THK

Annual Report 2013

About THK

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

LM guides are a critical element in many types of machinery. By converting slippage into controlled rotary motion, they enable parts of machinery to move smoothly, easily and precisely in a straight line.

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

Looking ahead, we expect their use to expand into consumer product areas such as seismic isolation and damping systems, medical equipment, automotive parts and wind-power generation.

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Consolidated Performance Overview

Years ended March 31

	2003	2004	2005	2006	2007
Net Sales*	¥ 94,600	¥119,254	¥147,158	¥158,413	¥174,711
Japan	65,280	85,344	105,555	112,245	119,513
The Americas	10,775	10,436	12,888	14,108	16,650
Europe	10,780	12,739	15,340	16,199	19,345
Asia and Other	7,765	10,735	13,375	15,861	19,203
Gross Profit	27,953	41,322	53,607	57,922	65,142
Operating Income (Loss)	4,893	16,232	25,974	27,080	31,816
Income (Loss) before Income Taxes and Minority Interests	3,597	15,521	26,845	30,566	34,524
Net Income (Loss)	1,892	8,584	17,348	18,584	21,038
Total Assets	193,197	191,105	220,008	244,385	263,281
Net Assets (Note 2)	102,788	109,539	128,606	169,792	189,040

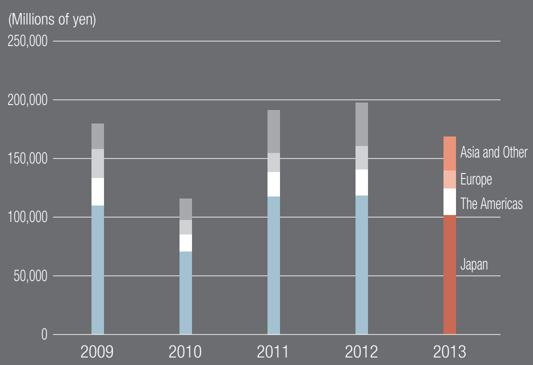
* Segments are based on where our customers are located.

Per Share					
Net Income (Loss) per Share—Basic	¥ 15.65	¥ 72.27	¥ 145.31	¥ 148.42	¥ 158.36
Net Income (Loss) per Share—Diluted	15.12	63.69	130.05	137.97	157.22
Book Value per Share (Note 3)	860.80	923.35	1,067.42	1,266.39	1,407.84
Cash Dividend per Share	15	15	18	25	33

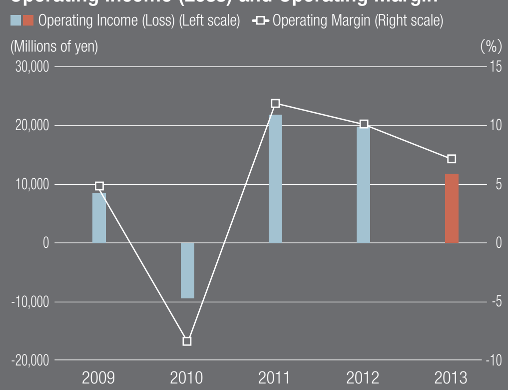
Overseas Sales Ratio (%)	31.0	28.4	28.3	29.1	31.6
Operating Margin (%)	5.2	13.6	17.7	17.1	18.2
Return on Equity (ROE) (%) (Note 3)	1.8	8.1	14.7	12.6	11.8
Return on Assets (ROA) (%) (Note 4)	2.7	8.5	12.8	11.8	12.8
Equity Ratio (%) (Note 3)	53.0	57.1	58.0	68.9	71.1
Asset Turnover Ratio (Times)	0.51	0.62	0.72	0.68	0.69

Notes: 1. U.S. dollar amounts represent translation of Japanese yen, for convenience only, at the rate of ¥93.99 = U.S.$1, the approximate rate of exchange prevailing in Tokyo on March 29, 2013.
2. Prior period figures have been reclassified to conform to the current year. Minority Interests is included in Net Assets.
3. Calculated on the basis of Net Assets less Minority Interests.
4. Operating Income (Loss) plus Interest and Dividend Income as a percentage of average Total Assets.

Net Sales



Operating Income (Loss) and Operating Margin



In fiscal 2012, ended March 31, 2013, net sales decreased 14.5% year on year, to ¥168.3 billion.

In Japan and Asia, demand mainly in the electronics-related fields was strong, driven by investments in such areas as smartphones and tablet computers at the beginning of the period. From the summer months, however, this demand fell substantially. In North America, amid robust trends in automobile production, product sales to the general machinery and transportation equipment sectors were firm. Meanwhile, signs of weakness began to emerge in such countries as Germany, which had to date served to drive the European economy forward. Against this backdrop, and harnessing the business structure that the Company has worked so diligently to strengthen, THK channeled considerable energies toward expanding sales. Despite these endeavors, revenues declined owing mainly to overall weak demand, with the exception of North America.

Operating income fell 40.8% year on year, to ¥11.6 billion.

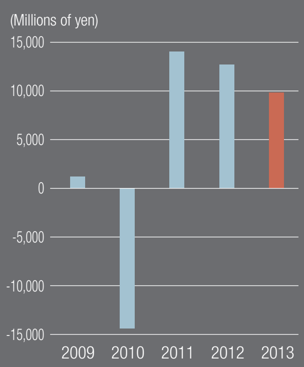
Operating income declined owing mainly to the substantial drop in net sales and the effects of fluctuations in foreign currency exchange rates. However, owing to various endeavors including the P25 Project—a cross-sectional initiative aimed at strengthening the Company's earnings base—THK was able to lower its break-even point. As a result, the depth of its operating income decline narrowed.

					Millions of yen	Thousands of U. S. dollars (Note 1)
2008	2009	2010	2011	2012	2013	2013
¥208,709	¥179,269	¥115,330	¥190,662	¥196,867	¥168,366	$1,791,321
136,322	109,566	70,296	117,305	117,900	101,444	1,079,302
26,000	23,266	14,552	20,812	22,279	22,527	239,679
25,237	24,916	12,636	16,107	19,979	15,194	161,660
21,150	21,521	17,846	36,438	36,709	29,201	310,680
68,053	48,341	23,189	54,443	53,976	44,299	471,314
26,938	8,523	(9,509)	21,844	19,746	11,693	124,405
26,701	6,284	(14,511)	21,613	18,520	14,737	156,796
18,323	1,204	(14,301)	13,960	12,642	9,809	104,357
264,229	240,351	236,375	279,769	288,333	293,146	3,118,905
192,953	177,713	162,259	167,937	175,517	189,058	2,011,471

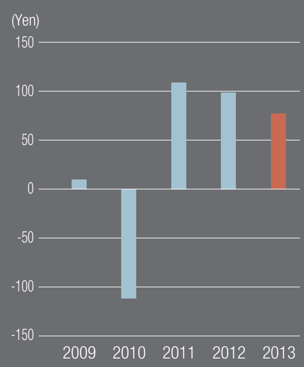
					Yen	U. S. dollars (Note 1)
¥ 139.53	¥ 9.36	¥ (111.20)	¥ 108.55	¥ 98.31	¥ 76.96	$ 0.82
138.74	—	—	—	—	—	—
1,484.78	1,372.69	1,252.71	1,296.52	1,352.00	1,479.41	15.74
36	20	15	16	20	18	0.19

34.7	38.9	39.0	38.5	40.1	39.7
12.9	4.8	(8.2)	11.5	10.0	6.9
9.7	0.7	(8.5)	8.5	7.4	5.4
10.5	3.6	(3.9)	8.6	7.1	4.2
72.3	73.4	68.2	59.6	60.3	63.9
0.79	0.71	0.48	0.74	0.69	0.58

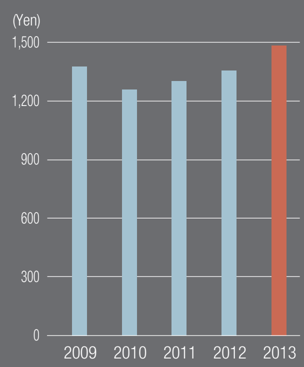
Net Income (Loss)



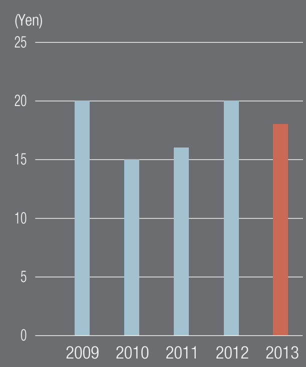
Net Income (Loss) per Share



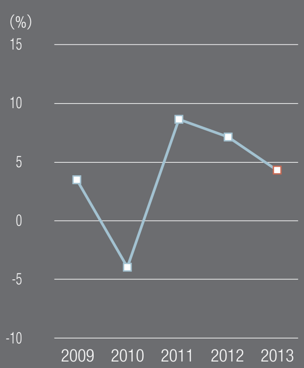
Book Value per Share



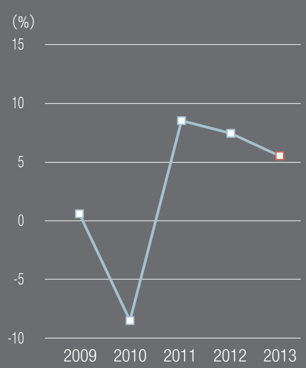
Cash Dividend per Share



Return on Assets (ROA)

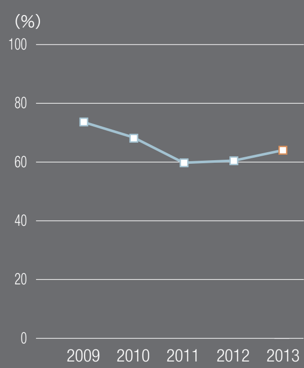


Return on Equity (ROE)



Asset Turnover Ratio

Equity Ratio



To Our Stakeholders

Akihiro Teramachi
President and CEO
THK CO., LTD.

