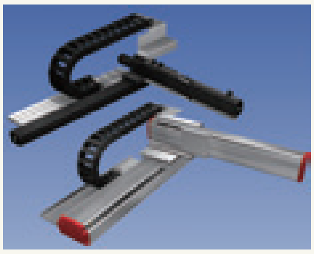
Leveraging creative ideas and the Group's unique technologies, the main theme of THK's current R&D activities is the "cubic E" concept, which embraces the three keywords "Ecological," "Economical" and "Endless." Based on this theme, we continued throughout fiscal 2011 to speed up development with the aim of extending the range of applications for our technologies while at the same time seeking to develop highly original and attractive products for launch 5–10 years in the future. Major achievement in fiscal 2011 included the development of products for a number of original applications. In the industrial machinery field, and again with an emphasis on mainstay LM guides, we developed electric actuator-related new model products for use in areas where demand is projected to increase in line with the ongoing progress toward electric-powered living. In the transportation equipment field, the Group focused on further raising competitiveness particularly from the perspective of costs. In this context, steps were taken to develop new crafting techniques, more compact and lightweight products as well as products for use in electric vehicles. In seismic isolation systems, THK worked diligently to introduce its seismic isolation platform to the market that protects business assets including servers and a variety of production equipment from damage caused by earthquake vibrations. Moreover, in April 2012 we developed a new damping system that suppresses the depth and breadth of swaying motions in super high-rise buildings brought on by long-period ground vibration. In this manner, THK is upgrading and expanding its product lineup while taking steps to diversify its product range.

Fiscal 2012 Policies and Initiatives

We plan to focus our efforts in fiscal 2012 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 in tandem basic and applied development activities, we will focus on developing products that can quickly generate commercial returns. Complementing these endeavors, and while strengthening our global development capabilities, the R&D base within THK CHINA will serve at the center of efforts to actively promote product development that addresses local market needs.

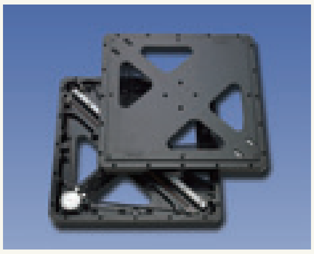
Press Series Electric Actuator: PC

Model PC is designed for use in servo presses and delivers high thrust in a compact body. This is essentially achieved by combining the precision ball screws nut with the ball spline shaft. Distinguished by its high load capacity, high rigidity and high feed precision, Model PC is approximately 30% shorter in length than existing models.



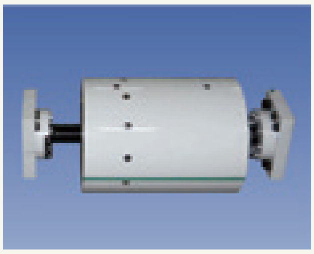
Multi-Axis Series Electric Actuator: MA

Model MA is an actuator that employs two axes and shafts, thereby delivering a selection of various combinations from horizontal to vertical and optimal in the reduction of labor hours with respect to device design and assembly. Furthermore, the model offers extended operating life and long-term maintenance-free use through the application of caged ball technology, as well as provides the potential for a change in motors.



Seismic Isolation Module: TGS

A seismic isolation platform specifically for use with heavy loads, TGS differs from conventional seismic isolation platforms due to its additional damping function. Offering complete freedom in connectivity, this module enables a seismic isolation platform that protects specific pieces of equipment across entire floors of server rooms and data centers. Model TGS received the 54th 10 Major New Products Awards sponsored by Nikkan Kogyo Shimbun.



Inertial Rotary Damping Tube: iRDT

A viscous damping system that helps suppress the shaking of super high-rise buildings caused by long-period ground vibration. The system enables the reduction of costs by curtailing the number of units required for set up while retaining high damping efficacy. In addition, it can be used not only for new buildings, but also in the renovation and strengthening of existing properties against earthquakes. Due to a host of benefits, this product is expected to attract considerable demand.

Environmental Preservation

As a pioneering global manufacturer of vital machinery components, the THK Group has made a contribution to industrial society 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 inherit a healthy planet. To this end, we are engaged in various activities, particularly through our manufacturing endeavors, aimed at continuously reducing the impact on the environment as well as trying to protect and improve the natural environment.

The 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, prevention of global warming	Cut greenhouse gas emissions	(1) Energy diagnostics (2) Energy conservation (3) Use of clean energy
Materials conservation, zero emissions	Reduce environmental impact; achieve zero emissions	(1) Input controls (materials, parts and by-products) to reduce usage and boost per-unit yield (2) Controls on emissions and final waste disposal (3) Material reuse/recycling
Harmful substance controls	Eliminate and control harmful substances in THK Group production and 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

Environmental Management System

THK is working to acquire environmental management system ISO 14001 certification at all of its production sites in Japan and overseas. In addition, the Risk Management Division's Environmental Management Department, located at THK Headquarters, coordinates activities carried out by THK's administrative, production and distribution divisions in an effort to promote environmental activities across the entire Group.

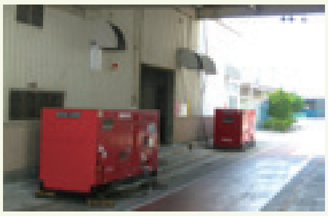
In fiscal 2011, the Group carried the weight of energy-saving measures brought about by the Great East Japan Earthquake. At the same time, the Group successfully achieved all of its environmental targets. In specific terms, THK reduced CO_2 basic unit emissions by 1% compared with the previous year in the energy conservation and global warming prevention field, lowered its emissions rate to less than 0.5% in the material conservation and zero emissions field, and curtailed the use of PRTR-designated substances by 3% compared with the previous year in the harmful substance control field.

Business Location	Date of Certification	Examining Authority
YAMAGATA Plant	December 17, 2010 (Registration renewal date)	JQA
KOFU Plant		
YAMAGUCHI Plant		
MIE Plant		
GIFU Plant		
THK RHYTHM NORTH AMERICA CO., LTD. (USA)	June 13, 2001	SQA
THK RHYTHM CO., LTD. Headquarters / GOKYU Plant	December 20, 2001	JIA
THK RHYTHM KYUSHU CO., LTD.	December 20, 2002	JIA
THK Manufacturing of America, Inc. (USA)	July 14, 2003	QMI
THK Manufacturing of Europe S.A.S. (Europe)	February 3, 2004	AFAQ
THK NIIGATA CO., LTD.	October 21, 2005	JQA
THK RHYTHM CO., LTD. INASA Plant	December 20, 2006	JIA
THK MANUFACTURING OF CHINA (WUXI) CO., LTD. (China)	January 7, 2008	CQC
DALIAN THK CO., LTD. (China)	December 18, 2008	TUV
THK MANUFACTURING OF CHINA (LIAONING) CO., LTD. (China)	January 12, 2010	TUV

Operating Activities Targeting Electric Power Savings

Under the impact of the Great East Japan Earthquake, which struck on March 11, 2011, orders to restrict the use of electric power were issued in the service districts of Tokyo Electric Power and Tohoku Electric Power. Upon request from the government and the power companies, the THK Group initiated power-saving operating activities for the air conditioning, lighting and other aspects of its production division, head office, Technology Center, distribution centers and sales bases. Furthermore, in the production sector the restarting of in-house power generators, installation of new diesel power generators and other steps were taken in concerted efforts to reduce maximum power consumption and the sum amounts of electricity used.

As a result, the reduction in power use by the production division in fiscal 2011 was tracked at 6,587,000 kWh, a 6% increase over the savings during fiscal 2010. Of that total, 6,146,000 kWh was reduced in the Tokyo Electric Power and Tohoku Electric Power service districts, an improvement of 13% from the previous year. The power savings achieved by the THK head office, Technology Center, distribution centers and sales bases came to 1,040,000 kWh, a 22% improvement over fiscal 2010. About 849,000 kWh of that occurred in the Tokyo Electric Power and Tohoku Electric Power service districts—a decline of 34% over the consumption figure the preceding fiscal year. In addition, there was no exceeding of the use restriction values during the power use restriction period stipulated in the Electricity Enterprise Law, Article 27. (Note: All numerical values are THK non-consolidated figures.)


Generator introduced at the KOFU Plant

<Head Office, Technology Center, Distribution Centers and Sales Base Operating Activities>

1. Introduction of demand monitoring systems
   (Head Office and Technology Center)
2. Maximum use of fans and circulators
3. Attachment of heat shield film to windows
   (Head Office and Technology Center)
4. Introduction of daylight savings time (East Japan bases)
5. Early launch and extended term of "Cool Biz" light summer clothing campaign
6. Thinned-out on-site light bulb installation, reduced air conditioner operating time
7. Installation of wall "greening"
   (Nagaoka, Suwa, Shizuoka, Atsugi Branches)

<Production Division Operating Activities>

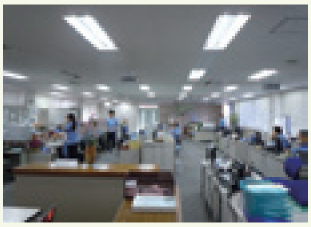
1. Peak power control
2. Work shift changes
3. Air conditioning equipment upgrades, thinned-out/intermittent operation
4. Lighting equipment upgrades, thinned-out operation
5. In-house power generator use
6. Reductions in hot-water supply equipment, volume of vending machines
7. Installation of wall "greening" (YAMAGATA, KOFU, MIE Plants)

Conversion to LED Lighting

In fiscal 2011, the THK Group engineered conversions to use high power-savings light-emitting diode (LED) lighting at the majority of its business bases.

At the GIFU Plant, for example, the conversion to LED has included a total of 45 mercury lamps in the parking garage. At THK NIIGATA CO., LTD., five mercury lamps in the on-site warehouse and shipment receiving areas; at THK INTECHS CO., LTD., 300 fluorescent lamps in the MISHIMA Plant office wing and 280 at the SENDAI Plant; and at DALIAN THK CO., LTD. in China, a total of 130 sets of mercury and fluorescent lamps have been converted to LED lighting. Furthermore, at THK MANUFACTURING OF CHINA (WUXI) CO., LTD., the switch to LED for the company's production area lighting has been under way since fiscal 2009, with approximately 80% of all the lights in that space having been converted from mercury lamps to LED to date.

On the strength of these operating activities, the energy consumption volume accounted for by lights in areas converted to the LED format has been lowered to about half the previous level.


THK INTECHS MISHIMA Plant office wing

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.

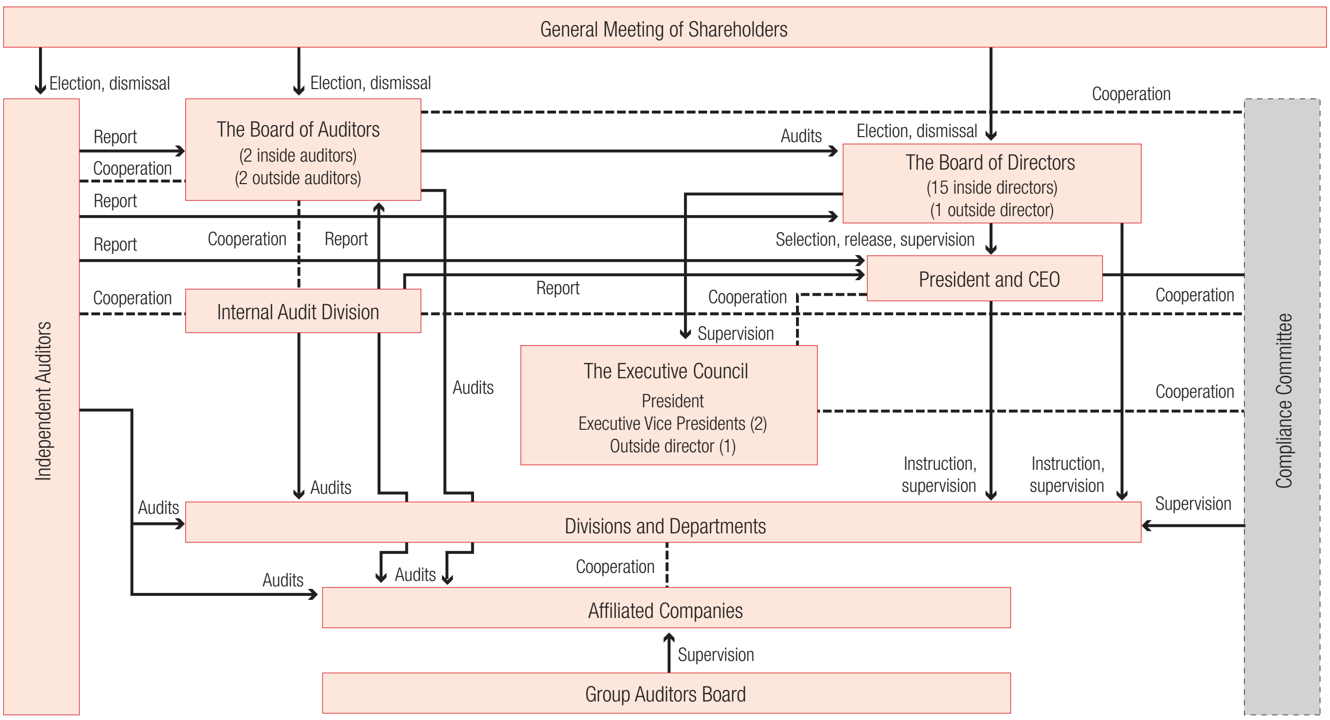
The basic management and administrative structures are the Board of Directors and the Board of Auditors. THK has also established the Executive Council, comprising the president, executive vice presidents and an outside director for a total of four members to ensure that decisions by the Board of Directors are made in a strategic, timely and appropriate manner.

