Financial Section

Management's Discussion & Analysis

Analysis of Operating Results

Net Sales

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

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

Cost of Sales

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

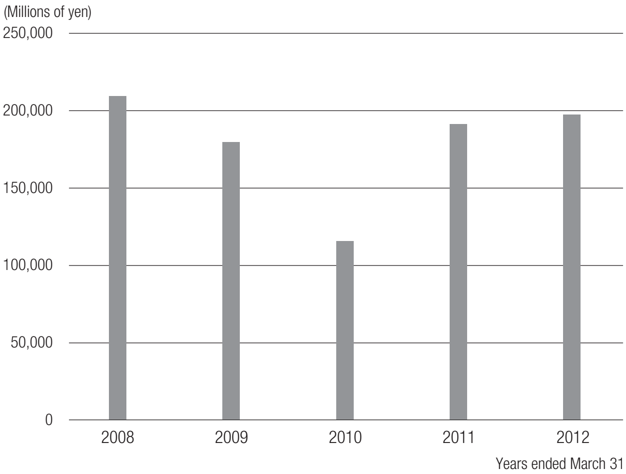
Selling, General and Administrative (SG&A) Expenses

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

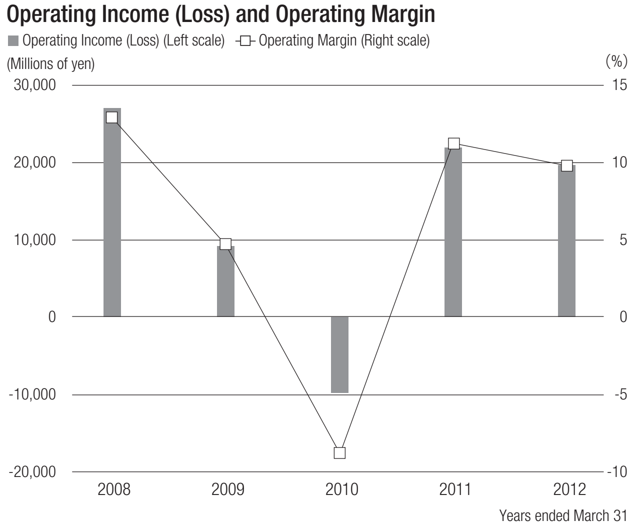
Operating Income

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

Net Sales



Operating Income (Loss) and Operating Margin



Non-Operating Income and Expenses

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

Net Income

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

Segment Information

Japan

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

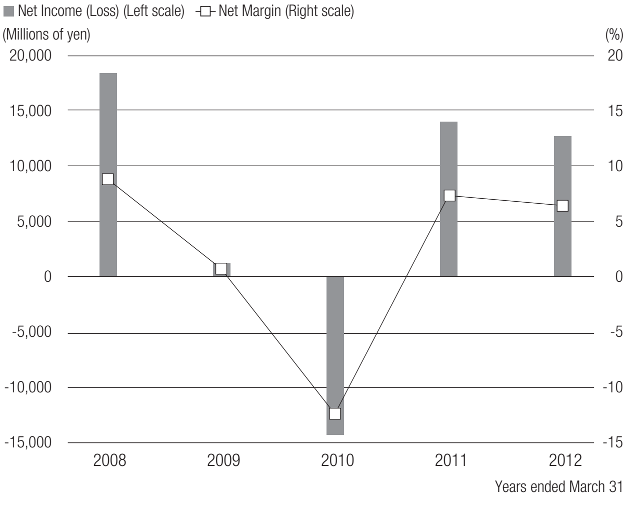
The Americas

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

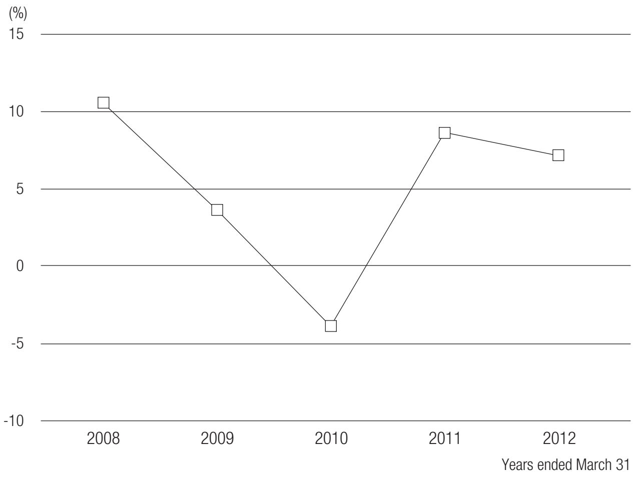
Europe

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

Net Income (Loss) and Net Margin



Return on Assets (ROA)