Looking Back on Fiscal 2012

Upheavals carried over from fiscal 2011 served to make fiscal 2012, ended March 31, 2013, a turbulent year. At the start of the year, investment in smartphones and tablet computers drove strong demand, centered on electronics in Japan and Asia. In addition to a significant reduction in that demand from the summer onward, however, with the exception of the Americas, demand became sluggish due to such factors as the spread of economic instability across Europe. As a result, net sales for the fiscal year amounted to ¥168.3 billion, a decline of 14.5% compared with the previous fiscal year. From a profit perspective, operating income decreased 40.8%, to ¥11.6 billion, and net income was down 22.4%, to ¥9.8 billion, due to the marked decline in sales and exchange rate fluctuations.

Continuing to develop its business, the Company identified Full-Scale Globalization and the Development of New Business Areas as cornerstones of its growth strategy and efforts to expand its business domain. In fiscal 2012, we enterprisingly took steps to expand and upgrade our sales networks in developing countries, including China, where we continued Full-Scale Globalization, and enhanced our production capabilities. In the Development of New Business Areas, we placed even more focus on cultivating new markets, such as by working to vigorously expand sales on the appeal of the Company's effective seismic isolation and damping systems, where interest is increasing as a result of recent earthquakes. In addition to activities to expand these business areas, we vigorously promoted a range of improvement activities, including the cross-sectional P25 Project, which is designed to reinforce our earnings base, and endeavored to improve profitability.

As a result, despite a decrease in revenue from the previous fiscal year, we worked steadily to control the extent of our declining profit and were able to exceed each profit item in the revised plan announced in the third quarter. We see this as a positive as it has made it possible for us to upgrade to an earnings base that will steadily bring about improvements in performance in the upcoming demand recovery phase. At the same time, even though business fluctuations in fiscal 2012 were pronounced, we are very much aware that having ended the fiscal year with a revenue decline will present a challenge for the future.

Outlook for Fiscal 2013

With regard to the business environment in fiscal 2013, it is thought that the macro economy will remain stable over the short term and that there will be a gradual increase in capital investment. The outlook this time last year was for the business environment in fiscal 2013 to become even more demanding, but promising signs have been seen earlier than expected, beginning from summer 2012. Orders began to show an upward trend from the end of the year, and orders for January to March 2013 were on the rise in each overseas region compared with October to December 2012. Orders in Japan were slow, but showed an underlying improving trend. In addition, we will be able to enjoy the benefits of a progressively weakening exchange rate for the yen.

Under such circumstances, we are planning for ¥190.0 billion, an increase of 12.8% year on year, in the fiscal 2013 consolidated net sales announced in May 2013. Furthermore, we expect operating income to leap 71.0%, to ¥20.0 billion, due to further invigoration of activities, such as the P25 Project, designed to reinforce our earnings base.

Toward Further Growth

Although there will be business fluctuations in the short term, in the medium to long term there will be no change whatsoever in the recognition that there will be growing demand for the Company's products. For that reason, new growth drivers will emerge in an external environment that has changed radically in the aftermath of the Lehman crisis.

Amid economic growth that continues to be higher than that of developed countries, burgeoning demand for machinery is especially expected in developing countries. In addition, amid climbing personnel costs and rising demand for high-quality end products in China, there are prospects for development in factory automation (FA) and it is thought that there will be ongoing demand for the Company's products, which form indispensable components in FA. It is also expected that, in developed countries, there will be growing demand for our products in the consumer goods sector, against a backdrop of rising awareness of measures that can be taken to mitigate disasters and increasing electrification. To respond to these changes, we plan to accelerate more than ever Full-Scale Globalization and the Development of New Business Areas and to expand our business domain.

Growth Strategy: Full-Scale Globalization

With regard to Full-Scale Globalization, we are positioning China as our most important market amid accelerated deployment toward developing countries. Having rapidly increased the production value of machine tools, a major destination for the Company's products, China became the No. 1 country in the world in terms of production generally in 2009. On the other hand, you also hear concerns voiced about the future of the Chinese economy and the growth potential of machinery production there. The growth rate of the Chinese economy has certainly slowed of late, but it is thought to be moving from a period of high economic growth to one of stable growth against a backdrop of the government's view of a reduction in the economy's growth rate prospects. In Japan, however, it was in this period of stable growth that GDP grew substantially and demand for advanced machine tools increased while the shift to FA progressed. Looking ahead, there is no doubting the potential of the Chinese market amid expected similar trends in China.

In a Chinese market of this nature, the Company is enterprisingly expanding and upgrading its sales network to steadily capture demand; as of the end of March 2013, the Company's network comprised a total of 34 offices and bases. Amid expectations of FA development, we will strengthen our sales network and further cement our position in China to capture demand other than in the machine tools for which China is currently the main destination.

From the point of view of production, in addition to THK RHYTHM CHANGZHOU CO., LTD. commencing deliveries to customers in July 2012, the third plant at THK MANUFACTURING OF CHINA (WUXI) CO., LTD. was completed and came online in August 2012. Furthermore, there are plans to move DALIAN THK CO., LTD. to a site more than four times the size of its current location and to start operations at the new plant in December 2014. While monitoring demand trends, we will work to enhance our production capabilities.

Turning to development, a specialist R&D Center was completed. This center was brought online as our first overseas R&D division base in April 2012. While smoothly working in collaboration with the R&D Division in Japan, we are engaging in the development of products that address local needs.

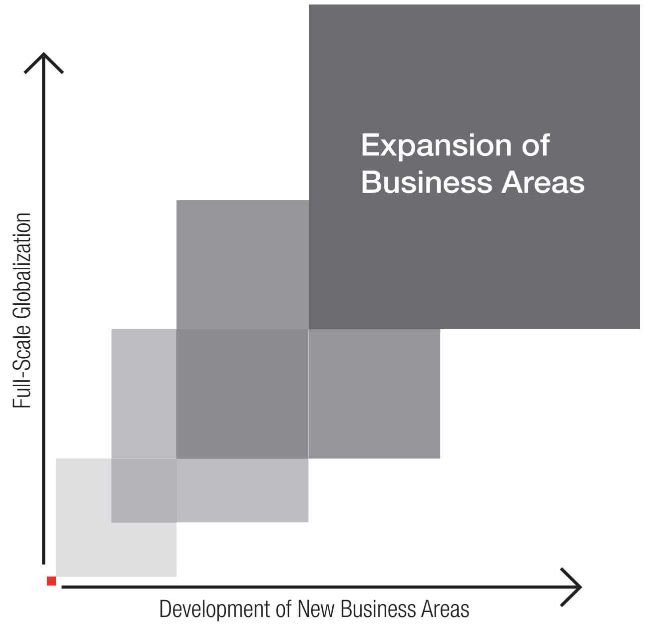
In addition to its activities in China, THK is accelerating the inroads it is making into other developing country markets. We established a local subsidiary in India in November 2012 and are planning to open around three sales and service bases in the next few years. Maintaining a keen eye on trends in demand for automotive parts and capital goods, THK will assess the most appropriate timing to set up production bases. In the ASEAN region, it is expected that set makers, including those for home electric appliances and automobiles, will be gaining ground in the years to come and that there will be a resultant increase in related demand. Here we will strengthen our sales system to develop sales and marketing activities that are in keeping with the characteristics of the region. In Mexico, we are planning for THK RHYTHM MEXICANA, S.A. DE C.V., where construction commenced in 2012, to start deliveries to customers from October 2013 to reinforce the supply system to North and South America. Beginning with the production of automotive parts, this facility will look toward manufacturing linear motion-related products.

Up to now, the Company has worked proactively on Full-Scale Globalization and has been expanding its production, sales and development bases. In addition to accelerating these developments in the years to come, the Company will realize true globalization that has been in collaboration in every respect—by having developed bases share information more closely with bases and connect organically—and produce even greater achievements.

Growth Strategy: Development of New Business Areas

At present, the Company's business remains susceptible to the production industry's highly variable capital investment trends. As such, I consider it to be of the utmost importance that we work to move away from a business cycle model to an autonomous growth model by working on moving into new areas that are close to consumer goods and creating new growth drivers. Under the Development of New Business Areas, we will conduct proposal activities to have our products, including linear motion systems, adopted as new mechanical components in new fields. Metaphorically, as those industries were themselves regarded as mature, in the Company's eyes, to still have new business fields holds the promise of expanding by 10 or even 100 in the years to come. In this way, while working on the Development of New Business Areas centered on our core products, I am confident that we can still expand the Company's business domain.

First the number of applications is growing steadily in the Future Automotive Industry (FAI) Division, the purpose of which is to expand the adoption of THK products in transportation-related fields. Here, at the same time as expanding existing business such as in stabilizer link balls, we are working to expand linear motion product applications in a variety of automotive mechanical components—such as next-generation steering, brakes, suspension and interiors—amid the changes that are being made to conventional mechanisms due to the development and proliferation of hybrid and electric vehicles. Going forward, we will accelerate product development and further enhance our customer approaches.



Amid increased awareness of the dangers that earthquakes present, we are increasing the number of applications for our products in the Amenity Creation Engineering (ACE) Division, which is engaged in the provision of seismic isolation and damping systems that help protect people's lives and possessions from the threat of earthquakes. Following the substantial upswing in interest in business continuity plans (BCPs), we are receiving a number of orders for seismic isolation platforms that provide earthquake protection for a company's valuable assets, such as servers and manufacturing equipment. Furthermore, in damping system-related products for buildings, we have launched onto the market the Inertial Rotary Damping Tube (iRDT), as a part of efforts to increase the number of buildings in which it is installed. Amid expectations that a major earthquake will strike at some time in the future, I firmly believe that THK products have an extremely important role to play. We are therefore taking proactive and ongoing sales and marketing steps to increase the number of applications for the Company's products. At

the same time, the Company is endeavoring to contribute to society by raising awareness of the importance of earthquake countermeasures by providing firsthand experience to as many people as possible through its proprietary Seismic Isolation Experience Car.