The Executive Council determines the basic direction to be taken with respect to management from a strategic perspective, gathers from relevant internal departments the information required by the Board of Directors to engage in informed discussion and debate and seeks the opinion of lawyers, accountants or other third-party professionals as required. Based on these endeavors, appropriate deliberations are undertaken with steps taken to organize information and points at issue. Based on these deliberations and endeavors, the Board of Directors, which includes an independent outside director from June 2012, then further discusses matters of material importance and makes the final decision on behalf of the Company. The Board of Auditors comprises four members, two of whom are outside auditors. THK is working to strengthen management oversight by reinforcing the role played by the Board of Auditors.

Implementation of Corporate Governance Measures

To achieve a clear separation of management oversight from operational execution functions, THK has introduced an independent outside director as a member of its Board of Directors together with senior executive directors, who do not hold any line management position. These initiatives are aimed at strengthening the management oversight function. Moreover, the Company promotes mutual monitoring between directors who concurrently serve as employees in various capacities including sales, production and development as well as management audits conducted by auditors including outside auditors.

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 periodic reports from the independent



auditors concerning the process and content of such audits.

THK has also established the Internal Audit Division. Based on internal audit regulations, this section conducts regular internal audits to evaluate whether operational execution is done on a faithful, definitive and rational basis and to assess overall management efficiency. Auditors instruct members of the Internal Audit Division regarding matters of vital importance with respect to the conduct of audit operations and at the same time collaborate with the Internal Audit Division in carrying out audit procedures. A 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 extremely important part of management, and as such the Company is actively committed to maintaining fair and proper disclosure of corporate information.

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 a System of Internal Controls

Concentrating on comprehensive compliance, THK is implementing initiatives to reinforce internal controls as a part of efforts to strengthen its management platform. In 2008, THK introduced an internal control regulation regarding financial reporting. The entire THK Group including its subsidiaries and affiliates is thus endeavoring to engage in ongoing efforts to facilitate a corporate structure that ensures the reliability of its financial reporting based on Japan's Financial Instruments and Exchange Law. At the same time, the Internal Control Audit Department was established within the Internal Audit Division to evaluate the operational status and performance of internal control systems. Based on evaluations that are conducted annually, initiatives are implemented within the Internal Control Department, set up as a secretariat within the Risk Management Division, to further improve operations and performance. In-house evaluations undertaken during fiscal 2011 on the Group's internal control systems did not detect any flaws or serious outstanding issues. The conclusions from these evaluations were submitted in a statutory filing on internal control to the Prime Minister of Japan (the Kanto Local Finance Bureau) in June 2012 and then disclosed.

Framework for the Promotion of Compliance

THK established the Compliance Committee in 2005 as a permanent body chaired by the President and CEO. As well as determining all policies relating to the establishment of an in-house compliance framework, the Committee considers and manages the response to any instances where employees are in breach of statutory or internal regulatory requirements as well as cases of reported compliance violations. In order to ensure the legality and efficacy of each response, steps are taken to coordinate with designated legal counsel in its capacity as observer to the Committee.

The Company has established the THK Help Line to prevent executive officers and employees from committing violations and to help ensure that swift corrective measures can be taken in the event of any serious compliance-related problems. Reports can be made by telephone or e-mail. Contact can also be made with external legal counsel. In fiscal 2011, four inquiries were fielded through the THK Help Line. Each was attended to in an appropriate manner in collaboration with the relevant department.

In addition, THK's operating divisions have all established compliance working groups reporting to the Compliance Committee. Working group members are selected from each site and region and are charged with the responsibilities of promoting compliance while fulfilling an advisory function. Furthermore, members play an important role in ensuring compliance with statutory, regulatory and other requirements through a variety of measures including the holding of voluntary study workshops.

Thorough Risk Management

THK has set up the Risk Management Division to oversee and address risks on a Groupwide basis. Within this division, separate sections are responsible for formulating guidelines and organizing educational and training programs relating to such risks as compliance, the environment, disasters, information security, export controls and new forms of influenza.

Board of Directors and Auditors

As of June 16, 2012

Directors

Akihiro Teramachi
President and CEO

Toshihiro Teramachi
Executive Vice President

Hiroshi Imano
Executive Vice President

Takashi Okubo
Director
President of THK (CHINA) 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 THK Manufacturing of Europe S.A.S.
President and Representative Director of THK Manufacturing of Ireland Ltd.

Junichi Kuwabara
Director
General Manager of FAI Division

Takanobu Hoshino
Director
General Manager of IMT Division

Nobuyuki Maki
Director
General Manager of Production Division

Hideyuki Kiuchi
Director
General Manager of Corporate Strategy Division

Junichi Sakai
Director
General Manager of Quality Assurance Division
General Manager of Advanced Technology Information Center

Hirokazu Ishikawa
Director
General Manager of Sales Support Division
General Manager of ICB Center

Junji Shimomaki
Director
General Manager of Sales Division
General Manager of ACE Division

Kaoru Hoshide
Director
General Manager of Engineering Division

Akihiko Kambe
Director
President and Representative Director of THK Holdings of America, L.L.C.
President and Representative Director of THK Manufacturing of America, Inc.

Sakae Ito
Director
General Manager of Risk Management Division

Masaaki Kainosho
Director
(Outside Director)

Auditors

Yoshimi Sato
Member, Board of Auditors

Kazunori Igarashi
Member, Board of Auditors

Shizuo Watanabe
Member, Board of Auditors
(Outside Auditor)

Masatake Yone
Member, Board of Auditors
(Outside Auditor)

Financial Section

Management's Discussion & Analysis

Analysis of Operating Results

Net Sales

During fiscal 2011, the fiscal year ended March 31, 2012, the overall global economy continued along its path of recovery buoyed by the economic growth in developing countries. In the latter half of the fiscal year, however, this recovery stalled due to such factors as the debt crisis in Europe and measures implemented in certain developing countries aimed at tightening the supply of money. In Japan, as reconstruction activity continued following the Great East Japan Earthquake disaster, the economy trended toward recovery. Signs also began to emerge in the second half that this recovery was weakening mainly in the area of exports owing largely to such factors as ongoing appreciation in the value of the yen and the slowdown in overseas economic growth. Outside of Japan, the U.S. economy continued to enjoy a stable recovery. Europe, on the other hand, suffered a slump in economic conditions owing to the impact of sovereign debt issues. While developing countries including China maintained their high rates of economic growth, these rates were far more modest than the dizzying heights of the recent past.

The THK Group has identified "Full-Scale Globalization" and the "Development of New Business Areas" as cornerstones of its growth strategy and efforts to expand its business domain. Amid growing clarity in the expansion of developing countries, the THK Group took steps to upgrade and expand its sales network, particularly in such developing countries as China, which are anticipated to experience market growth, and to actively increase production capacity. As a result, and while there were signs of slowdown in the latter half of the fiscal year, the THK Group successfully linked the steady upswing in global demand up to the first half to higher sales. Taking the aforementioned factors into consideration, net sales increased ¥6,205 million, or 3.3%, to ¥196,867 million for the fiscal year.

Cost of Sales

In fiscal 2011, the THK Group undertook various activities to improve its productivity. These activities include a cross-sectional project to reinforce the Group's operating foundations, namely, the P25 Project. Due to ongoing appreciation in the value of the yen and the effects of a change in the valuation method for inventories as well as the depreciation method for property, plant and equipment, however, the cost of sales to sales ratio worsened 1.2 percentage points from a year earlier to, 72.6%.

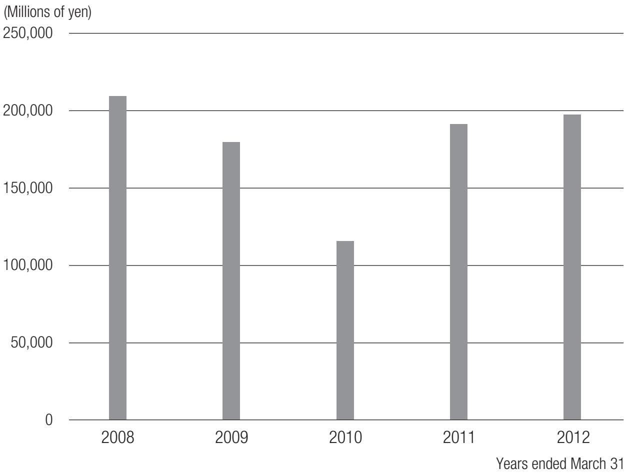
Selling, General and Administrative (SG&A) Expenses

Despite efforts to contain various expenses and to improve operating efficiency amid the increase in sales, SG&A expenses increased due mainly to outsourcing expenses incurred to establish systems to strengthen the Group's BCPs. As a result, SG&A expenses climbed ¥1,631 million, or 5.0%, compared with the previous fiscal year, to ¥34,230 million. The ratio of SG&A expenses to net sales worsened 0.3 percentage point from a year earlier, to 17.4%.

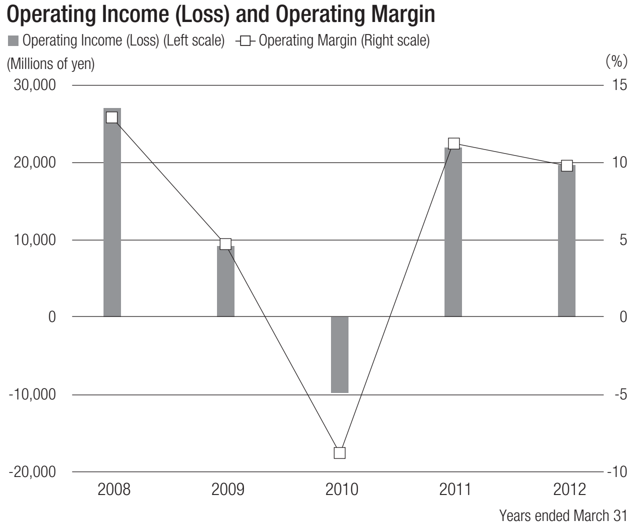
Operating Income

Accounting for each of the aforementioned, operating income decreased ¥2,098 million, or 9.6%, year on year, to ¥19,746 million. The operating margin declined 1.5 percentage points, to 10.0%.

Net Sales



Operating Income (Loss) and Operating Margin



Non-Operating Income and Expenses

In the fiscal year under review, THK reported non-operating income of ¥2,218 million, largely reflecting equity earnings of an affiliate and interest income. Non-operating expenses amounted to ¥3,443 million and mainly comprised foreign exchange loss, net, interest expenses and a loss on reorganization of retirement benefit plan. In overall terms, THK accordingly incurred net non-operating expenses of ¥1,226 million.

Net Income

Accounting for these factors, net income for the fiscal year under review decreased ¥1,318 million, or 9.4%, compared with the previous fiscal year, to ¥12,642 million.

Segment Information

Japan

As reconstruction activity continued following the earthquake disaster, the Japanese economy trended toward recovery. In the second half, however, signs of weakness began to appear particularly with respect to export activity due to a variety of factors including ongoing appreciation in the value of the yen and the slowdown in overseas economic growth. In the first half of the fiscal year under review, THK successfully increased sales through aggressive sales and marketing activities that helped capture the robust demand of its mainstay customers in the industrial machine tool industry who continued to expand their export activities on the back of economic growth in developing countries. In the latter half of the fiscal year, however, there were indications of a slowdown in demand in the electronics industry. As a result, net sales for the full fiscal year amounted to ¥125,956 million, down ¥1,989 million, or 1.6%, compared with the previous fiscal year. The THK Group experienced certain positive effects from various operating activities including its cross-sectional P25 Project, which aims to reinforce THK's business foundation. However, operating income amounted to ¥16,615 million, down ¥1,707 million, or 9.3%, year on year due largely to ongoing appreciation in the value of the yen and the effects of a change in the valuation method for inventories as well as the depreciation method for property, plant and equipment.

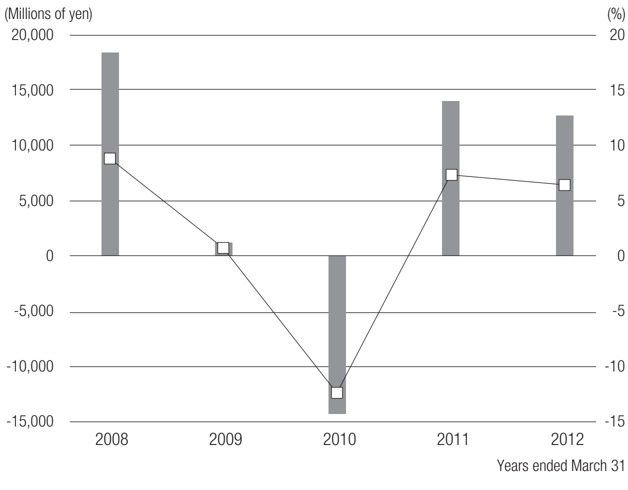
The Americas

In the Americas, against firm trends in automobile production and a positive upswing in capital investment, the THK Group took steps to integrate production and sales activities to expand transactions with existing customers and to cultivate new business areas. Based on these endeavors, the THK Group was able to successfully increase overall product sales, including to the machine tool industry and general machinery industries. For the fiscal year under review, net sales amounted to ¥21,835 million, up ¥1,227 million, or 6.0%, compared with the previous fiscal year. Operating income came to ¥1,183 million, down ¥624 million, or 34.6%, year on year. This was mainly attributable to appreciation in the value of the yen against the U.S. dollar.

