Financial Section

Management's Discussion & Analysis

Analysis of Operating Results

Net Sales

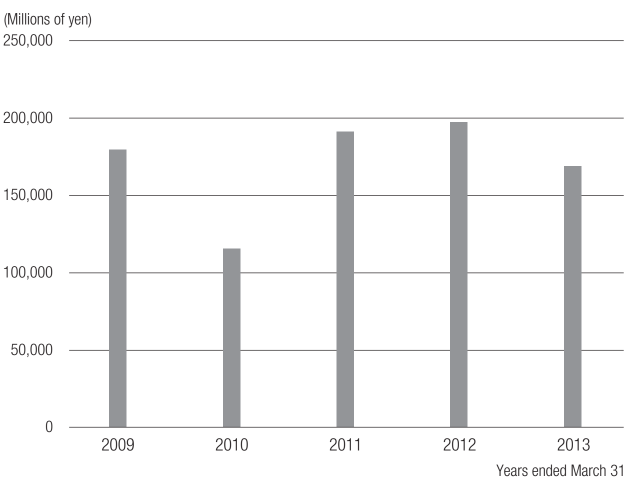
In fiscal 2012, ended March 31, 2013, difficult conditions amid the prolonged financial issues confronting governments across Europe, and a slowdown in the rates of economic growth in developing countries, spread to the global economy as a whole. Overseas, signs of a steady recovery in the U.S. economy began to emerge on the back of firm personal consumption. In contrast, economic conditions in Europe continued to recede. As Europe was the main destination of exports from China, rates of Chinese economic growth slowed. This slowdown was also evident in other developing countries. In Japan, export activity was weak in the first half. This was largely attributable to the slowdown in economic growth rates in overseas economies. In the second half, indications of a modest recovery became increasingly prominent owing mainly to the recovery in personal consumption as well as the upswing in housing investment and government spending on the back of such factors as reconstruction demand.

The THK Group has identified the growth strategy of expanding its business domain through Full-Scale Globalization and the Development of New Business Areas, and is developing business accordingly. Recognizing the prospect of demand growth in China over the medium term, the Group took steps to expand its sales network and increase production capacity. At the same time, the Group is implementing an aggressive approach toward investment in other developing countries with the aim of promoting future growth. In addition to breaking ground on the construction of a new facility in Mexico, the THK Group is establishing a local sales subsidiary in India. Moreover, particular weight is being placed on cultivating new business opportunities by promoting aggressive sales strategies. We placed even more focus on cultivating new markets, such as by working to vigorously expand sales on the appeal of the Company's effective seismic isolation and damping systems, where interest is increasing as a result of recent earthquakes. During the first half of the fiscal year under review, operating conditions were driven by investment activity in such fields as smartphones and tablet computers. Amid these signs of burgeoning demand mainly in the electronics-related sectors, the THK Group took proactive measures to expand sales by harnessing previous ongoing efforts to bolster its business structure. However, from the summer, electronics-related demand declined significantly, impacting the Group's performance. As a result, consolidated net sales for the fiscal year under review came to ¥168,366 million, a decrease of ¥28,501 million, or 14.5%, compared with the previous fiscal year.

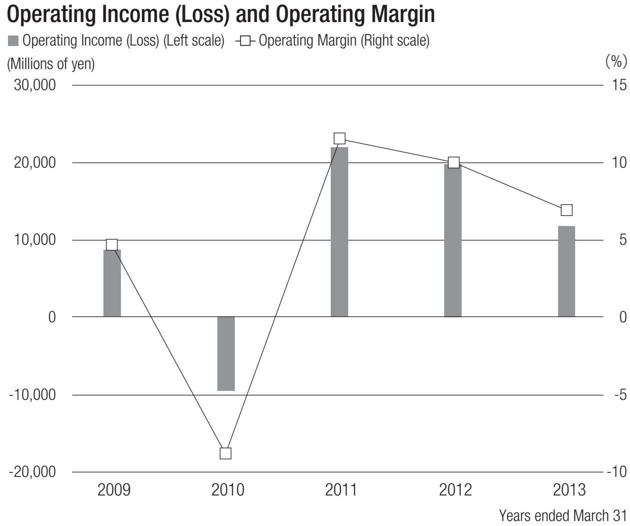
Cost of Sales

From a cost perspective, the THK Group implemented a variety of activities aimed at improving its productivity. These activities include the P25 Project, a cross-sectional initiative that transcends each division and is designed to reinforce the Group's earnings base. While these activities helped to enhance the efficiency of fixed costs, reduce the ratio of variable costs, and narrow the overall decline in earnings, the cost of sales to net sales ratio deteriorated 1.1 percentage points from a year earlier, to 73.7%, on the back of such factors as a large decline in the depth of the downturn in net sales.

Net Sales



Operating Income (Loss) and Operating Margin



Selling, General and Administrative (SG&A) Expenses

SG&A expenses declined ¥1,624 million, or 4.7%, year on year, to ¥32,606 million. This largely reflected successful efforts to control a variety of expenses and enhance operating efficiency, but also the drop in net sales. For the fiscal year under review, the ratio of SG&A expenses to net sales increased 2.0 percentage points year on year, to 19.4%.

Operating Income

Accounting for each of the aforementioned factors, operating income decreased ¥8,053 million, or 40.8%, compared with the previous fiscal year, to ¥11,693 million. The operating margin was 6.9%, 3.1 percentage points lower than the previous fiscal year.

Non-Operating Income and Expenses

Turning to non-operating income and expenses, the THK Group reported net non-operating income of ¥3,044 million. In addition to equity in earnings of an affiliate totaling ¥200 million, this result reflected a foreign exchange gain, net of ¥2,651 million.

Net Income

Net income for the fiscal year under review amounted to ¥9,809 million. This represented a year-on-year decline of ¥2,833 million, or 22.4%.