In the Innovation Mechatronics Technology (IMT) Division, we are working to expand our hybrid unit and equipment as well as electric actuator businesses. Looking ahead, the trend toward electric-powered equipment and devices is projected to expand across a variety of areas, from capital to consumer goods. This in turn is fueling expectations of an increase in demand for the Company's electric actuators. We have made steady progress in expanding and upgrading our products to capture demand, but I believe that the product types are still not sufficient. Going forward, we will work on expanding and upgrading the lineup to cover the full gamut, from low- to high-end products, in conjunction with expanding and upgrading the manufacturing systems for those products at our bases in South Korea and China as well as, naturally, in Japan.

In addition to the fields in which these three business divisions are engaged, we are expanding the applications for THK's products, including LM guides and ball screws, in a variety of fields. For example, we participated with Japan Aerospace Exploration Agency (JAXA) on the REX-J astronaut support robot (astrobot) technological experiment mission designed to ultimately support extravehicular activity (EVA) on the International Space Station. In this case, we were engaged in the development of a robotic hand fitted with a space environment-resistant actuator with small ball screws. Being developed as a range of elemental components in a robotics system for next-generation robots, our SEED (Smart End Effector Devices) Solutions won the outstanding performance awards in the component and software categories at the Fifth Robot Awards, organized by the Ministry of Economy, Trade and Industry and the Japan Machinery Federation and which recognize contributions to the creation of a robot market in Japan, high-potential robots and robot-related components.

Through these means, we are working to supply the advanced elemental components demanded in equipment in a wide range of fields. Amid proactive efforts in the Development of New Business Areas for the future, we are in the process of building our second and third earnings pillars.

Toward Enhanced Corporate Value

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 in further expanding THK's business domain by promoting Full-Scale Globalization and the Development of New Business Areas. Moving forward, THK will continue to steadfastly implement these two growth strategies, increase profitability, press strongly ahead with the cross-sectional P25 Project and build a robust and resilient business base for sustained growth under any external environment conditions. As a result, our growth milestones are the achievement of consolidated net sales of ¥300.0 billion, an operating margin of 20% and an ROA of 15%, as we make further enhancements in corporate value to meet the expectations of all our stakeholders, including shareholders.

I would like to take this opportunity to personally express my gratitude to all the parties concerned in eager anticipation of your ongoing support.

July 2013

Akihiro Teramachi

Akihiro Teramachi
President and CEO
THK CO., LTD.

Special Feature

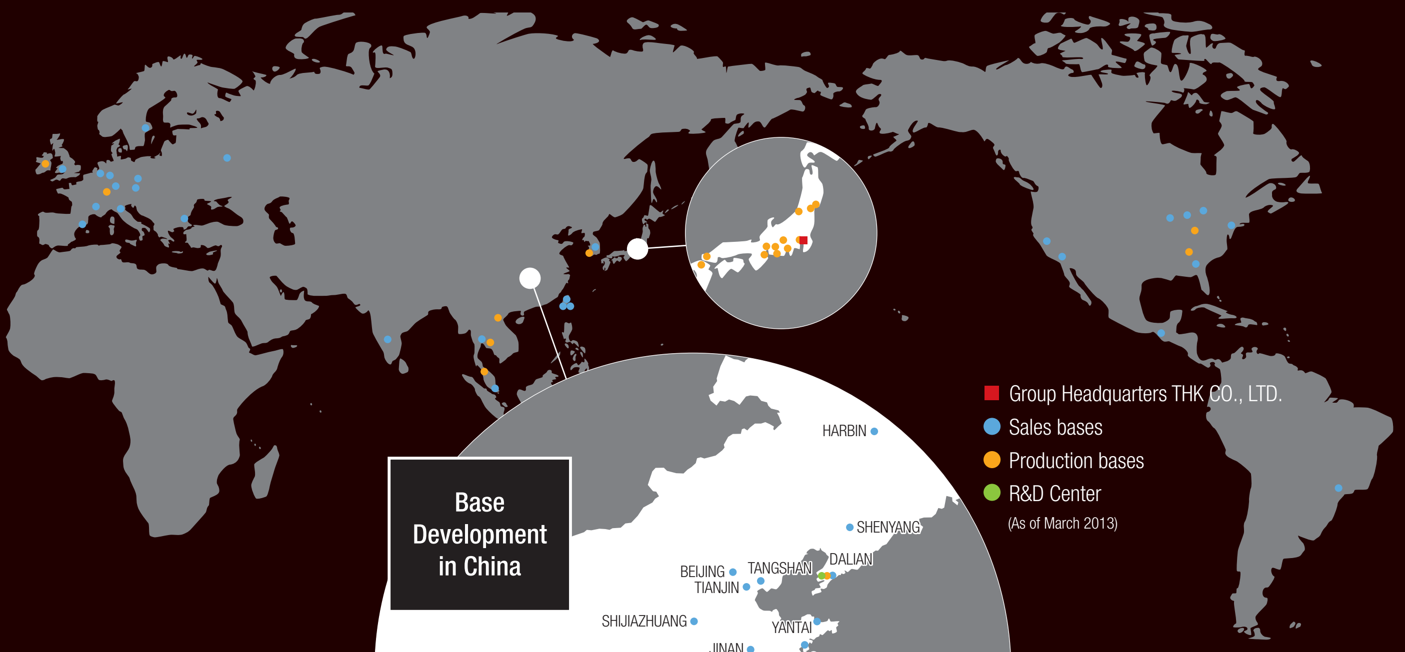
Accelerating Growth by "Full-Scale Globalization"

THK is working diligently to develop its business, and has set Full-Scale Globalization and the Development of New Business Areas as the pillars of its growth strategy in order to realize the vast potential of its products, including LM guides. As a part of its Full-Scale Globalization endeavors, the Company unifies its product and sales structure across the four countries and regions of Japan, the Americas, Europe and Asia. Working to promote the use of its products, THK is contributing to the growth and development of customers worldwide.

On a Full-Scale Globalization Trajectory

THK has been taking proactive steps to build integrated production and sales structures with facilities and operations closer to centers of demand to produce and sell locally in four areas: Japan, the Americas, Europe and Asia. As a result of the efforts made up to now, which have included the setting up of bases and business development in 25 countries, the overseas sales ratio totaled approximately 40% in fiscal 2012. The Company is steadily getting close to its present target of 50%.

As part of its development in each area, the Company has located sales and marketing bases across regions throughout Japan and maintains a production platform of 12 plants with the Yamaguchi Plant serving as a mother factory. THK also actively engages in research and development (R&D) activities through its Technology Center-based efforts to ensure the creation of innovative high-value-added products. In the Americas, the Company has centered its U.S. operations on THK America, Inc., responsible for sales and marketing, and THK Manufacturing of America, Inc., responsible for the production function, both of which are under the umbrella of THK Holdings of America, L.L.C., as well as THK RHYTHM NORTH AMERICA CO., LTD., which handles automotive parts. In Europe, THK Europe B.V., the regional operating company, oversees the sales and marketing arms, THK GmbH and THK France S.A.S. Production is carried out at THK Manufacturing of Europe S.A.S. and THK Manufacturing of Ireland Ltd. In rapidly growing Asia, in addition to upgrading and expanding the sales network in each country, the Company is actively implementing initiatives, such as building production structures in China, South Korea, Thailand, Vietnam and Malaysia.



Fiscal 2012 Overseas Sales Ratio

40%

2011

THK MANUFACTURING OF VIETNAM CO., LTD. (Vietnam) commenced operation

2012

R&D Center (China) commenced operation

2011

THK RHYTHM MALAYSIA Sdn. Bhd. (Malaysia) became a consolidated subsidiary

2012

THK RHYTHM CHANGZHOU CO., LTD. (China) commenced operation

2012

THK India Private Limited (India) established

Further Growth by Intensifying Full-Scale Globalization

Amid the vigorous efforts made in its advances in developing countries in recent years, THK has positioned China as a market of paramount importance. Having enjoyed the many benefits of developing business in China ahead of its competitors, the Company has been able to grow steadily. As of March 2013, THK maintained 34 sales offices and five production bases in China. In addition, having started operating an R&D Center in a dedicated building at its first overseas R&D base in April 2012, THK is accelerating product development that answers local needs.

THK is steadily accelerating expansion to capture demand that is also burgeoning in other developing countries. In November 2012, a local subsidiary was established in India, where THK is working to expand and upgrade its sales and support operations. In the ASEAN region, it is expected that set makers, including those for home electric appliances and automobiles, will be gaining ground in the years to come and that there will be a resultant increase in related demand. Here we will strengthen our sales system to develop sales and marketing activities that are in keeping with the characteristics of the region. In Central and South America, construction began on automotive components subsidiary THK RHYTHM MEXICANA, S.A. DE C.V. in Mexico in 2012 to strengthen the supply system to North and South America. Construction has now been completed and deliveries to customers are scheduled to commence in October 2013.

Picking up the pace of its Full-Scale Globalization, steadily capturing vast overseas demand including in developing countries, will lead THK to even further growth.

Special Feature

Accelerating Growth by "Development of New Business Areas"

THK has set the Development of New Business Areas as another growth strategy. Unlike the mature capital goods markets in developed countries, there is vast latent demand for THK products, including linear motion systems, in fields close to consumer goods.