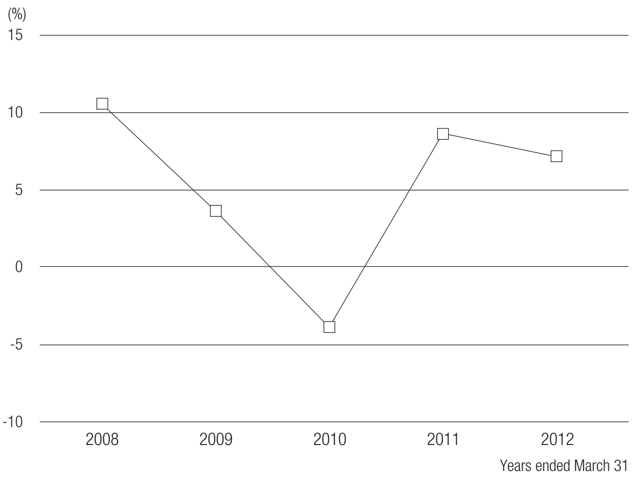
Europe

In Europe, through to the latter half of the fiscal year, economic conditions experienced a slowdown. Amid efforts by machinery manufacturers—the THK Group's customers—to take advantage of the weak euro to increase exports to Asia, THK worked diligently to integrate its production and sales activities to expand transactions with existing customers and to cultivate new business areas. As a result, the THK Group successfully

Net Income (Loss) and Net Margin



Return on Assets (ROA)



linked the steady upswing in demand to higher sales, which amounted to ¥19,868 million, up ¥3,769 million, or 23.4%, compared with the previous fiscal year. While the upswing in sales helped improve operating income ¥652 million year on year, the THK Group incurred an operating loss of ¥283 million in Europe due mainly to ongoing appreciation in the value of the yen against a weak euro.

China

In China, amid the backdrop of increased capital investment reflecting strong economic growth, the THK Group implemented aggressive sales and marketing activities by taking advantage of the sales network that it had continued to bolster up to the recent past. At the same time, the THK Group proactively enhanced its production capacity to link the steady upswing in demand to higher sales. Although there were signs of weakness in overall demand due to efforts by the Chinese government to restrain the supply of money in the latter half of the period, the THK Group successfully linked the steady upswing in demand, especially from its mainstay customers in the machine tool industry, to an increase in sales in the first half of the period. As a result, sales amounted to ¥17,118 million, up ¥3,148 million, or 22.5%, compared with the previous fiscal year. Operating income totaled ¥2,596 million, up ¥129 million, or 5.3%, year on year.

Other

In other countries including Taiwan, India and the ASEAN and other regions, THK continued to expand transactions with existing customers while cultivating new customers. In the latter half of the period, though there was a slowdown in demand in the electronics industry as well as weakened demand from machinery manufacturers in Taiwan owing to the restraint measures in China, the THK Group successfully linked the steady upswing in demand in the first half of the period to increased sales. As a result, sales amounted to ¥12,090 million, up ¥50 million, or 0.4%, compared with the previous fiscal year. Operating income was ¥503 million, down ¥43 million, or 7.8%, year on year due to such factors as appreciation in the value of the yen.

Financial Position

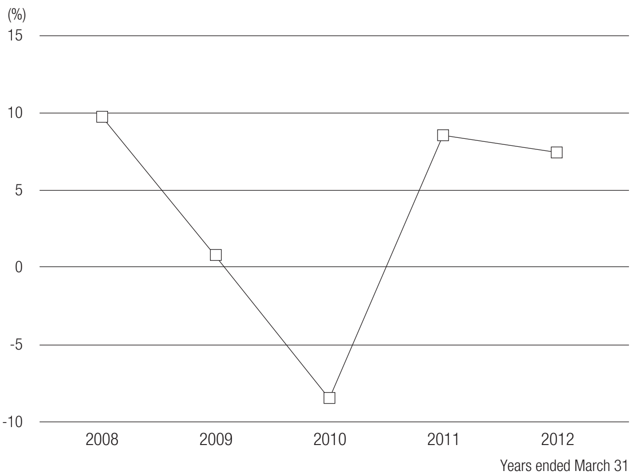
Assets, Liabilities and Net Assets

Assets

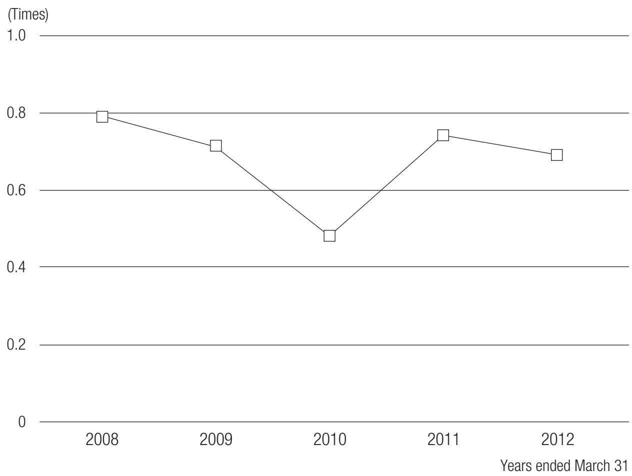
Total current assets stood at ¥198,652 million as of March 31, 2012, an increase of ¥6,986 million compared with the end of the previous fiscal year. Cash and cash equivalents climbed ¥10,684 million. This largely reflected the issuance of bonds totaling ¥10,000 million. Owing mainly to the drop in sales during the second half of the fiscal year under review, the balance of trade accounts and notes receivable and inventories contracted ¥3,407 million and ¥671 million, respectively.

Total non-current assets stood at ¥89,681 million as of March 31, 2012, up ¥1,578 million year on year. During the fiscal year under review, THK undertook capital investments of ¥13,881 million while depreciation expenses amounted to ¥10,234 million. Total property, plant and equipment increased ¥4,203 million. Other factors contributing to the movement in non-current assets included an increase in intangibles of ¥1,513 million owing mainly to the upswing in goodwill as a result of the inclusion of new subsidiaries in the Company's scope of consolidation, and a decrease in total investments and other of ¥4,138 million due largely to the decline in insurance reserve in line with changes in

Return on Equity (ROE)



Asset Turnover Ratio



retirement benefit plans.

Accounting for these factors, total assets stood at ¥288,333 million, ¥8,564 million higher than the balance as of the previous fiscal year-end.

Liabilities

Total current liabilities as of the end of fiscal 2011 amounted to ¥44,542 million, a decrease of ¥7,420 million compared with the previous fiscal year-end. Due mainly to the decline in sales in the second half, trade accounts and notes payable contracted ¥4,081 million year on year. Income taxes payable also decreased ¥3,656 million year on year.

Total long-term liabilities totaled ¥68,274 million, an increase of ¥8,404 million compared with the end of the previous fiscal year. Major movements included the issuance of bonds totaling ¥10,000 million and a decrease in reserve for employees' retirement benefits of ¥1,982 million.

As a result, total liabilities stood at ¥112,816 million, ¥984 million higher than the balance as of March 31, 2011.

Net Assets

Total net assets stood at ¥175,517 million, up ¥7,580 million compared with the previous fiscal year-end. Major movements during the period included net income totaling ¥12,642 million and the decrease in foreign currency translation adjustments of ¥3,822 million, which largely reflected the strong yen mainly against the U.S. dollar and euro.

Cash Flows

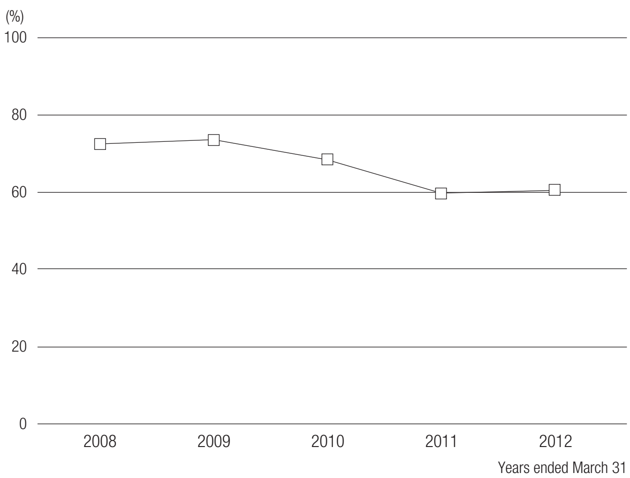
Net cash provided by operating activities came to ¥16,504 million, compared with ¥21,608 million in the previous fiscal year. Major cash inflows were income before income taxes and minority interests of ¥18,520 million, depreciation and amortization of ¥10,371 million and decrease in accounts and notes receivable of ¥3,333 million. Principal cash outflows included a decrease in provisions of ¥1,692 million and a decrease in accounts and notes payable of ¥3,863 million.

Net cash used in investing activities totaled ¥10,863 million, compared with ¥6,300 million in the previous fiscal year. This was largely attributable to purchase of property, plant and equipment amounting to ¥13,124 million.

Net cash provided by financing activities were ¥6,937 million, compared with ¥17,914 million in the previous fiscal year. During the fiscal year under review, the Company issued bonds totaling ¥10,000 million. Major cash outflow, on the other hand, was ¥2,192 million for dividends paid.

Accounting for each of the aforementioned activities, cash and cash equivalents as of March 31, 2012 stood at ¥110,788 million, an increase of ¥10,684 million compared with the previous fiscal year-end.

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 18, 2012. Any items relating to the future are based on the best judgment of THK Group management as of this date.

Dependence on Linear Motion (LM) Systems
The principal business of the THK Group is the manufacture and sale of 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 jeopardizes 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 tool, 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 regional and application terms, the performance of the THK Group is influenced by production trends within industrial sectors such as machine tool, general machinery and semiconductor production equipment as well as other transportation equipment that form the THK Group's 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 liquid crystal display (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 and damping systems 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 Diseases 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 the outbreak of an infectious disease, the potential exists for the THK Group's business results and financial position 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 position to be negatively impacted.

Consolidated Financial Statements

THK CO., LTD. and Consolidated Subsidiaries

Consolidated Balance Sheets

March 31, 2012 and 2011

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2012	2011	2012
ASSETS			
Current Assets:			
Cash and cash equivalents (Note 20)	¥ 110,788	¥ 100,104	$ 1,348,776
Receivables (Note 20):			
Trade accounts and notes receivable (Note 12)	51,759	53,761	630,129
—Unconsolidated subsidiaries and affiliates	1,276	2,681	15,529
Other receivables	1,106	991	13,463
—Unconsolidated subsidiaries and affiliates	895	813	10,901
	55,036	58,246	670,022
Less allowance for doubtful receivables	(145)	(185)	(1,766)
	54,891	58,061	668,256
Inventories (Note 5)	26,235	26,906	319,399
Short-term loans receivable-			
Unconsolidated subsidiaries and affiliates	2,000	2,000	24,349
Other	3	3	35
Deferred tax assets (Note 17)	3,428	3,030	41,731
Other current assets	1,307	1,562	15,915
Total current assets	198,652	191,666	2,418,461
Investments and Other:			
Investments in securities (Notes 7 and 20)	2,316	2,107	28,195
Investments in unconsolidated subsidiaries and affiliates	2,525	3,146	30,743
Long-term loans receivable-			
Unconsolidated subsidiaries and affiliates	—	499	—
Other	39	271	471
Deferred tax assets (Note 17)	579	1,031	7,051
Other investments	2,003	4,546	24,388
Total investments and other	7,462	11,600	90,848
Property, Plant and Equipment (Notes 6 and 16):			
Buildings and structures	51,713	50,593	629,565
Machinery and equipment	142,137	134,610	1,730,428
	193,850	185,203	2,359,993
Less accumulated depreciation	(133,780)	(126,432)	(1,628,680)
	60,070	58,771	731,313
Land	12,936	12,892	157,491
Construction in progress	6,606	3,746	80,421
Total property, plant and equipment	79,612	75,409	969,225
Intangibles:			
Goodwill	1,414	118	17,206
Other	1,193	976	14,526
Total intangibles	2,607	1,094	31,732
Total assets	¥ 288,333	¥ 279,769	$ 3,510,266

The accompanying notes are an integral part of these statements.