Segment Information

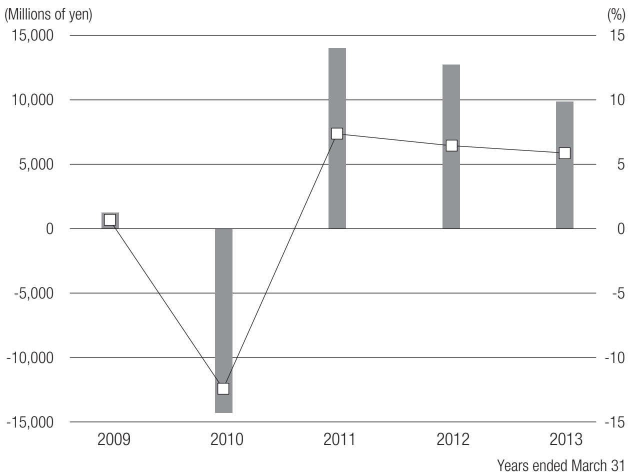
Japan

In Japan, export activity was weak amid sluggish overseas economic growth during the first half of the fiscal year. In the second half, Japan's economy trended toward a positive turnaround. This was largely attributable to the recovery in personal consumption as well as a pickup in housing investment and government spending on the back of such factors as reconstruction demand. Again in the first half, demand mainly for electronics-related products picked up, driven by investments in smartphones, tablet computers and other fields. Under these circumstances, the THK Group worked diligently to promote sales and cultivate new business opportunities. From the summer months, however, electronics-related demand fell off, placing downward pressure on the Group's performance. As a result, sales in Japan declined ¥18,950 million, or 15.0%, to ¥107,006 million. From a profit perspective, the Group witnessed positive effects through a reduction in the decline in earnings. This largely reflected a variety of initiatives including the cross-sectional P25 Project. Nevertheless, operating income (segment profit) in Japan decreased ¥5,039 million, or 30.3%, year on year, to ¥11,576 million, owing primarily to the substantial downturn in net sales.

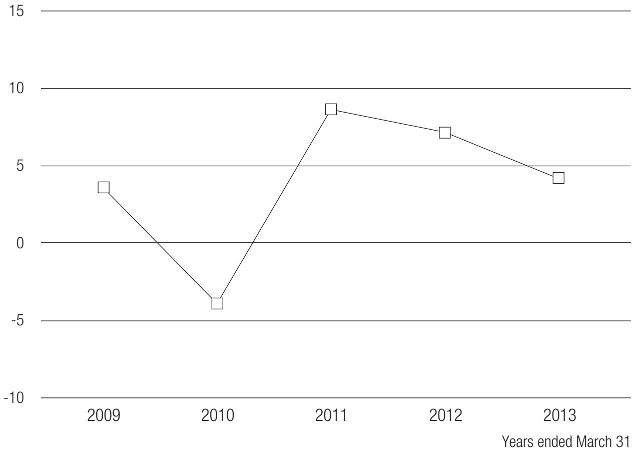
The Americas

In the Americas, the economy was buoyed by firm personal consumption. Against this backdrop, the effects of robust automobile production rippled through to boost capital investment. Under these circumstances, production and sales worked in unison to expand transactions with existing customers while cultivating new business fields. Based on these endeavors, sales in the fields of general machinery and transportation equipment climbed, despite a downturn in electronics-related demand. Taking these factors into consideration, sales in the Americas edged up ¥473 million, or 2.2%, compared with the previous fiscal year, to ¥22,308 million. Operating income (segment profit), on the other hand, declined ¥173 million, or 14.6%, year on year, to ¥1,010 million. This was mainly attributable to appreciation in the value of the yen.

Net Income (Loss) and Net Margin



Return on Assets (ROA)



Europe

In Europe, economic conditions continued to recede, buffeted by financial issues. Exports to Asia by machine manufacturers that had previously driven demand also weakened due to the economic slowdown in Asia. Against this backdrop, production and sales again worked in unison to expand transactions with existing customers and to actively promote sales activities as a part of efforts to uncover opportunities in new fields. Despite these efforts, sales in Europe fell ¥4,805 million, or 24.2%, to ¥15,063 million, owing mainly to the downturn in overall existing customer demand. During the fiscal year under review, the THK Group continued to boost productivity and to contain expenses across the board. Nevertheless, the Group incurred an operating loss (segment loss) of ¥378 million, a further deterioration of ¥95 million owing largely to the drop in sales and the year-on-year appreciation in the value of the yen against the euro.

China

Economic growth in China slowed amid the recessionary trend in Europe, as this is China's primary export destination. With indications of a partial improvement in demand for small-sized machine tools from spring, driven by investment in smartphones, tablet computers and other fields, the THK Group took aggressive steps to promote sales taking full advantage of its previous efforts to bolster its sales network. However, from the summer months, demand for small-sized machine tools declined. As a result, sales in China contracted ¥3,691 million, or 21.6%, to ¥13,427 million. The Group incurred an operating loss (segment loss) of ¥335 million, a negative turnaround of ¥2,931 million. In addition to the decline in sales, this largely reflected proactive investment geared toward future growth.

Other

In other countries including Taiwan and the ASEAN region, there were signs of a recovery in demand, especially in the electronics-related sectors and for small-sized machine tools from spring. Under these circumstances, the Group strove to expand transactions with existing customers and to actively cultivate new business opportunities through sales and marketing endeavors. Compared with the robust results of the previous fiscal year, however, sales decreased ¥1,528 million, or 12.6%, to ¥10,562 million. Owing mainly to the drop in sales, operating income (segment profit) amounted to ¥291 million, a decrease of ¥212 million, or 42.1%, from the previous fiscal year.

Financial Position

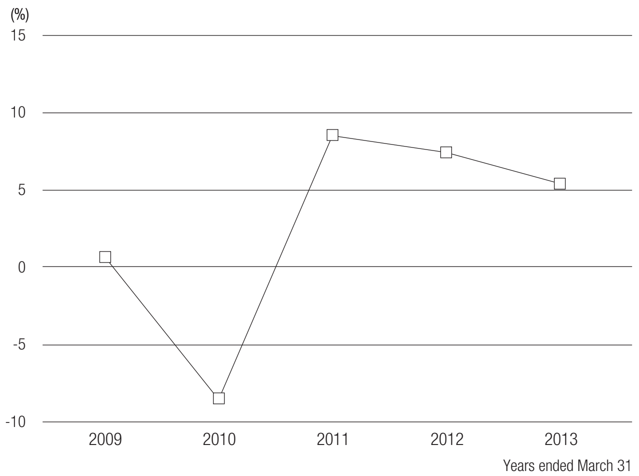
Assets, Liabilities and Net Assets

Assets

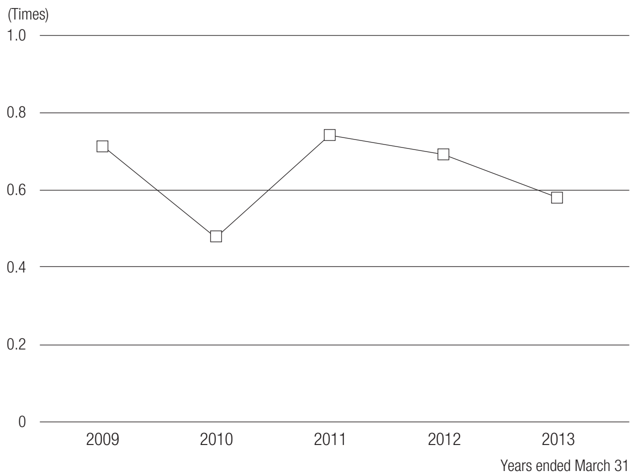
Total current assets stood at ¥193,941 million as of March 31, 2013, a decrease of ¥4,711 million compared with the end of the previous fiscal year. While cash and cash equivalents increased ¥5,180 million year on year, owing mainly to free cash flow, this was more than offset by the drop in trade accounts and notes receivable of ¥6,919 million, reflecting the downturn in net sales and the decline in inventories of ¥2,136 million.

