

Annual Report 2011



THIS ANNUAL REPORT'S DESCRIPTION

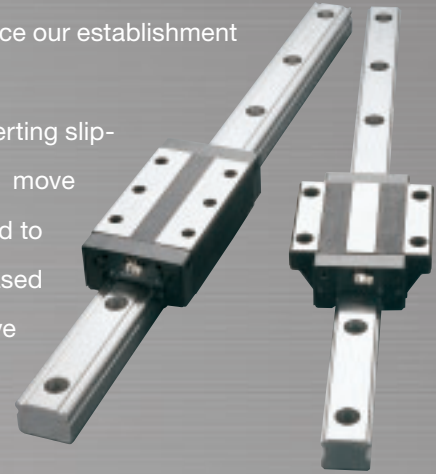
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ABOUT THK

THK's Defining Features

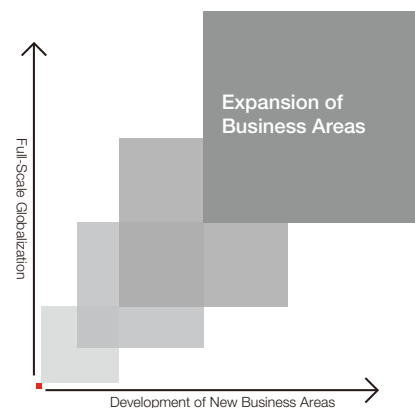
THK pioneered the development of the world's first **linear motion (LM) guide**, a vital machinery component. Today, **LM guides made by THK command a leading share of the global market**. The Company's business philosophy is "providing innovative products to the world and generating new trends to contribute to the creation of an affluent society." This thinking 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 slip-page into controlled rotary motion, they enable parts of machinery to move smoothly, easily and precisely in a straight line. LM guides have continued to make a major contribution to industrial development by facilitating increased precision and acceleration while reducing the need for labor. They have been used in various different types of machinery such as machine tools and industrial robots. Looking ahead, we expect their use to extend to seismic isolation systems and expand into such consumer product areas as automotive parts.



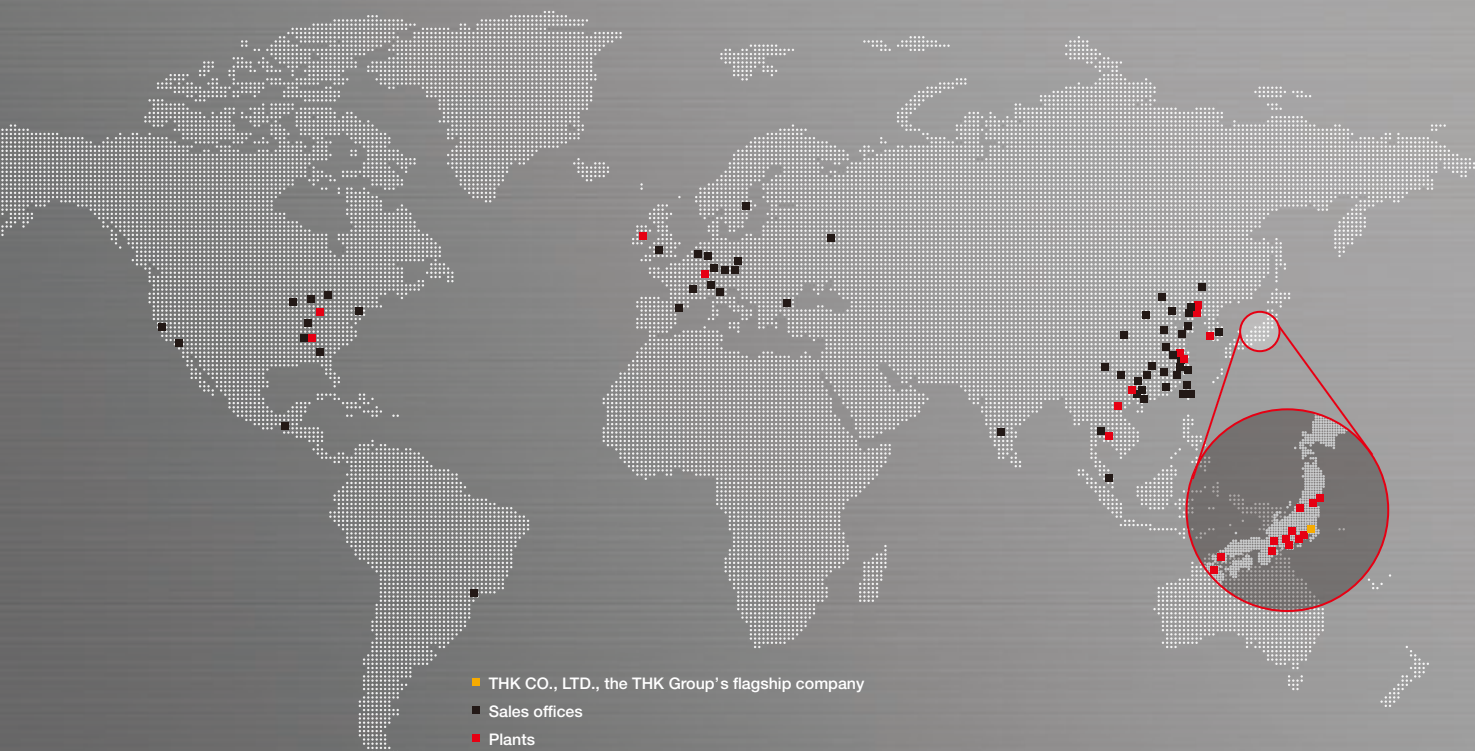
THK's Strategies

Through the use of the Company's products including LM guides, THK is contributing to the development of customers worldwide and the building of an abundant society. In adopting a two-pronged strategy that entails "**Full-Scale Globalization**" and "**Development of New Business Areas**," we are working to expand our business domain both geographically and in terms of product applications and setting specific milestones for growth including consolidated net sales of ¥300 billion, an operating margin of 20% and an ROA of 15%.



OUR BUSINESS

Full-Scale Globalization



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 in the four key geographic regions of Japan, the Americas, Europe and Asia.

In Japan, the Company maintains a production network of 15 plants with the Yamaguchi Plant serving as a mother factory. Complementing THK's production activities the Company has positioned the Technology Center at the heart of its research and development (R&D) endeavors. In this manner, we are active in R&D and the creation of innovative high value-added products.

Under the umbrella of THK Holdings of America, L.L.C., business in the Americas is primarily conducted by a network of subsidiary companies including THK America, Inc., which serves as the sales and marketing arm, THK manufacturing of America, Inc., which is responsible for the production function, and THK RHYTHM NORTH AMERICA CO., LTD., which handles automotive parts. In addition to the United States, THK is

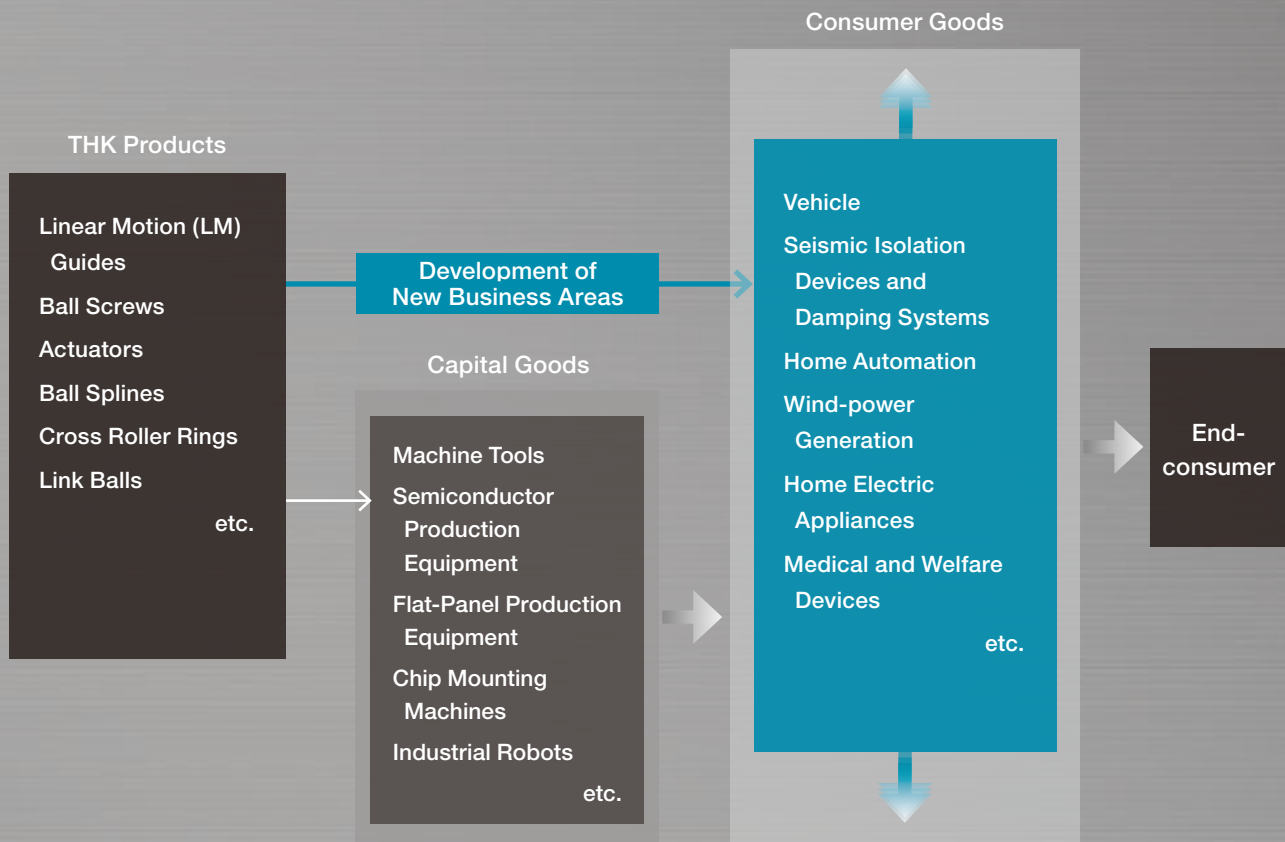
working diligently to cultivate new business in such markets as Canada and Mexico.

THK Europe B.V. serves as the regional operating company for our 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. Products are sold through sales bases established in 11 countries as well as a network of sales agents throughout the region. The production function is dividend between two manufacturing subsidiaries, THK Manufacturing of Europe S.A.S. (TME) and PGM Ballscrews Ireland Ltd. (current THK Manufacturing of Ireland Ltd.).

In Asia, which in recent years has witnessed strong growth, we are promoting measures aimed at upgrading and expanding our sales network. At the same time, we are actively implementing wide-ranging measures including efforts to build a production structure in China, South Korea, Thailand and Vietnam.

*For information regarding the Company's business development activities in China, please refer to the Special Feature section on pages 14–17.

Development of New Business Areas



Development of New Business Areas

Within the context of Development of New Business Areas serving as another core pillar in efforts to expand the Group's business domain, THK's current principal customer base comprises manufacturers of such capital goods as machine tools and semiconductor production equipment. In order to expand use 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.

In addition, THK included RHYTHM CORPORATION (currently THK RHYTHM CO., LTD.), an automotive parts manufacturer, in its scope of consolidation as a consolidated subsidiary in 2007 and is working to expand its transportation equipment-related business.

■ FAI Division

- 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 electric actuator series that address customers' general-purpose needs
- Developing next-generation robot-related products that are projected to expand in the future

CONSOLIDATED PERFORMANCE OVERVIEW

Years ended March 31

	2001	2002	2003	2004	2005
Net Sales*	¥140,287	¥ 89,340	¥ 94,600	¥119,254	¥147,158
Japan	104,003	59,645	65,280	85,344	105,555
The Americas	15,725	11,629	10,775	10,436	12,888
Europe	11,354	12,863	10,780	12,739	15,340
Asia and Other	9,205	5,203	7,765	10,735	13,375
Gross Profit	48,840	26,046	27,953	41,322	53,607
Operating Income (Loss)	25,695	2,176	4,893	16,232	25,974
Income (Loss) before Income Taxes and Minority Interests	24,330	833	3,597	15,521	26,845
Net Income (Loss)	14,316	820	1,892	8,584	17,348
Total Assets	198,130	179,705	193,197	191,105	220,008
Net Assets (Note 2)	102,915	104,115	102,788	109,539	128,606

*Segments are based on where our customers are located.

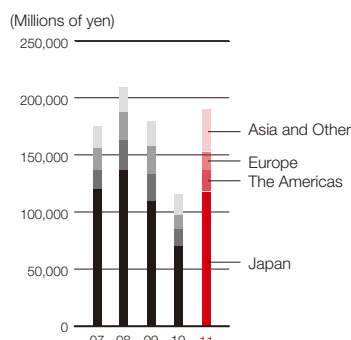
	2001	2002	2003	2004	2005
Net Income (Loss) per Share — basic	¥120.20	¥ 6.88	¥ 15.65	¥ 72.27	¥ 145.31
Net Income (Loss) per Share — diluted	115.44	—	15.12	63.69	130.05
Book Value per Share (Note 3)	859.82	869.20	860.80	923.35	1,067.42

	2001	2002	2003	2004	2005
Operating Margin (%)	18.3	2.4	5.2	13.6	17.7
Return on Equity (%) (Note 3)	15.0	0.8	1.8	8.1	14.7
Return on Assets (%) (Note 4)	13.3	1.3	2.7	8.5	12.8
Equity Ratio (%) (Note 3)	51.8	57.7	53.0	57.1	58.0
Asset Turnover Ratio (times)	0.71	0.47	0.51	0.62	0.72

Notes: 1. U.S. dollar amounts represent translation of Japanese yen, for convenience only, at the rate of ¥83.15 = U.S.\$1, the approximate rate of exchange prevailing in Tokyo on March 31, 2011.

2. Prior period figures have been reclassified to conform to the current year. Minority Interests is included in Net Assets.

Net Sales

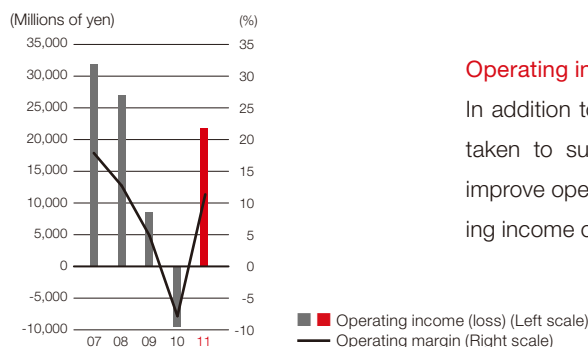


In fiscal 2010, the fiscal year ended March 31, 2011, net sales surged 65.3% compared with the previous fiscal year to ¥190.6 billion.

On the domestic front, amid an upswing in export activity by capital goods manufacturers on the back of economic growth in developing countries, THK was successful in steadily increasing sales to such mainstay customer fields as machine tools, general machinery and electronics amid an overall recovery in demand.

Overseas, sales also witnessed an overall improvement. This was largely attributable to substantial growth in demand in Asia including China and Taiwan as well as in such developed regions as Europe and the Americas.

Operating Income (Loss) and Operating Margin



Operating income amounted to ¥21.8 billion.

In addition to the upswing in demand that led to higher sales, steps were taken to suppress any increase in expenses across-the-board and to improve operating efficiency amid the increase in sales. As a result, operating income climbed substantially compared with the previous fiscal year.

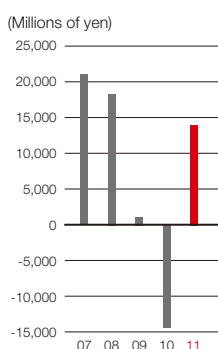
						Millions of yen	Thousands of U.S. dollars (Note 1)
2006	2007	2008	2009	2010	2011	2011	
¥158,413	¥174,711	¥208,709	¥179,269	¥115,330	¥190,662	\$2,292,987	
112,245	119,513	136,322	109,566	70,296	117,305	1,410,760	
14,108	16,650	26,000	23,266	14,552	20,812	250,295	
16,199	19,345	25,237	24,916	12,636	16,107	193,707	
15,861	19,203	21,150	21,521	17,846	36,438	438,225	
57,922	65,142	68,053	48,341	23,189	54,443	654,751	
27,080	31,816	26,938	8,523	(9,509)	21,844	262,707	
30,566	34,524	26,701	6,284	(14,511)	21,613	259,926	
18,584	21,038	18,323	1,204	(14,301)	13,960	167,884	
244,385	263,281	264,229	240,351	236,375	279,769	3,364,630	
169,792	189,040	192,953	177,713	162,259	167,937	2,019,693	

						Yen	U.S. dollars (Note 1)
2006	2007	2008	2009	2010	2011	2011	
¥ 148.42	¥ 158.36	¥ 139.53	¥ 9.36	¥ (111.20)	¥ 108.55	\$ 1.31	
137.97	157.22	138.74	—	—	—	—	
1,266.39	1,407.84	1,484.78	1,372.69	1,252.71	1,296.52	15.59	
2006	2007	2008	2009	2010	2011		
17.1	18.2	12.9	4.8	(8.2)	11.5		
12.6	11.8	9.7	0.7	(8.5)	8.5		
11.8	12.8	10.5	3.6	(3.9)	8.6		
68.9	71.1	72.3	73.4	68.2	59.6		
0.68	0.69	0.79	0.71	0.48	0.74		

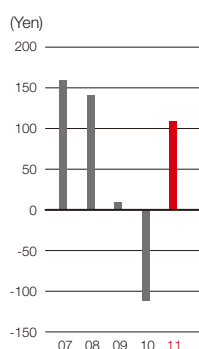
3. Calculated on the basis of Net Assets less Minority Interests.

4. Operating Income (loss) plus Interest and Dividend Income as a percentage of average Total Assets.

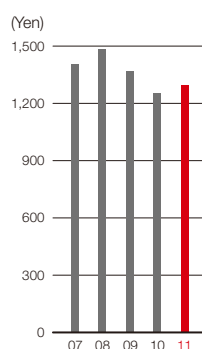
Net Income (Loss)



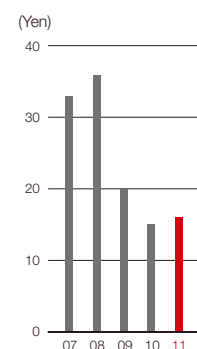
Net Income (Loss) per Share



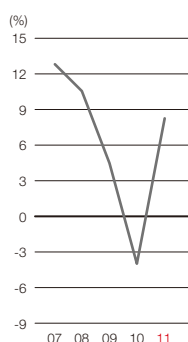
Book Value per Share



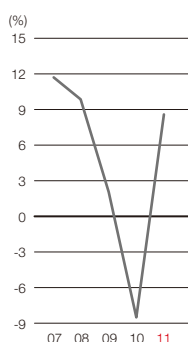
Cash Dividends per Share



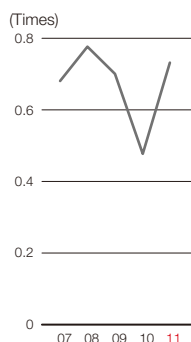
Return on Assets (ROA)



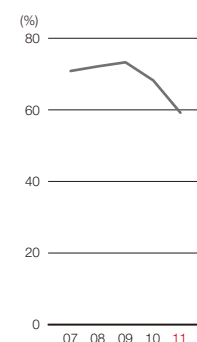
Return on Equity (ROE)



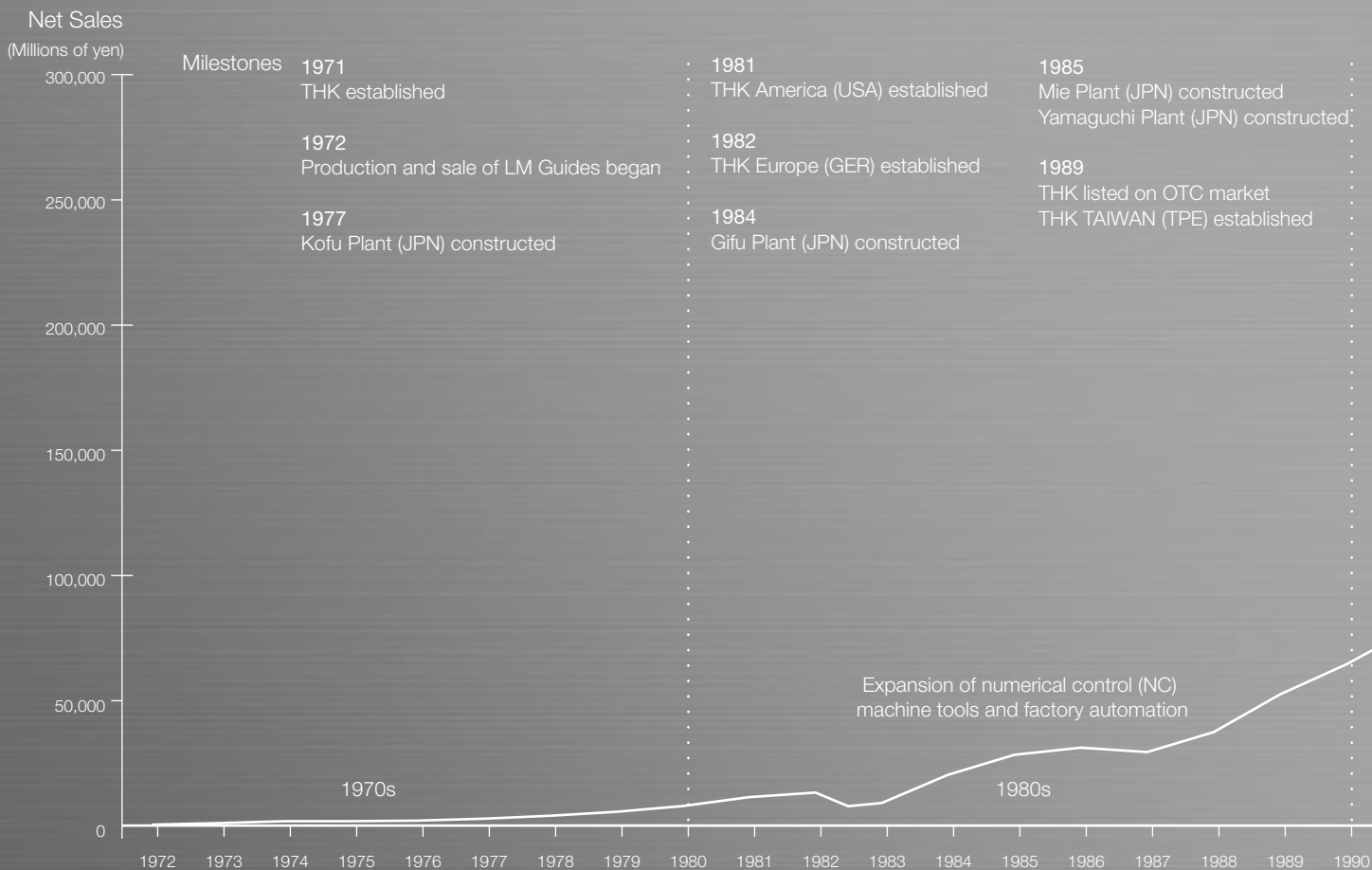
Asset Turnover Ratio



Equity Ratio



OUR GROWTH



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.