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2012	2011	2012
LIABILITIES AND NET ASSETS			
Current Liabilities:			
Payables (Note 20):			
Trade accounts and notes payable (Note 12)	¥ 27,384	¥ 30,270	$ 333,374
—Unconsolidated subsidiaries and affiliates	278	1,473	3,388
Other payables	3,466	2,715	42,195
—Unconsolidated subsidiaries and affiliates	0	6	2
	31,128	34,464	378,959
Income taxes payable	2,152	5,808	26,197
Accrued bonuses to employees	3,123	2,758	38,019
Accrued bonuses to directors and corporate auditors	—	50	—
Other accrued expenses	6,871	7,355	83,658
Lease obligations	187	51	2,278
Other current liabilities	1,081	1,476	13,163
Total current liabilities	44,542	51,962	542,274
Long-term Liabilities:			
Long-term debt (Notes 8 and 20)	60,000	50,000	730,460
Reserve for employees' retirement benefits (Note 9)	2,982	4,964	36,305
Reserve for directors’ and corporate auditors’ retirement benefits	114	90	1,392
Reserve for product warranty	109	111	1,328
Long-term lease obligations	501	60	6,095
Deferred tax liabilities (Note 17)	3,474	3,711	42,289
Other liabilities	1,094	934	13,323
Total long-term liabilities	68,274	59,870	831,192
Commitment and Contingent Liabilities (Notes 10 and 11)			
Net Assets (Note 13):			
Common stock			
Authorized: 465,877,700 shares; Issued: 133,856,903 shares as of March 31, 2012 and 2011	34,606	34,606	421,308
Additional paid-in capital	44,585	44,343	542,790
Retained earnings	121,162	110,633	1,475,063
Treasury stock, at cost: 5,258,742 shares and 5,257,342 shares as of March 31, 2012 and 2011, respectively	(11,362)	(11,360)	(138,328)
Accumulated other comprehensive income (loss):			
Net unrealized gain on available-for-sale securities	777	591	9,462
Foreign currency translation adjustments	(15,903)	(12,081)	(193,613)
Total accumulated other comprehensive income (loss)	(15,126)	(11,490)	(184,151)
Minority interests	1,652	1,205	20,118
Total net assets	175,517	167,937	2,136,800
Total liabilities and net assets	¥ 288,333	¥ 279,769	$ 3,510,266

Consolidated Statements of Income

Years ended March 31, 2012 and 2011

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2012	2011	2012
Net Sales	¥196,867	¥190,662	$2,396,722
Cost of Sales (Note 15)	142,891	136,219	1,739,605
Gross profit	53,976	54,443	657,117
Selling, General and Administrative Expenses (Notes 14 and 15)	34,230	32,599	416,724
Operating income	19,746	21,844	240,393
Non-Operating Income (Expenses):			
Interest and dividend income	450	251	5,484
Interest expenses	(651)	(583)	(7,928)
Foreign exchange loss, net	(1,778)	(877)	(21,648)
Equity earnings of an affiliate	702	439	8,549
Rental income	283	273	3,444
Loss on sales and disposal of property, plant and equipment, net	(106)	(58)	(1,295)
Gain on sales of investments in securities	7	—	87
Loss on write-down of investments in securities	(13)	(43)	(158)
Refund of consumption taxes	—	182	—
Subsidies for employment adjustment	—	2	—
Subsidy income	22	125	268
Loss related to the Great East Japan Earthquake	—	(42)	—
Loss on cancellation of insurance policies	(70)	—	(854)
Loss on revision of retirement benefit plan	(323)	—	(3,936)
Other, net	252	100	3,065
	(1,226)	(231)	(14,921)
Income before income taxes and minority interests	18,520	21,613	225,472
Income Taxes (Note 17)			
Current	5,553	6,372	67,611
Deferred	21	1,082	252
Total income taxes	5,574	7,454	67,863
Net income before minority interests	12,946	14,159	157,609
Minority Interests in Net Income	304	199	3,701
Net income	¥ 12,642	¥ 13,960	$ 153,908

The accompanying notes are an integral part of these statements.

Consolidated Statements of Comprehensive Income

Years ended March 31, 2012 and 2011

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2012	2011	2012
Net Income before Minority Interests	**¥12,946**	¥14,159	**$157,609**
Other Comprehensive Income (Loss) (Note 18):			
Net unrealized gain on available-for-sale securities	**190**	50	**2,314**
Foreign currency translation adjustments	**(3,657)**	(6,283)	**(44,520)**
Share of other comprehensive income (loss) of an affiliate accounted for under the equity method	**(142)**	(213)	**(1,733)**
Total other comprehensive loss	**(3,609)**	(6,446)	**(43,939)**
Comprehensive Income	**9,337**	7,713	**113,670**
Attributable to:			
Shareholders of THK Co., Ltd.	**8,891**	7,665	**108,235**
Minority interests	**446**	48	**5,435**

The accompanying notes are an integral part of these statements.

Consolidated Statements of Changes in Net Assets

Years ended March 31, 2012 and 2011

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2012	2011	2012
Common Stock			
At beginning of year	¥ 34,606	¥ 34,606	$ 421,308
At end of year	¥ 34,606	¥ 34,606	$ 421,308
Additional Paid-In Capital			
At beginning of year	¥ 44,343	¥ 44,343	$ 539,843
Gain from sale of treasury stock	—	0	—
Increase resulting from a tax rate change	242	—	2,947
At end of year	¥ 44,585	¥ 44,343	$ 542,790
Retained Earnings			
At beginning of year	¥110,633	¥ 98,704	$1,346,878
Net income	12,642	13,960	153,908
Cash dividends	(2,186)	(2,031)	(26,616)
Change in consolidation scope	73	—	893
Sale of treasury stock	—	(0)	—
At end of year	¥ 121,162	¥110,633	$1,475,063
Treasury Stock, at cost			
At beginning of year	¥ (11,360)	¥ (11,356)	$ (138,297)
Purchase of treasury stock	(2)	(4)	(31)
Sale of treasury stock	—	0	—
At end of year	¥ (11,362)	¥ (11,360)	$ (138,328)
Accumulated Other Comprehensive Income:			
Net Unrealized Gain on Available-for-sale Securities			
At beginning of year	¥ 591	¥ 543	$ 7,189
Net change in the year	186	48	2,273
At end of year	¥ 777	¥ 591	$ 9,462
Foreign Currency Translation Adjustments			
At beginning of year	¥ (12,081)	¥ (5,739)	$ (147,078)
Net change in the year	(3,822)	(6,342)	(46,535)
At end of year	¥ (15,903)	¥ (12,081)	$ (193,613)
Total Accumulated Other Comprehensive Income			
At beginning of year	¥ (11,490)	¥ (5,196)	$ (139,889)
Net change in the year	(3,636)	(6,294)	(44,262)
At end of year	¥ (15,126)	¥ (11,490)	$ (184,151)
Minority Interests			
At beginning of year	¥ 1,205	¥ 1,158	$ 14,683
Net change in the year	447	47	5,435
At end of year	¥ 1,652	¥ 1,205	$ 20,118
Total Net Assets at End of Year	¥175,517	¥167,937	$2,136,800

The accompanying notes are an integral part of these statements.

Consolidated Statements of Cash Flows

Years ended March 31, 2012 and 2011

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2012	2011	2012
Cash Flows from Operating Activities:			
Income before income taxes and minority interests	¥ 18,520	¥ 21,613	$ 225,472
Adjustments:			
Depreciation and amortization	10,371	8,901	126,254
Amortization of goodwill	182	23	2,211
Interest and dividend income	(450)	(251)	(5,484)
Interest expenses	651	583	7,928
Foreign exchange (income) loss, net	(73)	513	(886)
Equity earnings of an affiliate	(702)	(439)	(8,549)
Loss on sales and disposal of property, plant and equipment, net	106	58	1,295
Loss on write-down of investments in securities	13	43	158
Gain on sales of investments in securities	(7)	—	(87)
Loss related to the Great East Japan Earthquake	—	42	—
Changes in assets and liabilities:			
Decrease (increase) in accounts and notes receivable	3,333	(17,080)	40,574
Decrease (increase) in inventories	726	(3,417)	8,837
(Decrease) increase in accounts and notes payable	(3,863)	8,781	(47,033)
(Decrease) increase in provisions	(1,692)	1,020	(20,594)
Other, net	(1,349)	807	(16,417)
Subtotal	25,766	21,197	313,679
Interest and dividend received	603	387	7,348
Interest paid	(610)	(530)	(7,419)
Income taxes (paid) refunded	(9,255)	574	(112,677)
Payment for loss related to the Great East Japan Earthquake	—	(20)	—
Net cash provided by operating activities	16,504	21,608	200,931
Cash Flows from Investing Activities:			
Purchase of property, plant and equipment and intangibles	(13,124)	(6,056)	(159,780)
Proceeds from sales of property, plant and equipment	21	108	259
Increase in investments in securities, unconsolidated subsidiaries and affiliates	(17)	(16)	(201)
Proceeds from sales of investments in securities	13	—	155
Increase in loans receivable	(9)	(558)	(106)
Collection on loans receivable	36	223	444
Purchase of a newly consolidated subsidiary's shares	(121)	—	(1,477)
Payment for business acquisition	(1,008)	—	(12,278)
Proceeds from cancellation of insurance funds	3,340	—	40,660
Other, net	6	(1)	72
Net cash used in investing activities	(10,863)	(6,300)	(132,252)
Cash Flows from Financing Activities:			
Proceeds from long-term debt	10,000	20,000	121,743
Cash dividends	(2,192)	(2,001)	(26,689)
Cash dividends to minority shareholders	(702)	(41)	(8,543)
Purchase of treasury stock	(3)	(4)	(30)
Proceeds from sales of treasury stock	—	0	—
Repayment of lease obligations	(166)	(40)	(2,027)
Net cash provided by financing activities	6,937	17,914	84,454
Foreign Currency Translation Adjustments on Cash and Cash Equivalents	(2,164)	(2,385)	(26,347)
Net Increase in Cash and Cash Equivalents	10,414	30,837	126,786
Cash and Cash Equivalents at Beginning of Year	100,104	69,267	1,218,701
Cash and Cash Equivalents of newly consolidated subsidiaries	270	—	3,289
Cash and Cash Equivalents at End of Year	¥110,788	¥100,104	$1,348,776

The accompanying notes are an integral part of these statements.

Notes to Consolidated Financial Statements

THK CO., LTD. and Consolidated Subsidiaries

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 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 ¥82.14 to U.S.$ 1, the approximate rate of exchange prevailing in Tokyo on March 30, 2012, have been used for the translation of the accompanying consolidated financial statements as of March 31, 2012 and for the year then ended.

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 and an affiliate whose closing dates are different from that of the Company, certain adjustments necessary for consolidation have been made.

The Company had 35 (34 in 2011) subsidiaries as of March 31, 2012. The consolidated financial statements for the year ended March 31, 2012 include the accounts of the Company and its 31 (28 in 2011) consolidated subsidiaries (collectively, "the Group").

Changes in the scope of consolidated subsidiaries during the year ended March 31, 2012 were as follows:
THK RHYTHM CHANGZHOU CO., LTD. (China), THK RHYTHM MEXICANA, S.A. DE. C.V. (Mexico) and THK RHYTHM MEXICANA ENGINEERING, S.A. DE C.V. (Mexico), which were incorporated during the year, and THK RHYTHM MALAYSIA Sdn. Bhd. (Malaysia), whose shares were additionally acquired by the Company, were newly consolidated.
NIPPON SLIDE CO., LTD. (Japan) and THK MANUFACTURING OF VIETNAM CO., LTD. (Vietnam), which were unconsolidated in 2011, were newly consolidated due to increased materiality.

RHYTHM L Co., Ltd. (Japan), L Tool Co., Ltd. (Japan) and L Engineering Co., Ltd. (Japan), which were liquidated due to mergers into THK RHYTHM CO., LTD. (Japan), were deconsolidated. Operating results until liquidating were included in the accompanying consolidated statements of income for the year ended March 31, 2012.

The excess of the cost of acquisition over the fair value of the net assets of an acquired subsidiary (goodwill) at the date of acquisition is amortized over 5 to 10 years by the straight-line method.

The fiscal year closing date of 24 overseas consolidated subsidiaries is December 31. In consolidating these accounts, financial statements as of and for the year ended December 31 are used after making necessary adjustments for consolidation to the significant intercompany transactions during the period between January 1 and March 31.

Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements

Under Japanese GAAP; (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) exclusion of minority interests from net income, if contained.

The Company had three affiliates and four (six in 2011) unconsolidated subsidiaries as of March 31, 2012. 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, 2012 and 2011, 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.

(b) Translation of Foreign Currency Financial Statements

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

(c) Inventories

Inventories, except for work in process, are stated at cost determined principally by the gross average method. Until March 31, 2011, work in process was stated at cost determined by the gross average method, but effective April 1, 2011, the valuation method of work in process for ordered products was changed from the gross average method to the specific identified cost method since the costing method was changed from the process cost system by group to the job-order cost system by lot.
The effect of this change in the cost method was to decrease work in process as of March 31, 2012 by ¥246 million ($2,995 thousand) and to increase cost of sales and decrease operating income and income before income taxes and minority interests by ¥246 million ($2,995 thousand) for the year then ended.
If acquisition cost of an inventory exceeds its net selling value, the carrying amount of such inventory is written down to its net selling value and the difference is charged to income.

(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) available-for-sale 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 available-for-sale 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.

Derivatives

The Group uses a variety of derivative financial instruments, including forward foreign currency exchange contracts and interest rate swap contracts to manage foreign exchange risks and interest rate 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 Group does 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 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 five to 50 years for buildings and structures and from four to 12 years for machinery and equipment.

The Company and certain domestic consolidated subsidiaries changed the depreciation method for property, plant and equipment acquired on or after April 1, 2007 pursuant to the amendment of the Corporate Income Tax Law in 2007, since the fixed assets control system meeting the depreciation method requirements defined by the amended Corporate Income Tax Law has started to work. The effect of this change was to decrease operating income and income before income taxes and minority interests by ¥1,124 million ($13,687 thousand) for the year ended March 31, 2012.