Total non-current assets stood at ¥99,205 million as of March 31, 2013, an increase of ¥9,524 million year on year. During the fiscal year under review, THK undertook capital investments of ¥13,280 million while depreciation expenses amounted to ¥9,783 million. Other factors contributing to the movement in non-current assets included an upswing in total property, plant and equipment of ¥8,085 million, owing largely to the decline in the value of the yen toward the end of the period, which

Return on Equity (ROE)



Asset Turnover Ratio



resulted in an increase in the amounts of overseas subsidiaries' assets posted to the balance sheet following their conversion, and growth in total investments and other of ¥1,278 million.

Accounting for these factors, total assets stood at ¥293,146 million, ¥4,813 million higher than the balance as of the previous fiscal year-end.

Liabilities

Total liabilities came to ¥104,088 million, a decrease of ¥8,728 million compared with the end of the previous fiscal year. Major factors included the downturn in trade accounts and notes payable of ¥6,816 million on the back of the drop in net sales, and the decrease in other payables of ¥1,740 million. With the current portion of long-term debt totaling ¥20.0 billion falling due for repayment within one year, this amount was transferred to current liabilities.

Net Assets

Total net assets stood at ¥189,058 million, up ¥13,541 million compared with the previous fiscal year-end. In addition to net income, which came to ¥9,809 million, the balance of net assets as of the fiscal year-end largely reflected movements in foreign currency translation adjustments, which increased ¥8,772 million due to the impact of the weak yen mainly against the U.S. dollar and euro, the purchase of treasury stock totaling ¥2,566 million during the period, and cash dividends, which totaled ¥2,548 million.

Cash Flows

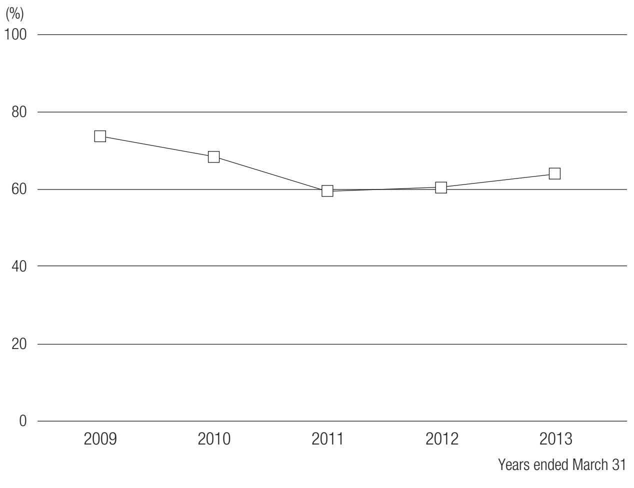
Net cash provided by operating activities came to ¥20,395 million, compared with ¥16,504 million in the previous fiscal year. Major cash inflows were income before income taxes and minority interests of ¥14,737 million, depreciation and amortization of ¥9,973 million, decrease in accounts and notes receivable of ¥8,329 million, and decrease in inventories of ¥3,653 million. The principal cash outflow was decrease in accounts and notes payable of ¥8,096 million.

Net cash used in investing activities totaled ¥15,284 million, compared with ¥10,863 million in the previous fiscal year. This was largely attributable to purchase of property, plant and equipment and intangibles.

Net cash used in financing activities was ¥5,388 million. This was compared with net cash provided by financing activities of ¥6,937 million in the previous fiscal year. Major cash outflows were purchase of treasury stock totaling ¥2,566 million and cash dividends amounting to ¥2,548 million.

Accounting for each of the aforementioned activities, cash and cash equivalents as of March 31, 2013 stood at ¥115,968 million, an increase of ¥5,180 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 17, 2013. Any items relating to the future are based on the best judgment of THK Group management as of this date.

Dependence on Linear Motion Systems

The principal business of the THK Group is the manufacture and sale of linear motion systems, notably LM guides. Linear motion 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 linear motion 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

Consolidated Financial Statements

THK CO., LTD. and Consolidated Subsidiaries

Consolidated Balance Sheets

March 31, 2013 and 2012

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2013	2012	2013
ASSETS			
Current Assets:			
Cash and cash equivalents (Note 19)	¥ 115,968	¥ 110,788	$ 1,233,830
Receivables (Note 19):			
Trade accounts and notes receivable (Note 11)	44,438	51,759	472,797
—Unconsolidated subsidiaries and affiliates	1,678	1,276	17,855
Other receivables	1,247	1,106	13,263
—Unconsolidated subsidiaries and affiliates	772	895	8,213
	48,135	55,036	512,128
Less allowance for doubtful receivables	(120)	(145)	(1,281)
	48,015	54,891	510,847
Inventories (Note 4)	24,099	26,235	256,405
Short-term loans receivable-			
Unconsolidated subsidiaries and affiliates	1,000	2,000	10,639
Other	2	3	26
Deferred tax assets (Note 16)	3,246	3,428	34,532
Other current assets	1,611	1,307	17,138
Total current assets	193,941	198,652	2,063,417
Investments and Other:			
Investments in securities (Notes 6 and 19)	2,240	2,316	23,835
Investments in unconsolidated subsidiaries and affiliates	3,018	2,525	32,108
Long-term loans receivable-			
Unconsolidated subsidiaries and affiliates	1,000	—	10,639
Other	50	39	530
Deferred tax assets (Note 16)	848	579	9,023
Other investments	1,584	2,003	16,855
Total investments and other	8,740	7,462	92,990
Property, Plant and Equipment (Notes 5 and 15):			
Buildings and structures	56,419	51,713	600,269
Machinery and equipment	155,855	142,137	1,658,207
	212,274	193,850	2,258,476
Less accumulated depreciation	(144,420)	(133,780)	(1,536,549)
	67,854	60,070	721,927
Land	13,094	12,936	139,313
Construction in progress	6,749	6,606	71,809
Total property, plant and equipment	87,697	79,612	933,049
Intangibles:			
Goodwill	1,171	1,414	12,458
Other	1,597	1,193	16,991
Total intangibles	2,768	2,607	29,449
Total assets	¥ 293,146	¥ 288,333	$ 3,118,905

The accompanying notes are an integral part of these statements.