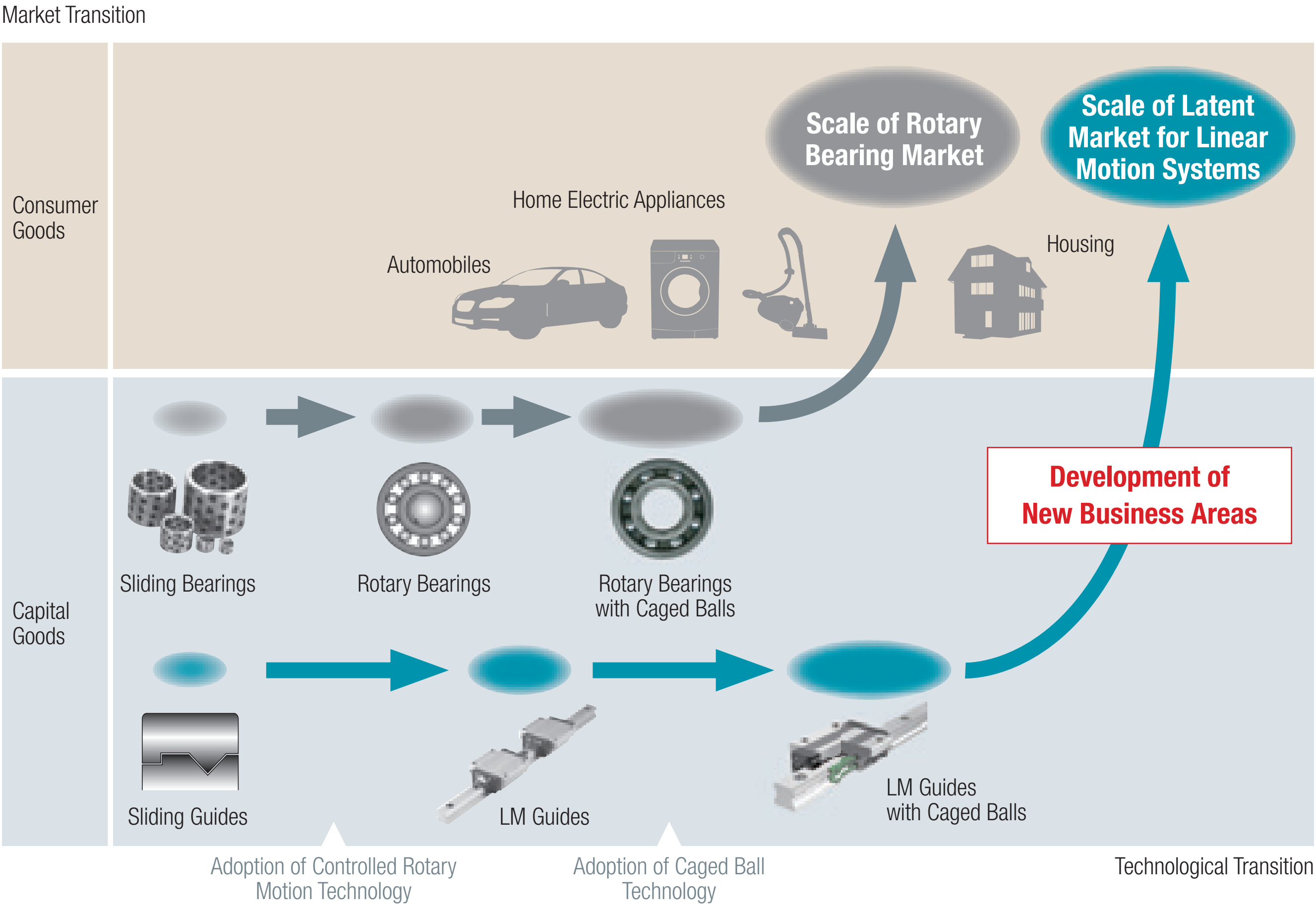
A machine's motion can be rolling, linear or a combination of both. Looking back at the history of rotary bearings, slippage was first converted into a rolling motion, which then gave way to caged rollers. Furthermore, the market has expanded to a point where global scale is measured in terms of several trillion yen amid progress from the industrial machinery field to such consumer product areas as automobiles. Turning to linear motion guide, we are seeing development take a similar path to that of rotary bearings. In addition to circulating rolling through the use of LM guides, further advances are emerging with the move to retainers. Recognizing that the operations of machines are made up of rotary and linear motions, and from the perspective of a similar technological transition to that of rotary bearings, it is thought that substantial demand exists for linear motion systems in the consumer products field. Opening up this demand is the Development of New Business Areas that THK has in mind.

This development will see the steady increase in the adoption of linear motion systems in a number of THK's business areas, focusing on the Future Automotive Industry (FAI) Division that is responsible for the area of transportation equipment, the Amenity Creation Engineering (ACE) Division that deals primarily with seismic isolation and damping systems that protect peoples' lives and assets from the threat posed by earthquakes and the Innovation Mechatronics Technology (IMT) Division that is targeting expansion of the electric actuator and unit product business.

Potential demand for linear motion systems is not limited to these business areas. At the present time, linear motion systems are being integrated into medical equipment such as CT scanners, into transportation equipment, such as aircraft and automobiles, into energy-related applications, such as wind and hydroelectric power generation, and into robot hands in support of extravehicular activity in space; linear motion systems are entering a growing number of fields.

Drawing on the linear motion system core technologies acquired up to now and its accumulated know-how, THK will accelerate the Development of New Business Areas.

Positioning of Development of New Business Areas

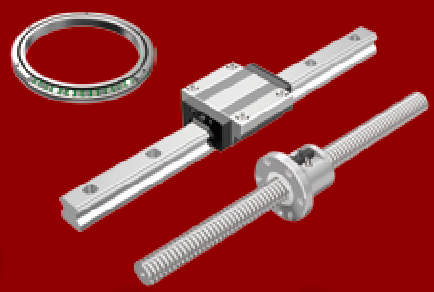


Developing Business in Expanding New Fields

Medical Equipment

Space

THK Core Technologies



Aircraft

Robots

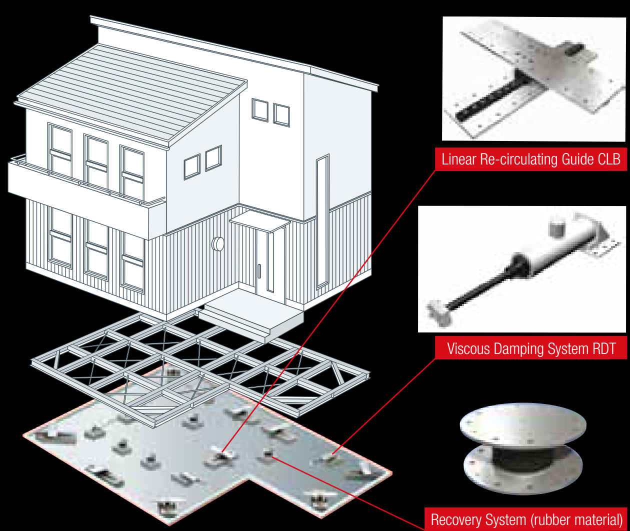
Automobiles

Energy

Examples of New Business Area Development

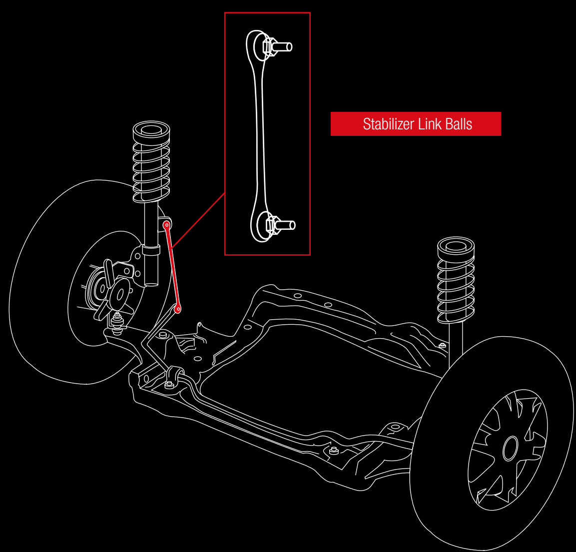
Housing

Alongside the development of seismic isolation and damping system to protect buildings from earthquake tremors, THK is working to expand the adoption of linear motion products in home automation-related devices.



Automobiles

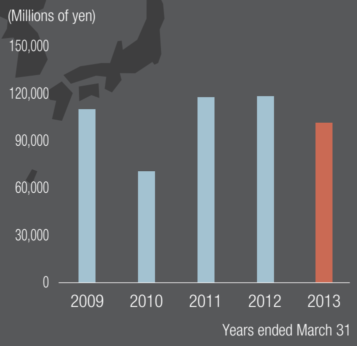
Besides stabilizer link balls for automotive use (see diagram below), THK is engaged in expanding the adoption of linear motion products in a wide range of automotive mechanical parts, including next-generation steering, brake and suspension systems and interiors.



Business Review

Japan

Net Sales



Geographic Business Review

FY2012 (Results)

Operating Conditions and Performance Overview

Sales in Japan decreased 14.0% in year-on-year terms, to ¥101.4 billion.

Against the backdrop of a downturn in the rate of overseas economic growth, the Japanese economy experienced a drop in export activity during the first half of the year. In the second half, conditions benefited from a pickup in personal consumption. Also, reconstruction demand spurred increases in housing investment and public spending, leading to a positive turnaround in the domestic economy. From the Company's perspective, activities were supported by a modest upswing in demand mainly in electronics-related markets, thanks largely to the impetus provided by investments in such areas as smartphones and tablet computers during the first half of the year. With this tailwind, THK placed considerable emphasis on aggressively promoting sales and cultivating new business opportunities. Despite these endeavors, revenue declined year on year owing primarily to a drop in electronics-related demand from the summer months.