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

(f) Intangibles

Intangible assets are amortized using the straight-line method.
Software for internal use is amortized on a straight-line basis over a period of five years, the estimated useful life of the software.

(g) Allowance for Doubtful Receivables

Allowance for doubtful receivables is stated in amounts considered to be appropriate based on the Group's 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) Reserve for Employees' Retirement Benefits

Reserve for employees' retirement benefits represents the estimated present value of projected benefit obligations in excess of fair value of 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. Past service costs are amortized on a straight-line basis over a period of 15 years within employees' average remaining service period.

Effective October 1, 2011, the Company abolished its tax-qualified pension plan and transferred to defined benefits corporate pension plan and partially to defined contribution pension plan. The Company applied "Guidance on Accounting Standard for Transfer between Retirement Benefit Plans" (ASBJ Guidance No. 1) to the transactions and recognized loss on the transfer between retirement benefit plans in an amount of ¥323 million ($3,936 thousand) for the year ended March 31, 2012.

(j) Reserve for Directors' and Corporate Auditors' Retirement Benefits

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

(k) Reserve for Product Warranty

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

(l) 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.

Under the previous accounting standard, finance leases that were 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 did 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 did not transfer ownership of the leased property to the lessee.

The Group leases certain computers, equipment, software, and other assets. Lease assets of which leasing period initiates 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.

(m) Asset Retirement Obligations

Under ASBJ Statement No. 18, "Accounting Standard for Asset Retirement Obligations" and ASBJ Guidance No. 21, "Guidance on Accounting Standard for Asset Retirement Obligations", legal obligations associated with the retirement of long-lived assets shall be recognized as the sum of the discounted cash flows required for future asset retirement at the time that the obligations are incurred. If the asset retirement obligation cannot be reasonably estimated, such obligation shall be recognized as a liability in the period when it becomes reasonably estimated. Upon initial recognition of a liability, the cost is capitalized as part of the related long-lived assets and depreciated over the remaining estimated useful life of the related asset.

Under rent agreements of the head office and other spaces, the Group is obliged to pay restoring costs at relocation. The asset retirement obligation, however, is not reasonably determinable because the rent periods are uncertain. The Group also has obligation for disposal costs of PCB (polychlorinated biphenyl) -contained wastes and contamination survey on land. The asset retirement obligation, however, is not reasonably determinable because the time of performance, amount, and other factors of such obligations are uncertain. Therefore, the aforementioned obligations are not recognized in the accompanying consolidated financial statements.

(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 exchange rates prevailing at the balance sheet date. Gains and losses from translation are recognized in the consolidated statements of income to the extent that they are not hedged by forward foreign currency exchange contracts.

(o) Consumption Taxes

Japanese consumption taxes are levied at the flat rate of five percent on all domestic consumption of goods and services, with certain exemptions. The consumption taxes received by the Company and domestic subsidiaries on sales are excluded from net sales but are recorded as a liability. The consumption taxes paid by the Company and domestic subsidiaries on purchases of goods and services are excluded from costs or expenses but are 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

Japanese income taxes consist of corporate income taxes, local inhabitants’ taxes and enterprise taxes.

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 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 attributable 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.

(s) Accounting Changes and Error Corrections

On December 4, 2009, the ASBJ issued ASBJ Statement No. 24 “Accounting Standard for Accounting Changes and Error Corrections” and ASBJ Guidance No. 24 “Guidance on Accounting Standard for Accounting Changes and Error Corrections”. The new accounting standard has defined the accounting treatment for retrospective applications to past financial statements when changes in accounting policies, changes in presentations and corrections of prior period errors are made as well as the treatment for changes in accounting estimates. Effective April 1, 2011, the Company adopted this new accounting standard.

4. Business Combinations

On March 26, 2012, the Company transferred a part of its operation of the transportation equipment-related business of the Group from the FAI (Future Automotive Industry) Division to THK RHYTHM CO., LTD. (hereinafter, "THK RHYTHM"), a wholly owned subsidiary of the Company, through an absorption-type corporate split.

The FAI Division of the Company has manufactured and developed ball joints for the Group's transportation equipment-related business. Since the Company acquired all the shares of THK RHYTHM and converted it into a wholly owned subsidiary in May 2007, the FAI Division and THK RHYTHM together have strived for increasing profitability of the business. The Company believes that this reorganization within the Group will enable expanding global business opportunities, flexible and efficient operations, and achieving more profitability, through transferring the part of the FAI Division's operation to THK RHYTHM.

The Company accounted for this transaction as a business combination under common control in accordance with ASBJ Statement No. 7, "Accounting Standard for Business Divestitures" and ASBJ Guidance No. 10, "Guidance on Accounting Standard for Business Combinations and Business Divestitures" issued on December 26, 2008.

5. Inventories

Inventories as of March 31, 2012 and 2011 comprised of the following:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	**2012**
Merchandise and finished goods	**¥10,412**	¥ 9,781	**$126,756**
Work in process	**4,858**	6,397	**59,151**
Raw materials and supplies	**10,965**	10,728	**133,492**
Total	**¥26,235**	¥26,906	**$319,399**

6. Long-lived Assets

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 its net realizable value and the differences are recorded as an impairment loss.

No impairment loss was recognized for the years ended March 31, 2012 and 2011.

7. Investments in Securities

As of March 31, 2012 and 2011, available-for-sale securities with available fair value were as follows:

	Millions of yen		
	2012		
	Carrying amount	Acquisition cost	Net unrealized gain (loss)
Carrying amount (fair value) exceeds acquisition cost: Equity securities	**¥2,016**	**¥831**	**¥1,185**
Carrying amount (fair value) does not exceed acquisition cost: Equity securities	**126**	**135**	**(9)**
Total	**¥2,142**	**¥966**	**¥1,176**

	Millions of yen		
	2011		
	Carrying amount	Acquisition cost	Net unrealized gain (loss)
Carrying amount (fair value) exceeds acquisition cost: Equity securities	¥1,885	¥916	¥969
Carrying amount (fair value) does not exceed acquisition cost: Equity securities	38	42	(4)
Total	¥1,923	¥958	¥965

	Thousands of U.S. dollars		
	2012		
	Carrying amount	Acquisition cost	Net unrealized gain (loss)
Carrying amount (fair value) exceeds acquisition cost: Equity securities	$24,547	$10,116	$14,431
Carrying amount (fair value) does not exceed acquisition cost: Equity securities	1,536	1,649	(113)
Total	$26,083	$11,765	$14,318

As of March 31, 2012 and 2011, available-for-sale securities whose fair value is not reliably determinable were as follows:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Available-for-sale securities			
Unlisted equity securities	¥173	¥184	$2,112

These unlisted equity securities are not included in "Available-for-securities" in the above table.

"Acquisition cost" in the above table refers to the cost after deducting impairment losses. Impairment losses on available-for-sale securities value were recognized during the years ended March 31, 2012 and 2011 as follows:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Equity securities with fair value	¥ 2	¥13	$ 28
Equity securities without fair value	11	30	131

When the fair value of each issue of securities declined more than 50% of the acquisition cost, impairment losses were recognized. When the fair value declined between 30% and 50% of the acquisition cost, whether the impairment losses should be recognized, or not is determined by considering the financial positions as of the latest fiscal year end and operating results for the past two fiscal years and comparing the average month-end closing market price during the past 24 months with the acquisition cost by each issue.

The following available-for-sale securities were sold during the years ended March 31, 2012 and 2011:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Equity securities:			
Sales proceeds	¥13	¥—	$155
Gain on sales	7	—	87
Loss on sales	—	—	—

8. Long-term Debt

Long-term debt as of March 31, 2012 and 2011 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
1.94% Unsecured syndicated loan payable to banks, due in 2014	¥20,000	¥20,000	$243,487
1.35% Unsecured straight bonds due in 2014	10,000	10,000	121,743
0.461% Unsecured straight bonds due in 2015	7,000	7,000	85,221
0.715% Unsecured straight bonds due in 2017	13,000	13,000	158,266
0.850% Unsecured straight bonds due in 2018	10,000	—	121,743
	60,000	50,000	730,460
Less current portion	—	—	—
	¥60,000	¥50,000	$730,460

Annual maturities of long-term debt as of March 31, 2012 are as follows:

	Millions of yen					
	2012					
	Due within 1 year	Due after 1 to 2 years	Due after 2 to 3 years	Due after 3 to 4 years	Due after 4 to 5 years	Due after 5 years
Bonds	¥—	¥ —	¥10,000	¥7,000	¥—	¥23,000
Bank loans	—	20,000	—	—	—	—
Total	¥—	¥20,000	¥10,000	¥7,000	¥—	¥23,000

	Thousands of U.S. dollars					
	2012					
	Due within 1 year	Due after 1 to 2 years	Due after 2 to 3 years	Due after 3 to 4 years	Due after 4 to 5 years	Due after 5 years
Bonds	$—	$ —	$121,743	$85,221	$—	$280,009
Bank loans	—	243,487	—	—	—	—
Total	$—	$243,487	$121,743	$85,221	$—	$280,009

9. Reserve for Employees' Retirement Benefits

As discussed in Note 3(i), the Company abolished its tax qualified pension plan and transferred to defined benefits corporate pension plan and partially to defined contribution pension plan. Certain domestic consolidated subsidiaries and certain overseas consolidated subsidiaries have lump-sum retirement payment programs and Welfare Pension Fund Plan (defined benefit pension plan). When certain qualified employees retire, additional retirement benefits will be paid. Other domestic and overseas consolidated subsidiaries mainly have defined contribution plans.

Reserve for employees' retirement benefits as of March 31, 2012 and 2011 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Projected benefit obligations (Note)	¥11,769	¥11,073	$143,287
Fair value of plan assets	(6,542)	(4,830)	(79,649)
	5,227	6,243	63,638
Unrecognized actuarial differences	(731)	(1,279)	(8,905)
Unrecognized past service costs	(2,008)	—	(24,440)
	¥ 2,488	¥ 4,964	$ 30,293
Prepaid pension expense	(494)	—	(6,012)
Reserve for employees' retirement benefits	¥ 2,982	¥ 4,964	$ 36,305

Note: In computing projected benefit obligations, certain domestic consolidated subsidiaries applied a short-cut method and certain overseas consolidated subsidiaries applied the relevant provisions of their local accounting standard.

Net periodic pension and severance costs for the years ended March, 2012 and 2011 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Service cost (Note)	¥ 733	¥ 689	$ 8,929
Interest cost	215	197	2,614
Expected return on plan assets	(75)	(61)	(917)
Recognized prior service cost	69	2	843
Recognized actuarial differences	180	228	2,188
Other (contribution to defined contribution plans)	494	172	6,019
Net periodic pension and severance costs	¥1,616	¥1,227	$19,676

Note: Employees' contribution to Welfare Pension Fund is deducted from service costs. Retirement benefit expenses of certain domestic and overseas consolidated subsidiaries are included in service costs.

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

	2012	2011
Discount rate	2.0%	2.0%
Expected rate of return on plan assets	1.5%	1.5%
Amortization of unrecognized actuarial differences	5-18 years	5-18 years

The method of attributing expected benefits to service periods is the straight-line method.

Past service costs are amortized on the straight-line method over a definite period (15 years) within the employees' average remaining service periods when incurred.

10. Committed Line of Credit

As of March 31, 2012, the Group had committed lines of credit amounting to ¥15,000 million ($182,615 thousand). None of the committed lines of credit were used.

11. Contingent Liabilities

As of March 31, 2012, the Group had no material contingent liabilities.

12. Notes Receivable and Payable

March 31, 2012 falls on a bank holiday. The following notes receivable and payable matured on that date were accounted for as if they were settled on that date:

	Millions of yen	Thousands of U.S. dollars
Notes receivable	**¥2,006**	**$24,423**
Notes payable	**27**	**328**

13. Net Assets

The Companies Act of Japan (the “Act”) requires that at least 50% of the paid-in capital of new share issues be transferred to the “Common stock” account and the amount not exceeding 50% of the paid-in capital be included in capital surplus as “Additional paid-in capital”.

Under the Act, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the shareholders’ meeting. Interim dividends may be paid at any time during the fiscal year upon resolution by the Board of Directors if the company has prescribed so in its articles of incorporation.

The Act provides certain limitations on the amounts available for dividends or the purchase of treasury stock. The limitation is defined as the amount available for distribution to the shareholders, but the amount of net assets after dividends must be maintained at no less than ¥3 million.

The Act requires that an amount equal to 10% of dividends must be appropriated as a legal reserve or as additional paid-in capital depending on the equity account charged upon the payment of such dividends until the aggregate amount of legal reserve and additional paid-in capital equals 25% of the common stock. Under the Act, the total amount of additional paid-in capital and legal reserve may be reversed without limitation. The Act also provides that common stock, legal reserve, additional paid-in capital, other capital surplus and retained earnings can be transferred among the accounts under certain conditions upon resolution of the shareholders.

The changes in the number of issued shares of common stock and treasury stock during the years ended March 31, 2012 and 2011 were as follows:

	Number of shares			
	April 1, 2011	Increase	Decrease	**March 31, 2012**
Outstanding shares issued:				
Common stock	133,856,903	—	—	**133,856,903**
Treasury stock:				
Common stock	5,257,342	1,400	—	**5,258,742**

An increase in common stock is due to acquisition of 1,400 shares of less than one share unit.

The treasury stock in the above table includes treasury stock (shares issued by the Company) acquired by an affiliate accounted for using the equity method which is attributed to the Company.