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2013	2012	2013
LIABILITIES AND NET ASSETS			
Current Liabilities:			
Current portion of long-term debt (Notes 7 and 19)	¥ 20,000	¥ —	$ 212,789
Payables (Note 19):			
Trade accounts and notes payable (Note 11)	20,608	27,384	219,254
—Unconsolidated subsidiaries and affiliates	238	278	2,539
Other payables	1,723	3,466	18,319
—Unconsolidated subsidiaries and affiliates	3	0	36
	22,572	31,128	240,148
Income taxes payable	2,177	2,152	23,166
Accrued bonuses to employees	2,572	3,123	27,359
Other accrued expenses	6,538	6,871	69,560
Lease obligations	237	187	2,525
Other current liabilities	1,561	1,081	16,610
Total current liabilities	55,657	44,542	592,157
Long-term Liabilities:			
Long-term debt (Notes 7 and 19)	40,000	60,000	425,577
Reserve for employees' retirement benefits (Note 8)	3,009	2,982	32,011
Reserve for directors' and corporate auditors' retirement benefits	114	114	1,213
Reserve for product warranty	132	109	1,407
Long-term lease obligations	534	501	5,682
Deferred tax liabilities (Note 16)	3,660	3,474	38,940
Other liabilities	982	1,094	10,447
Total long-term liabilities	48,431	68,274	515,277
Commitment and Contingent Liabilities (Notes 9 and 10)			
Net Assets (Note 12):			
Common stock			
Authorized: 465,877,700 shares; Issued: 133,856,903 shares as of March 31, 2013 and 2012	34,606	34,606	368,191
Additional paid-in capital	44,585	44,585	474,357
Retained earnings	128,416	121,162	1,366,274
Treasury stock, at cost: 7,260,392 shares and 5,258,742 shares as of March 31, 2013 and 2012, respectively	(13,928)	(11,362)	(148,189)
Accumulated other comprehensive income (loss):			
Net unrealized gain on available-for-sale securities	741	777	7,882
Foreign currency translation adjustments	(7,131)	(15,903)	(75,870)
Total accumulated other comprehensive income (loss)	(6,390)	(15,126)	(67,988)
Minority interests	1,769	1,652	18,826
Total net assets	189,058	175,517	2,011,471
Total liabilities and net assets	¥ 293,146	¥ 288,333	$ 3,118,905

Consolidated Statements of Income

Years ended March 31, 2013 and 2012

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2013	2012	2013
Net Sales	¥168,366	¥196,867	$1,791,321
Cost of Sales (Note 14)	124,067	142,891	1,320,007
Gross profit	44,299	53,976	471,314
Selling, General and Administrative Expenses (Notes 13 and 14)	32,606	34,230	346,909
Operating income	11,693	19,746	124,405
Non-Operating Income (Expenses):			
Interest and dividend income	416	450	4,426
Interest expenses	(712)	(651)	(7,571)
Foreign exchange gain (loss), net	2,651	(1,778)	28,210
Equity in earnings of an affiliate	200	702	2,123
Rental income	313	283	3,328
Loss on sales and disposal of property, plant and equipment, net	(48)	(106)	(512)
Gain on sales of investments in securities	—	7	—
Loss on write-down of investments in securities	(0)	(13)	(0)
Subsidy income	20	22	212
Loss on cancellation of insurance policies	—	(70)	—
Loss on revision of retirement benefit plan	—	(323)	—
Other, net	204	251	2,175
	3,044	(1,226)	32,391
Income before income taxes and minority interests	14,737	18,520	156,796
Income Taxes (Note 16)			
Current	4,689	5,553	49,891
Deferred	185	21	1,969
Total income taxes	4,874	5,574	51,860
Net income before minority interests	9,863	12,946	104,936
Minority Interests in Net Income	54	304	579
Net income	¥ 9,809	¥ 12,642	$ 104,357

The accompanying notes are an integral part of these statements.

Consolidated Statements of Comprehensive Income

Years ended March 31, 2013 and 2012

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2013	2012	2013
Net Income before Minority Interests	**¥9,863**	¥12,946	**$104,936**
Other Comprehensive Income (Loss) (Note 17):			
Net unrealized gain (loss) on available-for-sale securities	**(39)**	190	**(419)**
Foreign currency translation adjustments	**8,428**	(3,657)	**89,665**
Share of other comprehensive income (loss) of an affiliate accounted for under the equity method	**547**	(142)	**5,824**
Total other comprehensive income (loss)	**8,936**	(3,609)	**95,070**
Comprehensive Income	**18,799**	9,337	**200,006**
Attributable to:			
Shareholders of THK Co., Ltd.	**18,548**	8,891	**197,334**
Minority interests	**251**	446	**2,672**

The accompanying notes are an integral part of these statements.

Consolidated Statements of Changes in Net Assets

Years ended March 31, 2013 and 2012

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2013	2012	2013
Common Stock			
At beginning of year	¥ 34,606	¥ 34,606	$ 368,191
At end of year	¥ 34,606	¥ 34,606	$ 368,191
Additional Paid-In Capital			
At beginning of year	¥ 44,585	¥ 44,343	$ 474,357
Increase resulting from a tax rate change	—	242	—
At end of year	¥ 44,585	¥ 44,585	$ 474,357
Retained Earnings			
At beginning of year	¥121,162	¥110,633	$1,289,091
Net income	9,809	12,642	104,357
Cash dividends	(2,555)	(2,186)	(27,174)
Change in consolidation scope	—	73	—
At end of year	¥128,416	¥121,162	$1,366,274
Treasury Stock, at cost			
At beginning of year	¥ (11,362)	¥ (11,360)	$ (120,888)
Purchase of treasury stock	(2,566)	(2)	(27,301)
At end of year	¥ (13,928)	¥ (11,362)	$ (148,189)
Accumulated Other Comprehensive Income:			
Net Unrealized Gain on Available-for-sale Securities			
At beginning of year	¥ 777	¥ 591	$ 8,270
Net change in the year	(36)	186	(388)
At end of year	¥ 741	¥ 777	$ 7,882
Foreign Currency Translation Adjustments			
At beginning of year	¥ (15,903)	¥ (12,081)	$ (169,203)
Net change in the year	8,772	(3,822)	93,333
At end of year	¥ (7,131)	¥ (15,903)	$ (75,870)
Total Accumulated Other Comprehensive Income			
At beginning of year	¥ (15,126)	¥ (11,490)	$ (160,933)
Net change in the year	8,736	(3,636)	92,945
At end of year	¥ (6,390)	¥ (15,126)	$ (67,988)
Minority Interests			
At beginning of year	¥ 1,652	¥ 1,205	$ 17,581
Net change in the year	117	447	1,245
At end of year	¥ 1,769	¥ 1,652	$ 18,826
Total Net Assets at End of Year	¥189,058	¥175,517	$2,011,471

The accompanying notes are an integral part of these statements.