Operating Activities

Sales

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

Production

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

General Overview

- During the fiscal year under review, THK took steps to increase the efficiency of fixed costs and lower the variable cost ratio by undertaking a variety of improvement measures including the P25 Project, which aims to strengthen the Company's earnings base. As one part of this move, the Company consolidated the administrative and accounting departments of its branches in the Chugoku, Shikoku and Kyushu regions as it worked to streamline operations and improve the quality of its customer service.

FY2013 (Plan)

Operating Activities

Sales

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

Production

- THK will continue to channel its energies toward further enhancing operating skills and boosting productivity. At the same time, the Company will heighten its focus on the shift to in-house production in order to boost its cost competitiveness.

General Overview

- Beginning with the P25 Project, the Company will ramp up its various improvement activities while redoubling its efforts to strengthen its earnings base.

Bases (As of March 31, 2013)

Japan	Sales offices	45
	Plants	12
	Distribution centers	3

Group Companies (As of March 31, 2013)

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

The Americas

FY2012 (Results)

Operating Conditions and Performance Overview

Regional sales edged up 1.1% in year-on-year terms, to ¥22.5 billion.

Automobile production was firm on the back of sound personal consumption. This positive trend contributed to an upswing in capital investment. Under these circumstances, the THK Group continued to pursue integrated production and sales in an effort to expand transactions with existing customers and to cultivate opportunities in new business fields. Despite a downturn in electronics-related demand, revenue in this region accordingly increased with sales climbing in each of the general machinery and transportation equipment fields.

Operating Activities

Sales

- With capital goods manufacturers shifting their production activities overseas, particularly to Asia, THK worked diligently to uncover opportunities in fresh fields—such as medical equipment, aircraft and energy-related areas—and to cultivate new markets, including Mexico and Canada.
- With demand trending to shift from supplying individual components toward hybrid units, THK continued to expand sales of hybrid unit products.

Production

- Taking into consideration fluctuations in foreign currency exchange rates as well as transportation costs, the Company took steps to further bolster its cost competitiveness by engaging in activities aimed at promoting local procurement and in-house production.

FY2013 (Plan)

Operating Activities

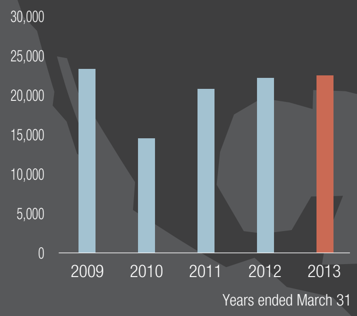
Sales

- In addition to uncovering opportunities with existing customers, the THK Group will aggressively engage in sales and marketing activities with the aim of cultivating business across a broad spectrum of areas, including the medical equipment, aircraft and energy-related fields.
- The Company will continue to cultivate new markets including Mexico and Canada.

Production

- THK will take full advantage of its position as the only company in its industry to maintain a production platform in North America. At the same time, the Company will expand its product lineup to match market needs.
- In addition to maintaining its focus on local procurement and in-house manufacturing, the Company will continue to work to enhance its cost competitiveness by improving its on-site operating expertise and productivity.
- Construction work on THK RHYTHM MEXICANA, which began in 2012, has now come to a close. Plans are in place to commence deliveries to customers from October 2013 as a part of efforts to bolster the Group's supply capabilities to North and South America.

Net Sales
(Millions of yen)



Bases (As of March 31, 2013)

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

Group Companies (As of March 31, 2013)

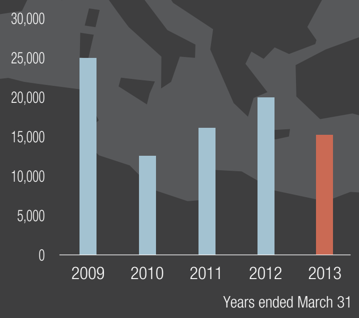
- THK Holdings of America, L.L.C.
- THK America, Inc.
- THK Manufacturing of America, Inc.
- THK RHYTHM NORTH AMERICA CO., LTD.
- THK RHYTHM MEXICANA, S.A. DE C.V.
- THK RHYTHM MEXICANA ENGINEERING, S.A. DE C.V.

Geographic Business Review

Europe

Net Sales

(Millions of yen)



Bases (As of March 31, 2013)

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

Group Companies (As of March 31, 2013)

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

FY2012 (Results)

Operating Conditions and Performance Overview

Regional sales decreased 23.9% in year-on-year terms, to ¥15.1 billion.

Amid a downturn in economic conditions impacted by the debt issues confronted by certain governments, export activity to Asia by machinery manufacturers, which had continued to drive demand, declined against the backdrop of a slowdown in the rate of economic growth in Asia. Under these circumstances, and buoyed by the integration of production and sales, the THK Group undertook aggressive sales and marketing activities aimed at expanding transactions with existing customers and cultivating business opportunities in new fields. Despite these endeavors, overall existing customer demand was weak. This difficult environment was exacerbated by the strong yen. As a result, regional sales declined compared with the previous fiscal year.

Operating Activities

Sales

- In addition to further cultivating existing customers in the machine tools and general machinery fields, the THK Group places particular weight on uncovering business opportunities in such areas as the medical equipment, aircraft and energy-related fields, which are projected to experience robust demand going forward.

Production

- In the fiscal year under review, the THK Group took steps to enhance operational skills as well as productivity. At the same time, the Group worked diligently to strengthen its cost competitiveness by reducing material cost and promoting the local procurement of component parts.

FY2013 (Plan)

Operating Activities

Sales

- In new areas such as medical equipment, aircraft and energy-related fields, which are projected to enjoy strong demand, THK will implement intensive sales activities. At the same time, the Company will showcase the competitive advantage and distinguishing features of its products by participating in trade fairs.
- The THK Group will reinforce its sales and marketing structure and systems by implementing training that is designed to improve sales and marketing skills.

Production

- Every effort will be made to continue enhancing the skills of staff and increasing productivity, while reducing material cost and promoting local procurement in order to lift cost competitiveness.
- The THK Group will work to strengthen its production structure and systems in a manner that contributes to acquiring orders and volume production in aircraft-related fields, which is forecast to experience robust demand.

FY2012 (Results)

Operating Conditions and Performance Overview

Sales in Asia and other regions decreased 20.5% in year-on-year terms, to ¥29.2 billion.

Amid a slump in the economies of such developing countries as China, the Company's activities were driven by investment activity in such fields as smartphones and tablet computers, with signs of a partial improvement in demand for compact machine tools began to emerge from spring. Against this backdrop, the THK Group engaged in aggressive sales and marketing activities taking full use of its previous ongoing efforts to bolster its sales network. Despite these endeavors, revenue declined owing mainly to a drop in demand for compact machine tools from the summer months.

Operating Activities

Sales

- In addition to strengthening its sales network in China, the THK Group began cultivating new customers in areas outside its mainstay machine tools field.
- In Taiwan, the THK Group stepped up sales of actuators, an area in which demand is projected to increase. At the same time, the Group continued to pursue ongoing steps to approach seismic isolation system, photovoltaic power generation, LED-related and other new fields.
- Targeting the ASEAN region, the THK Group looked to expand transactions with existing customers and to cultivate new customers in Singapore, Thailand and Malaysia. In addition, concerted efforts were made to open markets in new areas including Indonesia, Vietnam and the Philippines. Moreover, the THK Group established a local subsidiary in Bangalore in November 2012 with the aim of fostering new customers in India while upgrading and expanding its sales and marketing structure and systems.

Production

- In China, a third phase plant facility at THK MANUFACTURING OF CHINA (WUXI) CO., LTD. came online in August 2012. THK RHYTHM CHANGZHOU CO., LTD. commenced deliveries to customers in the transportation equipment-related field in July 2012.
- In addition to enhancing operational skills and productivity, the THK Group worked diligently to bolster its cost competitiveness by promoting the local procurement of component parts.

Other

- At the Group's first R&D division housed within its China engineering headquarters, operations commenced at a designated R&D Center building in April 2012. The Group worked diligently to develop products that match local needs.

FY2013 (Plan)

Operating Activities

Sales

- In China, demand is expected to grow as the trend toward factory automation (FA) continues to take hold. Under these circumstances, the THK Group will strive to upgrade and expand its sales network while continuing to foster new customers in areas outside its mainstay machine tools field.
- In Taiwan, the Group will focus on capturing the demand that is driven by the prolonged and underlying strength of investment in smartphones and tablet computers. At the same time, the THK Group will take steps to approach new fields in such areas as green energy and seismic isolation systems.
- In the ASEAN region, it is expected that set makers, including those for home electric appliances and automobiles, will be gaining ground in the years to come and that there will be a resultant increase in related demand. Here we will strengthen our sales system to develop sales and marketing activities that are in keeping with the characteristics of the region.

Production

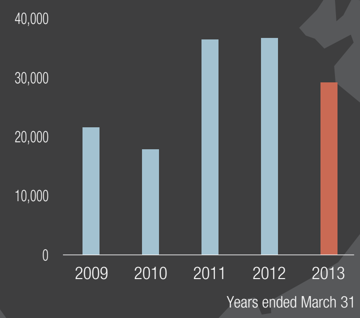
- THK will continue to strengthen its cost competitiveness through a variety of measures including further diversification of procurement. At the same time, the Company will continue to put in place a supply structure and systems that match customer needs.
- In China, the THK Group will actively introduce machinery equipment and facilities in order to address the growth in demand not only in China but also worldwide over the medium to long term.
- Furthermore, the Group currently has plans to relocate DALIAN THK CO., LTD. to a site that is more than four times the size of its current location. The new plant is scheduled to come online in December 2014.