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 linear motion (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.

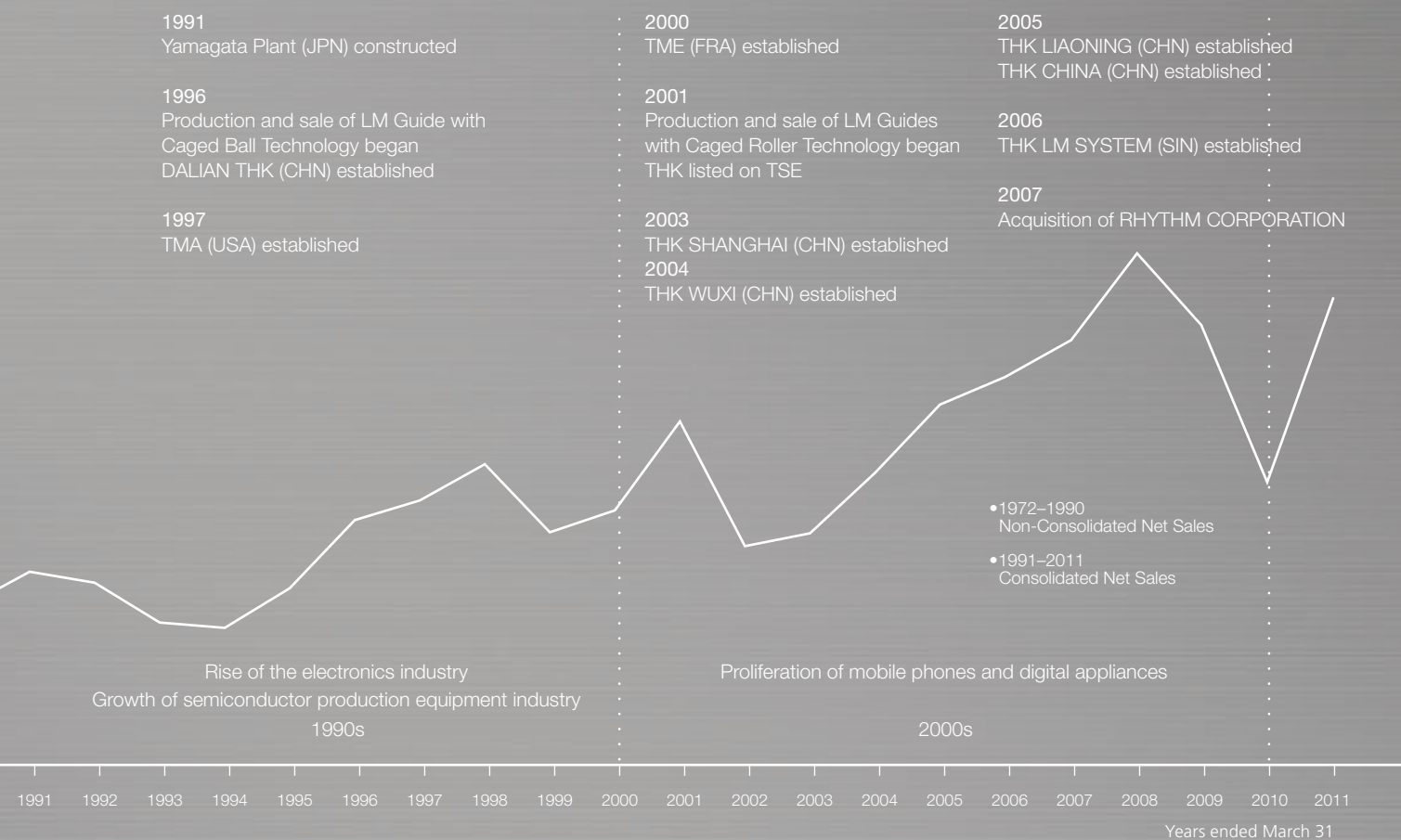
The 1980s: Significant Developments in Factory Automation (FA)

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 factory automation advancing across production frontlines, machine tool production volumes increased and the proportion of advanced numerical control (NC) machine tools saw steady growth. Against this backdrop, the application of LM guides enjoyed explosive growth.



Linear Motion (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 new century, 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 will actively pursue business development overseas.



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 longer maintenance-free periods compared with first-generation LM guides.

Future Growth: “Increase in the Demand for Machinery in Emerging Countries” as well as the “Progress Toward Electric-Powered Living”

Looking at changes in the Company’s external operating environment, THK is witnessing an increase in the number of industrial machinery produced as well as an upswing in the ratio of numerically controlled 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. Against this backdrop, the Company will accelerate the pace of sales network expansion with a greater sense of urgency throughout newly emerging countries, which are anticipated to drive increasingly toward factory automation. 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 CO₂ 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 key milestones of ¥300 billion in consolidated net sales, an operating margin of 20% and a return on assets (ROA) of 15%.



On behalf of THK CO., LTD., I would like to express my heartfelt condolences to all those who lost a family member to the Great East Japan Earthquake that struck the nation on March 11, 2011, and my deepest sympathies to those who suffered as a result of this disaster. It is my sincere wish that all devastated areas will experience a quick and complete recovery.

Despite these most difficult of circumstances, the Company celebrated its 40th anniversary on April 10, 2011. Our ability to achieve this milestone is by no small means due to the support and understanding of all stakeholders including shareholders. I would like to take this opportunity to extend my sincere appreciation to all concerned.

Looking Back on Our Business Environment and Performance in Fiscal 2010

Achieved Higher Revenue and Earnings Against the Backdrop of a Recovery in Demand

Following the Lehman Brothers shock of autumn 2008, the global economy entered a period of significant difficulty with the environment in which THK operates suffering a sharp and dramatic deterioration. Buoyed by the swift action taken by various countries to implement pump-priming measures aimed at stimulating the economy, capital investment improved steadily. As a result, a strong sense of recovery in THK's orders from the second half of fiscal 2009 became increasingly clear.

Entering fiscal 2010, the fiscal year ended March 31, 2011, the speed of activity throughout the global economy was returning to stable levels. On this basis, the Company projected a complete return to firm operating conditions. In reality, however, global demand for THK's products substantially exceeded anticipated levels of recovery. This was largely driven by the sharp upswing in economic growth rates in developing nations including China as well as the positive turnaround in economic activity in developed countries on the back of the aforementioned economies.

Under these circumstances, the Company was successful

in channeling the increase in demand toward steady sales growth. In fiscal 2010, THK reported a substantial improvement in revenue with consolidated net sales totaling ¥190.6 billion, an increase of 65.3% compared with the previous fiscal year. From a profit perspective, operating income witnessed a positive turnaround of ¥31.3 billion to ¥21.8 billion. Net income also surged ¥28.2 billion year on year to ¥13.9 billion representing a major improvements in performance.

Looking Back on Our Policies and Business Initiatives in Fiscal 2010

Various Measures that Helped Secure Performance Growth

Underlying the Company's ability to produce such favorable results is its policies underpinned by growth strategies that formed the basis of wide-ranging initiatives following the Lehman Brothers shock.

Amid an extremely harsh operating environment, THK worked diligently to eliminate waste and inconsistency. The Company was able to maintain a constant level of operations without cutting back on its business base and the human, technological and financial capital capabilities that provide the wellspring for future growth potential. As a result, in fiscal 2010, a period during which THK was able to secure a considerable advantage over its competitors, the Company was successful in steadfastly capturing demand by making full use of its production capacity at each production base amid the rapid recovery in demand.

In China, the country that was expected to most quickly experience an upswing in demand, THK continued to strengthen its production capabilities by increasing productivity and quality. At the same time, the Company actively upgraded and expanded its sales network. This in turn led to a substantial jump in orders allowing the Group to more than double its net sales year on year. In addition, in terms of profit margins by region, China surpassed Japan as the most profitable geographic segment.

On the domestic front, THK continued to promote the P25 Project, an initiatives that transcends business boundaries aimed at strengthening the Company's business base. In this manner, THK was able to further enhance profitability. The P25 Project entails the thorough analysis of issues confronting mainstay and related operations. By developing and implementing improvement measures, THK is endeavoring to enhance the marginal profit ratio, enhance fixed cost efficiency and lower the break-even sales point. Despite launching this initiative in fiscal 2009, a period during which conditions were extremely harsh, THK was successful in producing steady results thank to the hard work of all concerned.

Buoyed by these efforts, THK was able to link the upswing in demand directly to sales growth while improving profit margins. These results reflect the efficacy of measures implemented since the Lehman Brothers shock and provide the basis for steady growth in the future.

Toward the end of fiscal 2010, Japan was devastated by the Great East Japan Earthquake. In the immediate aftermath of the disaster, THK was confronted with disruptions to certain domestic production bases as well as basic infrastructure. As a matter of course, the Company was quick to secure a swift and full resumption and recovery. Employees of the Group were extremely conscientious in their efforts despite difficulties in traveling to and from work and the impact of rolling black-outs. Buffeted by these conditions, the Group was forced to urgently implement shift systems. In addition to the aforementioned support of all employees, bases in areas not affected by the disaster provided significant assistance. Thanks to these endeavors, and despite the affects of the earthquake, THK recorded its second highest production level on a non-consolidated basis for March 2011. Amid expectations of ongoing restrictions in the supply of electric power, the THK Group will secure alternative sources of power. Accordingly, the Group does not anticipate any major difficulties in production moving forward.

Outlook in Fiscal 2011

Toward Record High Net Sales

While the global economy has witnessed a rapid recovery, the THK Group remains conscious of the lingering impact of the earlier economic shock. Amid anxieties over the financial standing and status of certain countries in Europe and signs of economies overheating in developing countries, claims of the complete revitalization and recovery of the global economy are premature.

Based on the aforementioned and amid expectations of continued robust trends in orders, THK will take full advantage of its existing managing resources to make the most of current favorable operating conditions while preparing for future downside risk by adhering strictly to eliminate waste and inconsistency.

Despite concerns surrounding the future of the global economy, based on current positive trends in orders, the Company announced forecasts of operating results for fiscal 2011 in May 2011. For the fiscal year ending March 31, 2012, THK is projecting record high consolidated net sales of ¥215.0 billion, an increase of 12.8% compared with fiscal 2010. From a profit perspective, operating income is forecast to improve 32.8% year on year to ¥29.0 billion. This is largely attributable to the increase in net sales and proactive efforts including the P25 Project to bolster the Group's business base.

Medium-to-Long-Term Business Strategies: Changes in the Operating Environment

Embracing Two New Growth Opportunities

Looking ahead, THK's operating environment is expected to experience change in the short-term. Over the medium-to-long-term, however, demand for THK's products is projected to remain robust. The principal factor underpinning this favorable scenario is the effort made by the Group to realize two new growth opportunities following the change to its external operating environment in the aftermath of the Lehman Brothers shock.

First, recognizing the role played by developing countries in driving the global economy forward, THK is projecting a substantial increase in demand for machinery in these regions. Furthermore, amid growing interest in global environmental protection endeavors, the Company is forecasting expanding attention toward electric powered living across wide-ranging fields reflecting the need for increased energy efficiency. Against this backdrop, THK is working diligently to ensure that these changes are linked directly to growth. Accordingly, the Company is placing a great deal more emphasis on accelerating Full-Scale Globalization, Development of New Business Areas and expansion of its business domain.

Medium-to-Long-Term Business Strategies: Full-Scale Globalization

Accelerating Business Development in Newly Emerging Countries

In its efforts to promote Full-Scale Globalization, THK will place increased weight on developing business in newly emerging countries while positioning China as its most important market.

Machine tools, a mainstay field for THK's products in China, are experiencing rapid growth in terms of production amount. With its vast population and expectations of continued high rates of economic expansion, machine tool production volumes and amounts are forecast to increase. In addition to higher volumes of machine tools in China, the wider acceptance of NC machine tools is anticipated to significantly drive demand for THK's products. Looking ahead, the need for higher quality and advanced NC machine tools is expected to climb, stimulating increased demand also in China.

In order to better capture this extremely robust demand in China, THK will increase the number of its sales bases to at least 30 by the end of 2011. Given the vast expanse of the nation, the Company recognizes that this initiative alone is insufficient to ensure success. Accordingly, THK will upgrade and expand its sales structure over the medium term and establish

an increasingly strong foothold and presence in China. Turning to its production structure, THK will augment the production capacity at each plant in an effort to steady capture the upswing in demand. At THK MANUFACTURING OF CHINA (WUXI) CO., LTD., the Company introduced machinery facilities in 2011. This was complemented by the construction of a third plant. At THK MANUFACTURING OF CHINA (LIAONING) CO., LTD., THK substantially augmented machinery facilities. With the aim of better securing its share of robust demand, the Company is also considering the construction of a third plant. In addition to introducing machinery facilities at DALIAN THK CO., LTD., THK is also undertaking production extension work. Building on each of these initiatives, the Group established THK RHYTHM CHANGZHOU CO., LTD., as its fifth plant in China in April 2011. In its initial stages, this plant will produce automotive parts moving on to the manufacture of such linear motion products as LM guides at some point in the future.

The Group will expand its production structure in locations other than China. In Korea, construction of a new plant was completed at SAMICK THK CO., LTD. Shipments also commenced at THK Manufacturing of Vietnam in January 2011. THK Manufacturing of Vietnam is currently charged with the responsibility of manufacturing slide packs which provide simplified linear motion. Moving forward, consideration is being given to the production of LM guides. In Thailand, a second plant is under construction at THK RHYTHM (THAILAND) CO., LTD. This facility is to be completed shortly with plans in place to commence production.

Drawing on its success in China, THK recognizes the importance of gaining a foothold in other developing countries. While taking into consideration the most appropriate timing, the Group will proactively pursue opportunities for business development in other emerging regions.

In the developed markets of Japan, the U.S. and Europe, the Group will expand transactions with customers working to promote cutting-edge machinery as well as in new fields including automobiles and aircrafts. While time is still required to further nurture these fields, the THK Group holds high expectation for substantial future growth.

Medium-to-Long-Term Business Strategies: the Development of New Business Areas

Activities in Search of Increased Product Potential

In the context of the Development of New Business Areas, another major pillar underpinning the Group's growth strategies, the THK Group will actively promote business development harnessing the potential inherent in the Company's products and its unique technologies.

As a part of efforts to cultivate the transportation equipment field, the Company established the FAI Division as a specialist organization. While expanding business opportunities focusing mainly on ball joint parts, the FAI Division will put forward proposals that only THK can provide to address the change in configurations triggered by the growing interest in hybrid and electric vehicles. These proposals will encompass a broad spectrum of configurations encompassing drive, exterior and interior components. To this end, the THK Group will accelerate product development while stepping up its approach toward customers.

The ACE Division, which is responsible for activities in the residential housing field, is experiencing a succession of inquiries from both inside and outside Japan following the recent earthquake disaster for its seismic isolation devices and dampening systems. Looking ahead, the Division will engage in educational activities to promote earthquake disaster countermeasures using such media as the website in an effort to expand sales. In addition, and amid growing interest in the home toward energy conservation, the Division will consider promoting product development in home appliance and facility automation-related fields.

The IMT Division established in 2009 is active in the development and successive release of products that address electric-powered needs in the industrial equipment field. Looking ahead, the Division will ramp up its efforts in this area. Extending beyond the industrial equipment domain, the Division will pursue opportunities for product and business development across wide-ranging electric-powered needs and fields in collaboration with the FAI and ACE divisions. Harnessing the advanced product technologies the Company has nurtured over a lengthy period, THK will also pursue research and development aimed at supplying components for such next-generation fields as robotics including humanoid robots. While continuing to promote the development of robot-related components, THK will work to further expand the potential of its products.

Medium-to-Long-Term Business Strategies: 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. Taking this scenario into consideration, the Company will actively reinvest profits. At the same time, THK will



strengthen its business base that serves as the source of these profits by aggressively pushing forward various endeavors beginning with the P25 Project. Based on the aforementioned, the Company will work diligently toward achieving its established milestone of ¥300 billion in consolidated net sales 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 achieving our established milestone, we kindly request the continued support and understanding of all concerned parties.

July 2011

A handwritten signature in black ink that reads "Akihiro Teramachi". The signature is written in a cursive, flowing style.

Akihiro Teramachi
President and CEO
THK CO., LTD.

Realizing Potential

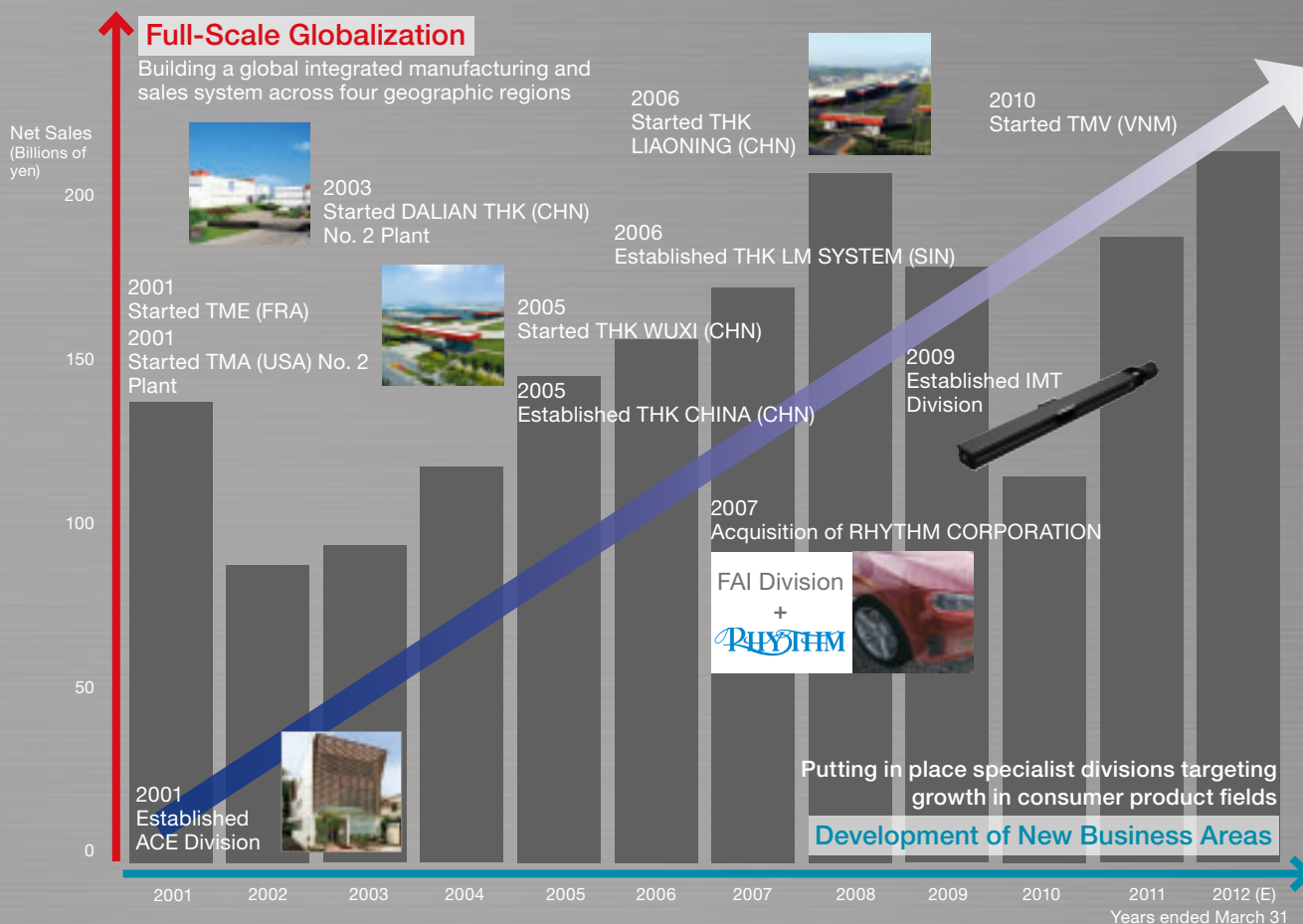
- Increase in the demand for machinery in emerging countries
- Progress toward electric-powered living

Two Basic Strategies

In heralding the Company's 30th anniversary since establishment in fiscal 2001, THK identified "Full-Scale Globalization" and "Development of New Business Areas" as its underlying growth strategies aimed at realizing the vast potential of its products including LM guides. At the same time, the Company raised the numerical target of doubling its consolidated net sales to ¥300 billion. In its efforts to achieve this target, and in the context of pursuing Full-Scale Globalization encompassing the expanded use of THK products geographically, the Company actively strengthened its integrated manufacturing and sales systems across the four core locations of Japan, the Americas, Europe and Asia guided by the understanding that optimal production is best served by locating facilities close to demand centers. Working to Development of New Business Areas, THK set up specialist divisions with the responsibility of expanding applications of THK products in fields close to consumer products.