Consolidated Statements of Cash Flows

Years ended March 31, 2013 and 2012

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2013	2012	2013
Cash Flows from Operating Activities:			
Income before income taxes and minority interests	¥ 14,737	¥ 18,520	$ 156,796
Adjustments:			
Depreciation and amortization	9,973	10,371	106,112
Amortization of goodwill	431	182	4,585
Interest and dividend income	(416)	(450)	(4,426)
Interest expenses	712	651	7,571
Foreign exchange gain, net	(3,286)	(73)	(34,957)
Equity in earnings of an affiliate	(200)	(702)	(2,123)
Loss on sales and disposal of property, plant and equipment, net	48	106	512
Loss on write-down of investments in securities	0	13	0
Gain on sales of investments in securities	—	(7)	—
Changes in assets and liabilities:			
Decrease in accounts and notes receivable	8,329	3,333	88,616
Decrease in inventories	3,653	726	38,866
Decrease in accounts and notes payable	(8,096)	(3,863)	(86,142)
Decrease in provisions	(614)	(1,692)	(6,537)
Other, net	(21)	(1,349)	(225)
Subtotal	25,250	25,766	268,648
Interest and dividend received	566	603	6,023
Interest paid	(707)	(610)	(7,522)
Income taxes paid	(4,714)	(9,255)	(50,156)
Net cash provided by operating activities	20,395	16,504	216,993
Cash Flows from Investing Activities:			
Purchase of property, plant and equipment and intangibles	(15,282)	(13,124)	(162,594)
Proceeds from sales of property, plant and equipment	123	21	1,311
Increase in investments in securities, unconsolidated subsidiaries and affiliates	(16)	(17)	(174)
Proceeds from sales of investments in securities	—	13	—
Increase in loans receivable	(4)	(9)	(39)
Collection on loans receivable	4	36	37
Purchase of a newly consolidated subsidiary's shares	—	(121)	—
Payment for business acquisition	—	(1,008)	—
Proceeds from cancellation of insurance funds	—	3,340	—
Other, net	(109)	6	(1,160)
Net cash used in investing activities	(15,284)	(10,863)	(162,619)
Cash Flows from Financing Activities:			
Proceeds from long-term debt	—	10,000	—
Cash dividends	(2,548)	(2,192)	(27,110)
Cash dividends to minority shareholders	(60)	(702)	(636)
Purchase of treasury stock	(2,566)	(3)	(27,301)
Repayment of lease obligations	(214)	(166)	(2,278)
Net cash (used in) provided by financing activities	(5,388)	6,937	(57,325)
Foreign Currency Translation Adjustments on Cash and Cash Equivalents	5,457	(2,164)	58,055
Net Increase in Cash and Cash Equivalents	5,180	10,414	55,104
Cash and Cash Equivalents at Beginning of Year	110,788	100,104	1,178,726
Cash and Cash Equivalents of newly consolidated subsidiaries	—	270	—
Cash and Cash Equivalents at End of Year	¥115,968	¥110,788	$1,233,830

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 ¥93.99 to U.S.$ 1, the approximate rate of exchange prevailing in Tokyo on March 29, 2013, have been used for the translation of the accompanying consolidated financial statements as of March 31, 2013 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 36 (35 in 2012) subsidiaries as of March 31, 2013. The consolidated financial statements for the year ended March 31, 2013 include the accounts of the Company and its 33 (31 in 2012) consolidated subsidiaries (collectively, "the Group"). Investments in the remaining three subsidiaries including THK Brasil LTDA are not consolidated and stated at cost, because these companies are small in size and if these companies had been consolidated, the effect on the consolidated financial statements would not have been significant.

Changes in the scope of consolidated subsidiaries during the year ended March 31, 2013 were as follows:
THK MANUFACTURING OF CHINA (CHANGZHOU) CO., LTD. and THK India Pvt. Ltd. were newly consolidated due to incorporation.

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 25 overseas consolidated subsidiaries, excluding THK India Pvt. Ltd., 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. The fiscal year closing date of other consolidated subsidiaries is 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 three (four in 2012) unconsolidated subsidiaries as of March 31, 2013. 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, 2013 and 2012, the Company has applied the equity method to investment in SAMICK THK CO., LTD. Investments in the remaining affiliates and unconsolidated subsidiaries (THK Brasil LTDA, etc.) 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. Work in process for ordered products is stated at cost determined principally by the specific identified cost method. 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 consolidated 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. However, buildings, except for building attachments, acquired by the Company and its domestic consolidated subsidiaries on or after April 1, 2008 are depreciated using the straight-line method.
The range of useful lives is principally from 5 to 50 years for buildings and structures and from 4 to 12 years for machinery and equipment.

Pursuant to the amendment to the Corporate Income Tax Law, the Company and its domestic consolidated subsidiaries changed the depreciation method for property, plant and equipment acquired on or after April 1, 2012 to the depreciation method provided by the amended Corporate Income Tax Law. The effect of this change was to increase operating income and income before income taxes and minority interests by ¥65 million ($696 thousand) for the year ended March 31, 2013.

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 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) New Accounting Standard in Issue Not Yet Adopted

Accounting Standard for Retirement Benefits

On May 17, 2012, the ASBJ issued ASBJ Statement No. 26, "Accounting Standard for Retirement Benefits" and ASBJ Guidance No. 25, "Guidance on Accounting Standard for Retirement Benefits," which replaced the Accounting Standard for Retirement Benefits that had been issued by the Business Accounting Council in 1998 with an effective date of April 1, 2000, and the other related practical guidance, and followed by partial amendments from time to time through 2009.

Under the revised accounting standard, taking into the accounts the viewpoints of improvement of financial reporting and international trends, accounting treatment for actuarial gains and losses and past service costs that are yet to be recognized in profit or loss, the calculation method for retirement benefit obligations and service costs and expansion of the related disclosure requirements have been revised.

The Company expects to apply the revised accounting standard from the fiscal year ending March 31, 2014, but the revision of the calculation method for retirement benefit obligations and service costs will be adopted from April 1, 2014.

The Company is currently in the process of measuring the effects of applying the revised accounting standard.