Other

- The THK Group will continue to accelerate the pace of product development that reflects local needs at its R&D division in China.

Asia and Other

Net Sales
(Millions of yen)



Bases (As of March 31, 2013)

China	Sales offices	34
	Plants	5
	R&D Center	1
Taiwan	Sales offices	3
Singapore	Sales offices	1
India	Sales offices	1
Thailand	Sales offices	1
	Plants	1
South Korea	Sales offices	13
	Plants	3
Vietnam	Plants	1
Malaysia	Plants	1

Group Companies (As of March 31, 2013)

- 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.
- THK MANUFACTURING OF CHINA (CHANGZHOU) CO., LTD.
- THK RHYTHM GUANGZHOU CO., LTD.
- THK RHYTHM CHANGZHOU CO., LTD.
- THK TAIWAN CO., LTD.
- Beldex KOREA Corporation
- THK LM SYSTEM Pte. Ltd.
- THK RHYTHM (THAILAND) CO., LTD.
- THK MANUFACTURING OF VIETNAM CO., LTD.
- THK RHYTHM MALAYSIA Sdn. Bhd.
- THK India Private Limited
- SAMICK THK CO., LTD.

ACE Division

Broad Possibilities for THK's Seismic Isolation and Damping Technologies

ACE stands for Amenity Creation Engineering. Guided by the concept of "developing technology to realize creative living spaces for greater comfort," the ACE Division has sought to apply THK's original linear motion technology since its establishment in 2001. The division develops and markets seismic isolation and damping systems that protect human life and property from the threat of earthquakes. In addition, steps are being taken to promote increased use of the division's products and technologies in home automation-related devices.

THK's seismic isolation and damping systems leverage basic technologies, such as LM guides and ball screws, as well as a broad lineup of products, to protect a wide range of structures, from high-rise buildings and low-rise residences to historical structures such as temples and shrines. In this manner, the Company maintains a broad product lineup that is capable of providing considerable benefits to a variety of structures. Following the Great East Japan Earthquake that struck the nation on March 11, 2011, awareness toward the importance of business continuity plans (BCPs) has increased dramatically. This has in turn contributed to a sharp jump in demand for seismic isolation platforms to protect specific pieces of equipment and assets essential to business operations including servers and a variety of manufacturing equipment. The Company is working to further expand the use of its seismic isolation platforms.

In fiscal 2012, the Company was able to significantly increase the year-on-year number of cases where seismic isolation platforms to protect specific pieces of equipment had been adopted. In particular, an increase was secured in orders for the Seismic Isolation Module, Model TGS, which in addition to new damping capabilities offers improved freedom of connectivity, allowing a wider adoption range for such platforms compared with existing products. As a damping-related system for buildings, the Company launched the Inertial Rotary Damping Tube (iRDT), as a part of efforts to increase the number of buildings in which it is installed. In addition to controlling the degree of shaking of super high-rise buildings caused by prolonged ground motion, the iRDT system reduces costs by enabling the use of fewer installation units. The system is also expected to be in great demand in the years to come for its ability to be not only fitted to new buildings but also used for seismic retrofitting work carried out on existing buildings.

Expanding Product Lineup and Bolstering Sales and Marketing Activities

Amid increasing general awareness of the need to implement disaster-related contingency measures, THK expects demand for seismic isolation and damping systems to continue growing over the medium to long term. The ACE Division will continue to promote the considerable benefits of THK's seismic isolation and damping technologies to architectural firms and homebuilders and actively promote the use of its products in the construction of public offices and other buildings that are charged with the responsibility of providing a disaster headquarters function during periods of emergency in order to further diversify its customer base. Meanwhile, THK will upgrade and expand its lineup of seismic isolation platform systems. In addition to addressing increasingly diverse earthquake countermeasure needs, the Company will expand sales while promoting the appeal of its broad product applications. This includes the outstanding efficacy of its seismic isolation platform systems with regard to precision measuring equipment including detection equipment. Moreover, the division will work to promote more widespread product uptake by continuing to organize seminars for the benefit of the general consumer. These seminars will help explain the importance of installing seismic isolation and damping systems, along with the advantages offered by THK's technologies and products, and at the same time implement sales and promotional activities through effective use of the Seismic Isolation Experience Car initiative.

An example of residential seismic isolation application

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

FAI Division

Targeting Higher Earnings from Transportation Equipment Fields

FAI stands for Future Automotive Industry. THK set up the FAI Division in 1999 to expand usage of the Company's products as automotive parts. THK's link balls, which are the division's mainstay product, employ an integral molding process for the production of aluminum die-casts, making each link ball much lighter than their conventional steel equivalent. At the same time, the Company's link balls are highly resistant to corrosion and abrasion. This product is attracting keen interest from major automobile manufacturers in Japan and overseas as the demand for fuel-efficient automobiles continues to rise. In 2007, RHYTHM CORPORATION, an automotive parts manufacturer that boasts superior forging technologies, was included in THK's scope of consolidation as a subsidiary company. In the ensuing period, and with the addition of RHYTHM, the division has worked diligently to promote business development under an integrated format. In order to further strengthen this collaboration, steps were taken to change the name of RHYTHM to THK RHYTHM CO., LTD. in June 2010. The THK Group is targeting a global presence as an automotive parts supplier through the pursuit of synergies with THK RHYTHM to enhance the Group's ability to respond rapidly and precisely to changes in the global automotive market.

Toward Realizing Further Synergies with THK RHYTHM

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

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

In addition to these efforts, in fiscal 2012 deliveries to customers were commenced by THK RHYTHM CHANGZHOU CO., LTD., which had been set up in response to burgeoning demand in China. Established in Mexico to strengthen the product supply system to North and South America as well as in its local market, THK RHYTHM MEXICANA, S.A. DE C.V. will also start deliveries in fiscal 2013. In this way, the Company will work on a global scale to steadily increase the number of automobiles for which THK products have been adopted.

Looking further ahead, the FAI Division will accelerate efforts to realize synergies with the aim of promoting increased application of its products. At the same time, the division will also work to lift the take-up of the Company's core products including LM guides and actuators, as it strives toward improving profitability in transportation equipment fields.

An example of link ball application

IMT Division

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

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

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

Against the backdrop of this operating environment, the IMT Division is leveraging THK's original concepts and innovative technologies to further cultivate markets. As an initial step, the division will work to expand the application of electric actuators and unit products in industrial machinery. Recognizing the existence of wide-ranging latent demand in such community and general living environment areas as fitness and nursing care, the division will be sure to unlock this 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.

Strengthening Development, Production and Sales that Reinforce THK's Competitive Advantage

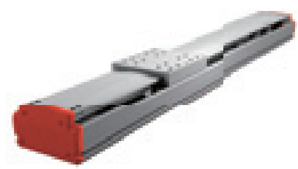
Electric actuators are made up of three elements: control equipment, a motor and a mechanical slider unit. The base technologies in the latter are LM guides and ball screws, which are THK's core products. A pioneer in LM guides and the manufacturer that leads the world in terms of the know-how accumulated in these products, THK has continued to supply products of the highest quality on the global market for many years. As the mechanical slider unit is made up of those same high-quality LM guides and ball screws, THK's electric actuators possess significant advantages in the market.

In fiscal 2012, we worked to expand and upgrade our lineup, which ranges from low- to high-end products, to broadly meet the needs of our extensive customer base. Having also assembled a range of peripheral control devices, we upgraded systems to enable linked sales, from controllers to actuators. In the years to come, we will work to enterprisingly expand their adoption, while making the features and advantages of THK's electric actuators even more attractive. We will also focus on electric actuator developments that will enable us to cater to the demands of the market, including the trend toward automation. In addition to naturally reinforcing our business systems in Japan, we will work on full-scale globalization in the Americas, Europe and Asia. Particularly in Asia, where market expansion is anticipated, we will vigorously work to build the foundations of a local production and sales system.