The Path Taken to Date

Guided by its two basic underlying growth strategies, THK has steadily expanded its operating performance as it works toward achieving its established objectives by actively engaging in business development. Impacted, however, by the Lehman Brothers shock in autumn 2008, operating conditions deteriorated dramatically resulting in a substantial decline in demand. Under these circumstances, the Company was forced to amend the initially established target date (fiscal 2010) by which time it would achieve its objectives. Despite a harsh business climate since autumn 2008, THK has worked diligently to implement its growth strategies. To this end, and in addition to eliminate waste and inconsistency, the Company has continued to maintain and strengthen its operating activities without dampening its business platform and the human, technological and financial capital capabilities that provide the wellspring for its growth. Thereafter, and amid the significant recovery in global demand led by economic growth in developing countries from the second half of fiscal 2009, THK has successfully captured and channeled this sharp and dramatic improvement in conditions toward substantial improvements in its operating performance.



Expanding Growth Potential

The structure of the global economy underwent significant change following the Lehman Brothers shock.

It has become increasingly evident that the global economy is being driven by economic growth in developing countries and particularly China. In this context, demand for machinery is projected to increase considerably throughout the region going forward. At the same time, interest and concerns regarding global environmental protection are gathering momentum with measures aimed at reducing CO₂ emissions an integral component of today's business activities. Taking these trends into consideration, the shift toward electric powered machinery and equipment is also anticipated to gain impetus across a wide variety of fields in the pursuit of increased energy efficiency.

Buoyed by the upswing in demand for machinery in developing countries and the shift toward electric-powered living, demand for the Company's products is rising substantially further lifting THK's growth potential.

Moving forward, THK will continue to link these changes with steady growth by accelerating its Full-Scale Globalization and Development of New Business Areas strategies. In this manner, the Company will work steadily toward achieving the milestone of consolidated net sales totaling ¥300 billion.

INCREASE IN THE DEMAND FOR MACHINERY IN EMERGING COUNTRIES



— Steadfast strides in the China market

Takashi Okubo

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

An Expanding China Market

From the latter half of 2009, the Chinese economy experienced renewed growth. Entering 2011, this growth has gathered significant pace. Throughout this period, demand for THK's products has also remained extremely robust. This sharp and dramatic surge in demand has come from a wide range of sectors including large-scale machinery-related fields such as wind power generation and railways, reflecting ongoing infrastructure development in China, and compact devices including smart phones on the back of digital consumer electronics market expansion. Under these circumstances, THK (CHINA) CO., LTD. is taking steps to increase the use of its products by existing customers while at the same time promoting the application of new models to a fresh customer base. As a result of these endeavors, THK (CHINA) CO., LTD. reported two consecutive quarters of record high orders for the January to March 2011 and April to June 2011 quarters.

Compared with such developed countries as Japan, the use of advanced numerical control (NC) machine tools remains low in China. As these machine tools gain wider acceptance, THK plans to channel this interest toward further increases in demand for its products. Moreover, the natural progression away from hand-operated tools has clearly triggered ongoing advances in NC machine tools. Taking this scenario into consideration, the need to complement the substantial power required for machine tools to process metals and related materials with LM guides that provide more precise and intricate power coupled with movement in a straight line became increasingly essential. Currently, the production ratio of numerically controlled machine tools (the NC ratio) in Japan stands at around 90%, compared with slightly in excess of 30% in China. Against the backdrop of a Chinese economy that is experienc-

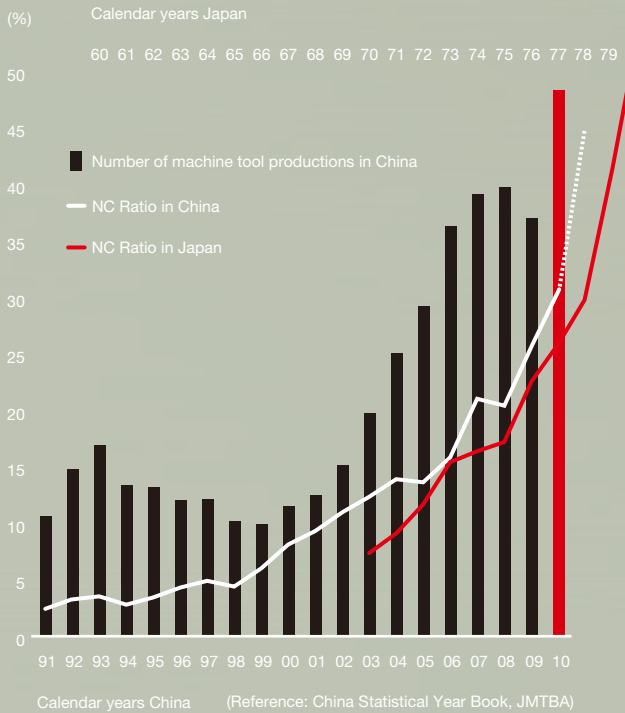
ing strong growth, the trend toward automation amid rising personnel expenses and need for increased industrial machinery precision is anticipated to steadily fuel a higher ratio of numerically controlled machine tools in China. In fact, this trend is clearly evident among major machine tool manufacturers, and in particular, the ratio of numerically controlled high-end machinery for use in automobile production lines is improving.

Establishing a Business Platform

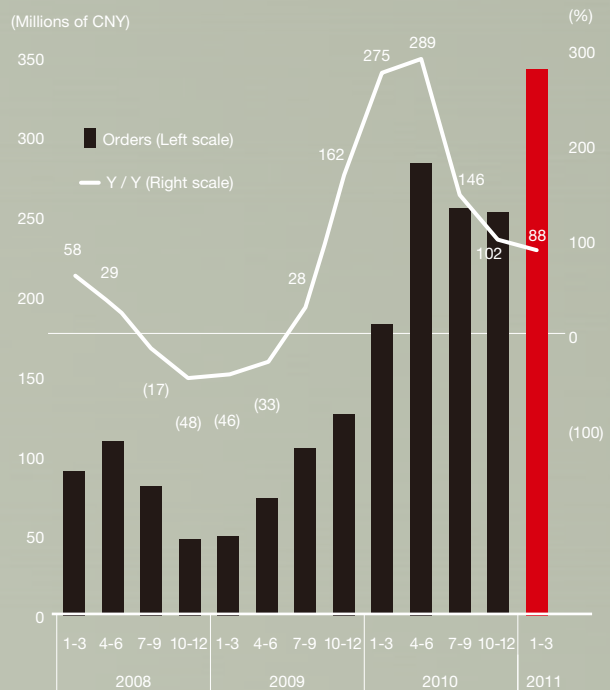
Recognizing the benefits to accrue in China, a nation enjoying high rates of economic growth, THK first entered the Chinese market during the 1990s. In the ensuing period, the Company has actively built an integrated production and sales structure with facilities and operations closer to centers of local demand.

In 1996, the Company established DALIAN THK CO., LTD. Later, steps were taken to commence the manufacture and sale of precision ball screws and actuators. Later, steps were taken to establish THK (SHANGHAI) CO., LTD. as a part of efforts to upgrade and cultivate new customers in 2003. The following year, in 2004, THK MANUFACTURING OF CHINA (WUXI) CO., LTD. was established as China's first LM guide production base. Furthermore, amid an upswing in demand for machine tools, the Group established THK MANUFACTURING OF CHINA (LIAONING) CO., LTD., THK's third production base in 2005. In the same year, THK (CHINA) CO., LTD. was established to oversee the Group's operations in China while bolstering sales and marketing capabilities as well as strengthening management. Running parallel with this initiative to establish several core local subsidiaries in China, THK promoted the expansion of its sales network in an effort to provide tailor-made customer services.

Trends in the number of machine tool productions in China and the NC ratio



Trends in THK CHINA's orders received (Sales subsidiary)



Today, the THK Group is marshalling the full effects of its integrated manufacturing and sales systems to ensure the stable supply of high-quality products that match the needs of customers, to garner the resounding trust of local customers and to secure a high market share.

Business Development that Harnesses the Group's Competitive Advantage

THK's competitive advantage in China stems from its integrated manufacturing and sales system nurtured over many years. In addition to an existing network of 26 sales bases as of June 30, 2011, by providing direct to its customers a host of tailor-made services coupled with the manufacture of industrial equipment-related products at three production facilities located in China as well as transport equipment-related products manufactured at THK RHYTHM GUANGZHOU CO., LTD., THK has built a structure that is capable of supplying a wide range of products in a timely fashion. Moreover, taking into consideration future trends in the market and in an effort to better develop products that address local needs, THK established a research and development division in China in April 2010. Through these means, the Group is strengthening its business platform in China.

As a pioneer in the development of business in China, the THK Group has had the opportunity and distinct advantage of recruiting and nurturing local staff over many years. Considerable time and effort is required when developing human resources. The fact that THK was among the first to enter the market has been and remains a major benefit. The very fact that these human resources are currently working as sales staff in each the Group's offices in China, providing tailor-made and detailed services, is a major reason for customers also posi-

tioning THK as the preferred supplier of choice in the China market. As calls for customers seeking to manufacture quality products increases with each passing year, THK plans to reinforce its emphasis on proposal capabilities moving forward. The purpose of its human resource endeavors is therefore far removed from the simplistic aim merely promoting sales. As THK goes about its daily education and training activities, the Company's goal is to both address the needs of customers and to provide marketing proposals unique to THK.

From a production perspective, THK is introducing to the China market high-performance equipment of a quality equivalent to other regions. Every effort is being made to ensure that the THK brand remains synonymous with the highest global standards.

Fiscal 2010 Results

THK (CHINA) CO., LTD. reported record high sales in fiscal 2010. In specific terms, revenue more than doubled compared with the previous fiscal year. Taking into consideration forecasts that orders will remain robust in fiscal 2011, THK is projecting year-on-year revenue growth of approximately 50%.

Demand throughout China which had stalled following the Lehman Brothers shock in 2008 recovered dramatically from the second half of 2009. Against this backdrop, THK was successful in securing the major share of this upswing in demand. Even in periods when the market has been weak, THK which boasts China's largest production capacity has maintained an unwavering confidence in the market's recovery. In addition to maintaining capacity, the Group has taken steps to enhance productivity and quality as a part of efforts to boost its production structure. At the same time, the Group has actively implemented wide-ranging sales and marketing initiatives designed



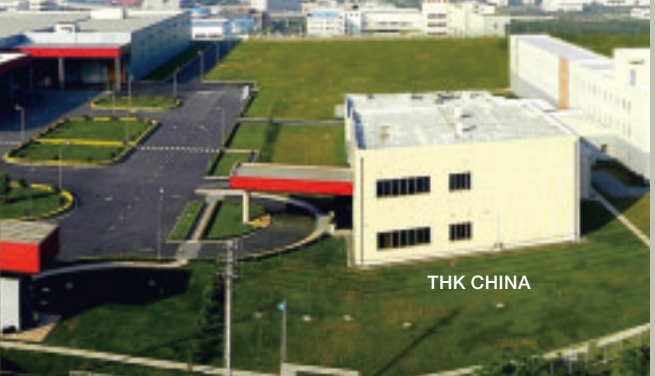
THK WUXI



DALIAN THK



THK LIAONING



THK CHINA



THK RHYTHM GUANGZHOU



THK RHYTHM CHANGZHOU

— Taking the next leap forward in the China market

to upgrade and expand its sales network.

To ensure that the Group's maximum efforts were channeled toward addressing the growth in orders throughout fiscal 2010, THK implemented a four-squad, triple shift full production system at each of its plants at DALIAN THK CO., LTD., THK MANUFACTURING OF CHINA (WUXI) CO., LTD. and THK MANUFACTURING OF CHINA (LIAONING) CO., LTD. Harnessing the collective strengths of all employees, THK worked diligently to increase production.

Not only was the Group successful in generating robust results as a consequence of these initiatives, but it also secured an increased share of the market. Standing at the forefront of the market, THK continues to accurately address this vast demand as the means by which it garners increased trust while further enhancing its position and standing in the China market.

Medium-to-Long-Term Objectives and Initiatives

The entire THK Group is committed to achieving a consolidated net sales target of ¥300 billion. In this context, THK (CHINA) CO., LTD. will play a prominent role in the Group's operations in Asia, a region expected to experience high rates of growth, providing substantial contributions toward the Group's established target. To this end, every effort will be made to strengthen the Group's integrated manufacturing and sales system.

In addition, THK will continue to promote business development targeting transportation equipment-related sectors working mainly through its FAI Division. At the same time, the Company will actively approach the automobile industry in Asia. Harnessing the capabilities of the IMT Division, established in 2009, THK will also promote increased application of

electric actuators and hybrid units. Building on these endeavors, the Company will strive to cultivate new business opportunities within the China market in these areas.

Sales Initiatives

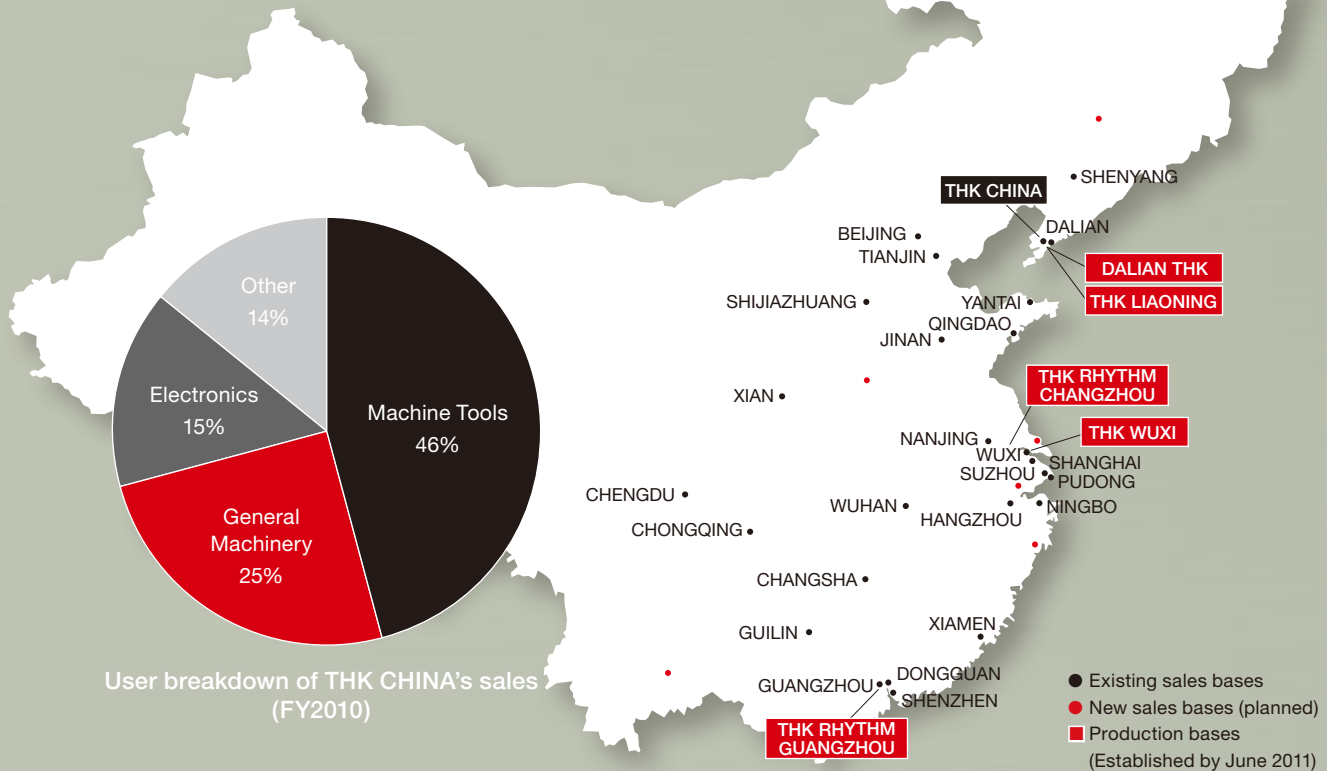
Buoyed by measures aimed at stimulating the economy implemented by the Chinese government, demand for THK products is expanding beyond the traditional coastal regions to encompass the north-east and inland areas. Amid an expanding business base, THK is ramping up efforts to upgrade and expand its sales network in order to pursue business endeavors that are deeply rooted in each region. During fiscal 2011, THK plans to open seven new bases by June bringing its network to 26 bases. Steps will also be taken to increase the sales network to over 30 bases by the end of 2011.

In strengthening its sales structure and systems, upgrading and expanding the intangible aspects of its operations is of equal importance to the tangible. With this in mind, the Group increased its local workforce by recruiting around 100 additional staff. While implementing its unique education and training programs, THK will work to lift the skills and capabilities of each and every employee moving forward.

In addition to expanding transactions with existing customers including major machine tool manufacturers, THK will focus on actively cultivating new customers. In specific terms, the Company will initiate such wide-ranging promotional activities as exhibitions conducted in each region and the effective use of its website.

Moreover, the Group will consolidate its head office functions distributed between Dalian City and Shanghai to Dalian, and bolster collaborative ties between the Research and De-

Business development in China



velopment, Application Engineering as well as Sales divisions. Leveraging its advanced specialist expertise, THK will pursue proposal-based sales and marketing to lift to the next level its sales capabilities in China.

Production Initiatives

In order to steadily capture its share of expanding demand, THK will work to increase the production capacity of its three plants in China. First, construction of a third plant at THK MANUFACTURING OF CHINA (WUXI) CO., LTD. commenced in August 2011. At THK MANUFACTURING OF CHINA (LIAONING) CO., LTD. steps will be taken to more effectively use space while augmenting production facilities. At DALIAN THK CO., LTD. work was completed on increasing capacity in August 2011. Operations commenced the following month in September. Looking ahead, DALIAN THK CO., LTD. plans to relocate to a site measuring approximately three times its current size. In addition, THK RHYTHM CHANGZHOU CO., LTD. was established in April 2011 as the Group's fifth plant in China. Beginning with the manufacture of automotive parts, consideration is being given to manufacturing linear motion products including LM guides at some time in the future.

The Group's efforts will not be limited to increasing production capacity. THK will also focus on enhancing efficiency. In this context, steps will be taken to visualize onsite production processes as well as individual employee skills. To this end, the Company will implement improvement activities as well as skills training. Moreover, and in order to reduce the ratio of direct input costs, THK will diversify its procurement processes and material suppliers while maintaining its strict adherence to product quality. At the same time, the Company will further increase its cost competitiveness in the China market.

Development Initiatives

The Group's first overseas research and development division was established within THK (CHINA) CO., LTD. in April 2010. In line with a market that continues to exhibit growth, customer needs in China are becoming increasingly diverse. Looking ahead, THK recognizes the critical importance of providing high value-added products that meet these needs. Placing the newly established Engineering and Development Division at the heart of its business development endeavors, THK will work to develop wide-ranging product applications.