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

China

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

Other

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

Financial Position

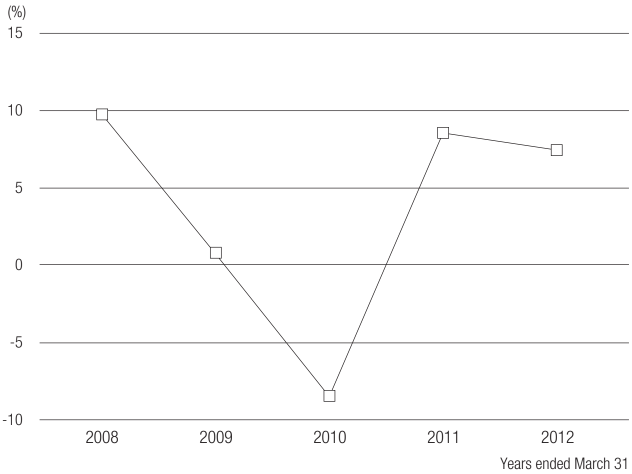
Assets, Liabilities and Net Assets

Assets

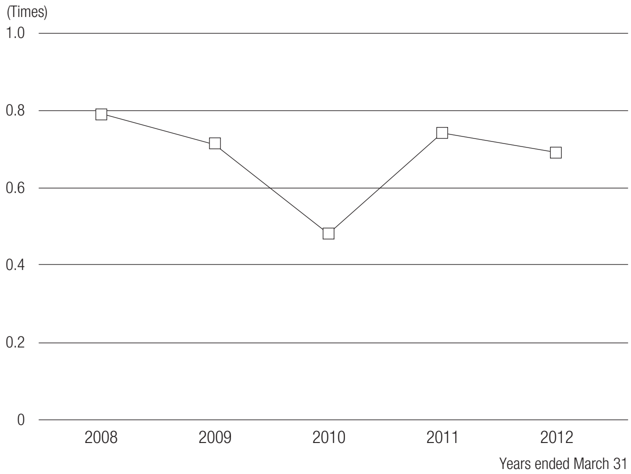
Total current assets stood at ¥198,652 million as of March 31, 2012, an increase of ¥6,986 million compared with the end of the previous fiscal year. Cash and cash equivalents climbed ¥10,684 million. This largely reflected the issuance of bonds totaling ¥10,000 million. Owing mainly to the drop in sales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

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

Return on Equity (ROE)



Asset Turnover Ratio



retirement benefit plans.

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

Liabilities

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

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

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

Net Assets

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

Cash Flows

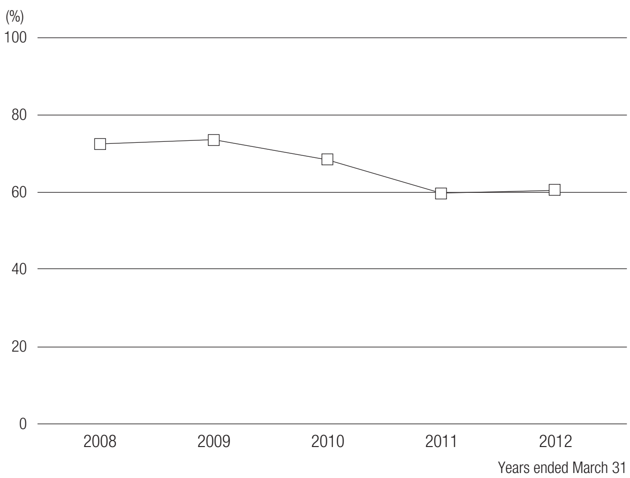
Net cash provided by operating activities came to ¥16,504 million, compared with ¥21,608 million in the previous fiscal year. Major cash inflows were income before income taxes and minority interests of ¥18,520 million, depreciation and amortization of ¥10,371 million and decrease in accounts and notes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

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

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

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

Equity Ratio



Risk Factors

Risk factors and uncertainties that could affect the THK Group's business results and financial position include, but are not limited to, the items outlined in the following discussion. Please note that information provided on this page was accurate as of June 18, 2012. Any items relating to the future are based on the best judgment of THK Group management as of this date.