Economy series ES


Economy series EC


Compact series KR/SKR


Universal series US


Multi-Axis series MA2-S


Multi-Axis series MA2-U


Driver controller TLC/THC


Press series PCT


Clean series CSKR


Super FA series KT

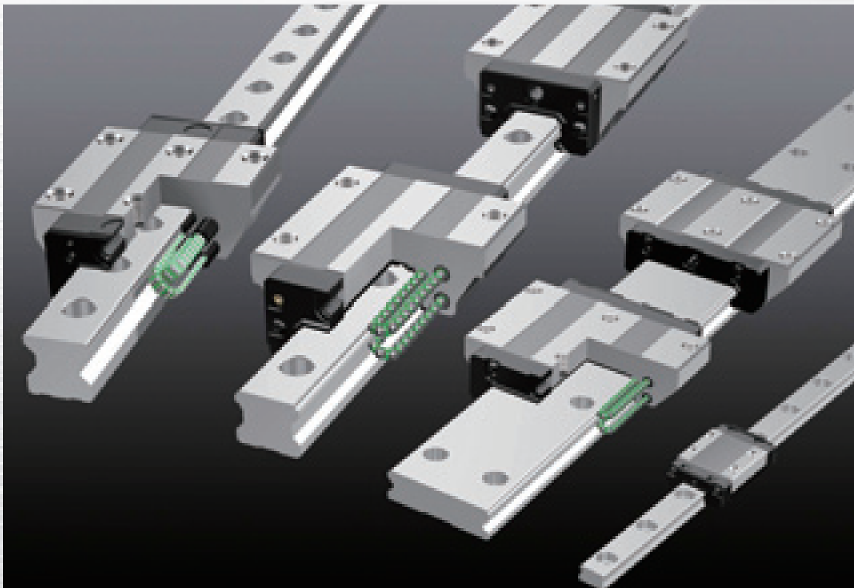

Linear motor series GLM

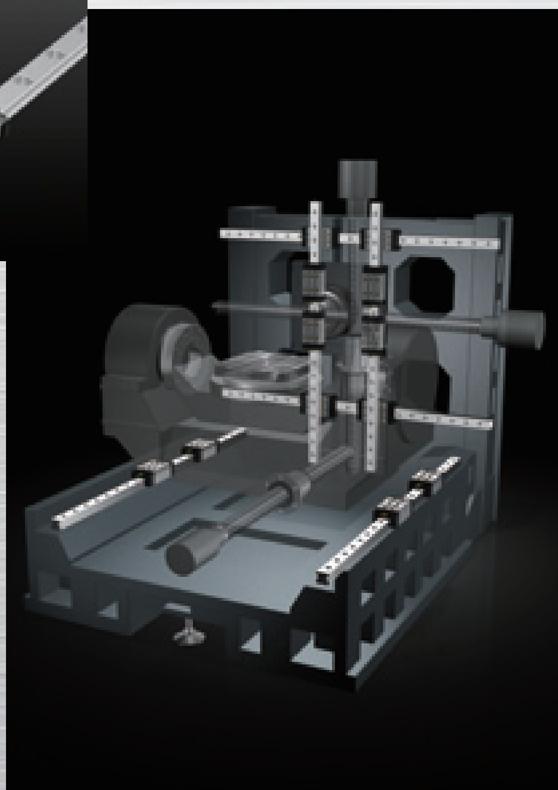
THK Products

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

LM Guides

LM guides are a critical element in many types of machinery. By converting slippage into a rolling motion, they enable parts of machinery to move smoothly, easily and precisely in a straight line. As a result, LM guides help to enhance the precision, rigidity and speed of a wide range of industrial machinery. In 1996, THK became the first company in the world to successfully develop the next generation of LM guides featuring caged ball technology. Later, in 2001, the Company introduced to the market LM guides with caged rollers. Since then we have striven to expand the usage of these improved LM guides. The ball cages are resin parts that keep the balls in place and guide them. This stops direct contact between the balls or rollers, eliminating noise and friction. Compared with first-generation LM guides, the use of caged ball technology achieves long service life, low noise and long-term maintenance-free operation. LM guides based on caged ball technology are now vital components of many types of equipment. They have provided major contributions to the machine tool, semiconductor production equipment and related sectors.

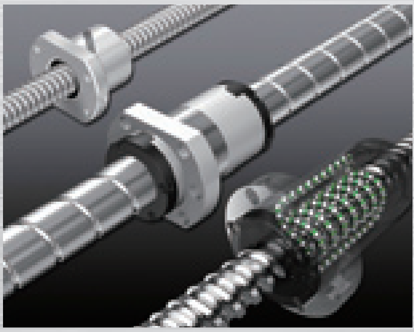




LM guide used in a machining center (a type of machine tool)

Ball Screws

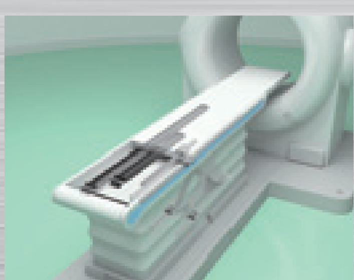
Ball screws are machinery parts that function by causing a large number of balls to circulate between the screw shaft and the nuts. This mechanism of action efficiently converts rotary motion into linear motion. THK has developed ball screws featuring caged ball technology, thus helping to realize longer life, lower noise and provide an extended maintenance-free period. As a result, these offerings are now an essential element in the machine tools, industrial robots, semiconductor production equipment and related sectors. Other ball screws supplied by THK are designed to support high loads, making them ideally suited for replacing the hydraulic cylinders used in capital equipment such as injection molding machines, presses and die-cast machines.



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

Actuators

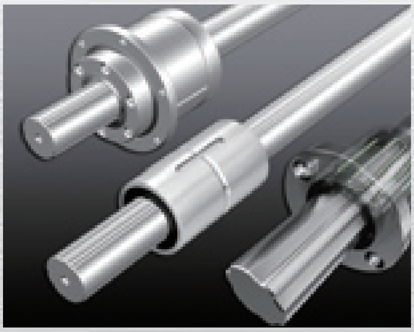
Actuators are hybrid products combining a guide component such as an LM guide with a ball screw, linear motor or other drive component. In industries such as electronics, there is an increasing need to shorten development and manufacturing lead-times. Modularization allows actuators to realize benefits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



Used in bathing assistance equipment

Cross Roller Rings

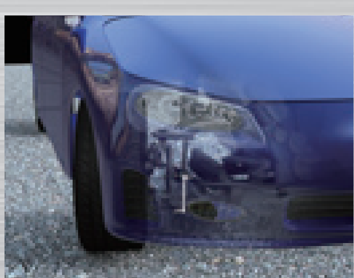
Cross roller rings are roller bearings that feature internal cylindrical rollers arranged orthogonally so as to facilitate load bearing in every direction. The incorporation of the spacer cages between these orthogonally arranged rollers prevents roller skew and reciprocal abrasion between the rollers.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

Usage in industrial robots

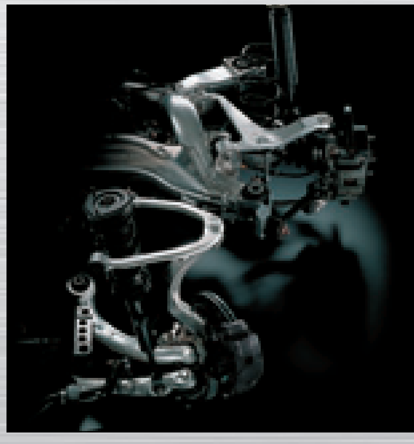
Link Balls, THK RHYTHM Products

A product that THK has manufactured along with LM guides since the time of the Company's foundation is the link ball, an automobile undercarriage component made from aluminum. Manufactured by a proprietary process, link balls are spherical joints in which a high-precision steel ball bearing forms the spherical surface. After molding a die-cast holder, the shank portions are specially welded. Using an integral molding process for the aluminum die-cast makes the link balls highly resistant to corrosion and wear due to abrasion. They are also considerably lighter than the steel parts traditionally used. Playing an important role in automobile safety and comfort, link balls have been adopted for a number of undercarriage mechanisms—such as the joint sections connecting stabilizers to the suspension and ground clearance sensors—by leading automakers in Japan, North America and Europe.

As adoption of link balls shifted into high gear, RHYTHM CORPORATION (now THK RHYTHM CO., LTD.), was included in THK's scope of consolidation as a subsidiary in 2007 and, as a company that was primarily involved in the manufacture of steel ball joints, developed business as an automotive parts manufacturer covering the full gamut of ball-joint products. THK RHYTHM manufactures and sells related products, such as steering, suspension, brake, engine and transmission components. In addition to its mainstay cold-forged ball joints, THK RHYTHM is currently expanding operations in the component field, with aluminum links that are integrated ball joints with aluminum suspension links. As critical automotive safety components, these products must meet the highest standards of quality and performance. Responding to market demands by offering guarantees of zero defects and zero delivery problems, THK RHYTHM is contributing to the production of safer, more comfortable automobiles.



Usage of link balls in automotive parts



Usage of THK RHYTHM products in automotive parts

Research and Development

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

THK Product Development as a Contributor to Industrial Development

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

THK developed the world's first linear motion (LM) guide. For the first 10 years after we started production and sale of these products in 1972, LM guides were primarily used in machine tools. During this period, we developed a series of new products to fulfill our customers' needs for increased precision and lower cost. In the 1990s, other industries—such as manufacturers of semiconductor production equipment and industrial robots—began to adopt THK products. We responded by developing various new products that were optimized for customer-specific applications and operating environments in these sectors.

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

A Global R&D System for the Next Generation

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

In April 2010, operations commenced at an R&D facility established within the head office of THK (CHINA) CO., LTD. in Dalian, Liaoning Province. This is the Group's first such overseas base. More recently, operations commenced at a new designated R&D Center in April 2012. This is helping to accelerate product development. Amid a Chinese market that continues to enjoy growth, the THK Group will develop products that address local needs in a timely manner by locating this R&D base at the point of demand.

Product Development in Fiscal 2012: Realizing the "cubic E" Concept

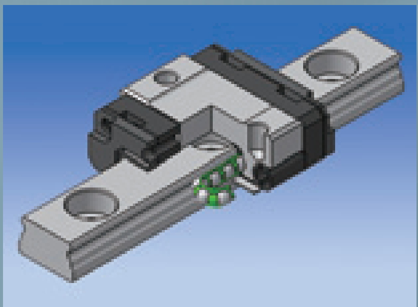
Leveraging creative ideas and the Group's unique technologies, the main theme of THK's current R&D activities is the "cubic E" concept, which embraces the three keywords "Ecological," "Economical" and "Endless." Based on this theme, we continued throughout fiscal 2012 to speed up development with the aim of extending the range of applications for our technologies while at the same time seeking to develop highly original and attractive products for launch 5–10 years in the future. Major achievement in fiscal 2012 included the development of products for a number of original applications. In the industrial machinery field, and again with an emphasis on mainstay LM guides and ball screws, we developed electric actuator-related new model products for use in areas where demand is projected to increase in line with the ongoing progress toward electric-powered living.