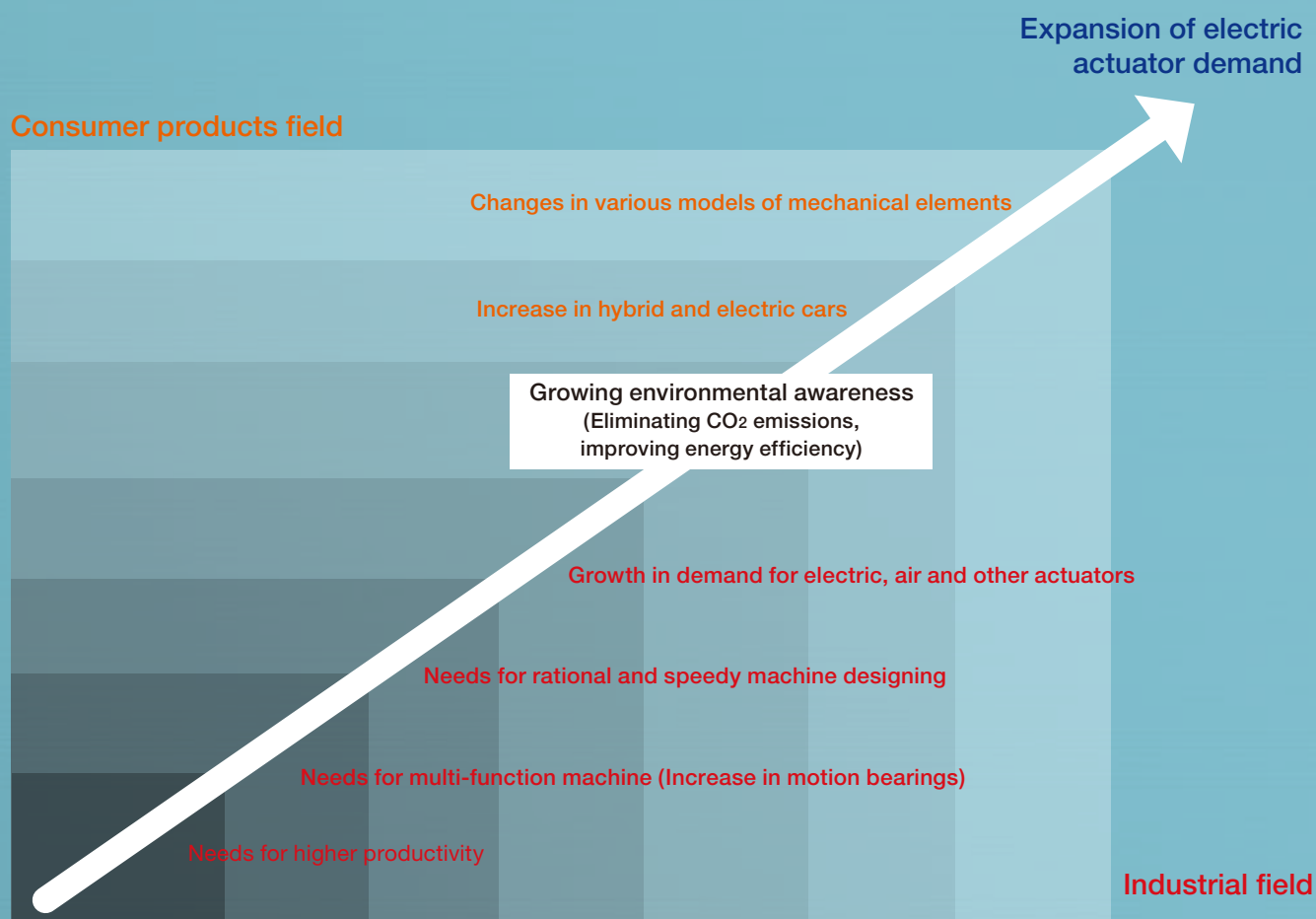
Initially, operating with a workforce of around 20, plans are in place to increase staff number to 150 in the future. In addition, the building housing the Engineering and Development Division is scheduled for completion during 2011. Moving forward, THK will continue to put in place a structure and systems that is capable of undertaking broad research and development activities in China.

Cultivating New Markets in Other Developing Countries

As previously stated, THK pioneered business development in China working diligently to build and expand an integrated manufacturing and sales system. Accordingly, the Company has secured steady results, buoyed by the benefits to accrue from its position as a front runner.

Building on this success, THK will assess the best timing for the Group to expand its wings to other developing countries. On this basis, every effort will be made to adopt a proactive stance toward future business development.

PROGRESS TOWARD ELECTRIC-POWERED LIVING



Steady Growth in Electric-Powered Needs

In the industrial machinery and equipment field, calls by machinery and equipment users for increased productivity continue to grow. These calls have led to significant advances in a wide variety of industrial machinery performance and functionality. Against this backdrop, the need for increased economy in machinery architecture and design has risen in recent times triggering an upswing in demand for such solutions as module products including actuators as opposed to individual unit components.

Looking ahead, developing countries are expected to play a dominant role in leading the global economy forward. At the same time, global environmental protection concerns are anticipated to gain in importance. Under these circumstances, ongoing economic growth in concert with reductions in energy consumption is forecast to become an increasingly major theme for humankind. In this context, eliminating CO₂ emissions will also become a key issue for the business community. Amid the accelerated shift toward clean energy use and activities aimed at improving energy efficiency, hybrid and electric vehicles will undoubtedly gain in prominence. As a result, mechanical components including electric actuators that offer

higher levels of energy efficiency will attract wider interest over and above automobile drive components. In similar fashion, demand for electric actuators distinguished by their outstanding energy efficiency will experience increased demand for use in the industrial machinery used to manufacture components.

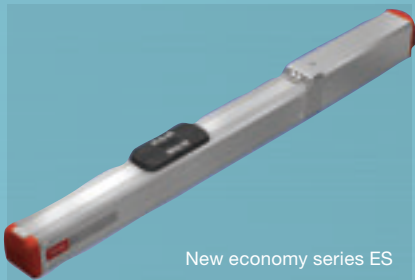
From the perspective of humankind coexisting with the global environment, THK's products, which help deliver high machinery performance together with reduced energy consumption, will provide an increasingly higher level of benefits.

Expanding Business Utilizing the Company's Inherent Competitive Advantage

LM guides and ball screws, which are critical to electric actuators, are also THK's core products. As a pioneer in the development of LM guides, THK has continued to deliver the highest quality products over many years leveraging its unrivalled accumulated know-how as a global manufacturer. The Company's electric actuators are therefore comprised of these high-quality LM guides and ball screws and as such boast substantial competitive advantage throughout worldwide markets.

In particular, THK's compact series, offering high rigidity and precision in a compact package, is attracting high praise

Electric Actuators Series



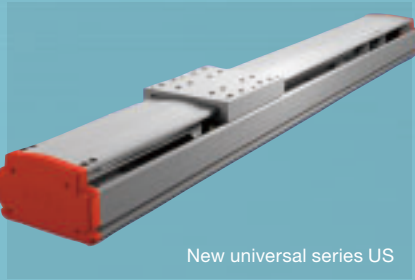
New economy series ES



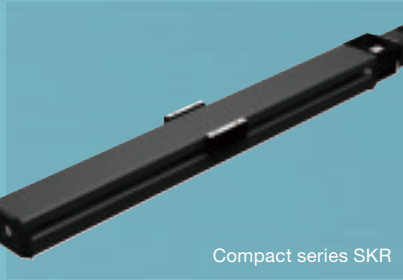
New economy series EC



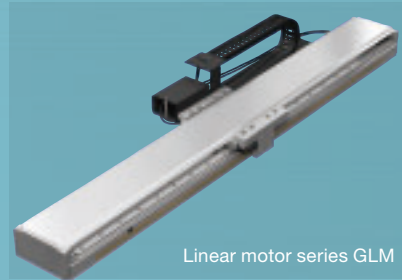
New driver controller TSC



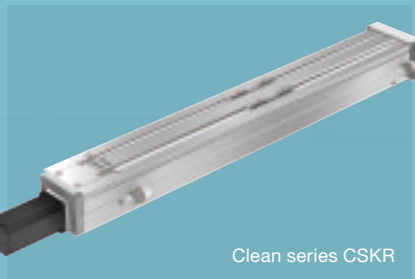
New universal series US



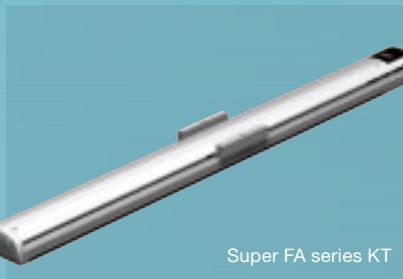
Compact series SKR



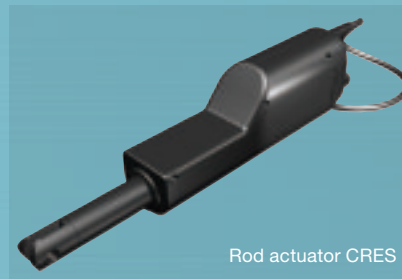
Linear motor series GLM



Clean series CSKR



Super FA series KT



Rod actuator CRES

within a highly competitive market. Moving forward, THK is upgrading and expanding its lineup of outstanding products while further increasing applications across such areas as semiconductor and flat-panel production equipment as well as industrial machinery including industrial robots. At the same time, the Company is bolstering efforts to develop drivers and controllers, the control devices for electric actuators, and expanding sales as a module unit.

In promoting the development of electric actuators, THK is moving beyond the capital goods field including industrial machinery promoting applications that are closer to consumer goods. The Company's CRES series is already being applied across such wide ranging fields as automobile roof boxes, toll parking gates and household unit kitchens. Moving forward, THK will continue to develop products that harness its unique product technologies while expanding the potential of electric actuators.

Product Technologies Distinguished by Their Unlimited Potential

A wide variety of machinery is expected to play an increasingly coexistent role with daily human life 10 years hence. As this

coexistence between machines and humankind becomes closer knit, the need for diverse specifications encompassing safety and thrust force is forecast to become more and more important. For this very reason, individual components will play an increasingly vital role.

Amid expectations that the application of new generation robots, and particularly humanoid robots, will grow within people's daily living environments, THK will harness its individual component technologies nurtured in wide-ranging industrial equipment fields to deliver the components essential to next generation robots including new generation actuators.

THK has already presented its lineup of ultra-compact, high-power actuators and other components for use in new generation robots at exhibitions in Japan, attracting high praise and interest.

Looking ahead, THK will work to steadily address robust electric-powered needs in industrial equipment fields as a machinery components manufacturer. At the same time, the Company will take into consideration next generation requirements, working to cultivate the electric-powered needs inherent in humankind living environments and to further expand its business areas.

BUSINESS REVIEW

GEOGRAPHIC BUSINESS REVIEW

Japan

FY2010 (Results)

Operating Conditions and Performance Overview

Sales in Japan increased 66.9% in year-on-year terms to ¥117.3 billion.

In the first half of the fiscal year under review, the domestic economy experienced a steady recovery led mainly by robust export activity. This in turn helped boost capital investment. As a result, demand witnessed a positive turnaround across such wide-ranging areas as machine tools, general machinery and electronics.

During the second half of the fiscal year, signs of a slow-down in the economy began to emerge. This was largely attributable to ongoing appreciation in the value of the yen, the drop off in benefits to accrue from pump-priming measures implemented by the government and other factors. In the aftermath of the Great East Japan Earthquake that struck the nation toward the end of the fiscal year, THK and several of its Group company plants were forced to relocate machinery. Given the relatively minor impact on the Group's operations, THK worked diligently to secure a quick resumption of business activities and the stable supply of products and services. Accounting for each of the aforementioned factors, the upswing in demand led to increased sales and overall revenue growth.

Operating Activities

— Sales —

- Buoyed by growth in developing countries, capital goods manufacturers ramped up their export activities. THK took proactive steps to boost sales and marketing endeavors with the aim of channeling the upswing in demand for the Company's products toward steady sales growth.
- At the same time, every effort was made to further bolster activities in such new business areas as automotive parts and seismic isolation systems.
- THK continued to implement the "TAP 1" skills development program for sales personnel as part of broader efforts to deepen relationships with existing customers and develop 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.

— Production —

- Since the Lehman Brothers shock, THK has placed considerable emphasis on further enhancing the skills of frontline production staff and boosting productivity amid the decline in demand. As a result, the Company was able to smoothly increase production amid the substantial upswing in demand during fiscal 2010 as the means to secure steady sales growth.

— General Overview —

- During the fiscal year under review, THK continued to implement the P25 Project, a cross-functional initiative whose objective is to increase profitability by lowering the Company's break-even sales point. While expenses entered a growth phase throughout fiscal 2010, the P25 Project helped secure improvements in profit margins on the back of product volume benefits. As a result, profitability increased steadily.

FY2011 (Plan)

Operating Activities

— Sales —

- Looking ahead, capital goods manufacturers are expected to accelerate the shift of production overseas. Harnessing its proposal capabilities fostered over many years in Japan, THK will focus increasingly on capturing new customers and expanding transactions in new business areas.
- Buoyed by the growing trend toward electric-powered equipment across all product areas, THK will promote increased application of its actuators.

— Production —

- With orders continuing to hover at a high level, THK will work to enhance productivity and to increase production volume.

— General Overview —

- The Company will maintain its focus on vigorously promoting the P25 Project while at the same time strengthening its business platform

Bases

Japan	Sales offices	48
	Plants	15
	Distribution centers	3

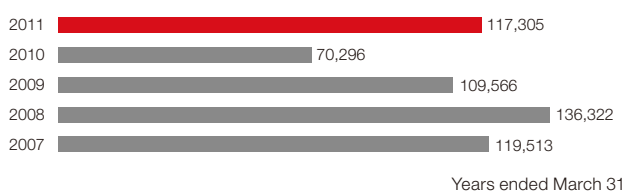
Group companies

As of March 31, 2011

- THK CO., LTD.
- THK INTECHS CO., LTD.
- TALK SYSTEM CORPORATION
- THK NIIGATA CO., LTD.
- THK RHYTHM CO., LTD.
- THK RHYTHM KYUSHU CO., LTD.
- Rhythm L Co., Ltd.
- L Tool Co., Ltd.
- L Trading Co., Ltd.
- L Engineering Co., Ltd.

Sales in Japan

(Millions of yen)



The Americas

FY2010 (Results)

Operating Conditions and Performance Overview

Regional sales increased 43.0% in year-on-year terms to 20.8 billion.

Amid indications of a positive turnaround in corporate-sector capital investment led mainly by robust personal consumption and export activity, demand recovered in overall terms primarily in the machine tool and electronics industries.

Taking into consideration the recovery in demand, THK took full advantage of its position as the only company in its industry to maintain local production bases. The Company successfully secured revenue growth on the back of efforts to expand transactions with existing customers and to cultivate new business areas.

Operating Activities

— Sales —

- THK more effectively utilized its regional sales agent network to further lift sales efficacy. In this regard, the Company took steps to rebuild its sales and marketing structure.
- In order to develop and maintain a business structure that is not overly affected by shifts in economic conditions and customer trends, THK redoubled its promotion efforts in new business areas.
- With demand tending to shift from supplying individual components toward hybrid units, THK focused on expanding sales of hybrid units.

— Production —

- At the time orders increase, the Company pushed forward measures aimed at maintaining the stable supply of LM guides. At the same time, THK increased production volumes of hybrid units.
- Taking into consideration appreciation in the value of the yen as well as transportation costs, THK actively promoted local procurement activities and initiatives that facilitate in-house operations. Through these means, the Company pursued further reductions in material costs while bolstering the cost competitiveness of its products.

FY2011 (Plan)

Operating Activities

— Sales —

- As capital goods manufacturers continue to shift their production bases overseas focusing mainly on Asia, THK will endeavor to cultivate opportunities in such new business areas as medical equipment and energy. At the same time, the Company will uncover new markets in a variety of countries including Mexico and Canada.
- With demand tending to shift from supplying individual components toward hybrid units, THK will continue to focus on expanding sales of hybrid units.

— Production —

- Maximizing its competitive advantage as the only company of its kind in the industry to maintain production facilities locally, THK will strengthen its ability to provide highly specialized products that meet specific customer needs.
- THK will actively promote local procurement activities and initiatives that facilitate in-house operations. Through these means, the Company will pursue further reductions in material costs while bolstering the cost competitiveness of its products.

Bases

United States	Sales offices	8
	Plants	2
Canada	Sales office	1
Mexico	Sales office	1
Brazil	Sales office	1

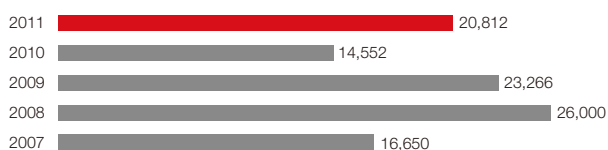
Group companies

As of March 31, 2011

- THK Holdings of America, L.L.C.
- THK America, Inc.
- THK Manufacturing of America, Inc.
- THK RHYTHM NORTH AMERICA CO., LTD.

Sales in the Americas

(Millions of yen)



Years ended March 31

Europe

FY2010 (Results)

Operating Conditions and Performance Overview

Regional sales increased 27.5% in year-on-year terms to ¥16.1 billion.

Amid signs of a recovery in the economy led mainly by export activity to Asia, THK witnessed a positive turnaround in demand ostensibly for mainstay machine tools and general machinery industries.

Buoyed by this recovery in demand, THK worked diligently to expand transactions with existing customers and to uncover opportunities in new business areas. In successfully linking this upswing in demand to steady sales growth, the Company recorded increased revenue.

Operating Activities

— Sales —

- With capital goods manufacturers taking advantage of the weak euro to expand exports to Asia, THK took steps to further cultivate existing customers focusing on such areas as machine tools and general machinery. At the same time, the Company endeavored to uncover opportunities in new business areas related to aircrafts, energy and other sectors.
- THK upgraded, expanded and increased sales of its lineup of Deutsche Industrie Normen (DIN) code compliant ball screws.

— Production —

- THK endeavored to further increase productivity by upgrading the skills of worksite staff and rigorously managing capacity utilization.
- THK worked to diversify material suppliers while at the same time curtailing variable expenses by lowering purchase unit costs and reducing material inventories.

FY2011 (Plan)

Operating Activities

— Sales —

- Taking into consideration prolonged weakness in the euro and the projected upswing in export activity by capital goods manufacturers particularly to Asia, THK will bolster sales in the machine tools, general machinery and related industries to existing customers.
- In addition, THK will focus on cultivating such new areas as aircrafts and energy where demand is forecast to remain robust.

— Production —

- Amid appreciation in the value of the yen and continued weakness in the euro, THK will promote local material procurement and the reduction of material costs.
- Against the backdrop of high levels of demand throughout Europe, THK will increase productivity and raise the level of output.
- Taking full advantage of the introduction of a 7m grinding machine, THK will boost sales of elongated LM guides.

Bases

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

Group companies

As of March 31, 2011

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

*PGM Ballscrews Ireland Ltd. changed its corporate name to THK Manufacturing of Ireland Ltd. in April 2011.

Sales in Europe

(Millions of yen)

2011	16,107
2010	12,636
2009	24,916
2008	25,237
2007	19,345

Years ended March 31

Asia & Other

FY2010 (Results)

Operating Conditions and Performance Overview

Sales in Asia and other increased 104.2% in year-on-year terms to ¥36.4 billion.

Amid ongoing economic growth throughout Asia and particularly China, demand in China and Taiwan increased mainly for machine tools, while demand primarily for electronics rose in Korea.

Taking into consideration this upswing in demand, THK worked diligently to expand sales. In the fiscal year under review, the Company recorded an increase in revenues on the back of successful efforts to link higher demand to sales growth.

Operating Activities

— Sales —

- In China, THK strove to upgrade and expand its sales network while at the same time cultivating existing customer latent demand and actively uncovering new customers in areas outside the mainstay machine tools.
- In Taiwan, THK implemented measure aimed at expanding sales of cross roller rings, seismic isolation platforms, ball screws and hybrid units. In addition, the Company promoted such initiatives as the implementation of technical seminars and stepped up efforts to approach photovoltaic power generation- and LED production equipment-related areas.
- In other parts of Asia, THK worked to deepen its foothold in existing markets including Thailand, India and Singapore. At the same time, the Company entered such untapped markets as Indonesia.

— Production —

- Amid growing demand, THK continued to leverage its rotating four-squad triple-shift production system employed at each plant to expand production capacity in China.
- In addition to increasing the number of production items at each plant, THK worked to lower costs through improved processes and the local procurement of components and materials in an effort to create more cost competitive products.

FY2011 (Plan)

Operating Activities

— Sales —

- In China, where there remains considerable untapped demand, THK will continue to promote efforts aimed at upgrading and expanding its sales network. At the same time, the

Company will pursue ongoing measures designed to cultivate new customers outside the mainstay machine tools industry.

*For information regarding the Company's business development activities in China, please refer to the Special Feature section on pages 14–17.

- In Taiwan, THK will maintain its focus on approaching the photovoltaic power generation-, LED- and touch-panel production equipment-related industries.
- In Singapore, THK will work to expand transactions with existing customers while fostering new customers. In addition, the Company will endeavor to deepen ties with existing customers while cultivating new business areas in Thailand and India. Moreover, THK will promote efforts to cultivate markets in such new areas as Indonesia, Vietnam and the Philippines.

— Production —

- In order to capture its share of the robust upswing in demand, THK will actively introduce machinery and capital equipment at each plant to further boost production capacity.
- Each plant will work diligently to expand market share. To this end, specific measures will be put in place including efforts to enhance cost competitiveness by promoting in-house operations and diversifying material suppliers as well as delivering products that address customer needs.
- Amid expectations of further increases in demand, THK MANUFACTURING OF CHINA (WUXI) CO. LTD. will construct a third plant targeting the industrial machinery industry. Focusing on transportation equipment steps will also be taken to establish THK RHYTHM CHANGZHOU CO., LTD.
- Having completed construction of THK MANUFACTURING OF VIETNAM in 2010, THK will commence product shipment.

— Other —

- From a tangible perspective, THK will implement a variety of initiatives including the upgrade and expansion of its sales network as well as the strengthening of its production capacity. From an intangible perspective, the Company will complement these endeavors by bolster the skills of personnel, where number are rising dramatically.

Bases

China	Sales offices	26	Thailand	Plant	1
	Plants	4	Korea	Sales offices	14
Taiwan	Sales offices	3		Plants	3
Singapore	Sales office	1	Vietnam	Plant	1
India	Sales office	1			

Group companies

As of March 31, 2011

- 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 RHYTHM GUANGZHOU CO., LTD.
- THK RHYTHM (THAILAND) CO., LTD.
- SAMICK THK CO., LTD.

Sales in Asia and Other

(Millions of yen)

2011	36,438
2010	17,846
2009	21,521
2008	21,150
2007	19,203

Years ended March 31

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 devices 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.

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

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

In fiscal 2010, the ACE Division continued to undertake sales and marketing activities that emphasized the competitive advantage of THK’s products. Thanks largely to these endeavors, the division secured a steady increase in the number of buildings adopting the Company’s seismic isolation systems which account for over 60% of the division’s total sales.



An example of residential seismic isolation application



Bolstering Sales and Marketing Activities Amid Growing Awareness and Needs

Amid increasing general awareness of the need to implement disaster-related contingency measures, THK expects demand for seismic isolation devices and damping systems to continue growing over the long term. The ACE Division will continue to promote the unrivalled benefits of THK’s seismic isolation and damping technologies to architectural firms and homebuilders. Moreover, the division will expand sales of new damping systems and technologies that further dampen the vibrations and shaking caused by earthquakes compared with existing products.