	Number of shares			
	April 1, 2010	Increase	Decrease	March 31, 2011
Outstanding shares issued:				
Common stock	133,856,903	—	—	133,856,903
Treasury stock:				
Common stock	5,255,442	2,050	150	5,257,342

An increase in treasury stock is due to acquisition of 2,050 shares of less than one share unit.

A decrease in treasury stock is due to requisition to purchase 150 shares of less than one share unit.

The treasury stock in the above table includes treasury stock (shares issued by the Company) acquired by an affiliate accounted for using the equity method which is attributed to the Company.

Year ended March 31, 2012

The following cash dividend payments were approved during the fiscal year:

General shareholders' meeting held on June 18, 2011:

	Total amount Millions of yen (Thousands of U.S. dollars)	Per share amount Yen (U.S. dollar)	Dividend record date	Effective date
Common stock	**¥1,029 million ($12,525 thousand)**	**¥8.00 ($0.10)**	**Mar. 31, 2011**	**Jun. 20, 2011**

Board of Directors meeting held on November 11, 2011:

	Total amount Millions of yen (Thousands of U.S. dollars)	Per share amount Yen (U.S. dollar)	Dividend record date	Effective date
Common stock	**¥1,157 million ($14,091 thousand)**	**¥9.00 ($0.11)**	**Sep. 30, 2011**	**Dec. 5, 2011**

Year ended March 31, 2011

The following cash dividend payments were approved during the fiscal year:

General shareholders' meeting held on June 19, 2010:

	Total amount Millions of yen	Per share amount Yen	Dividend record date	Effective date
Common stock	¥965 million	¥7.50	Mar. 31, 2010	Jun. 21, 2010

Board of Directors meeting held on November 12, 2010:

	Total amount Millions of yen	Per share amount Yen	Dividend record date	Effective date
Common stock	¥1,029 million	¥8.00	Sep. 30, 2010	Dec. 6, 2010

14. Amortization of Goodwill

Amortization of goodwill included in selling, general and administrative expenses for the years ended March 31, 2012 and 2011 were ¥182 million ($2,211 thousand) and ¥23 million, respectively.

15. Research and Development

Research and development expenses included in cost of sales or selling, general and administrative expenses for the years ended March 31, 2012 and 2011 were ¥4,490 million ($54,663 thousand) and ¥4,341 million, respectively.

16. Lease

The Group leases 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 on an “as if capitalized” basis as of March 31, 2012 and 2011 were as follows:

	Millions of yen		
	2012		
	Machinery and equipment	Other	Total
Acquisition costs	¥229	¥—	¥229
Accumulated depreciation	178	—	178
Net leased property	¥ 51	¥—	¥ 51

	Millions of yen		
	2011		
	Machinery and equipment	Other	Total
Acquisition costs	¥397	¥56	¥453
Accumulated depreciation	302	48	350
Net leased property	¥ 95	¥ 8	¥103

	Thousands of U.S. dollars		
	2012		
	Machinery and equipment	Other	Total
Acquisition costs	$2,787	$—	$2,787
Accumulated depreciation	2,167	—	2,167
Net leased property	$ 620	$—	$ 620

Future minimum lease payments under finance leases as of March 31, 2012 and 2011 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Due within one year	¥19	¥ 52	$233
Due after one year	32	51	387
Total	¥51	¥103	$620

Total lease payments under these leases were ¥52 million ($628 thousand) and ¥106 million for the years ended March 31, 2012 and 2011, 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 ¥52 million ($628 thousand) and ¥106 million for the years ended March 31, 2012 and 2011, respectively.

Obligations under non-cancelable operating leases as of March 31, 2012 and 2011 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Due within one year	¥311	¥ 390	$3,785
Due after one year	388	616	4,729
Total	¥699	¥1,006	$8,514

17. 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, 2012 and 2011.

As of March 31, 2012 and 2011, significant components of deferred tax assets and liabilities were as follows:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Deferred tax assets:			
Valuation loss of investments in subsidiaries	¥ 7,760	¥ 6,093	$ 94,472
Accrued bonuses to employees	1,126	1,086	13,711
Tax loss carried forward	900	1,375	10,954
Reserve for employees' retirement benefits	828	1,958	10,079
Loss on devaluation of inventories	808	1,115	9,838
Unrealized gain on intercompany sales of inventories	599	281	7,289
Unrealized gain on intercompany sales of property, plant and equipment	502	383	6,115
Retirement benefits payable to directors and corporate auditors	356	392	4,333
Impairment losses	301	346	3,668
Enterprise taxes	171	503	2,078
Other	1,342	1,293	16,342
Total	14,693	14,825	178,879
Less: valuation allowance	(9,694)	(9,163)	(118,015)
Total deferred tax assets	4,999	5,662	60,864
Deferred tax liabilities:			
Unrealized gains of marketable equity securities	(2,225)	(2,326)	(27,092)
Unrealized gains on land revaluation	(1,298)	(1,422)	(15,805)
Depreciation	(750)	(696)	(9,132)
Insurance premium	(21)	(661)	(250)
Special depreciation reserve for tax purpose	(94)	(138)	(1,148)
Other	(79)	(68)	(966)
Total deferred tax liabilities	(4,467)	(5,311)	(54,393)
Net deferred tax assets	¥ 532	¥ 351	$ 6,471

Reconciliation between the normal effective statutory tax rate and the actual effective tax rate reflected in the accompanying consolidated statements of income for the years ended March 31, 2012 and 2011 was as follows:

	2012	2011
Normal effective statutory tax rate	40.7%	40.7%
Lower tax rates applicable to foreign subsidiaries	(3.9)	(3.5)
Tax credit for research and development	(2.0)	(2.9)
Valuation allowance	(4.3)	(1.0)
Local effective tax rate differences	(1.5)	1.6
Equity earnings of an affiliate	(1.5)	(0.8)
Other	2.6	0.4
Actual Effective tax rate	30.1%	34.5%

On December 2, 2011, the “Act for Partial Amendment to the Income Tax Act, etc. for the purpose of Creating a Taxation System Responding to Changes in Economic and Social Structures” (Act No. 114 of 2011) and the “Act on Special Measures for Securing Financial Resources Necessary to Implement Measures for Reconstruction following the Great East Japan Earthquake” (Act No. 117 of 2011) were promulgated. Consequently, the corporate tax rate will be reduced and a special recovery tax will be imposed. In accordance with this tax reform, the effective statutory tax rate, which is used to measure deferred tax assets and deferred tax liabilities, has been reduced from 40.7% to 38.0% for temporary differences that are expected to be eliminated during the period from April 1, 2012 through March 31, 2015 and 35.6% for temporary differences to be eliminated on or after April 1, 2015. As a result, net deferred tax assets (the mount after deducting deferred tax liabilities) decreased by ¥155 million ($1,884 thousand) and income taxes – deferred increased by ¥212 million ($2,576 thousand).

18. Comprehensive Income

The components of other comprehensive income for the year ended March 31, 2012 were as follows:

	Millions of yen	Thousands of U.S. dollars
	2012	2012
Net unrealized gain on available-for-sale securities:		
Gain recognized during the year	¥ 205	$ 2,503
Reclassification adjustment to net income	6	72
Amount before tax effect	211	2,575
Tax effect	(21)	(260)
Net unrealized gain on available-for-sale securities	190	2,315
Foreign currency translation adjustments:		
Loss recognized during the year	(3,657)	(44,520)
Reclassification adjustment to net income	—	—
Amount before tax effect	(3,657)	(44,520)
Tax effect	—	—
Foreign currency translation adjustments	(3,657)	(44,520)
Share of other comprehensive income of an affiliate accounted for under the equity method:		
Loss recognized during the year	(143)	(1,744)
Reclassification adjustment to net income	(0)	(0)
Amount before tax effect	(143)	(1,744)
Tax effect	1	10
Foreign currency translation adjustments	(142)	(1,734)
Total other comprehensive loss	¥(3,609)	$(43,939)

19. Per Share Information

Per share information as of and for the years ended March 31, 2012 and 2011 is as follows:

	Yen		U.S. dollars
	2012	2011	2012
Net income - basic	¥ 98.31	¥ 108.55	$ 1.20
Net assets	1,352.00	1,296.52	16.46

Diluted net income per share for the years ended March 31, 2012 and 2011 is not presented since the Company did not have any kind of securities with potential dilutive effect in the fiscal years.

20. Financial Instruments and Related Disclosures

(1) Policy for financial instruments

The Group's use of its surplus funds is limited to short-term deposits and other low-risk financial assets. As to raising funds, the Group finances by issuing bonds and bank loans in accordance with business plans. The Group does not hold or issue derivative financial instruments for speculative purposes.

(2) Nature and risks of financial instruments

Notes and accounts receivable are subject to credit risks of customers. Receivables denominated in foreign currencies arising from the Group's global business are subject to foreign currency exchange risks. The Group controls these risks by utilizing forward foreign currency exchange contracts applicable to net amounts of receivables and payables denominated in foreign currencies.

Most investment securities consist of equity securities and are subject to market value volatility risks.

Most of notes and accounts payable are due within a year. Bonds and bank loans are financed for working capital or capital investment use for which the maximum redemption/repayment period is six years and seven months. The Group controls interest rate risks by utilizing interest rate swap contracts.

The Group utilizes forward foreign currency exchange contracts and interest rate swap contracts to manage foreign exchange risks and interest rate risks. Use of derivatives is limited to operating purposes.

(3) Risk management

(a) Credit risks—The Group controls customers' credit risks in accordance with internal rules for controlling receivables. Appropriate departments of the Group monitor major customers' financial conditions to promptly obtain information about possible bad debts. Because the counterparties of derivatives are limited to major international financial institutions, the Group does not anticipate any losses arising from credit risk.

(b) Market risks—The Group utilizes forward foreign currency exchange contracts and interest rate swap contracts to manage foreign exchange risks of each currency and interest rate risks in relation to bank loans. As to investments in securities, fair value and financial condition of investees are periodically reviewed. Derivative transactions are executed and controlled by the Corporate Strategy Division. General manager of the Corporate Strategy Division reports results and conditions of derivative transactions at the Board of Director's meetings on a monthly basis.

(c) Liquidity risks—Each company of the Group prepares and updates cash-flow plans and maintains appropriate amounts of ready liquidity.

(4) Other information

Fair values of financial instruments are based on quoted prices in active markets. If quoted price is not available, other rational valuation techniques are used instead. Because such valuation techniques include certain assumptions, results may differ if different assumptions are used in the valuation. The contract amounts for derivatives listed in Note 21 do not represent volume of underlying market risks of the derivative transactions.

Financial instruments whose fair value is readily determinable as of March 31, 2012 and 2011 are as follows:

	Millions of yen		
	2012		
	Carrying amount	Fair value	Difference
Assets:			
(1) Cash and cash equivalents	¥110,788	¥110,788	¥ —
(2) Trade accounts and notes receivable	53,035	53,035	—
(3) Investments in securities			
Available for sale securities	2,142	2,142	—
Total	¥165,965	¥165,965	¥ —
Liabilities:			
(4) Trade accounts and notes payable	¥ 27,662	¥ 27,662	¥ —
(5) Long-term debt—Bonds	40,000	40,268	268
(6) Long-term debt—Bank loans	20,000	20,000	—
Total	¥ 87,662	¥ 87,930	¥ 268
(7) Derivatives	¥ —	¥ —	¥ —

	Millions of yen		
	2011		
	Carrying amount	Fair value	Difference
Assets:			
(1) Cash and cash equivalents	¥100,104	¥100,104	¥ —
(2) Trade accounts and notes receivable	56,442	56,442	—
(3) Investments in securities			
Available for sale securities	1,923	1,923	—
Total	¥158,469	¥158,469	¥ —
Liabilities:			
(4) Trade accounts and notes payable	¥ 31,744	¥ 31,744	¥ —
(5) Long-term debt—Bonds	30,000	29,856	(144)
(6) Long-term debt—Bank loans	20,000	20,000	—
Total	¥ 81,744	¥ 81,600	¥(144)
(7) Derivatives	¥ —	¥ —	¥ —

	Thousands of U.S. dollars		
	2012		
	Carrying amount	Fair value	Difference
Assets:			
(1) Cash and cash equivalents	$1,348,776	$1,348,776	$ —
(2) Trade accounts and notes receivable	645,658	645,658	—
(3) Investments in securities			
Available for sale securities	26,083	26,083	—
Total	$2,020,517	$2,020,517	$ —
Liabilities:			
(4) Trade accounts and notes payable	$ 336,763	$ 336,763	$ —
(5) Long-term debt—Bonds	486,973	490,240	3,267
(6) Long-term debt—Bank loans	243,487	243,487	—
Total	$1,067,223	$1,070,490	$3,267
(7) Derivatives	$ —	$ —	$ —

Notes:

(1), (2), and (4) —As these items are settled within a year and have fair values approximately equal to their carrying amounts, they are stated at the carrying amounts.

(3) —Fair value of equity securities is stated at quoted market price. Fair value information of investment securities is discussed in Note 7.

(5) — Fair value of bonds is stated at present value of a total amount of its principal and interest discounted by a rate determined considering its remaining periods and credit risks.

(6) —Bank loans are payable with variable interest rates. Fair value of bank loans is stated at carrying amount because fair value of such bank loans is considered approximately equal to its carrying amount based on the following assumptions; (a) variable interest rates reflect the current market rate, and (b) the Company's credit status has not significantly changed after the issuance.