Dependence on Linear Motion (LM) Systems

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

Effect of Changes in Production Trends within Specific Industries

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

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

Overseas Business Expansion

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

Exchange Rate Fluctuations

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

Reliance on Specific Sources of Supply

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

Incidence of Defective Products

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

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

Information Security

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

Disasters, Acts of Terrorism, Infectious Diseases and Other Maladies

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

Sharp Hikes in the Prices of Raw Materials

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

Consolidated Financial Statements

THK CO., LTD. and Consolidated Subsidiaries

Consolidated Balance Sheets

March 31, 2012 and 2011

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

The accompanying notes are an integral part of these statements.

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

Consolidated Statements of Income

Years ended March 31, 2012 and 2011

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

The accompanying notes are an integral part of these statements.

Consolidated Statements of Comprehensive Income

Years ended March 31, 2012 and 2011

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

The accompanying notes are an integral part of these statements.

Consolidated Statements of Changes in Net Assets

Years ended March 31, 2012 and 2011

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

The accompanying notes are an integral part of these statements.

Consolidated Statements of Cash Flows

Years ended March 31, 2012 and 2011

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

The accompanying notes are an integral part of these statements.

Notes to Consolidated Financial Statements

THK CO., LTD. and Consolidated Subsidiaries

1. Basis of Presenting Consolidated Financial Statements

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

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

2. United States Dollar Amounts

U.S. dollar amounts presented in the consolidated financial statements are included solely for the convenience of the readers. These translations should not be construed as presentations that the yen amounts actually represent or could be converted into U.S. dollars at that or any other rate. For this purpose, the rate of ¥82.14 to U.S.$ 1, the approximate rate of exchange prevailing in Tokyo on March 30, 2012, have been used for the translation of the accompanying consolidated financial statements as of March 31, 2012 and for the year then ended.

3. Summary of Significant Accounting Policies

(a) Consolidation

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

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

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

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

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

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

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

Under Japanese GAAP; (1) the accounting policies and procedures applied to a parent company and its subsidiaries for similar transactions and events under similar circumstances should in principle be unified for the preparation of the consolidated financial statements, (2) financial statements prepared by foreign subsidiaries in accordance with either International Financial Reporting Standards or the generally accepted accounting principles in the United States of America tentatively may be used for the consolidation process, (3) however, the following items should be adjusted in the consolidation process so that net income is accounted for in accordance with Japanese GAAP unless they are immaterial; 1) amortization of goodwill; 2) scheduled amortization of actuarial gain or loss of pensions that has been directly recorded in net assets; 3) expensing capitalized development costs of research and development; 4) cancellation of the fair value model accounting for property, plant, and equipment and investment properties and incorporation of the cost model accounting; 5) exclusion of minority interests from net income, if contained.

The Company had three affiliates and four (six in 2011) unconsolidated subsidiaries as of March 31, 2012. Under the control concept, companies over which the Company directly or indirectly has the ability to exercise significant influence are accounted for using the equity method. For the years ended March 31, 2012 and 2011, the Company has applied the equity method to investment in SAMICK THK CO., LTD. Investments in the remaining affiliates and unconsolidated subsidiaries are stated at cost. If the equity method had been applied to the investments in those companies, the effect on the consolidated financial statements would not have been significant.

(b) Translation of Foreign Currency Financial Statements

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

(c) Inventories

Inventories, except for work in process, are stated at cost determined principally by the gross average method. Until March 31, 2011, work in process was stated at cost determined by the gross average method, but effective April 1, 2011, the valuation method of work in process for ordered products was changed from the gross average method to the specific identified cost method since the costing method was changed from the process cost system by group to the job-order cost system by lot.

The effect of this change in the cost method was to decrease work in process as of March 31, 2012 by ¥246 million ($2,995 thousand) and to increase cost of sales and decrease operating income and income before income taxes and minority interests by ¥246 million ($2,995 thousand) for the year then ended.

If acquisition cost of an inventory exceeds its net selling value, the carrying amount of such inventory is written down to its net selling value and the difference is charged to income.