The division also aims to promote more widespread product uptake by continuing to organize seminars for consumers to help explain to people the importance of installing seismic isolation devices and damping systems, along with the advantages offered by THK technology and products. The division also plans to make more effective use of earthquake simulation vehicles in marketing activities. Taking into consideration growing overseas interest in seismic isolation devices for residences, steps have been taken to post appropriate details in English on the Company’s homepage.

In addition, in an environment where corporate demand for BCP-related products continues to increase, the division is focusing on expanding sales of seismic isolation platforms to protect specific pieces of equipment such as servers. These seismic isolation platforms, which helped protect equipment critical to business operations from the Great East Japan Earthquake that struck on March 11, 2011, attracted high praise from a number of customers. In fiscal 2011, the division will bolster its lineup by adding the TGS-type seismic module which in further strengthening dampening capabilities makes it possible to protect floor and large-scale equipment while actively expanding sales.



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

FAI Division

Targeting Higher Earnings from the 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 both 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 FAI 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 RHYTHM to enhance the Group's ability to respond rapidly and precisely to changes in the global automotive market.

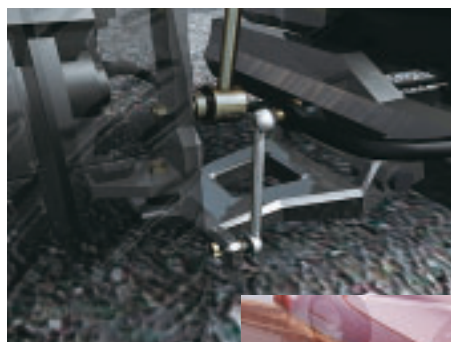
Pursuing Synergies with THK RHYTHM

Projected major developments in the FAI Division over the medium-to-long-term include significant growth in automobile demand within emerging markets and 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 and 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, THK has witnessed increased efficiency in the handling of orders. From a management perspective, a fewer number of people are 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 began at THK RHYTHM's head

office factory in Hamamatsu and the China factory of THK RHYTHM GUANGZHOU CO., LTD. By leveraging THK's outstanding production technologies accumulated as a leading manufacturer of LM guides together with the production 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. As a result, the Group successfully captured demand in tune with the steady increase in the number of global automobile models adopting the Group's products during fiscal 2010. In fiscal 2011, the THK Group will establish THK RHYTHM CHANGZHOU CO., LTD. as a new production base and commence construction of a plant in order to bolster its production structure in the Asia region, which is enjoying demand growth. In addition, operations will commence at a second THK RHYTHM (THAILAND) CO., LTD. plant in Thailand. Looking ahead, the THK Group will further accelerate efforts aimed at developing synergies in order to increase product use while at the same time increasing the take-up of the Company's core products including LM guides and actuators, as it works toward improving profitability in the transportation equipment fields.



An example of link ball application



IMT Division

Expanding 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, amid the growing need for enhanced productivity, calls for higher performance and functionality increased economy in machinery architecture and design, with respect to such industrial machinery as semiconductor and flat-panel production equipment, have seen a shift in demand from individual components to hybrid units. At the same time, 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 cultivate new markets. As an initial step, the Division will work to expand the application of electric actuators and hybrid units 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.

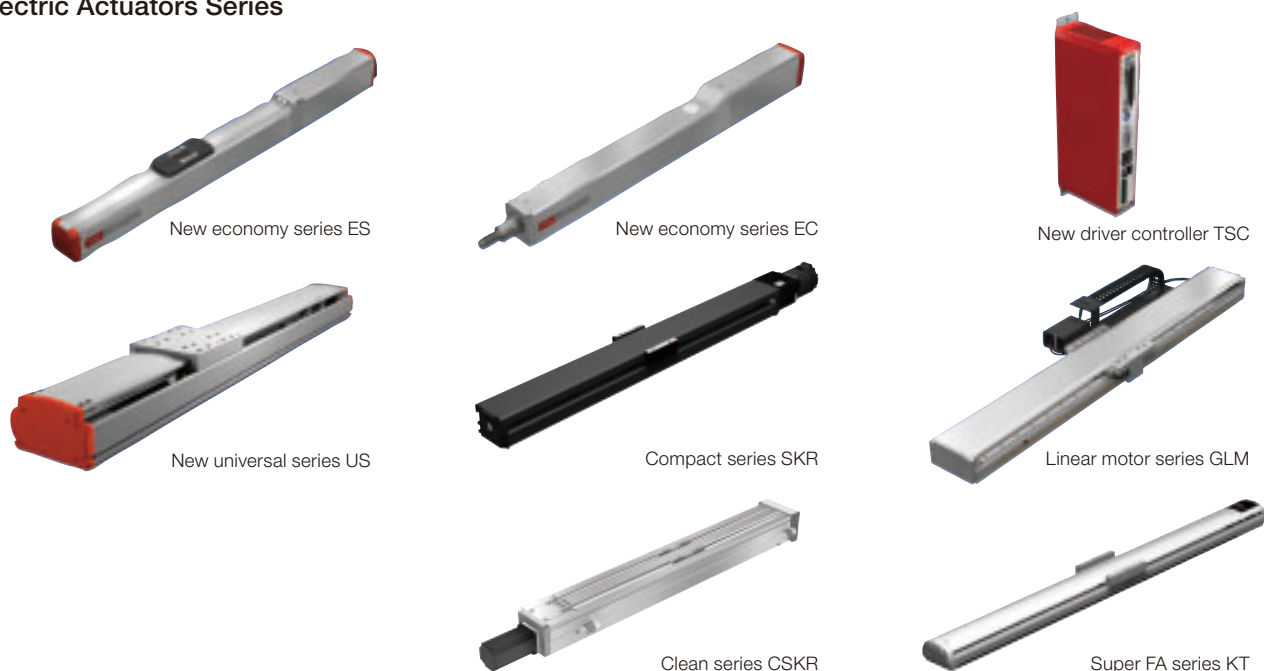
Building an Operating Structure that is Capable of Fulfilling Market Needs

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 IMT 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 2010, its second year of full-fledged activity, the IMT Division made the effort to reconfirm customer needs while analyzing market trends. While reflecting the results of these efforts in the Division's product development activities, steps were also taken to upgrade and expand the Division's development and sales structure. Complementing these initiatives, new products were introduced during various exhibitions.

Looking ahead, the IMT Division will bolster its product lineup with the aim of boosting sales. At the same time, work will be undertaken to strengthen the Division's operating structure in Japan. Turning to its overseas operations and efforts to promote Full-Scale Globalization throughout the Americas, Europe, and Asia, the Division will actively build local operating bases incorporating production and sales focusing mainly on Asia where significant market growth is forecast.

Electric Actuators Series



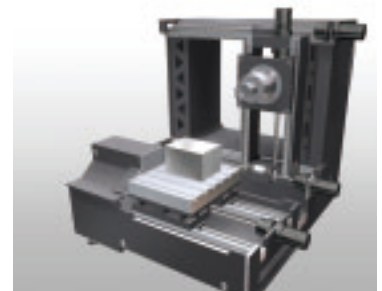
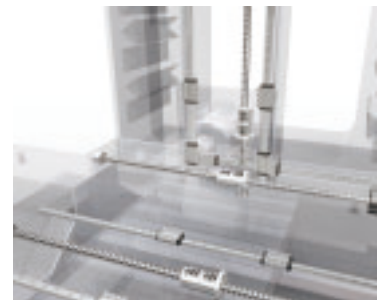
THK PRODUCTS

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

Linear Motion (LM) Guides

LM guides are a critical element in many types of machinery. By converting slippage into controlled rotary motion, they enable parts of machinery to move smoothly, easily, and precisely in a straight line. In 1996 THK became the first company in the world to successfully develop the next generation of LM guides featuring caged ball technology. 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 plastic 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 reduces noise, extends service life, and enables longer maintenance-free periods. LM guides based on caged ball technology are now vital components of many types of equipment. They have made a major contribution to the development of high-speed, low-noise industrial machinery with longer productive lives, notably in the machine tool and semiconductor production equipment sectors.



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. Primarily employed in various types of industrial machinery, ball screws are labor-saving devices that act as drive components in motors. THK has also developed ball screws featuring caged ball technology that have made a significant contribution to the development of high-speed, low-noise industrial machinery with extended service lives, especially in sectors such as machine tools, industrial robots, and semiconductor production equipment. Other ball screws supplied by THK are designed to support high loads, making them ideally suited for replacing the hydraulic cylinders used in capital equipment such as injection molding machines, presses, die-cast machines.



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

Actuators

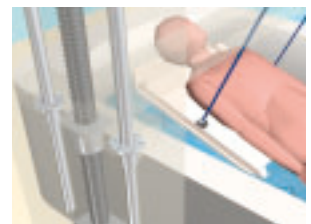
Actuators are hybrid products combining a guide component such as an LM guide with a ball screw, linear motor, or other drive component. In industries such as electronics, there is an increasing need to shorten development and manufacturing lead-times. Modularization allows actuators to realize benefits 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.



Actuators are used in medical equipment such as CT scanners

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.



Use 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 equipment for manufacturing integrated circuits.



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, Europe, and North America.



Usage in automotive parts

THK RHYTHM Products

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



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

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

In 1996, we pioneered the development of the world’s first-ever LM guide using caged ball technology, an advance that enabled LM guides to operate without maintenance for much longer periods. Although such technology was already common in rotary bearings at the time, the problem was 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.

MAJOR NEW PRODUCTS DEVELOPED IN FISCAL 2010



Super-Low Waving and Super-High Rigidity LM Guide:

SPR/SPS

The Caged Ball LM Guide SPR/SPS models offer high precision, high rigidity, high speed, long-term maintenance free and ecological friendly performance, all features required in the latest machine tools. These guides which use eight rows of raceways, a small-diameter ball and a super long block provide low waving superior to existing LM guides as well as higher rigidity.



Ultra-Small Ball Spline:

LTS

The LTS ultra-small ball spline delivers a single reduction in size in outer tube, outer diameter compared with existing models without altering rated life and length measurements. In addition to its compact design, the LTS model significantly enhances shaft rigidity by allowing a thicker axle compared with similar outer diameter of the outer tube products.



Compact Caged Ball Screw:

SDA

The SDA model is a high-speed, compact ball screw compliant with the Deutsche Industrie Normen (German industrial standards). Utilizing a newly developed end-cap circulation system, this ball screw realizes outstanding speed and substantial reductions in size. Moreover, through the use of a ball cage, the SDA model delivers long-term maintenance free, low noise as well as smooth and stable motion with low fluctuation operations.

A Global R&D System for the Next Generation

Drawing on the elite minds from each of the ACE, FAI and IMT divisions, with a particular focus on the Engineering Division, a task force engages in research and development activities, primarily out of the Technology Center located in Tokyo, in such wide-ranging products as LM systems, a core THK products, 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, the Group's first such overseas base. Amid a Chinese market that continues to enjoy growth, the THK Group is committed to developing products that address local needs both in terms of product specifications and price in a timely manner by locating this R&D facility at the point of demand.

Product Development in Fiscal 2010: Realizing the "cubic E" Concept

Leveraging creative ideas and the Group's proprietary 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 2010 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 five or ten years in the future. Major achievements in fiscal 2010 included the development of products for a number of original applications.

As outlined below, the Group developed a variety of new models in its mainstay LM guide lineup as well as new ball spline-, ball screw- and actuator-related products in industrial equipment field.

In transportation equipment field, the Group introduced environmentally conscious cycle testing equipment that has attracted high praise for closely simulating actual vehicle conditions. At the same time, successful efforts were made to develop and bring to the market higher quality products in the context of extremely cold climates. Moreover, the Group promoted the development of new crafting techniques, products for use in electric vehicles and more compact and lightweight products as a part of efforts to further enhance cost competitiveness.

Fiscal 2011 Policies and Initiatives

Based on the revamped R&D system, we plan to focus our efforts in fiscal 2011 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 established within THK (CHINA) CO., LTD. will serve at the center of efforts to actively promote product development that addresses local Chinese market needs.



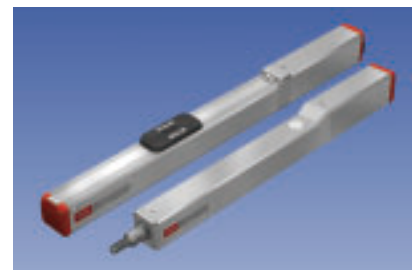
Linear Motor Actuator: GLM20AP

In addition to realizing higher speed, speed adjustability and precision performance, this linear motor actuator is compliant with international safety standards. Compared with the existing GLM20 model, the GLM20AP increases thrust force by a maximum 19%. Moreover, this increase in thrust force increases the potential for tact improvement.



Stepping Motor Driver Controller: TSC

THK successfully developed a stepping motor driver controller that integrates the driver and controller functions in a slim case while offering a host of functions. Easy-to-operate, this product is deal for first-time users.



New economy series electric actuator: ES/EC

THK developed a new economy series electric actuator which contributes to improved functionality and performance of ES- and EC-type electronic devices. Unlike existing products, this electric actuator features a built-in stepping motor and smart body. Easy-to-operate, compact and boasting multiple functions, this electric actuator comes at a reasonable price.

CORPORATE GOVERNANCE AND INTERNAL CONTROLS

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

Basic Stance on Corporate Governance

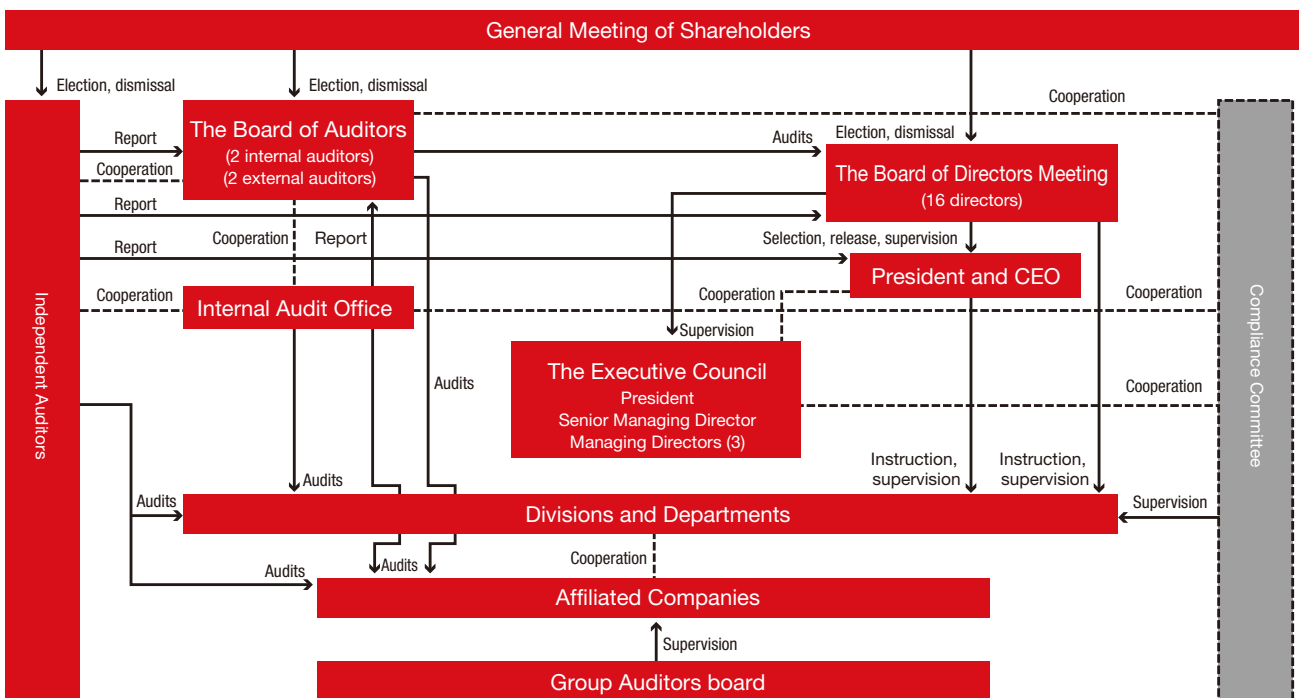
THK's basic stance on corporate governance is that, from the perspective of maximizing shareholder returns, the Company aims to boost the transparency of management to shareholders while at the same time striving to achieve proper and efficient management. The two basic management bodies are the Board of Directors and the Board of Auditors. THK has also established the Executive Council to provide additional support in the form of strategic input. In this fashion, every effort is made to ensure that decisions by the Board of Directors are made in a timely and appropriate manner. The Executive Council gathers from relevant internal departments the information required by directors to facilitate informed discussion and debate. Where necessary, the Executive Council may seek the opinion of lawyers, accountants or other third-party professionals so that any points of contention can be debated and resolved. Based on such deliberations, the Board of Directors provides the forum for further discussion of issues. The Board of Directors has final decision-making power over all key management issues. The Board of Auditors comprises four mem-

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

Implementation of Corporate Governance Measures

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

To achieve a clear separation of management oversight from operational execution functions, senior executive direc-



tors (the members of the Executive Council) do not hold any line management position. This rule is designed to promote independent supervisory management functions. Mutual monitoring by those directors with concurrent senior management roles and auditing of management by the external and standing auditors enhance oversight at the senior level.

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

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

Active Disclosure of Corporate Information

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

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

In compliance with Japanese legislation, THK is implementing initiatives to reinforce internal controls as a part of efforts to strengthen its management platform. In this context, THK put in place a set of in-house rules with respect to the Company's internal control structure and systems as they relate to financial reporting in 2008. Based on Japan's Financial Instruments and Exchange Law, THK has established an internal framework to ensure the reliability of the Company's financial reports. THK is also endeavoring to promote an internal controls framework and system that covers the entire THK Group including subsidiaries and affiliated companies. 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 2010 on the Group's internal control systems did not detect any flaws or serious outstanding issues. The conclusions from these evaluations were openly disclosed and submitted in a statutory filing on internal controls to the Prime Minister of Japan (the Kanto Local Finance Bureau) in June 2011.

Framework for the Promotion of Compliance

THK established the Compliance Committee in 2005 as a permanent body chaired by the President & CEO. As well as discussing and approving all compliance-related policies, rules and regulations, education plans as well as programs aimed at enhancing compliance awareness, this 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.

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.

The Company has established the THK Help Line to provide employees with an internal channel for reporting suspected compliance violations. The aim is to prevent executive officers 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 arising. Reports can be channeled by telephone or electronic mail. Contact can also be made with external legal counsel. In fiscal 2010, seven inquiries were fielded through the Help Line. Each was attended to in an appropriate manner in collaboration with the relevant department with details reported to the Compliance Committee.

Comprehensive Risk Management

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

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

Environmental Management System

THK is working to acquire environmental management system ISO 14001 certification at all of its production sites in Japan and overseas. The Company had previously acquired individual certification at each of its five mainstay YAMAGATA, KOFU, MIE, GIFU and YAMAGUCHI plants in Japan. In fiscal 2010, THK acquired integrated certification covering all five plants. These achievements are a part of THK's efforts to build a structure that is capable of quickly securing Group-wide compliance with rules and regulations relating to global warming and resource conservation countermeasures as well as the handling of chemical substances.

Business Location	(Individual Acquisition)	Date of Certification	Examining Authority
YAMAGATA Plant	September 10, 1999		
KOFU Plant	December 28, 2000		
YAMAGUCHI Plant	February 2, 2001	December 17, 2010 (registration renewal date)	JQA
MIE Plant	September 6, 2002		
GIFU Plant	December 24, 2004		

Business Location	Date of Certification	Examining Authority
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

Setting Up the Committee for the Promotion of Energy Conservation and Conducting Energy Conservation Meetings

THK established the Committee for the Promotion of Energy Conservation at its head office and Conducting Energy Conservation Meetings at each plant to promote Group-wide energy conservation and the reduction of greenhouse gas emissions.

Chaired by the president, the Committee, which is comprised of senior executive, determines the direction that the Group is to follow in its efforts to resolve environmental issues and problems. In addition, meetings comprised of plant managers and senior plant officials are held to deliberate on initiatives that will help raise the level of energy consumption efficiency at production sites which account for 95% of the total energy consumed by the Group.

Activities Aimed at Preventing Global Warming

THK engages in wide-ranging activities aimed at reducing the level of CO₂ emissions. At the GIFU Plant, every effort is made to reduce energy consumption. Among a host of measures, the Plant conducts energy conservation patrols within the confines of the facility to ensure that there is no wasteful use of energy. At the same time, these patrols serve to monitor the degree to which previous instructions have been implemented as well as the level of ongoing improvement.

At the YAMAGUCHI Plant, steps have been taken to secure electric power through the installation of boilers that emit significantly reduced levels of CO₂. Every effort is also made to reduce the use of in-house power generation equipment that utilizes heavy oils as fuel. The YAMAGUCHI Plant has successfully reduced CO₂ emissions by 25% compared with the use of heavy oils.

At the KOFU Plant, air-cooled type air conditioning systems have been replaced by water-cooled type systems.



Energy conservation patrol at the GIFU Plant

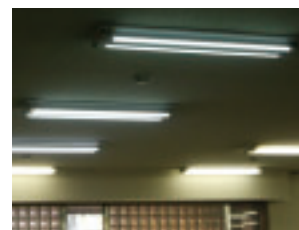
This initiative has helped cut CO₂ emissions by 17,084Kg annually. In addition, the Plant is promoting the use of LED bulb and LED fluorescent bulb lights, which help reduce energy consumption by approximately half compared with conventional lighting.