4. Inventories

Inventories as of March 31, 2013 and 2012 comprised of the following:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Merchandise and finished goods	¥ 9,125	¥10,412	$ 97,087
Work in process	4,288	4,858	45,627
Raw materials and supplies	10,686	10,965	113,691
Total	¥24,099	¥26,235	$256,405

5. 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, 2013 and 2012.

6. Investments in Securities

As of March 31, 2013 and 2012, available-for-sale securities with available fair value were as follows:

	Millions of yen		
	2013		
	Carrying amount	Acquisition cost	Net unrealized gain (loss)
Carrying amount (fair value) exceeds acquisition cost: Equity securities	¥2,064	¥979	¥1,085
Carrying amount (fair value) does not exceed acquisition cost: Equity securities	3	4	(1)
Total	¥2,067	¥983	¥1,084

	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

	Thousands of U.S. dollars		
	2013		
	Carrying amount	Acquisition cost	Net unrealized gain (loss)
Carrying amount (fair value) exceeds acquisition cost: Equity securities	$21,956	$10,410	$11,546
Carrying amount (fair value) does not exceed acquisition cost: Equity securities	34	46	(12)
Total	$21,990	$10,456	$11,534

As of March 31, 2013 and 2012, available-for-sale securities whose fair value is not reliably determinable were as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Available-for-sale securities			
Unlisted equity securities	¥173	¥173	$1,846

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, 2013 and 2012 as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Equity securities with fair value	¥ —	¥ 2	$ —
Equity securities without fair value	0	11	0

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, 2013 and 2012:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Equity securities:			
Sales proceeds	¥—	¥13	$—
Gain on sales	—	7	—
Loss on sales	—	—	—

7. Long-term Debt

Long-term debt as of March 31, 2013 and 2012 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
1.94% Unsecured syndicated loan payable to banks, due in 2014	¥20,000	¥20,000	$212,789
1.35% Unsecured straight bonds due in 2014	10,000	10,000	106,394
0.461% Unsecured straight bonds due in 2015	7,000	7,000	74,476
0.715% Unsecured straight bonds due in 2017	13,000	13,000	138,313
0.850% Unsecured straight bonds due in 2018	10,000	10,000	106,394
	¥60,000	¥60,000	$638,366

Annual maturities of long-term debt as of March 31, 2013 are as follows:

	Millions of yen					
	2013					
	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	¥—	¥13,000	¥10,000
Bank loans	20,000	—	—	—	—	—
Total	¥20,000	¥10,000	¥7,000	¥—	¥13,000	¥10,000

	Thousands of U.S. dollars					
	2013					
	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	$ —	$106,394	$74,476	$—	$138,313	$106,394
Bank loans	212,789	—	—	—	—	—
Total	$212,789	$106,394	$74,476	$—	$138,313	$106,394

8. Reserve for Employees' Retirement Benefits

As discussed in Note 3(*i*), on 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. 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, 2013 and 2012 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Projected benefit obligations (Note)	¥12,163	¥11,769	$129,413
Fair value of plan assets	(7,548)	(6,542)	(80,308)
	4,615	5,227	49,105
Unrecognized actuarial differences	87	(731)	923
Unrecognized past service costs	(1,869)	(2,008)	(19,886)
	¥ 2,833	¥ 2,488	$ 30,142
Prepaid pension expense	(176)	(494)	(1,869)
Reserve for employees' retirement benefits	¥ 3,009	¥ 2,982	$ 32,011

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, 2013 and 2012 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Service cost (Note)	¥ 729	¥ 733	$ 7,754
Interest cost	224	215	2,385
Expected return on plan assets	(31)	(75)	(330)
Recognized prior service cost	139	69	1,473
Recognized actuarial differences	122	180	1,295
Other (contribution to defined contribution plans)	404	494	4,303
Net periodic pension and severance costs	¥1,587	¥1,616	$16,880

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:

	2013	2012
Discount rate	2.0%	2.0%
Expected rate of return on plan assets	0.5%	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.

9. Committed Line of Credit

As of March 31, 2013, the Group had committed lines of credit amounting to ¥15,000 million ($159.591 thousand). None of the committed lines of credit were used.

10. Contingent Liabilities

As of March 31, 2013, the Group had no material contingent liabilities.

11. Notes Receivable and Payable

March 31, 2013 and 2012 fall on bank holidays. 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
	2013	2012	2013
Notes receivable	¥1,405	¥2,006	$14,952
Notes payable	—	27	—

12. 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, 2013 and 2012 were as follows:

	Number of shares			
	April 1, 2012	Increase	Decrease	March 31, 2013
Outstanding shares issued:				
Common stock	133,856,903	—	—	133,856,903
Treasury stock:				
Common stock	5,258,742	2,001,650	—	7,260,392

An increase in treasury stock is due to acquisition of 2,000,000 shares based on the resolution of the Board of Directors’ meeting and acquisition of 1,650 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, 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.

Year ended March 31, 2013

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

General 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 ($15,051 thousand)**	**¥11.00 ($0.12)**	**Mar. 31, 2012**	**Jun. 18, 2012**

Board of Directors meeting held on November 13, 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	**¥1,139 million ($12,123 thousand)**	**¥9.00 ($0.10)**	**Sep. 30, 2012**	**Dec. 10, 2012**

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	Per share amount Yen	Dividend record date	Effective date
Common stock	¥1,029 million	¥8.00	Mar. 31, 2011	Jun. 20, 2011

Board of Directors meeting held on November 11, 2011:

	Total amount Millions of yen	Per share amount Yen	Dividend record date	Effective date
Common stock	¥1,157 million	¥9.00	Sep. 30, 2011	Dec. 5, 2011

13. Amortization of Goodwill

Amortization of goodwill included in selling, general and administrative expenses for the years ended March 31, 2013 and 2012 were ¥431 million ($4,585 thousand) and ¥182 million, respectively.

14. Research and Development

Research and development expenses included in cost of sales or selling, general and administrative expenses for the years ended March 31, 2013 and 2012 were ¥4,390 million ($46,708 thousand) and ¥4,490 million, respectively.

15. 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, 2013 and 2012 were as follows:

	Millions of yen		
	2013		
	Machinery and equipment	Other	Total
Acquisition costs	¥190	¥—	¥190
Accumulated depreciation	158	—	158
Net leased property	¥ 32	¥—	¥ 32

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

	Thousands of U.S. dollars		
	2013		
	Machinery and equipment	Other	Total
Acquisition costs	$2,025	$—	$2,025
Accumulated depreciation	1,687	—	1,687
Net leased property	$ 338	$—	$ 338

Future minimum lease payments under finance leases as of March 31, 2013 and 2012 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Due within one year	¥12	¥19	$131
Due after one year	20	32	207
Total	¥32	¥51	$338

Total lease payments under these leases were ¥19 million ($206 thousand) and ¥52 million for the years ended March 31, 2013 and 2012, 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 ¥19 million ($206 thousand) and ¥52 million for the years ended March 31, 2013 and 2012, respectively.