(7) —Details and information are discussed in Note 21.

Financial instruments which do not have quoted market prices and whose fair value is not reliably determinable are not included in the table above. Such financial instruments as of March 31, 2012 and 2011 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Unlisted equity securities	¥173	¥184	$2,112

Detailed information about investments in securities is discussed in Note 7.

Maturity analysis for financial assets as of March 31, 2012 is as follows:

	Millions of yen	
	2012	
	Due within one year	Due after one year
(1) Cash and cash equivalents	¥110,788	—
(2) Trade accounts and notes receivable	53,035	—
Total	¥163,823	—

	Thousands of U.S. Dollars	
	2012	
	Due within one year	Due after one year
(1) Cash and cash equivalents	$1,348,776	—
(2) Trade accounts and notes receivable	645,658	—
Total	$1,994,434	—

Maturities of long-term debts as of March 31, 2012 are disclosed in Note 8.

21. Derivatives and Hedging Activities

The Group utilizes interest rate swap agreements to hedge interest rate risks associated with its bank loans. The Group's interest rate swaps qualify for hedge accounting and meet specific matching criteria under Japanese GAAP and are not remeasured at market value but the differential paid or received under the swap agreements are recognized and included in interest expenses or income. Fair value information of such derivatives as of March 31, 2012 and 2011 is as follows:

	Millions of yen		
	2012		
	Contract Amount		Fair value of derivative instruments
	Within one year	Over one year	
Interest rate swaps (fixed rate payment, floating rate receipt)	**¥—**	**¥20,000**	**¥(348)**

	Millions of yen		
	2011		
	Contract Amount		Fair value of derivative instruments
	Within one year	Over one year	
Interest rate swaps (fixed rate payment, floating rate receipt)	¥—	¥20,000	¥(470)

	Thousands of U.S. dollars		
	2012		
	Contract Amount		Fair value of derivative instruments
	Within one year	Over one year	
Interest rate swaps (fixed rate payment, floating rate receipt)	**$—**	**$243,487**	**$(4,235)**

Fair value of derivative instruments in the table above is stated at amount obtained from financial institutions, the counter parties of the contracts.

22. Segment Information

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

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

Therefore, the reportable segment information consists of the five geographical segments, namely; (1) Japan, (2) The Americas (the United States and other), (3) Europe (Germany, the United Kingdom, Netherlands, and other), (4) China, and (5) Other (Taiwan, Singapore, and other) based on the Group's production/sales structure.

Segment income is computed based on operating income. The reportable segment information is prepared under the same accounting policies as discussed in Note 3. Inter-segment sales and transfer are stated at amounts based on their fair market values. All adjustments in the following tables are inter-segment elimination on consolidation.

Change in the valuation method for work in process

As discussed in Note 3(c), effective April 1, 2011, the Company changed the valuation method for work in process for ordered products from the gross average method to the specific identified cost method. The effect of this change in the cost method was to decrease segment profit of "Japan" by ¥246 million ($2,995 thousand) for the year ended March 31, 2012.

Change in the depreciation method for property, plant and equipment

As discussed in Note 3(e), the Company and certain domestic consolidated subsidiaries changed the depreciation method for property, plant and equipment acquired on or after April 1, 2007 pursuant to the amendment of the Corporate Income Tax Law in 2007, since the fixed assets control system meeting the depreciation method requirements defined by the amended Corporate Income Tax Law has started to work. The effect of this change was to decrease segment profit of "Japan" by ¥1,124 million ($13,687 thousand) for the year ended March 31, 2012.

Segment information of the Group as of March 31, 2012 and 2011 and for the years then ended is as follows:

Reportable segments

Millions of yen

2012	Japan	The Americas	Europe	China	Other	Total	Adjustments	Consolidated
Sales to customers	¥125,956	¥21,835	¥19,868	¥17,118	¥12,090	¥196,867	¥ —	¥196,867
Inter-segment	40,666	114	17	3,056	183	44,036	(44,036)	—
Total	166,622	21,949	19,885	20,174	12,273	240,903	(44,036)	196,867
Segment profit (loss)	¥ 16,615	¥ 1,183	¥ (283)	¥ 2,596	¥ 503	¥ 20,614	¥ (868)	¥ 19,746
Assets	¥286,196	¥26,119	¥18,477	¥38,698	¥14,279	¥383,769	¥(95,436)	¥288,333
Other items								
Depreciation and amortization	¥ 6,931	¥ 718	¥ 542	¥ 1,679	¥ 241	¥ 10,111	¥ 260	¥ 10,371
Amortization of goodwill	46	—	—	—	136	182	—	182
Investment in an affiliate accounted for under the equity method	2,177	—	—	—	—	2,177	—	2,177
Increase in property, plant and equipment and intangibles	5,385	996	112	7,953	1,809	16,255	(535)	15,720

Millions of yen

2011	Japan	The Americas	Europe	China	Other	Total	Adjustments	Consolidated
Sales to customers	¥127,945	¥20,608	¥16,099	¥13,970	¥12,040	¥190,662	¥ —	¥190,662
Inter-segment	39,350	122	16	3,328	41	42,857	(42,857)	—
Total	167,295	20,730	16,115	17,298	12,081	233,519	(42,857)	190,662
Segment profit (loss)	¥ 18,322	¥ 1,807	¥ (935)	¥ 2,467	¥ 546	¥ 22,207	¥ (363)	¥ 21,844
Assets	¥278,095	¥28,486	¥26,093	¥32,979	¥12,402	¥378,055	¥(98,286)	¥279,769
Other items								
Depreciation and amortization	¥ 5,860	¥ 857	¥ 585	¥ 1,536	¥ 63	¥ 8,901	¥ —	¥ 8,901
Amortization of goodwill	23	—	—	—	—	23	—	23
Investment in an affiliate accounted for under the equity method	1,869	—	—	—	—	1,869	—	1,869
Increase in property, plant and equipment and intangibles	3,751	948	167	2,959	256	8,081	(253)	7,828

Thousands of U.S. dollars

2012	Japan	The Americas	Europe	China	Other	Total	Adjustments	Consolidated
Sales to customers	$1,533,432	$265,830	$241,883	$208,393	$147,184	$2,396,722	$ —	$2,396,722
Inter-segment	495,082	1,381	209	37,207	2,236	536,115	(536,115)	—
Total	2,028,514	267,211	242,092	245,600	149,420	2,932,837	(536,115)	2,396,722
Segment profit (loss)	$ 202,280	$ 14,395	$ (3,452)	$ 31,609	$ 6,126	$ 250,958	$ (10,565)	$ 240,393
Assets	$3,484,251	$317,985	$224,943	$471,118	$173,840	$4,672,137	$(1,161,871)	$3,510,266
Other items								
Depreciation and amortization	$ 84,386	$ 8,737	$ 6,593	$ 20,437	$ 2,938	$ 123,091	$ 3,163	$ 126,254
Amortization of goodwill	555	—	—	—	1,656	2,211	—	2,211
Investment in an affiliate accounted for under the equity method	26,502	—	—	—	—	26,502	—	26,502
Increase in property, plant and equipment and intangibles	65,554	12,132	1,359	96,826	22,020	197,891	(6,508)	191,383

Sales to customers, by business

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Industrial Equipment-Related Business	¥153,450	¥152,398	$1,868,149
Transportation Equipment-Related Business	43,417	38,264	528,573
Total	¥196,867	¥190,662	$2,396,722

Sales to foreign customers, by customers' location

Millions of yen, 2012	Japan	The Americas	Europe	China	Other	Total
Sales to foreign customers	¥117,900	¥22,279	¥19,979	¥17,088	¥19,621	¥196,867

Millions of yen, 2011	Japan	The Americas	Europe	China	Other	Total
Sales to foreign customers	¥117,305	¥20,812	¥16,107	¥13,220	¥23,218	¥190,662

Thousands of U.S. dollars, 2012	Japan	The Americas	Europe	China	Other	Total
Sales to foreign customers	$1,435,358	$271,235	$243,236	$208,030	$238,863	$2,396,722

23. Subsequent Events

Appropriation of retained earnings

The following appropriation of retained earnings as of March 31, 2012 was approved at the Company's shareholders' meeting held on June 16, 2012:

	Total amount Millions of yen (Thousands of U.S. dollars)	Per share amount Yen (U.S. dollar)	Dividend record date	Effective date
Common stock	¥1,415 million ($17,222 thousand)	¥11.00 ($0.13)	Mar. 31, 2012	Jun. 18, 2012

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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, 2012 and 2011, and the related consolidated statements of income, comprehensive income, changes in net assets, and cash flows for the years then ended, and all expressed in Japanese yen.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan. This responsibility includes: designing, implementing and maintaining internal control as management determines is necessary to enable to the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also

includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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, 2012 and 2011, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in Japan.

Emphasis of matter

1. We draw attention to Note 3(c) to the valuation method of work in process for ordered products changed from the gross average method to the specific identified cost method since the beginning of fiscal year ended March 31, 2012.
2. We draw attention to Note 3(e) to the Company and certain domestic consolidated subsidiaries changed the depreciation method for property, plant and equipment acquired on or after April 1, 2007 pursuant to the amendment of the Corporate Income Tax Law in 2007.

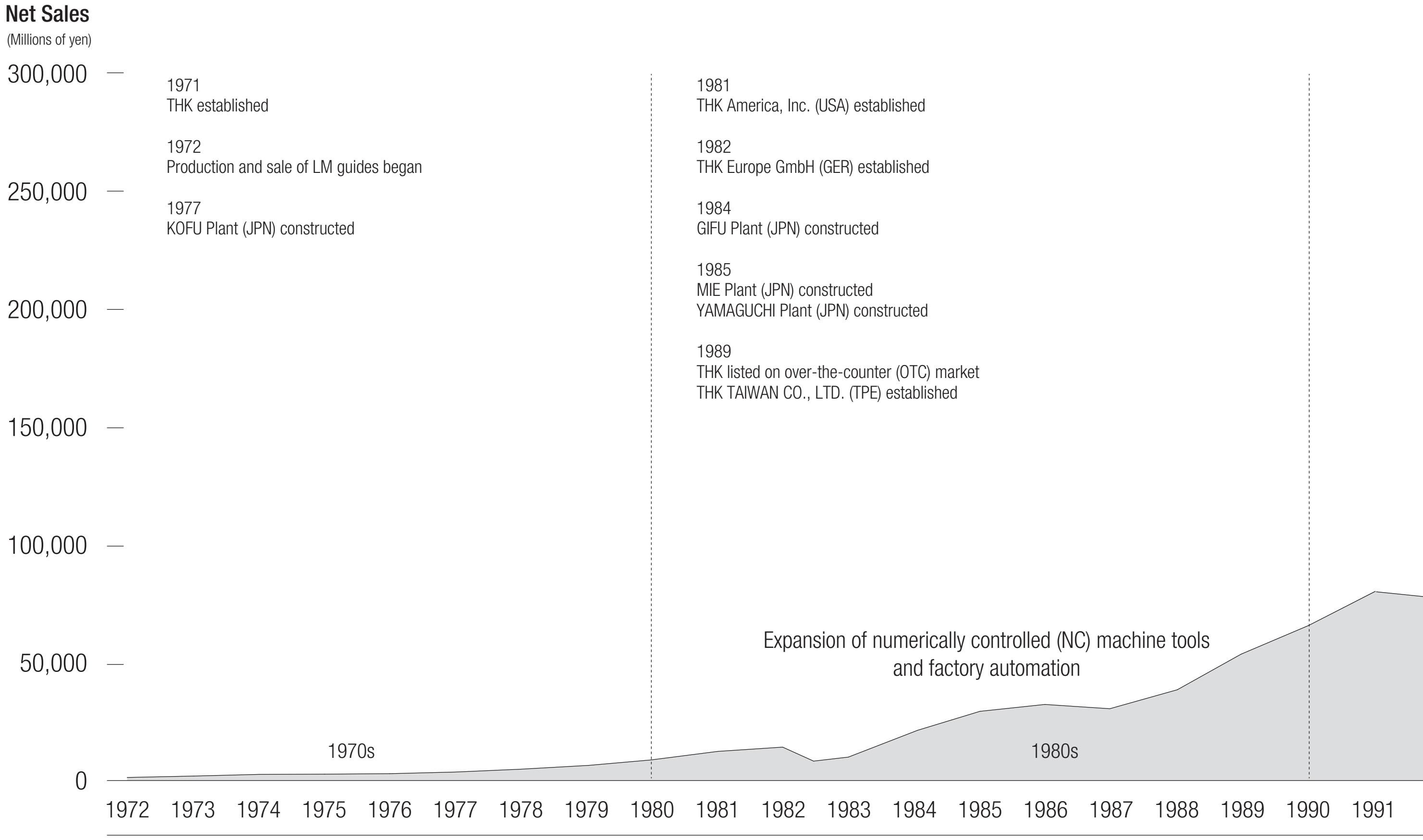
Convenience translations

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2012, are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 2(a) to consolidated the financial statements.

Grant Thornton Taiyo ASG

Tokyo, Japan
June 18, 2012

Corporate History



The 1970s:

Inauguration and Initial Period of Set Up

While rolling contact utilizing rotary bearings was a standard method for accomplishing rolling motion at this time, significant difficulties were encountered in introducing a rolling component to linear motion (LM).