Boiler at the YAMAGUCHI Plant

Activities Aimed at Conserving Electric Power

Following the Great East Japan Earthquake that struck the nation on March 11, 2011, Japan as a whole has suffered from shortages of electric power. At the request of the government and electric power companies, the THK Group has introduced measures aimed at reducing the level of power consumption encompassing air conditioning, lighting and other utilities at its production, administrative, sales and marketing facilities and divisions. At the same time, the Group has reintroduced the use of in-house power generation equipment while installing diesel power generation and other devices. Through these means, the THK Group is committed to reducing energy consumption by more than 15% compared with peak levels during the summer of 2010.



LED lighting at KOFU Plant (Comparison between three types of LED lighting)

Resource Conservation and Zero Emission Activities

THK currently produces such waste as grinding sludge, scrap metal, grindstones, plastic, waste oil and fluids. The Company has set its waste-reduction target based on its emissions rate—the volume of waste designated for final disposal, expressed as a percentage of the total volume of waste generated. The waste-reduction target is currently set at less than 0.5%. THK adheres strictly to a policy that enhances material yields and ensures the sorting of waste. Currently, all waste is virtually earmarked for recycling in its entirety.

Green Distribution Activities

THK's Distribution Division is engaged in green distribution activities that strive to reduce environmental burdens throughout the entire distribution process. Activities in fiscal 2010 included the review of regular chartered shipping routes and efforts to improve load ratios as well as the modal shift and integration of rail transport routes. As a result of these endeavors, load ratios of chartered shipping routes improved by approximately 10% compared with levels recorded at the beginning of the period.



Green distribution Rail container

BOARD OF DIRECTORS AND AUDITORS

(As of June 18, 2011)



Akihiro Teramachi
President and CEO



Masamichi Ishii
Senior Managing Director



Takeki Shirai
Managing Director



Toshihiro Teramachi
Managing Director



Hiroshi Imano
Managing Director



Takashi Okubo
Director
*President of THK (CHINA) CO., LTD.
President of THK MANUFACTURING OF
CHINA (LIAONING) CO., LTD.*



Tetsuya Hayashida
Director
*President and Representative Director of
THK Europe B.V.
President and Representative Director of
THK GmbH
President and Representative Director of
THK France S.A.S.
President and Representative Director of
THK Manufacturing of Ireland Ltd.
President and Representative Director of
THK Manufacturing of Europe S.A.S.*



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 the 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



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.



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)

MANAGEMENT'S DISCUSSION & ANALYSIS

■ Analysis of Operating Results

Net sales

Economic conditions during fiscal 2010, the fiscal year ended March 31, 2011, were generally sound. In the first half, the global economy recovered steadily. This was largely attributable to improvements in corporate-sector earnings fueled by the positive turnaround in personal consumption, which in turn helped boost capital investment. Collectively, this upswing in key economic indicators reflected the positive flow-on effects of economic stimulus measures implemented by various countries during fiscal 2009. In the second half, Japan's economy was impacted by persistent appreciation in the value of the yen, a tapering off of the benefits from economic pump-priming initiatives and uncertainties surrounding the aftereffects of the Great East Japan Earthquake that devastated the nation at the end of the fiscal year. While the domestic economy showed signs of weakening, the global economy continued along its path of modest recovery buoyed mainly by robust conditions in developing countries.

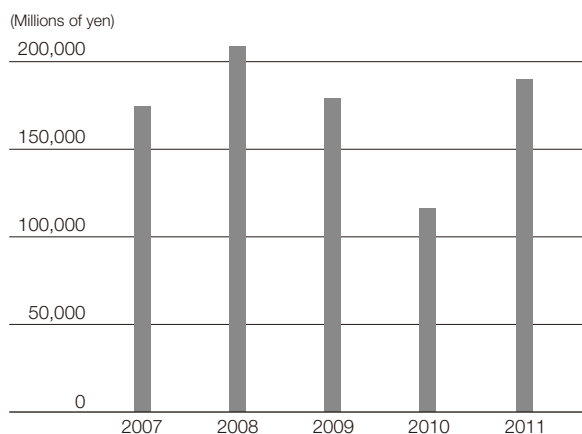
The THK Group has identified "Full-Scale Globalization" and the "Development of New Business Areas" as cornerstones of its growth strategy and efforts to expand its business domain. Amid the sharp and substantial drop in demand in the aftermath of the Lehman Brothers shock, the Group adhered strictly to a policy of eliminating waste and inconsistency. Without detracting from its business

platform and the human, technological and financial capital capabilities that provide the wellspring for its growth potential, the Group took steps to upgrade and expand its sales network particularly in such developing countries as China, which are anticipated to experience market growth, in an effort to further bolster its business platform. As a result of these endeavors, and amid growing clarity in the extent of developing market expansion, the THK Group successfully linked the steady upswing in global demand to higher sales. At the end of the fiscal year under review, the Great East Japan Earthquake forced several Group companies to relocate machinery at production plants. In overall terms, however, the impact of the disaster was minor, and the Group was quick to resume full-scale operations and ensure the stable supply of products. Taking each of the aforementioned factors into consideration, net sales for the fiscal year under review increased substantially from ¥115,330 million in fiscal 2009 to ¥190,662 million.

Cost of sales

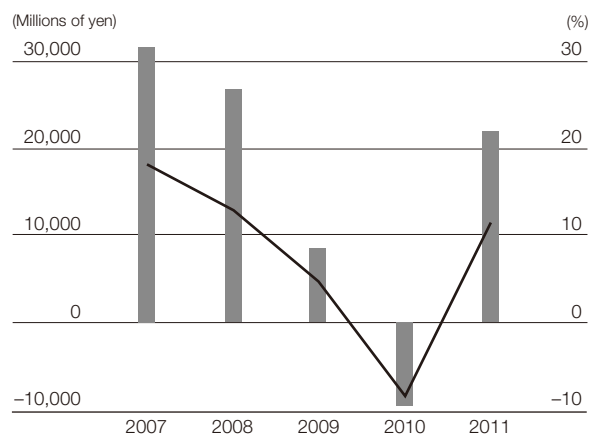
Throughout fiscal 2010, THK maintained its focus on cost containment. Every effort was made to improve productivity by implementation a variety of measures including boosting materials yields and shortening manufacturing lead-times. As a result, the cost of sales to sales ratio improved 8.5 percentage points to 71.4% on the back of the steady increase in net sales and successful efforts to contain fixed expenses.

Net Sales



Years ended March 31

Operating Income (Loss) and Operating Margin



■ Operating income (loss) (Left scale) — Operating margin (Right scale)

Years ended March 31

Selling, general and administrative (SG&A) expenses

SG&A expenses contracted ¥99 million compared with fiscal 2009. This was mainly attributable to successful efforts to contain various expenses amid growth in the net sales and the lower amortization of goodwill due to the lump-sum amortization of goodwill in fiscal 2009. The Ratio of SG&A expenses to sales improved 11.3 percentage points to 17.1% for the fiscal year ended March 31, 2011.

Operating income (loss)

Accounting for each of the aforementioned, THK reported a substantial improvement and turnaround in performance. Operating income amounted to ¥21,844 million in fiscal 2010 compared with an operating loss of ¥9,509 million in fiscal 2009.

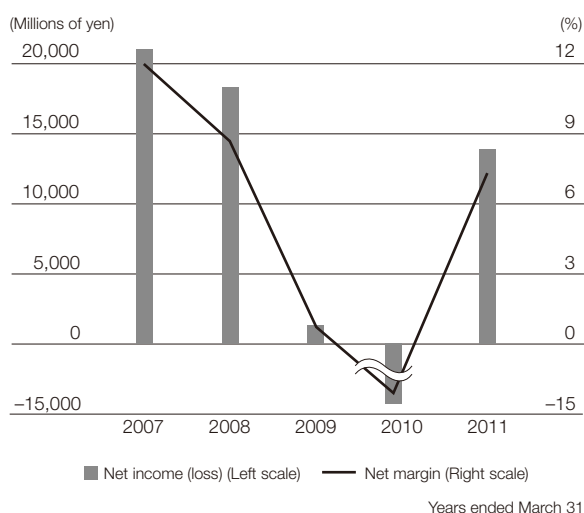
Non-operating income and expenses

In non-operating activities, income came in at ¥1,867 million mainly reflecting equity in earnings of an affiliate and interest income. Non-operating expenses totaled ¥2,098 million. The principal component was foreign exchange loss, net and interest expenses. Based on these and other factors, the Company incurred net non-operating expenses of ¥231 million in fiscal 2010.

Net income (loss)

Accounting for these factors, THK recorded a significant positive turnaround in net income which totaled ¥13,960 million. This was compared with the net loss of ¥14,301 million in fiscal 2009.

Net Income (Loss) and Net Margin



Segment Information

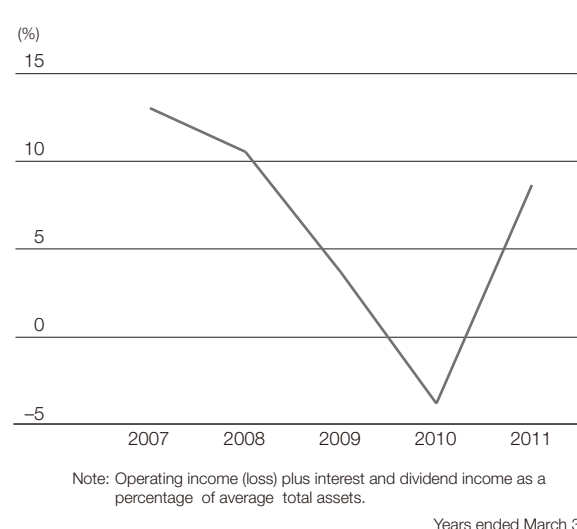
Japan

In Japan, the first half of the fiscal year under review witnessed a steady economic recovery driven mainly by robust export activity. There were signs that this positive environment spilled over into capital investment trends. In the second half, however, economic conditions weakened due mainly to persistent appreciation in the value of the yen, a drop off in the positive flow-on effects from economic pump-priming measures and uncertainty surrounding the Great East Japan Earthquake that struck Japan toward the end of the fiscal year. THK worked diligently to promote sales amid growing export activity as its mainstay customers in the industrial machinery manufacturing industry endeavored to capture robust demand in expanding developing countries. This is turn led to the steady upswing in demand for the Company's products as well as sales. As a result, sales to the core machine tool, general machinery and electronics industries were strong contributing to sales in Japan of ¥127,945 million. Fueled by improvements in productivity and cutbacks in SG&A expenses, operating income in Japan amounted to ¥18,322 million.

The Americas

In the Americas, trends in automobile production were firm. Amid a positive upswing in capital investment, the Group took steps to expand transactions with existing customers and to cultivate new business fields underpinned by its integrated production and sales structure. Based on these endeavors, sales to the machine tools, electronics and

Return on Assets (ROA)



transportation equipment industries were robust amounting to ¥20,608 million. Operating income for the fiscal year under review totaled ¥1,807 million.

Europe

In Europe, there were indications of a recovery grounded mainly in improved export activity. Based on its integrated production and sales structure, THK worked diligently to expand transactions with existing customers and to cultivate new business fields. As a result, the Company was successful in linking this steady recovery in demand to an increase in sales. For the fiscal year under review sales in Europe came to ¥16,099 million. On the earnings front, however, THK was burdened by appreciation in the value of the yen particularly against the euro. Taking fluctuations in foreign currency exchange rates into consideration, the Company incurred a loss in its European operations totaling ¥935 million.

China

After further strengthening its sales network, THK took advantage of its enhanced capabilities to proactively promote sales and marketing in China. This was amid a steady increase in capital investment and robust production in the automobile industry. On this basis, sales to the mainstay machine tools and transportation industries were strong. For the fiscal year ended March 31, 2011, the THK Group recorded sales of ¥13,970 million and operating income of ¥2,467 million in China.

Other

In other countries and regions including Taiwan, India and ASEAN, THK continues to expand transactions with existing customers while cultivating new customers. As a result, sales to the key machine tools industry were robust. Total sales to other countries and regions amounted to ¥12,040 million for the fiscal year under review. Operating income came in at ¥546 million.

■ Financial Position

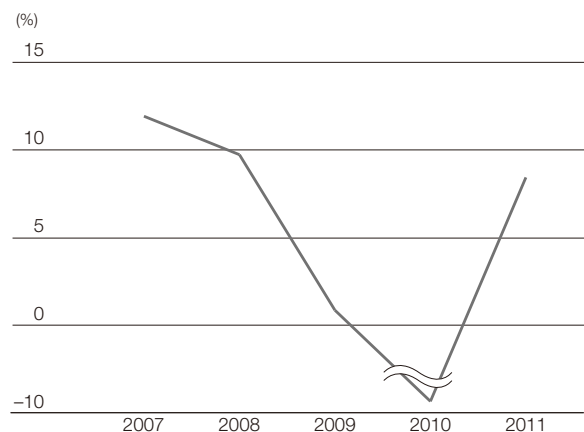
Assets, liabilities and net assets

• Assets

Current assets stood at ¥191,666 million as of March 31, 2011, an increase of ¥48,206 million compared with the previous fiscal year-end. Major components included cash and cash equivalents, which climbed by ¥30,837 million due mainly to the issuance of bonds totaling ¥20,000 million; trade accounts and notes receivable, which rose by ¥15,976 million on the back of the recovery in net sales; and inventories, which grew by ¥2,144 million.

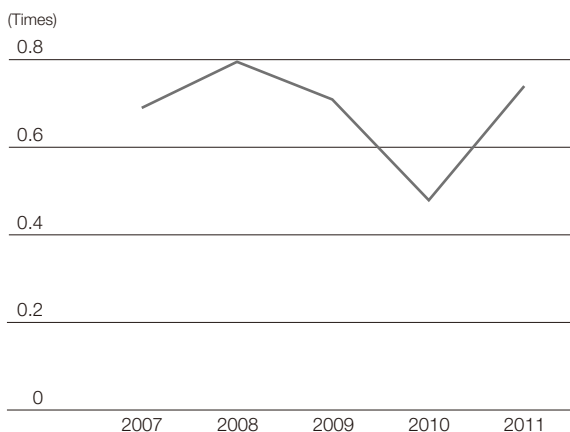
Non-current assets contracted by ¥4,812 million compared with the end of the previous fiscal year to ¥88,103 million. Despite undertaking capital investments of ¥7,691 million, depreciation expenses amounted to ¥8,652 million. Total property, plant and equipment also declined by ¥4,433 million. This was largely attributable to depreciation and the drop in the conversion amount of foreign subsidiary assets reflecting appreciation in the value of the yen at the end of the fiscal year.

Return on Equity (ROE)



Years ended March 31

Asset Turnover Ratio



Years ended March 31

Accounting for each of the aforementioned factors, total assets stood at ¥279,769 million as of March 31, 2011, up by ¥43,394 million compared with the end of the previous fiscal year.

• **Liabilities**

Current liabilities at the end of fiscal 2010 amounted to ¥51,962 million, increasing by ¥17,587 million year on year. Trade accounts and notes payable climbed by ¥7,516 million compared with the previous fiscal year-end reflecting the recovery in net sales. In addition, income taxes payable was ¥5,517 million higher than the balance recorded on March 31, 2010.

Long-term liabilities totaled ¥59,870 million as of March 31, 2011, an increase of ¥20,129 million compared with the previous fiscal year-end, owing mainly to the issuance of ¥20,000 million of bonds.

As a result, total liabilities amounted to ¥111,832 million, an upswing of ¥37,716 million year on year.

• **Net assets**

Net assets as of March 31, 2011 stood at ¥167,937 million, ¥5,678 million higher than the end of the previous fiscal year. The principal factors were the net income of ¥13,960 million for the period and the further decrease in foreign currency translation adjustments by ¥6,342 million compared with previous fiscal year-end as a result of appreciation in the value of the yen primarily against the US dollar and euro.

Cash flows

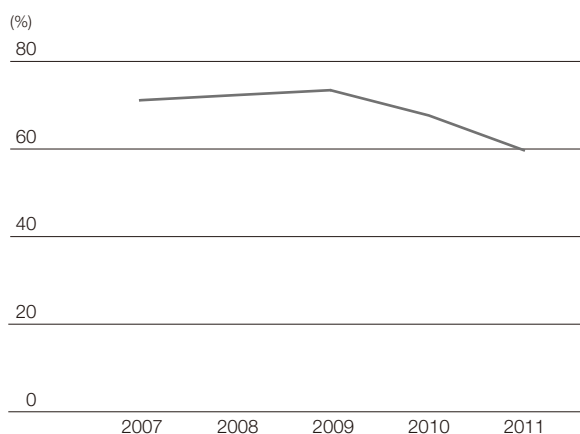
Net cash provided by operating activities amounted to ¥21,608 million compared with ¥4,402 million in the previous fiscal year. Major components of cash flow from operating activities were income before income taxes and minority interests of ¥21,613 million, depreciation and amortization of ¥8,901 million, increase in accounts and notes payable of ¥8,781 million, increase in accounts and notes receivable of ¥17,080 million, and increase in inventories of ¥3,417 million.

Net cash used in investing activities came to ¥6,300 million compared with ¥7,323 million in the previous fiscal year. The primary component was purchase of property, plant and equipment, and intangibles totaling ¥6,056 million.

Net cash provided by financing activities totaled ¥17,914 million compared with ¥7,932 million in the previous fiscal year. The principal cash inflow was proceeds from long-term debt of ¥20,000 reflecting the issuance of bonds. The major cash outflow was cash dividends totaling ¥2,001 million.

Accounting for each of the aforementioned activities, cash and cash equivalents as of March 31, 2011 stood at ¥100,104 million, an increase of ¥30,837 million compared with the previous fiscal year-end.

Equity Ratio



Years ended March 31

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 20, 2011. Any items relating to the future are based on the best judgment of THK Group management as of this date.

Dependence on linear motion systems

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

Effect of changes in production trends within specific industries

The THK Group manufactures and sells LM guides, ball screws and other machinery components as well as link balls, suspension ball joints and other transportation equipment components. The principal users of these products are companies that make industrial machinery and equipment including machine tools, general machinery and semiconductor production equipment as well as manufacturers of transportation equipment. While the THK Group is striving through "Full-Scale Globalization" and "Development of New Business Areas" to realize expansions in the user base in both regional and application terms, the performance of the THK Group is influenced by production trends within industrial sectors such as machine tool, general machinery, semiconductor production equipment, and other transportation equipment that form the core customer base.

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

Overseas business expansion

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

Exchange rate fluctuations

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

Reliance on specific sources of supply

The THK Group procures some raw materials and parts from external supply sources. In some cases the sources

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

Incidence of defective products

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

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

Sharp hikes in the prices of raw materials

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

CONSOLIDATED FINANCIAL STATEMENTS

THK CO., LTD. AND CONSOLIDATED SUBSIDIARIES

Consolidated Balance Sheets

as of March 31, 2010 and 2011

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2010	2011	2011
ASSETS			
Current Assets:			
Cash and cash equivalents (Note 5)	¥ 69,267	¥ 100,104	\$ 1,203,898
Receivables (Note 5):			
Trade accounts and notes receivable	37,554	53,761	646,555
—Unconsolidated subsidiaries and affiliates	2,912	2,681	32,246
Other receivables	2,443	991	11,912
—Unconsolidated subsidiaries and affiliates	187	813	9,774
	43,096	58,246	700,487
Less allowance for doubtful receivables	(243)	(185)	(2,223)
	42,853	58,061	698,264
Inventories (Note 8)	24,762	26,906	323,584
Short-term loans receivable—			
Unconsolidated subsidiaries and affiliates	2,000	2,000	24,053
Other	1	3	38
Deferred tax assets (Note 16)	3,507	3,030	36,438
Other current assets	1,070	1,562	18,787
Total current assets	143,460	191,666	2,305,062
Investments and Other:			
Long-term investments in securities (Notes 5 and 6)	2,027	2,107	25,337
Investments in unconsolidated subsidiaries and affiliates	3,199	3,146	37,840
Long-term loans receivable—			
Unconsolidated subsidiaries and affiliates	—	499	6,000
Other	256	271	3,255
Deferred tax assets (Note 16)	1,721	1,031	12,401
Other investments	4,606	4,546	54,672
Total investments and other	11,809	11,600	139,505
Property, Plant and Equipment (Notes 4 and 12):			
Buildings and structures	51,904	50,593	608,454
Machinery and equipment	135,128	134,610	1,618,880
	187,032	185,203	2,227,334
Less accumulated depreciation	(122,028)	(126,432)	(1,520,531)
	65,004	58,771	706,803
Land	12,978	12,892	155,052
Construction in progress	1,860	3,746	45,054
Total property, plant and equipment	79,842	75,409	906,909
Intangibles:			
Goodwill	140	118	1,414
Other	1,124	976	11,740
Total intangibles	1,264	1,094	13,154
Total assets	¥ 236,375	¥ 279,769	\$ 3,364,630

The accompanying notes are an integral part of these statements.