Obligations under non-cancelable operating leases as of March 31, 2013 and 2012 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Due within one year	¥338	¥311	$3,596
Due after one year	369	388	3,926
Total	¥707	¥699	$7,522

16. 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 38.0 % and 40.7% for the years ended March 31, 2013 and 2012, respectively.

As of March 31, 2013 and 2012, significant components of deferred tax assets and liabilities were as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Deferred tax assets:			
Valuation loss of investments in subsidiaries	¥ 7,760	¥ 7,760	$ 82,561
Tax loss carried forward	1,076	900	11,444
Reserve for employees' retirement benefits	965	828	10,271
Loss on devaluation of inventories	943	808	10,038
Accrued bonuses to employees	915	1,126	9,736
Unrealized gain on intercompany sales of inventories	670	599	7,130
Unrealized gain on intercompany sales of property, plant and equipment	484	502	5,150
Impairment losses	336	301	3,575
Retirement benefits payable to directors and corporate auditors	314	316	3,341
Other	1,269	1,553	13,493
Total	14,732	14,693	156,739
Less: valuation allowance	(9,645)	(9,694)	(102,615)
Total deferred tax assets	5,087	4,999	54,124
Deferred tax liabilities:			
Unrealized gains of marketable equity securities	(2,207)	(2,230)	(23,485)
Unrealized gains on land revaluation	(1,298)	(1,298)	(13,812)
Depreciation	(1,006)	(750)	(10,702)
Special depreciation reserve for tax purpose	(67)	(94)	(709)
Other	(82)	(100)	(878)
Total deferred tax liabilities	(4,660)	(4,472)	(49,586)
Net deferred tax assets	¥ 427	¥ 527	$ 4,538

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, 2013 and 2012 was as follows:

	2013	2012
Normal effective statutory tax rate	38.0%	40.7%
Lower tax rates applicable to foreign subsidiaries	(0.5)	(3.9)
Tax credit for research and development	(2.5)	(2.0)
Valuation allowance	(1.9)	(4.3)
Local effective tax rate differences	(0.6)	(1.5)
Equity in earnings of an affiliate	(0.5)	(1.5)
Other	1.1	2.6
Actual Effective tax rate	33.1%	30.1%

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 effective statutory tax rate, including special recovery tax rate, has been reduced from 40.7% to 38.0% for the fiscal periods from April 1, 2012 through March 31, 2015 and to 35.6% on or after April 1, 2015.

17. Comprehensive Income

The components of other comprehensive income for the years ended March 31, 2013 and 2012 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Net unrealized gain on available-for-sale securities:			
(Loss) gain recognized during the year	¥ (92)	¥ 205	$ (979)
Reclassification adjustment to net income	0	6	0
Amount before tax effect	(92)	211	(979)
Tax effect	53	(21)	560
Net unrealized (loss) gain on available-for-sale securities	(39)	190	(419)
Foreign currency translation adjustments:			
Gain (loss) recognized during the year	8,428	(3,657)	89,665
Reclassification adjustment to net income	—	—	—
Amount before tax effect	8,428	(3,657)	89,665
Tax effect	—	—	—
Foreign currency translation adjustments	8,428	(3,657)	89,665
Share of other comprehensive income of an affiliate accounted for under the equity method:			
Income (loss) recognized during the year	548	(143)	5,830
Reclassification adjustment to net income	—	(0)	—
Amount before tax effect	548	(143)	5,830
Tax effect	(1)	1	(6)
Share of other comprehensive income (loss) of an affiliate accounted for under the equity method	547	(142)	5,824
Total other comprehensive income (loss)	¥8,936	¥(3,609)	$95,070

18. Per Share Information

Per share information as of and for the years ended March 31, 2013 and 2012 is as follows:

	Yen		U.S. dollars
	2013	2012	2013
Net income - basic	¥ 76.96	¥ 98.31	$ 0.82
Net assets	1,479.41	1,352.00	15.74

Diluted net income per share for the years ended March 31, 2013 and 2012 is not presented since the Company did not have any kind of securities with potential dilutive effect in the fiscal years.

19. 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 five 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 20 do not represent volume of underlying market risks of the derivative transactions.

Financial instruments whose fair value is readily determinable as of March 31, 2013 and 2012 are as follows:

	Millions of yen		
	2013		
	Carrying amount	Fair value	Difference
Assets:			
(1) Cash and cash equivalents	¥115,968	¥115,968	¥ —
(2) Trade accounts and notes receivable	46,116	46,116	—
(3) Investments in securities			
Available for sale securities	2,067	2,067	—
Total	¥164,151	¥164,151	¥ —
Liabilities:			
(4) Trade accounts and notes payable	¥ 20,846	¥ 20,846	¥ —
(5) Long-term debt—Bonds	40,000	40,627	627
(6) Long-term debt—Bank loans	20,000	20,000	—
Total	¥ 80,846	¥ 81,473	¥ 627
(7) Derivatives	¥ —	¥ —	¥ —

	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	¥ —	¥ —	¥ —

	Thousands of U.S. dollars		
	2013		
	Carrying amount	Fair value	Difference
Assets:			
(1) Cash and cash equivalents	$1,233,830	$1,233,830	$ —
(2) Trade accounts and notes receivable	490,652	490,652	—
(3) Investments in securities			
Available for sale securities	21,990	21,990	—
Total	$1,746,472	$1,746,472	$ —
Liabilities:			
(4) Trade accounts and notes payable	$ 221,792	$ 221,792	$ —
(5) Long-term debt—Bonds	425,577	432,244	6,667
(6) Long-term debt—Bank loans	212,789	212,789	—
Total	$ 860,158	$ 866,825	$6,667
(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 6.

(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 20.

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, 2013 and 2012 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Unlisted equity securities	¥173	¥173	$1,846

Detailed information about investments in securities is discussed in Note 6.

Maturity analysis for financial assets as of March 31, 2013 is as follows:

	Millions of yen	
	2013	
	Due within one year	Due after one year
(1) Cash and cash equivalents	¥115,968	—
(2) Trade accounts and notes receivable	46,116	—
Total	¥162,084	—

	Thousands of U.S. Dollars	
	2013	
	Due within one year	Due after one year
(1) Cash and cash equivalents	$1,233,830	—
(2) Trade accounts and notes receivable	490,652	—
Total	$1,724,482	—

Maturities of long-term debts as of March 31, 2013 are disclosed in Note 7.