In 1971, THK developed the ball spline, which enabled a higher level of linear motion precision and performance. This ball spline was the predecessor to THK's current flagship LM guide, which was first introduced in 1972.

In 1978, the Company's products were adopted by a U.S.-based pioneer of the Machining Center and world-class leader of its day. With this breakthrough, the use of LM guides in machine tools grew from strength to strength.

Ball Splines

Developed in the same year that THK was established, ball splines are the precursor to the LM guide. This revolutionary product allows balls to roll along an R-shaped groove machined into the spline axle, which in turn boost the load that the device can tolerate and permits the transmission of torque.

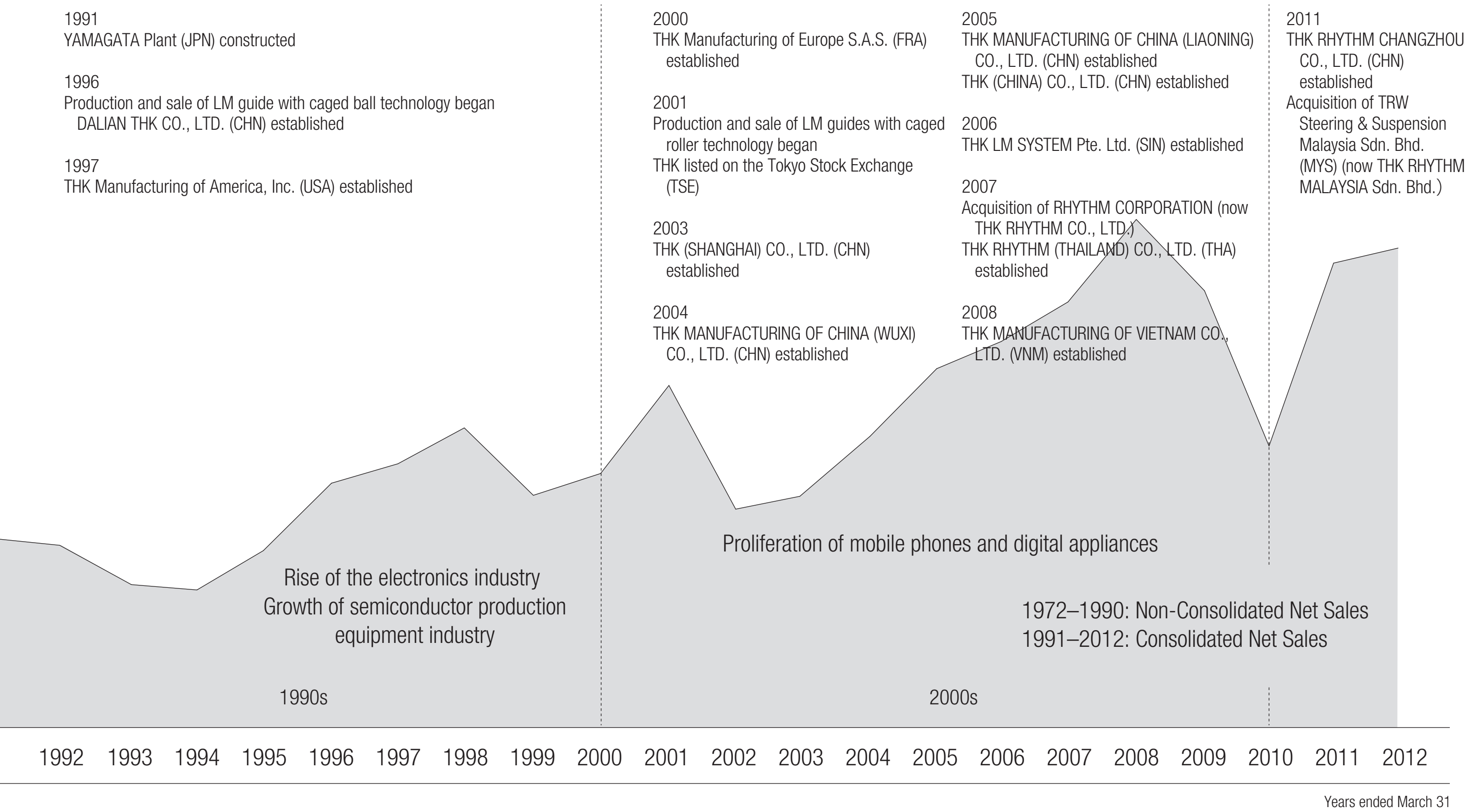
The 1980s:

Significant Developments in Factory Automation (FA)

The "Oil Shock" saw the demise of heavy industry, pushing the high-tech and light industries increasingly to the fore. Buoyed by depreciation in the value of the yen as well as the outstanding quality of products manufactured in Japan, export volumes to Europe and the United States climbed steadily. Under these circumstances, demand was high for the volume manufacture of quality products. With FA advancing across production frontlines, machine tool production volumes increased and the proportion of advanced machine tools with numerical control (NC) saw steady growth. Against this backdrop, the application of LM guides enjoyed explosive growth.

LM Guides

Developed utilizing the structure and mechanism of ball splines, LM guides today represent THK's flagship product range. Benefiting from the use of the Company's LM guides by a major U.S.-based machine tool manufacturer of its day, the application of THK's products in machine tools has seen significant growth.



The 1990s:

The Rise of the Electronics Industry

During the 1990s, the number of LM guides used in semiconductor production equipment surged dramatically in line with the increase in semiconductor demand. Entering the 2000s, amid the proliferation of mobile devices and digital home electronic appliances as well as the upswing in demand for semiconductor production, flat panel display production and related production equipment—products that applied LM guides—focusing mainly on second-generation LM guides with caged ball technology increased. In tune with the relentless advance of manufacturing globalization, THK accelerated its business development globally.

LM Guides with Caged Ball Technology

LM guides with caged ball technology were developed as the next generation in their line. In keeping the balls in place, the use of ball cage technology extends service life, reduces noise and enables long-term maintenance-free operation compared with first-generation LM guides.

Future Growth:

Increase in Demand for Machinery in Developing Countries as well as Progress Toward Electric-Powered Living

Looking at changes in THK's external operating environment, the Company is witnessing an increase in the number of industrial machinery produced as well as an upswing in the ratio of NC machine tools. This is largely attributable to the ongoing development of newly emerging countries. At the same time, the impetus provided by higher interest in environmental protection is resulting in the move toward electric-powered living across a wide spectrum of areas.

In response, and as a part of THK's efforts toward "Full-Scale Globalization," the Company will further fortify its integrated manufacturing and sales systems in the four geographic regions of Japan, the Americas, Europe and Asia. Particularly, the Company will accelerate the pace of sales network expansion with a greater sense of urgency throughout developing countries, which are anticipated to drive increasingly toward FA. Complementing this endeavor, THK will also upgrade and expand local production capacity.

In its efforts to promote the "Development of New Business Areas," the Company will bolster the activities of both the FAI and ACE divisions. At the same time, we will work to capture the forecast surge in demand, associated with the projected shift toward electric-powered living, through the IMT Division, which was established in 2009. THK recognizes that efforts to reduce CO_2 emissions will become an increasingly essential component of business. This in turn is expected to underpin the growing emphasis on electric-powered products as the market focuses increasingly on energy efficiency across wide-ranging areas. Under these circumstances, components that complement this shift toward electric-powered products will gain in importance. In its efforts to take full advantage of these favorable conditions, THK will aggressively bolster its sales and marketing activities with the aim of expanding sales.

Taking all of the aforementioned into consideration, THK plans to increasingly realize the vast potential of its products, including LM guides. In this regard, we remain committed to achieving the medium-term target of ¥300 billion in consolidated net sales, an operating margin of 20% and a return on assets (ROA) of 15%.

Subsidiaries & Affiliate

As of March 31, 2012

Subsidiaries	Main Operations	Head Office	Percentage Owned by the Company, Directly or Indirectly (%)
THK INTECHS CO., LTD.	Manufacture and sale of vital machinery components and machinery	Tokyo, Japan	100.00
TALK SYSTEM CORPORATION	Sale of machinery parts and various types of equipment	Tokyo, Japan	99.00
THK NIIGATA CO., LTD.	Manufacture of ball splines	Niigata, Japan	100.00
THK RHYTHM CO., LTD.	Transportation equipment-related business	Shizuoka, Japan	100.00
THK RHYTHM KYUSHU CO., LTD.	Transportation equipment-related business	Oita, Japan	100.00
L Trading Co., Ltd.	Transportation equipment-related business	Shizuoka, Japan	100.00
NIPPON SLIDE CO., LTD.	Manufacture and sale of vital machinery components and machinery	Tokyo, Japan	100.00
THK Holdings of America, L.L.C.	Holding and management company	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
THK RHYTHM NORTH AMERICA CO., LTD.	Transportation equipment-related business	Tennessee, U.S.A.	100.00
THK Europe B.V.	Holding and management company	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
THK Manufacturing of Ireland Ltd.	Manufacture and sale of ball screws	Dublin, Ireland	100.00
THK TAIWAN CO., LTD.	Sale of LM guides, ball screws, spherical joints	Taipei, Taiwan	100.00
THK (CHINA) CO., LTD.	Holding and management company, sale of LM guides	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
THK RHYTHM GUANGZHOU CO., LTD.	Transportation equipment-related business	Guangzhou, China	100.00
THK RHYTHM (THAILAND) CO., LTD.	Transportation equipment-related business	Rayong, Thailand	100.00
THK MANUFACTURING OF VIETNAM CO., LTD.	Manufacture of LM guides, ball screws, spherical joints	Bac Ninh, Vietnam	100.00
THK RHYTHM MALAYSIA Sdn. Bhd.	Transportation equipment-related business	Penang, Malaysia	50.97
THK RHYTHM CHANGZHOU CO., LTD.	Transportation equipment-related business	Changzhou, China	100.00
THK RHYTHM MEXICANA, S.A. DE C.V.	Transportation equipment-related business	Guanajuato, Mexico	100.00
THK RHYTHM MEXICANA ENGINEERING, S.A. DE C.V.	Staffing services	Guanajuato, Mexico	100.00

Affiliate	Main Operations	Head Office	Percentage Owned by the Company, Directly or Indirectly (%)
SAMICK THK CO., LTD.	Manufacture and sale of LM guides	Daegu, South Korea	33.82

Corporate Data

As of March 31, 2012

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	8,628 (consolidated); 3,392 (parent company)
Month of Ordinary General Meeting of Shareholders	June
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	23,252

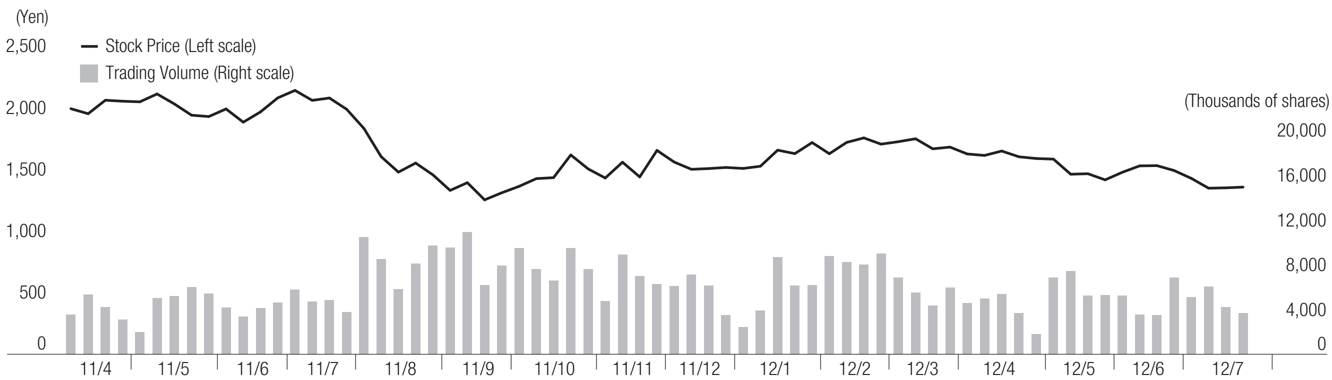
Major Shareholders

Shareholders	Number of Issued Shares Held	Shareholding Ratio (%)
State Street Bank and Trust Company	12,551,725	9.37
Japan Trustee Services Bank, Ltd. (Trust Account)	7,546,000	5.63
The Master Trust Bank of Japan, Ltd. (Trust Account)	7,532,300	5.62
THK CO., LTD.	5,255,360	3.92
FTC Co., Ltd.	4,274,000	3.19
Akihiro Teramachi	3,644,600	2.72
Japan Trustee Services Bank, Ltd. (Trust Account 9)	2,896,300	2.16
Mellon Bank, N.A. As Agent For its Client Mellon Omnibus US Pension	2,582,959	1.92
State Street Bank and Trust Company 505225	2,529,519	1.88
State Street Bank and Trust Company 505224	2,388,420	1.78

Shareholder Composition

Shareholder Type	Number of Shareholders	Number of Issued Shares Held	Shareholding Ratio (%)
Financial Institutions	66	38,057,000	28.43
Securities Companies	42	1,376,560	1.03
Other Corporations	311	6,932,716	5.18
Overseas Institutions	376	60,102,441	44.90
Individuals and Others	22,456	22,132,826	16.53
Treasury Stock	1	5,255,360	3.93

Stock Price and Trading Volume



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