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2010	2011	2011
LIABILITIES AND NET ASSETS			
Current Liabilities:			
Payables (Note 5):			
Trade accounts and notes payable	¥ 23,642	¥ 30,270	\$ 364,039
—Unconsolidated subsidiaries and affiliates	585	1,473	17,723
Other payables	1,363	2,715	32,656
—Unconsolidated subsidiaries and affiliates	0	6	67
	25,590	34,464	414,485
Income taxes payable	291	5,808	69,855
Accrued bonuses to employees	1,836	2,758	33,174
Accrued bonuses to directors and corporate auditors	—	50	601
Other accrued expenses	5,905	7,355	88,449
Lease obligations	49	51	609
Other current liabilities	704	1,476	17,739
Total current liabilities	34,375	51,962	624,912
Long-term Liabilities:			
Long-term debt (Notes 5 and 9)	30,000	50,000	601,323
Reserve for employees' retirement benefits (Note 15)	4,796	4,964	59,699
Reserve for directors' and corporate auditors' retirement benefits	141	90	1,077
Reserve for product warranty	95	111	1,331
Long-term lease obligations	81	60	717
Deferred tax liabilities (Note 16)	3,690	3,711	44,627
Other liabilities	938	934	11,251
Total long-term liabilities	39,741	59,870	720,025
Net Assets:			
Common stock			
Authorized: 465,877,700 shares; Issued: 133,856,903 shares as of March 31, 2010 and 2011	34,606	34,606	416,191
Additional paid-in capital	44,343	44,343	533,286
Retained earnings	98,704	110,633	1,330,518
Treasury stock, at cost: 5,255,442 shares and 5,257,342 shares as of March 31, 2010 and 2011, respectively	(11,356)	(11,360)	(136,618)
Accumulated other comprehensive income:			
Net unrealized gain on other securities	543	591	7,102
Foreign currency translation adjustments	(5,739)	(12,081)	(145,291)
Total accumulated other comprehensive income	(5,196)	(11,490)	(138,189)
Minority interests	1,158	1,205	14,505
Total net assets	162,259	167,937	2,019,693
Contingent Liabilities (Note 11)			
Total liabilities and net assets	¥236,375	¥279,769	\$3,364,630

Consolidated Statements of Operations

for the years ended March 31, 2010 and 2011

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2010	2011	2011
Net Sales	¥115,330	¥190,662	\$2,292,987
Cost of Sales (Note 14)	92,141	136,219	1,638,236
Gross profit	23,189	54,443	654,751
Selling, General and Administrative Expenses (Notes 13 and 14)	32,698	32,599	392,044
Operating income (loss)	(9,509)	21,844	262,707
Non-Operating Income (Expenses):			
Interest and dividend income	220	251	3,019
Interest expenses	(489)	(583)	(7,008)
Foreign exchange gain (loss), net	3	(877)	(10,548)
Equity earnings of an affiliate	221	439	5,277
Rental income	275	273	3,287
Amortization of negative goodwill	324	—	—
Loss on sales and disposal of property, plant and equipment, net	(152)	(58)	(702)
Loss on write-down of long-term investments in securities	(203)	(43)	(519)
Lump-sum amortization of goodwill (Note 3.(f))	(5,404)	—	—
Refund of consumption taxes	79	182	2,188
Subsidies for employment adjustment	422	2	24
Lay-off costs	(371)	—	—
Subsidy income	—	125	1,504
Loss related to the Great East Japan Earthquake	—	(42)	(502)
Other, net	73	100	1,199
	(5,002)	(231)	(2,781)
Income (loss) before income taxes and minority interests	(14,511)	21,613	259,926
Income Taxes (Note 16)			
Current	360	6,372	76,629
Refunded	(380)	—	—
Deferred	(153)	1,082	13,017
Total income taxes	(173)	7,454	89,646
Income (loss) before minority interests	(14,338)	14,159	170,280
Minority Interests in Net Income (Loss)	(37)	199	2,396
Net income (loss)	¥ (14,301)	¥ 13,960	\$ 167,884

The accompanying notes are an integral part of these statements.

Consolidated Statement of Comprehensive Income

for the year ended March 31, 2011

	Millions of yen	Thousands of U.S. dollars (Note 2)
	2011	2011
Income before Minority Interests	¥14,159	\$170,280
Other Comprehensive Income (Loss):		
Net unrealized gain on other securities	50	607
Foreign currency translation adjustments	(6,283)	(75,560)
Share of other comprehensive income of an affiliate accounted under the equity method	(213)	(2,565)
Total other comprehensive loss	(6,446)	(77,518)
Comprehensive Income	7,713	92,762
Attributable to:		
Shareholders of THK Co., Ltd.	7,665	92,187
Minority interests	48	575

The accompanying notes are an integral part of these statements.

Consolidated Statements of Changes in Net Assets

for the years ended March 31, 2010 and 2011

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2010	2011	2011
Common Stock			
At beginning of year	¥ 34,606	¥ 34,606	\$ 416,191
At end of year	¥ 34,606	¥ 34,606	\$ 416,191
Additional Paid-In Capital			
At beginning of year	¥ 44,343	¥ 44,343	\$ 533,285
Gain from sale of treasury stock	—	0	1
At end of year	¥ 44,343	¥ 44,343	\$ 533,286
Retained Earnings			
At beginning of year	¥ 114,998	¥ 98,704	\$ 1,187,060
Net income (loss)	(14,301)	13,960	167,884
Cash dividends	(1,993)	(2,031)	(24,424)
Sale of treasury stock	—	(0)	(2)
At end of year	¥ 98,704	¥ 110,633	\$ 1,330,518
Treasury Stock, at cost			
At beginning of year	¥ (11,352)	¥ (11,356)	\$ (136,575)
Purchase of treasury stock	(4)	(4)	(47)
Sale of treasury stock	—	0	4
At end of year	¥ (11,356)	¥ (11,360)	\$ (136,618)
Other Comprehensive Income:			
Net Unrealized Gain on Other Securities			
At beginning of year	¥ 144	¥ 543	\$ 6,526
Net change in the year	399	48	576
At end of year	¥ 543	¥ 591	\$ 7,102
Foreign Currency Translation Adjustments			
At beginning of year	¥ (6,205)	¥ (5,739)	\$ (69,018)
Net change in the year	466	(6,342)	(76,273)
At end of year	¥ (5,739)	¥ (12,081)	\$ (145,291)
Total Other Comprehensive Income			
At beginning of year	¥ (6,061)	¥ (5,196)	\$ (62,492)
Net change in the year	865	(6,294)	(75,697)
At end of year	¥ (5,196)	¥ (11,490)	\$ (138,189)
Minority Interests			
At beginning of year	¥ 1,179	¥ 1,158	\$ 13,930
Net change in the year	(21)	47	575
At end of year	¥ 1,158	¥ 1,205	\$ 14,505
Total Net Assets at End of Year	¥ 162,259	¥ 167,937	\$ 2,019,693

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

Cash dividends in the year ended March 31, 2011 were as follows:

At the general shareholders' meeting held on June 19, 2010, cash dividends to shareholders of common stock in the aggregate amount of ¥965 million (\$11,600 thousand), or ¥7.5 (\$0.09) per share, were approved and commenced its payment on June 21, 2010.

At the board of directors' meeting held on November 12, 2010, cash dividends to shareholders of common stock in the aggregate amount of ¥1,029 million (\$12,373 thousand), or ¥8.0 (\$0.10) per share, were approved and commenced its payment on December 6, 2010.

The following appropriation of retained earnings of the Company, which has not been reflected in the accompanying consolidated financial statements for the year ended March 31, 2011, was approved at the shareholders' meeting held on June 18, 2011 and commenced its payment on June 20, 2011:

	Millions of yen	Thousands of U.S. dollars (Note 2)
Cash dividends, ¥8.0 (\$0.10) per share	¥1,029	\$12,373

The accompanying notes are an integral part of these statements.

Consolidated Statements of Cash Flows

for the years ended March 31, 2010 and 2011

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2010	2011	2011
Cash Flows from Operating Activities:			
Income (loss) before income taxes and minority interests	¥(14,511)	¥ 21,613	\$ 259,926
Adjustments:			
Depreciation and amortization	9,737	8,901	107,052
Amortization of goodwill and negative goodwill, net	2,401	23	274
Interest and dividend income	(220)	(251)	(3,019)
Interest expenses	489	583	7,008
Foreign exchange loss, net	10	513	6,167
Equity earnings of an affiliate	(221)	(439)	(5,277)
Loss on sales and disposal of property, plant and equipment, net	152	58	702
Loss on write-down of long-term investments in securities	203	43	519
Lump-sum amortization of goodwill	5,404	—	—
Loss related to the Great East Japan Earthquake	—	42	502
Changes in assets and liabilities:			
Increase in accounts and notes receivable	(3,490)	(17,080)	(205,409)
(Increase) decrease in inventories	2,700	(3,417)	(41,095)
Increase in accounts and notes payable	3,543	8,781	105,606
Increase in provisions	559	1,020	12,264
Other, net	(1,293)	807	9,720
Subtotal	5,463	21,197	254,940
Interest and dividend received	258	387	4,649
Interest paid	(467)	(530)	(6,377)
Income taxes refunded (paid)	(852)	574	6,899
Payment for loss related to the Great East Japan Earthquake	—	(20)	(239)
Net cash provided by operating activities	4,402	21,608	259,872
Cash Flows from Investing Activities:			
Purchase of property, plant and equipment, and intangibles	(7,230)	(6,056)	(72,834)
Proceeds from sales of property, plant and equipment	9	108	1,298
Increase in investments in securities, unconsolidated subsidiaries and affiliates	(156)	(16)	(190)
Increase in loans receivable	(6)	(558)	(6,707)
Collections on loans receivable	77	223	2,680
Other, net	(17)	(1)	(9)
Net cash used in investing activities	(7,323)	(6,300)	(75,762)
Cash Flows from Financing Activities:			
Proceeds from long-term debt	10,000	20,000	240,529
Cash dividends	(1,990)	(2,001)	(24,060)
Cash dividends to minority shareholders	(29)	(41)	(499)
Purchase of treasury stock	(4)	(4)	(47)
Proceeds from sale of treasury stock	—	0	5
Repayments of lease obligations	(45)	(40)	(487)
Net cash provided by financing activities	7,932	17,914	215,441
Foreign Currency Translation Adjustments on Cash and Cash Equivalents			
	126	(2,385)	(28,687)
Net Increase in Cash and Cash Equivalents	5,137	30,837	370,864
Cash and Cash Equivalents at Beginning of Year	64,130	69,267	833,034
Cash and Cash Equivalents at End of Year	¥ 69,267	¥100,104	\$1,203,898

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.

Effective from the fiscal year ended March 31, 2011, the Company applied Statement No. 25 “Accounting Standard for Presentation of Comprehensive Income” issued by the Accounting Standards Board of Japan (the “ASBJ”) on June 30, 2010. Information about comprehensive loss for the year ended March 31, 2010 is disclosed in Note 17.

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 ¥83.15 to U.S.\$ 1, the approximate rate of exchange prevailing in Tokyo on March 31, 2011, have been used for the translation of the accompanying consolidated financial statements as of and for the year ended March 31, 2011.

3. Summary of Significant Accounting Policies

(a) Consolidation

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

The Company had 34 (35 in 2010) subsidiaries as of March 31, 2011. The consolidated financial statements for the year ended March 31, 2011 include the accounts of the Company and 28 (29 for 2010) of its consolidated subsidiaries (collectively, “the Group”). The consolidated subsidiaries as of March 31, 2011 are listed below:

Name of consolidated subsidiary	Holding ratio of the Company (directly and indirectly)	Fiscal year end
THK Holdings of America, L.L.C. (U.S.A.)	100%	Dec. 31, 2010
THK America, Inc. (U.S.A.)	100	Dec. 31, 2010
THK Manufacturing of America, Inc. (U.S.A.)	100	Dec. 31, 2010
THK RHYTHM NORTH AMERICA CO., LTD. (U.S.A.) (formerly known as Rhythm North America Corporation)	100	Dec. 31, 2010
THK Europe B.V. (the Netherlands)	100	Dec. 31, 2010
THK GmbH (Germany)	100	Dec. 31, 2010
THK France S.A.S. (France)	100	Dec. 31, 2010
PGM Ballscrews Ireland Ltd. (Ireland)	98.97	Dec. 31, 2010
THK Manufacturing of Europe S.A.S. (France)	100	Dec. 31, 2010
THK TAIWAN CO., LTD. (Taiwan)	100	Dec. 31, 2010
Beldex KOREA Corporation (Korea)	100	Dec. 31, 2010
THK (CHINA) CO., LTD. (China)	100	Dec. 31, 2010
THK (SHANGHAI) CO., LTD. (China)	100	Dec. 31, 2010
DALIAN THK CO., LTD. (China)	70.00	Dec. 31, 2010
THK MANUFACTURING OF CHINA (WUXI) CO., LTD. (China)	100	Dec. 31, 2010
THK MANUFACTURING OF CHINA (LIAONING) CO., LTD. (China)	100	Dec. 31, 2010
THK LM SYSTEM Pte. Ltd. (Singapore)	100	Dec. 31, 2010
THK RHYTHM GUANGZHOU CO., LTD. (China) (formerly known as RHYTHM GUANGZHOU CORPORATION)	100	Dec. 31, 2010
THK RHYTHM (THAILAND) CO., LTD. (Thailand)	100	Dec. 31, 2010
THK INTECHS CO., LTD. (Japan)	100	Mar. 31, 2011
THK NIIGATA CO., LTD. (Japan)	100	Mar. 31, 2011
TALK SYSTEM Co., Ltd. (Japan)	99.00	Mar. 31, 2011
THK RHYTHM CO., LTD. (Japan) (formerly known as RHYTHM CORPORATION)	100	Mar. 31, 2011
THK RHYTHM KYUSHU CO., LTD. (Japan) (formerly known as Rhythm Kyusyu Co., Ltd.)	100	Mar. 31, 2011
Rhythm L Co., Ltd. (Japan)	100	Mar. 31, 2011
L Tool Co., Ltd. (Japan)	100	Mar. 31, 2011
L Trading Co., Ltd. (Japan)	100	Mar. 31, 2011
L Engineering Co., Ltd. (Japan)	100	Mar. 31, 2011

In September 2010, Beldex Corporation was liquidated and excluded from the scope of consolidation. Profit and loss account and its cash flows until the liquidation date have been consolidated.

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) recording the prior years' effects of changes in accounting policies in the income statement where retrospective adjustments to financial statements have been incorporated; and 6) exclusion of minority interests from net income, if contained.

The Company had three (three in 2010) affiliates and six (six in 2010) unconsolidated subsidiaries as of March 31, 2011. 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, 2010 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.

In March 2008, the ASBJ issued ASBJ Statement No. 16, "Accounting Standard for Equity Method of Accounting for Investments" and ASBJ Practical Issues Task Force No. 24, "Practical Solution on Unification of Accounting Policies Applied to Associates Accounted for Using the Equity Method". The Company adopted these accounting standards effective April 1, 2010. This accounting change did not have any effect on the consolidated financial statements.

(b) Translation of Foreign Currency Financial Statements

Assets and liabilities of foreign subsidiaries and affiliates 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 are stated at cost determined principally by the gross average method. If acquisition cost of an inventory exceeds its net selling value, the carrying amount of such inventory 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) other securities, which are not classified as either of the aforementioned securities, are reported at fair value, with unrealized gains and losses, net

of applicable taxes, reported as a separate component of net assets. If the fair value of other securities is not readily determinable, such investments are stated at cost.

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

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.

Prior to the year ended March 31, 2009, the useful lives of machineries were mainly 10 years. During the year ended March 31, 2010, the Group completed reviewing useful lives of machineries and updating accounting system. As a result, the useful lives on machineries have been changed to a range from nine years to 12 years. The effect of changing the useful lives of machineries was to increase operating loss and loss before income taxes and minority interests for the year ended March 31, 2010 by ¥481 million.

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

(f) Amortization

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

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

Goodwill represents the excess of costs of an acquisition over fair value of the underlying net equity of a business or a subsidiary and is being amortized by the straight-line method over an estimated period from five to 10 years.

Negative goodwill arising from business combinations undertaken prior to April 1, 2010 has been amortized using the straight-line method over five years.

Lump-sum amortization of goodwill in non-operating expenses is recognized in accordance with Article 32 in statement No. 7, "Guideline for Consolidation Procedures", issued by the Accounting System Committee at the Japanese Institute of Certified Public Accountants. The Company recognized ¥5,404 million as lump-sum amortization of goodwill for the year ended March 31, 2010 in relation to the goodwill of RHYTHM CORPORATION (subsequently renamed THK RHYTHM CO., LTD.), a consolidated subsidiary.

(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) Accrued Bonuses to Directors and Corporate Auditors

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

(j) Reserve for Employees' Retirement Benefits

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 five to 18 years.

(k) 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.

(l) 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.

(m) Lease

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

Under the previous accounting standard, finance leases that deemed to transfer ownership of the leased property to the lessee were to be capitalized, however, other finance leases were permitted to be accounted for as operating lease transactions if certain "as if capitalized" information was disclosed in the notes to the lessee's financial statements. The revised accounting standard requires that all finance lease transactions be capitalized recognizing lease assets and lease obligations in the balance sheet. In addition, the revised accounting standard permits leases which existed at the transition date and 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.

(n) Asset Retirement Obligations

Effective April 1, 2010, the Company adopted ASBJ Statement No. 18, "Accounting Standard for Asset Retirement Obligations" and ASBJ Guidance No. 21, "Guidance on Accounting Standard for Asset Retirement Obligations". The accounting standard requires legal obligations associated with the retirement of long-lived assets to 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 should 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. This accounting change did not have any effect on the consolidated financial statements.

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 consolidated financial statements.

(o) 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 statement of operations to the extent that they are not hedged by forward foreign currency exchange contracts.

(p) Consumption Tax

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

(q) 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 operations. 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.

(r) 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.

(s) 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 or loss per share is computed by dividing net income or loss available to common shareholders by the weighted-average number of common shares outstanding for the period.

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

4. Impairment Losses

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

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

No impairment loss was recognized for the years ended March 31, 2010 and 2011.

5. 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 7 do not represent volume of underlying market risks of the derivative transactions.

Financial instruments whose fair value is readily determinable as of March 31, 2010 and 2011 are as follows:

	Millions of yen		
	2010		
	Carrying amount	Fair value	Difference
Assets:			
(1) Cash and cash equivalents	¥ 69,267	¥ 69,267	¥ —
(2) Trade accounts and notes receivable	40,466	40,466	—
(3) Long-term investments in securities	1,812	1,812	—
Total	¥111,545	¥111,545	¥ —
Liabilities:			
(4) Trade accounts and notes payable	¥ 24,227	¥ 24,227	¥ —
(5) Long-term debt—Bonds	10,000	10,121	121
(6) Long-term debt—Bank loans	20,000	20,000	—
Total	¥ 54,227	¥ 54,348	¥121
(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) Long-term investments in 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

	2011		
	Carrying amount	Fair value	Difference
Assets:			
(1) Cash and cash equivalents	\$1,203,898	\$1,203,898	\$ —
(2) Trade accounts and notes receivable	678,801	678,801	—
(3) Long-term investments in securities	23,122	23,122	—
Total	\$1,905,821	\$1,905,821	\$ —
Liabilities:			
(4) Trade accounts and notes payable	\$ 381,762	\$ 381,762	\$ —
(5) Long-term debt—Bonds	360,794	359,058	1,736
(6) Long-term debt—Bank loans	240,529	240,529	—
Total	\$ 983,085	\$ 981,349	\$1,736
(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 categorized by holding purposes 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 7.

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, 2010 and 2011 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	2011	2011
Long-term investments in securities	¥215	¥184	\$2,215

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

Maturity analysis for financial assets as of March 31, 2011 is as follows:

	Millions of yen	
	2011	
	Due within one year	Due after year
(1) Cash and cash equivalents	¥100,104	¥—
(2) Trade accounts and notes receivable	56,442	—
Total	¥156,546	¥—

	Thousands of U.S. dollars	
	2011	
	Due within one year	Due after year
(1) Cash and cash equivalents	\$1,203,898	\$—
(2) Trade accounts and notes receivable	678,801	—
Total	\$1,882,699	\$—

Maturities of long-term debts as of March 31, 2011 are disclosed in Note 9.

6. Investments in Securities

As of March 31, 2010 and 2011, other securities with available fair value were as follows:

	Millions of yen		
	2010		
	Cost	Fair value	Net unrealized gain (loss)
Fair value exceeds acquisition cost:			
Equity securities	¥843	¥1,718	¥875
Fair value does not exceed acquisition cost:			
Equity securities	111	94	(17)
Total	¥954	¥1,812	¥858

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

	Thousands of U.S. dollars		
	2011		
	Cost	Fair value	Net unrealized gain (loss)
Fair value exceeds acquisition cost:			
Equity securities	\$11,019	\$22,667	\$11,648
Fair value does not exceed acquisition cost:			
Equity securities	499	455	(44)
Total	\$11,518	\$23,122	\$11,604

As of March 31, 2010 and 2011, other securities whose fair value is not reliably determinable were as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	2011	2011
Other securities			
Unlisted equity securities	¥215	¥184	\$2,215

7. 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, 2010 and 2011 is as follows:

	Millions of yen		
	2010		
	Contract Amount		Fair value of derivative instruments
Within one year	Over one year		
Interest rate swaps (fixed rate payment, floating rate receipt)	¥—	¥20,000	¥(508)

	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		
	2011		
	Contract Amount		Fair value of derivative instruments
Within one year	Over one year		
Interest rate swaps (fixed rate payment, floating rate receipt)	\$—	\$240,529	\$(5,654)

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

8. Inventories

Inventories as of March 31, 2010 and 2011 comprised of the following:

	Millions of yen		Thousands of U.S. dollars
	2010	2011	2011
Merchandise and finished goods	¥ 9,674	¥ 9,781	\$117,630
Work in process	5,475	6,397	76,930
Raw materials and supplies	9,613	10,728	129,024
Total	¥24,762	¥26,906	\$323,584

9. Long-term Debt

Long-term debt as of March 31, 2010 and 2011 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2010	2011	2011
1.94% Unsecured syndicated loan payable to banks, due in 2014	¥20,000	¥20,000	\$240,529
1.35% Unsecured straight bonds due in 2014	10,000	10,000	120,265
0.461% Unsecured straight bonds due in 2015	—	7,000	84,185
0.715% Unsecured straight bonds due in 2017	—	13,000	156,344
	30,000	50,000	601,323
Less current portion	—	—	—
	¥30,000	¥50,000	\$601,323

Annual maturities of long-term debt as of March 31, 2011 are as follows:

Millions of yen						
2011						
	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
Bank loans	—	—	20,000	—	—	—
Total	¥—	¥—	¥20,000	¥10,000	¥7,000	¥13,000

Thousands of U.S. dollars						
2011						
	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	\$—	\$—	\$ —	\$120,265	\$84,185	\$156,344
Bank loans	—	—	240,529	—	—	—
Total	\$—	\$—	\$240,529	\$120,265	\$84,185	\$156,344

10. Committed Line of Credit

As of March 31, 2011, the Group had committed lines of credit amounting to ¥15,000 million (\$180,397 thousand). None of the committed lines of credit were used.