20. 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, 2013 and 2012 is as follows:

Millions of yen

	2013		
	Contract Amount		Fair value of derivative instruments
	Within one year	Over one year	
Interest rate swaps (fixed rate payment, floating rate receipt)	**¥20,000**	**¥—**	**¥(210)**

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)

Thousands of U.S. dollars

	2013		
	Contract Amount		Fair value of derivative instruments
	Within one year	Over one year	
Interest rate swaps (fixed rate payment, floating rate receipt)	**$212,789**	**$—**	**$(2,232)**

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

21. 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, France, 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 depreciation method for property, plant and equipment

As discussed in Note 3(*e*), pursuant to the amendment to the Corporate Income Tax Law, the Company and its domestic consolidated subsidiaries changed the depreciation method for property, plant and equipment acquired on or after April 1, 2012 to the depreciation method provided by the amended Corporate Income Tax Law. The effect of this change was to increase operating income and income before income taxes and minority interests by ¥65 million ($696 thousand) for the year ended March 31, 2013.

Segment information of the Group as of March 31, 2013 and 2012 and for the years then ended is as follows:

Reportable segments

	Millions of yen							
	2013							
	Japan	The Americas	Europe	China	Other	Total	Adjustments	Consolidated
Sales to customers	¥107,006	¥22,308	¥15,063	¥13,427	¥10,562	¥ 168,366	¥ —	¥168,366
Inter-segment	32,720	40	12	4,241	324	37,337	(37,337)	—
Total	139,726	22,348	15,075	17,668	10,886	205,703	(37,337)	168,366
Segment profit (loss)	¥ 11,576	¥ 1,010	¥ (378)	¥ (335)	¥ 291	¥ 12,164	¥(471)	¥ 11,693
Assets	¥282,065	¥36,176	¥19,176	¥47,390	¥15,586	¥ 400,393	¥(107,247)	¥293,146
Other items								
Depreciation and amortization	¥ 6,178	¥ 809	¥ 506	¥ 2,276	¥ 240	¥ 10,009	¥ (36)	¥ 9,973
Amortization of goodwill	62	—	—	—	369	431	—	431
Investment in an affiliate accounted for under the equity method	2,811	—	—	—	—	2,811	—	2,811
Increase in property, plant and equipment and intangibles	4,384	2,405	641	7,415	334	15,179	(973)	14,206

	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

	Thousands of U.S. dollars							
	2013							
	Japan	The Americas	Europe	China	Other	Total	Adjustments	Consolidated
Sales to customers	$1,138,480	$237,351	$160,262	$142,856	$112,372	$1,791,321	$ —	$1,791,321
Inter-segment	348,129	422	123	45,124	3,444	397,242	(397,242)	—
Total	1,486,609	237,773	160,385	187,980	115,816	2,188,563	(397,242)	1,791,321
Segment profit (loss)	$ 123,161	$ 10,749	$ (4,023)	$ (3,565)	$ 3,098	$ 129,420	$ (5,015)	$ 124,405
Assets	$3,001,016	$384,887	$204,027	$504,199	$165,821	$4,259,950	$(1,141,045)	$3,118,905
Other items								
Depreciation and amortization	$ 65,730	$ 8,608	$ 5,382	$ 24,215	$ 2,559	$ 106,494	$ (382)	$ 106,112
Amortization of goodwill	658	—	—	—	3,927	4,585	—	4,585
Investment in an affiliate accounted for under the equity method	29,906	—	—	—	—	29,906	—	29,906
Increase in property, plant and equipment and intangibles	46,642	25,586	6,824	78,890	3,555	161,497	(10,350)	151,147

Sales to customers, by business

	Millions of yen 2013	Millions of yen 2012	Thousands of U.S. dollars 2013
Industrial Equipment-Related Business	¥124,268	¥153,450	$1,322,146
Transportation Equipment-Related Business	44,098	43,417	469,175
Total	¥168,366	¥196,867	$1,791,321

Sales to foreign customers, by customers' location

Millions of yen

2013	Japan	The Americas	Europe	China	Other	Total
Sales to foreign customers	¥101,444	¥22,527	¥15,194	¥13,204	¥15,997	¥168,366

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

Thousands of U.S. dollars

2013	Japan	The Americas	Europe	China	Other	Total
Sales to foreign customers	$1,079,302	$239,679	$161,660	$140,481	$170,199	$1,791,321

22. Subsequent Events

a. Appropriation of retained earnings

The following appropriation of retained earnings as of March 31, 2013 was approved at the Company's shareholders' meeting held on June 15, 2013:

	Total amount Millions of yen (Thousands of U.S. dollars)	Per share amount Yen (U.S. dollar)	Dividend record date	Effective date
Common stock	¥1,139 million ($12,123 thousand)	¥9.00 ($0.10)	Mar. 31, 2013	Jun. 17, 2013

b. Issuance of corporate bonds

The Company issued the following domestic straight corporate bonds on April 25, 2013 based on the resolution of the Board of Directors' meeting held on July 23, 2012:

1. The 8th unsecured corporate bonds
   - (1) Total value: ¥10,000 million (US$106,394 thousand)
   - (2) Issue price: ¥100 (US$1.06) per each corporate bond of ¥100 (US$1.06)
   - (3) Interest rate: 0.430% per annum
   - (4) Term of redemption: 5 years
   - (5) Redemption method: All the bonds will be repaid in a lump sum on April 25, 2018. Retirement by purchase will be possible at any time after the payment due date.
   - (6) Payment due date: April 25, 2013
   - (7) Use of funds: Repayment of long-term debt

2. The 9th unsecured corporate bonds
   - (1) Total value: ¥10,000 million (US$106,394 thousand)
   - (2) Issue price: ¥100 (US$1.06) per each corporate bond of ¥100 (US$1.06)
   - (3) Interest rate: 0.660% per annum
   - (4) Term of redemption: 7 years
   - (5) Redemption method: All the bonds will be repaid in a lump sum on April 24, 2020. Retirement by purchase will be possible at any time after the payment due date.
   - (6) Payment due date: April 25, 2013
   - (7) Use of funds: Repayment of long-term debt

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, 2013 and 2012, 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 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, 2013 and 2012, 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

We draw attention to Note 22 (b) to the Company issued the 8th unsecured corporate bonds and the 9th unsecured corporate bonds on April 25, 2013.
Our opinion is not qualified in respect of this matter.

Convenience translations

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2013, 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 to consolidated the financial statements.

Grant Thornton Taiyo ASG LLC.

Tokyo, Japan
June 17, 2013