(d) Financial Instruments

Securities

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

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

Derivatives

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

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

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

(e) Property, Plant and Equipment

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

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

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

(f) Intangibles

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

(g) Allowance for Doubtful Receivables

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

(h) Accrued Bonuses to Employees

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

(i) Reserve for Employees' Retirement Benefits

Reserve for employees' retirement benefits represents the estimated present value of projected benefit obligations in excess of fair value of plan assets. Amortization of unrecognized actuarial differences is initiated from the following fiscal year on a straight-line basis over a period from 5 to 18 years. Past service costs are amortized on a straight-line basis over a period of 15 years within employees' average remaining service period.

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

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

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

(k) Reserve for Product Warranty

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

(l) Lease

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

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

The Company adopted this revised accounting standard as of April 1, 2008, applying the permission discussed above to leases which existed at the transition date and did not transfer ownership of the leased property to the lessee.

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

(m) Asset Retirement Obligations

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

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

(n) Foreign Currency Translation

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

(o) Consumption Taxes

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

(p) Income Taxes

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

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

(q) Cash and Cash Equivalents

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

(r) Per Share Information

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

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

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

(s) Accounting Changes and Error Corrections

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

4. Business Combinations

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

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

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

5. Inventories

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

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

6. Long-lived Assets

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

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

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

7. Investments in Securities

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

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

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

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

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

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

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

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

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

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

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

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

8. Long-term Debt

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

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

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

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

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

9. Reserve for Employees' Retirement Benefits

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

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

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

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

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

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

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

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

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

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

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

10. Committed Line of Credit

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

11. Contingent Liabilities

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

12. Notes Receivable and Payable

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

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

13. Net Assets

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

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

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

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

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

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

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

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

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

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

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

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

Year ended March 31, 2012

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

General shareholders' meeting held on June 18, 2011:

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

Board of Directors meeting held on November 11, 2011:

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

Year ended March 31, 2011

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

General shareholders' meeting held on June 19, 2010:

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

Board of Directors meeting held on November 12, 2010:

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

14. Amortization of Goodwill

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

15. Research and Development

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

16. Lease

The Group leases certain machinery, equipment, software, and other assets.

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

Pro forma information on an "as if capitalized" basis as of March 31, 2012 and 2011 were as follows:

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

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

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

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

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

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

The amounts of acquisition costs and future minimum lease payments under finance leases include the imputed interest expense. Depreciation expenses, which are not reflected in the accompanying consolidated statements of income, computed using the straight-line method, were ¥52 million ($628 thousand) and ¥106 million for the years ended March 31, 2012 and 2011, respectively.

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

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

17. Income Taxes

The Company and its domestic subsidiaries are subject to Japanese national and local income taxes which, in the aggregate, resulted in normal effective statutory tax rate of approximately 40.7% for the years ended March 31, 2012 and 2011.

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

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

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

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

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

18. Comprehensive Income

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

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

19. Per Share Information

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

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

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

20. Financial Instruments and Related Disclosures

(1) Policy for financial instruments

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

(2) Nature and risks of financial instruments

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

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

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

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

(3) Risk management

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

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

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

(4) Other information

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

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

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

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

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

Notes:

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

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

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

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

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

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

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

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

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

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

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

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

21. Derivatives and Hedging Activities

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

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

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

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

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

22. Segment Information

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

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

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

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

Change in the valuation method for work in process

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

Change in the depreciation method for property, plant and equipment

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

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

Reportable segments

Millions of yen

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

Millions of yen

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

Thousands of U.S. dollars

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

Sales to customers, by business

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

Sales to foreign customers, by customers' location

Millions of yen

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

Millions of yen

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

Thousands of U.S. dollars

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

23. Subsequent Events

Appropriation of retained earnings

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

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

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Report of Independent Auditors

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

We have audited the accompanying consolidated balance sheets of THK Co., Ltd. and its subsidiaries as of March 31, 2012 and 2011, and the related consolidated statements of income, comprehensive income, changes in net assets, and cash flows for the years then ended, and all expressed in Japanese yen.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of THK Co., Ltd. and its subsidiaries as of March 31, 2012 and 2011, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in Japan.

Emphasis of matter

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

Convenience translations

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

Grant Thornton Taiyo ASG

Tokyo, Japan
June 18, 2012