11. Contingent Liabilities

The Company guarantees trade accounts payable of NIPPON SLIDE CO., LTD., an unconsolidated subsidiary of the Company. The amount of guaranty as of March 31, 2011 was ¥151 million (\$1,820 thousand).

12. 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, 2010 and 2011 were as follows:

Millions of yen			
2010			
	Machinery and equipment	Other	Total
Acquisition costs	¥1,167	¥74	¥1,241
Accumulated depreciation	982	51	1,033
Net leased property	¥ 185	¥23	¥ 208

	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		
	2011		
	Machinery and equipment	Other	Total
Acquisition costs	\$4,779	\$675	\$5,454
Accumulated depreciation	3,638	575	4,213
Net leased property	\$1,141	\$100	\$1,241

Future minimum lease payments under finance leases as of March 31, 2010 and 2011 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	2011	2011
Due within one year	¥105	¥ 52	\$ 629
Due after one year	103	51	612
Total	¥208	¥103	\$1,241

Total lease payments under these leases were ¥216 million and ¥106 million (\$1,273 thousand) for the years ended March 31, 2010 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 operations, computed using the straight-line method, were ¥216 million and ¥106 million (\$1,273 thousand) for the years ended March 31, 2010 and 2011, respectively.

Obligations under non-cancelable operating leases as of March 31, 2010 and 2011 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	2011	2011
Due within one year	¥ 465	¥ 390	\$ 4,690
Due after one year	891	616	7,415
Total	¥1,356	¥1,006	\$12,105

13. Amortization of Goodwill

Amortization of goodwill included in selling, general and administrative expenses for the years ended March 31, 2010 and 2011 were ¥2,725 million and ¥23 million (\$274 thousand), 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, 2010 and 2011 were ¥3,940 million and ¥4,341 million (\$52,208 thousand), respectively.

15. Reserve for Employees' Retirement Benefits

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

Reserve for employees' retirement benefits as of March 31, 2010 and 2011 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2010	2011	2011
Projected benefit obligations	¥10,492	¥11,073	\$133,167
Fair value of plan assets	(4,395)	(4,830)	(58,091)
	6,097	6,243	75,076
Unrecognized actuarial differences	(1,301)	(1,279)	(15,377)
Reserve for employees' retirement benefits	¥ 4,796	¥ 4,964	\$ 59,699

Net periodic pension and severance costs for the years ended March, 2010 and 2011 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	2011	2011
Service cost	¥ 809	¥ 861	\$10,361
Interest cost	182	197	2,365
Expected return on plan assets	(51)	(61)	(737)
Recognized prior service cost	17	2	21
Recognized actuarial differences	247	228	2,743
Net periodic pension and severance costs	¥1,204	¥1,227	\$14,753

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

	2010	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

Prior service cost is recognized as incurred. Allocation of the projected benefits to service periods is based on the straight-line method.

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 40.7% for the years ended March 31, 2010 and 2011.

As of March 31, 2010 and 2011, significant components of deferred tax assets and liabilities were as follows:

	Millions of yen	Thousands of U.S. dollars
	2010	2011
Deferred tax assets:		
Valuation loss of investments in subsidiaries	¥ 6,342	¥ 6,093
Reserve for employees' retirement benefits	1,860	1,958
Loss on devaluation of inventories	1,038	1,115
Tax loss carried forward	3,928	1,375
Accrued bonuses to employees	735	1,086
Enterprise taxes	1	503
Unrealized gain on intercompany sales of property, plant and equipment	401	383
Retirement benefits payable to directors and corporate auditors	408	392
Impairment losses	357	346
Other	1,535	1,574
Total	16,605	14,825
Less: valuation allowance	(9,781)	(9,163)
Total deferred tax assets	6,824	5,662
Deferred tax liabilities:		
Unrealized gains of marketable equity securities	(2,270)	(2,326)
Unrealized gains on land revaluation	(1,422)	(1,422)
Depreciation	(725)	(696)
Insurance premium	(587)	(661)
Special depreciation reserve for tax purpose	(157)	(138)
Other	(126)	(68)
Total deferred tax liabilities	(5,287)	(5,311)
Net deferred tax assets	¥ 1,537	¥ 351
		\$ 4,216

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

	2011
Normal effective statutory tax rate	40.7%
Lower tax rates applicable to foreign subsidiaries	(3.5)
Exemption for research and development	(2.9)
Valuation allowance	(1.0)
Local tax rate adjustments	1.6
Other	(0.4)
Actual Effective tax rate	34.5%

Reconciliation between the normal effective statutory tax rates and the actual effective tax rates reflected in the accompanying consolidated statements of operations for the year ended March 31, 2010 is not presented because of the Group's net loss position.

17. Comprehensive Income

Total comprehensive loss for the year ended March 31, 2010 was as follows:

	Millions of yen
	2010
Comprehensive loss attributable to:	
Shareholders of THK Co., Ltd.	¥(13,435)
Minority interests	(21)
Total	¥(13,456)

Other comprehensive income for the year ended March 31, 2010 consisted of the following:

	Millions of yen
	2010
Other Comprehensive Income:	
Net unrealized gain on other securities	¥384
Foreign currency translation adjustments	325
Share of other comprehensive income in an affiliate accounted under the equity method	173
Total other comprehensive income	¥882

18. Per Share Information

Per share information as of and for the years ended March 31, 2010 and 2011 are as follows:

	Yen		U.S. dollars
	2010	2011	2011
Net income (loss) – basic	¥ (111.20)	¥ 108.55	\$ 1.31
Net assets	1,252.71	1,296.52	15.59

Diluted net income (loss) per share for the years ended March 31, 2010 and 2011 is not presented since the Company did not have any kind of securities with potential dilutive effect in the fiscal years.

19. Segment Information

Effective from the fiscal year ended March 31, 2011, segment information is presented according to the Group's management approach based on the ASBJ Statement No. 17 (Revised 2009), "Accounting Standard for Disclosures about Segments of an Enterprise and Related Information" and the ASBJ Guidance No. 20, "Guidance on Accounting Standard for Disclosures about Segments of an Enterprise and Related 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.

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

Reportable segments

	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 income (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
Investments to affiliates accounted under the equity method	1,869	—	—	—	—	1,869	—	1,869
Capital expenditures	3,751	948	167	2,959	256	8,081	(253)	7,828

	Thousands of U.S. dollars							
	2011							
	Japan	The Americas	Europe	China	Other	Total	Adjustments	Consolidated
Sales to customers	\$1,538,725	\$247,845	\$193,614	\$168,007	\$144,796	\$2,292,987	\$ —	\$2,292,987
Inter-segment	473,238	1,461	192	40,027	501	515,419	(515,419)	—
Total	2,011,963	249,306	193,806	208,034	145,297	2,808,406	(515,419)	2,292,987
Segment income (loss)	\$ 220,350	\$ 21,738	\$ (11,241)	\$ 29,664	\$ 6,566	\$ 267,077	\$ (4,370)	\$ 262,707
Assets	\$3,344,499	\$342,592	\$313,806	\$396,615	\$149,150	\$4,546,662	\$(1,182,032)	\$3,364,630
Other items								
Depreciation and amortization	\$ 70,481	\$ 10,312	\$ 7,033	\$ 18,469	\$ 757	\$ 107,052	\$ —	\$ 107,052
Amortization of goodwill	274	—	—	—	—	274	—	274
Investments to affiliates accounted under the equity method	22,481	—	—	—	—	22,481	—	22,481
Capital expenditures	45,113	11,406	2,008	35,585	3,077	97,189	(3,047)	94,142

Sales to customers, by business

	Millions of yen	Thousands of U.S. dollars
	2011	2011
Industrial Equipment-Related Business	¥152,398	\$1,832,810
Transportation Equipment-Related Business	38,264	460,177
Total	¥190,662	\$2,292,987

Sales to foreign customers, by customers' location

	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					
	2011					
	Japan	The Americas	Europe	China	Other	Total
Sales to foreign customers	\$1,410,760	\$250,295	\$193,707	\$158,987	\$279,238	\$2,292,987

If the segment information for the year ended March 31, 2010 were prepared using the new segmentation, such information would be as follows:

Reportable segments

	Millions of yen							
	2010							
	Japan	The Americas	Europe	China	Other	Total	Adjustments	Consolidated
Sales to customers	¥ 77,666	¥14,410	¥12,430	¥ 6,575	¥4,249	¥115,330	¥ —	¥115,330
Inter-segment	19,518	46	21	1,545	39	21,169	(21,169)	—
Total	97,184	14,456	12,451	8,120	4,288	136,499	(21,169)	115,330
Segment income (loss)	¥ (7,155)	¥ (367)	¥ (1,576)	¥ (545)	¥ 13	¥ (9,630)	¥ 121	¥ (9,509)
Assets	¥230,808	¥20,148	¥15,314	¥23,767	¥4,830	¥294,867	¥(58,492)	¥236,375
Other items								
Depreciation and amortization	¥ 6,436	¥ 983	¥ 669	¥ 1,600	¥ 49	¥ 9,737	¥ —	¥ 9,737
Amortization of goodwill	2,725	—	—	—	—	2,725	—	2,725
Investments to affiliates accounted under the equity method	1,921	—	—	—	—	1,921	—	1,921
Capital expenditures	3,774	203	324	187	81	4,569	(122)	4,447

Sales to customers, by business

	Millions of yen
	2010
Industrial Equipment-Related Business	¥ 84,726
Transportation Equipment-Related Business	30,604
Total	¥115,330

Sales to foreign customers, by customers' location

Millions of yen						
2010						
	Japan	The Americas	Europe	China	Other	Total
Sales to foreign customers	¥70,296	¥14,552	¥12,636	¥7,735	¥10,111	¥115,330

Segment information for the year ended March 31, 2010 under the previous segmentation are as follows:

1) Business Segment Information

The Group classifies its business into two segments, namely, (1) Industrial Equipment-Related Business and (2) Transportation Equipment-Related Business.

Major products in each business segment are as follows:

Industrial Equipment-Related Business — LM SYSTEM and other

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

Business segment information for the year ended March 31, 2010 is summarized as follows:

Millions of yen					
2010					
	Industrial Equipment-Related Business	Transportation Equipment-Related Business	Total	Eliminations and corporate	Consolidated
I. Net sales and operating income (loss)–					
Net sales:					
Customers	¥ 84,726	¥30,604	¥115,330	¥ —	¥115,330
Inter-segment	—	—	—	—	—
Total	84,726	30,604	115,330	—	115,330
Operating expenses	84,244	34,914	119,158	5,681	124,839
Operating income (loss)	¥ 482	¥ (4,310)	¥ (3,828)	¥ (5,681)	¥ (9,509)
II. Assets, depreciation and amortization, and capital expenditure–					
Assets	¥139,703	¥26,478	¥166,181	¥70,194	¥236,375
Depreciation and amortization	7,345	2,328	9,673	64	9,737
Capital expenditure	3,437	949	4,386	61	4,447

Operating expenses incurred mainly in administrative departments are included in “Eliminations and corporate” since they cannot be allocated into specific segments. The aggregate amounts of such operating expenses for the year ended March 31, 2010 were ¥5,681 million.

Corporate assets which cannot be allocated into specific segments are included in “Eliminations and corporate”. Such corporate assets primarily consist of term deposits, investment securities, deferred tax assets and land. As of March 31, 2010, the aggregate amount of such assets was ¥70,194 million.

The effect of changing the useful lives of machineries as discussed in Note 3 (e) was to increase operating income in Industrial Equipment-Related Business by ¥495 million and operating loss in Transportation Equipment-Related Business by ¥14 million, respectively.

2) Geographical Segment Information

Principal countries and jurisdictions in each segment are as follows:

“The Americas” mainly includes the United States.

“Europe” mainly includes Germany, the United Kingdom and the Netherlands.

“Asia and other” mainly includes China, Korea and Taiwan.

Geographical segment information for the year ended March 31, 2010 is summarized as follows:

	Millions of yen						
	2010						
	Japan	The Americas	Europe	Asia and other	Total	Eliminations and corporate	Consolidated
I. Net sales and operating income (loss)–							
Net sales:							
Customers	¥ 77,666	¥14,410	¥12,430	¥10,824	¥115,330	¥ —	¥115,330
Inter-segment	19,518	46	21	1,584	21,169	(21,169)	—
Total	97,184	14,456	12,451	12,408	136,499	(21,169)	115,330
Operating expenses	98,660	14,821	14,027	12,940	140,448	(15,609)	124,839
Operating income (loss)	¥ (1,476)	¥ (365)	¥ (1,576)	¥ (532)	¥ (3,949)	¥ (5,560)	¥ (9,509)
II. Assets	¥170,607	¥10,437	¥12,131	¥27,263	¥220,438	¥ 15,937	¥236,375

Operating expenses which cannot be allocated into specific segments mainly consist of expenses incurred in the administrative departments of the Company. The aggregate amounts of such operating expenses for the year ended March 31, 2010 were ¥5,681 million.

Corporate assets which cannot be allocated into specific segments are included in “Eliminations and corporate”. Such corporate assets primarily consist of term deposits, investment securities, deferred tax assets and land. As of March 31, 2010, the aggregate amount of such assets was ¥70,194 million.

The effect of changing the useful lives of machineries as discussed in Note 3 (e) was to decrease operating loss in Japan segment by ¥481 million for the year ended March 31, 2010.

(3) Sales to foreign customers

Sales to foreign customers for the year ended March 31, 2010 were summarized as follows:

	Millions of yen			
	2010			
	The Americas	Europe	Asia and other	Total
Sales to foreign customers	¥14,552	¥12,636	¥17,846	¥ 45,034
Consolidated net sales				¥115,330
Ratio to consolidated net sales	12.6%	11.0%	15.5%	39.0%

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, 2010 and 2011, and the related consolidated statements of operations, changes in net assets, and cash flows for the years then ended and consolidated statement of comprehensive income for the year ended March 31, 2011, all expressed in Japanese yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of THK Co., Ltd. and its subsidiaries as of March 31, 2010 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.

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

Grant Thornton Taiyo ASG

Tokyo, Japan
June 20, 2011

SUBSIDIARIES & AFFILIATE

As of March 31, 2011

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
Rhythm L Co., Ltd.	Transportation equipment-related business	Shizuoka, Japan	100.00
L Tool Co., Ltd.	Transportation equipment-related business	Shizuoka, Japan	100.00
L Trading Co., Ltd.	Transportation equipment-related business	Shizuoka, Japan	100.00
L Engineering Co., Ltd.	Transportation equipment-related business	Shizuoka, Japan	100.00
THK Holdings of America, L.L.C.	Holding company for THK Group operations in the Americas	Illinois, U.S.A.	100.00
THK America, Inc.	Sale of LM guides, ball screws, spherical joints	Illinois, U.S.A.	100.00
THK Manufacturing of America, Inc.	Manufacture of LM guides, spherical joints	Ohio, U.S.A.	100.00
THK RHYTHM NORTH AMERICA CO., LTD.	Transportation equipment-related business	Tennessee, U.S.A.	100.00
THK Europe B.V.	Holding company for THK Group operations in Europe	Amsterdam, Netherlands	100.00
THK GmbH	Sale of LM guides, ball screws, spherical joints	Ratingen, Germany	100.00
THK France S.A.S.	Sale of LM guides, ball screws, spherical joints	Champagne Au Mont d'or, France	100.00
THK Manufacturing of Europe S.A.S.	Manufacture of LM guides, ball screws, spherical joints	Ensisheim, France	100.00
PGM Ballscrews Ireland Ltd.*	Manufacture and sale of ball screws	Dublin, Ireland	98.97
THK TAIWAN CO., LTD.	Sale of LM guides, ball screws, spherical joints	Taipei, Taiwan	100.00
THK (CHINA) CO., LTD.	Management of THK Group operations in China	Dalian, China	100.00
THK (SHANGHAI) CO., LTD.	Sale of LM guides, ball screws, spherical joints	Shanghai, China	100.00
DALIAN THK CO., LTD.	Manufacture and sale of ball screws, actuators	Dalian, China	70.00
THK MANUFACTURING OF CHINA (WUXI) CO., LTD.	Manufacture of LM guides	Wuxi, China	100.00
THK MANUFACTURING OF CHINA (LIAONING) CO., LTD.	Manufacture of LM guides	Dalian, China	100.00
Beldex KOREA Corporation	Manufacture and sale of glass-type substrate processing equipment (used in FPD production processes) and optical machinery	Seoul, South Korea	100.00
THK LM SYSTEM Pte. Ltd.	Sale of LM guides, ball screws, spherical joints	Singapore	100.00
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
Affiliate			
SAMICK THK CO., LTD.	Manufacture and sale of LM guides	Daegu, South Korea	33.82

*PGM Ballscrews Ireland Ltd. changed its corporate name to THK Manufacturing of Ireland Ltd. in April 2011.

CORPORATE DATA

As of March 31, 2011

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	8,025 (consolidated); 3,332 (parent company)
Month of Ordinary General Meeting of Shareholders	June
Web Site URL	http://www.thk.com/
Independent Auditors	Grant Thornton Taiyo ASG

Stock Information

Common Stock:	
Authorized	465,877,700 shares
Issued	133,856,903 shares
Stock Exchange Listing	Tokyo Stock Exchange
Stock Transfer Agent	Mitsubishi UFJ Trust and Banking Corporation
Number of Shareholders	22,844

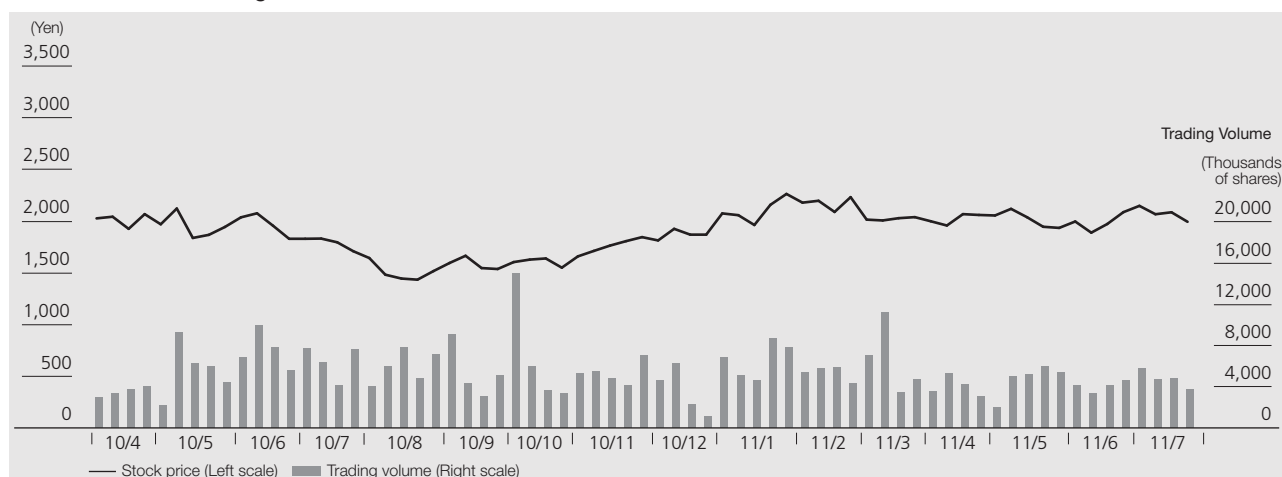
Major Shareholders

	Number of Issued Shares Held	Shareholding Ratio (%)
State Street Bank and Trust Company	13,570,520	10.13
Japan Trustee Services Bank, Ltd. (Trust Account)	7,789,600	5.81
Akihiro Teramachi	5,844,000	4.36
THK CO., LTD.	5,253,960	3.92
The Master Trust Bank of Japan, Ltd. (Trust Account)	5,100,100	3.81
The Chase Manhattan Bank NA London SL Omnibus Account	4,669,142	3.48
JPMorgan Chase Bank 385164	4,115,900	3.07
JPMorgan Chase Bank 385078	2,721,905	2.03
State Street Bank and Trust Company 505225	2,246,194	1.67
FTC CO., LTD.	2,074,000	1.54

Shareholder Composition

Shareholder Type	Number of Shareholders	Number of Issued Shares Held	Shareholding Ratio (%)
Government and Municipalities	1	14,000	0.01
Financial Institutions	62	30,762,342	22.98
Securities Companies	40	1,081,347	0.81
Other Corporations	313	4,497,140	3.36
Overseas Institutions	390	68,816,075	51.41
Individuals and Others	22,037	23,432,039	17.51
Treasury Stock	1	5,253,960	3.93

Stock Price and Trading Volume



THK CO., LTD.

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