With regard to our endeavors in new business areas, the Group focused on further raising competitiveness particularly from the perspective of costs in the transportation equipment field. In this context, steps were taken to develop new crafting techniques, more compact and lightweight products as well as products for use in electric vehicles. In the seismic isolation and damping field, the Company developed the Inertial Rotary Damping Tube (iRDT), an effective damping system designed to counter prolonged ground motion in high-rise buildings. We also concentrated development efforts in a number of fields: renewable energy, including photovoltaic power generation; medical equipment; lifestyle-related fields, including housing; and consumer use as well as humanoid robots. As specific examples of these, we participated with Japan Aerospace Exploration Agency (JAXA) on the REX-J astronaut support robot (astrobot) technological experiment mission designed to ultimately support extravehicular activity (EVA) on the International Space Station. In this case, we were engaged in the development of a robotic hand fitted with a space environment-resistant actuator with small ball screws. Being developed as a range of elemental components in a robotics system for next-generation robots, our SEED (Smart End Effector Devices) Solutions won the outstanding performance awards in the component and software categories at the Fifth Robot Awards, organized by the Ministry of Economy, Trade and Industry and the Japan Machinery Federation and which recognize contributions to the creation of a robot market in Japan, high-potential robots and robot-related components.

Fiscal 2013 Policies and Initiatives

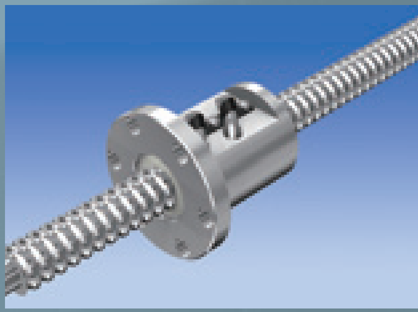
We plan to focus our efforts in fiscal 2013 on the efficient development of new products with the aim of expanding applications for THK technology further. Specifically, we will pursue themes such as customer convenience while promoting designs that incorporate the potential for enhanced productivity and quality. Moreover, by conducting in tandem basic and applied development activities, we will focus on developing products that can quickly generate commercial returns. Complementing these endeavors, and while strengthening our global development capabilities, the R&D base within THK CHINA will serve at the center of efforts to actively promote product development that addresses local market needs.

MAJOR NEW PRODUCTS DEVELOPED IN FISCAL 2012



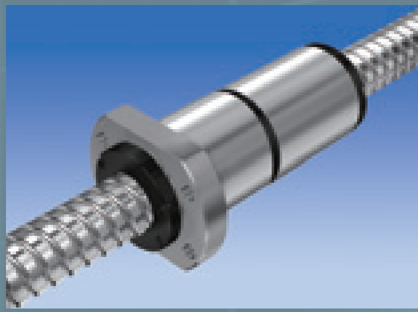
Miniature LM Guide: SRS-S/N

By expanding the block variations in miniature caged ball LM guides, we are now able to offer the caged ball structure across our complete miniature LM guide product lineup and thus meet a wide range of customer needs.



Precision Ball Screw: BIF-V

In our precision ball screw range, we developed the Model BIF-V. This product delivers superior performance due to such features as its low noise—achieved by the adoption of a new circulation system that picks up the ball in the tangential direction—its low torque variation and its high speed, which is around twice that of existing products.

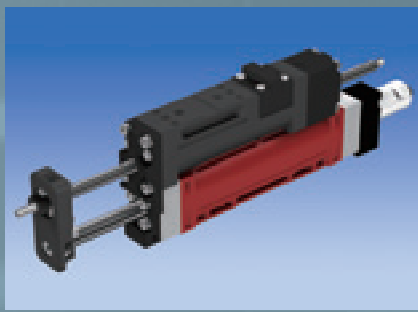


Caged Ball High-Speed Ball Screw: SBKN

This model's service life has been extended to around six times that of existing products by the adoption of a double-nut system. Besides enabling high-speed operation due to its tangential pickup system, the fitting of the caged ball structure has realized long-term maintenance-free use and low-noise, smooth operation.

LM Guide Actuators: SKR55/65

We added the 55 and 65 to our Model SKR range of LM guide actuators. By adding variations, we have effectively doubled lead length. The fitting of the caged ball structure has realized long-term maintenance-free use and low-noise, smooth operation.

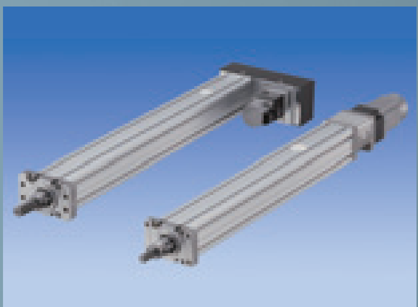


Multi-Motion Actuator: CCR

The Model CCR actuator facilitates independent linear and circular control. Its compact design with built-in encoder has realized device downsizing and high tact levels and also resulted in a product that has enabled the miniaturization of the pick-and-place unit and higher operating speeds of various devices.

Vibration Actuator: QBL

This handheld vibration actuator enables high-speed reciprocating motion. Specialized for vibration applications in magnetic circuits and bearing structures, the Model QBL's simple, easy-to-use configuration makes it the ideal product for all devices that utilize vibration.



Press Series: PCT

This is a cylinder-type electric actuator that uses ball screws. By replacing a pneumatic cylinder, this model realizes high tact levels, increased precision and multipoint positioning and can contribute greatly to improving the productivity of customer equipment.

Controller Series: TLC/THC

These devices are designed to control many different types of electric actuators. They cost less than other controllers yet come loaded with functions. In addition, only requiring the input of position information makes actuator operation easy even for beginners.

Environmental Preservation

As a pioneering global manufacturer of vital machinery components, the THK Group has made a contribution to industrial society via the development of linear motion systems such as LM guides. At the same time, we recognize our corporate social responsibility in terms of contributing to global environmental preservation efforts so that future generations inherit a healthy planet. To this end, we are engaged in various activities 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 decrease energy use associated with our business activities, while continually promoting reductions in per units of energy consumption and greenhouse gas emissions.
5. In addition to continually promoting conservation and the recycling of resources, with particular attention to reducing and recycling waste from our manufacturing divisions, we will strive to prevent pollution.
6. 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.
7. 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.

Revised on June 3, 2013

Environmental Activities and Targets

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

Environmental Management System

To promote Groupwide environmental activities, THK develops activities—coordinated by its Risk Management Division's Environmental Management Department—in collaboration with production, administrative and distribution divisions. THK is also working to acquire ISO 14001 environmental management certification at its production sites in Japan and overseas. In fiscal 2012, certification was obtained at the MISHIMA and SENDAI plants of the Group's production company, THK INTECHS CO., LTD.

Of the three environmental targets, the Group recorded a year-on-year increase of around 2% in CO_2 basic unit emissions against a reduction target of 1% in the energy conservation and global warming prevention field as the result of its activities in 2012. The Group, however, did achieve its targets of lowering its emissions rate to less than 0.5% in the material conservation and zero emissions field, and curtailed the use of PRTR-designated substances by 3% compared with the previous fiscal year in the harmful substance controls field.

Business Location	Date of Certification	Examining Authority
YAMAGATA Plant	December 17, 2010 (Registration renewal date)	JQA
KOFU Plant		
YAMAGUCHI Plant		
MIE Plant		
GIFU Plant		
THK RHYTHM NORTH AMERICA CO., LTD. (USA)	June 13, 2001	SQA
THK RHYTHM CO., LTD. Headquarters / HAMAMATSU Plants	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
THK INTECHS CO., LTD. MISHIMA / SENDAI Plants	March 21, 2013	ClassNK

Energy Management-Related Award Winners

THK's YAMAGUCHI Plant won the Chugoku Bureau of Economy, Trade and Industry Award for Excellence in Energy Management for fiscal 2012. Intended to reinforce Japan's national energy policies and to help solve global warming and a variety of energy issues, a system of awards is presented to enterprises that serve as models for others through their notable achievements in the area of energy management.

Following on from THK RHYTHM's HAMAMATSU Plant winning the Kanto Bureau of Economy, Trade and Industry Director Award for fiscal 2011, in fiscal 2012 the manager of the plant (and corporate officer of THK RHYTHM) Mitsuo Yokota was named A Distinguished Person in Energy Management by the Chubu Regional Electricity Usage Rationalization Committee. This award recognizes remarkable achievements of individuals and operators related to energy conservation. The winning of this energy management-related award comes as a result of the highly acclaimed energy-saving efforts conducted over many years at all THK RHYTHM sites. The THK Group will continue to vigorously promote energy-saving activities in the years to come.

Award for Excellence in Energy Management

Award for A Distinguished Person in Energy Management
Mr. Yokota, the plant manager of THK RHYTHM's HAMAMATSU Plant (Standing, right side)

Training Toward Establishment of Global Green Purchasing System

In fiscal 2011, THK provided training at 11 business locations in Japan, including plants and THK Headquarters, on each respective department's duties with respect to using the chemical management software required for green purchasing and managing chemical substances. In fiscal 2012, the training was extended to all overseas production facilities (Group companies).

As domestic and international legal and regulatory frameworks, including Europe's RoHS (Restriction of Hazardous Substances) directive and REACH (Registration, Evaluation, Authorisation and Restriction of Chemicals) system, become ever more strict, the task of managing and providing the required data on chemical substances is becoming increasingly complex and multifaceted. Such a situation demands that THK, which is developing business in a unified producer-retailer system in four territories—Japan, the Americas, Europe and the rest of Asia—develop a global green purchasing system structure.

During the training sessions, local employees and Japanese staff on overseas assignment alike gave earnest consideration to green purchasing, based on the different practices and backgrounds of each country, and engaged in lively discussion. Working to set up an ongoing global green procurement system, THK will continue to meet the demands of its customers while abiding by each country's laws and regulations.

Green procurement education and training at an overseas base

Corporate Governance and Internal Controls

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

Basic Stance on Corporate Governance

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

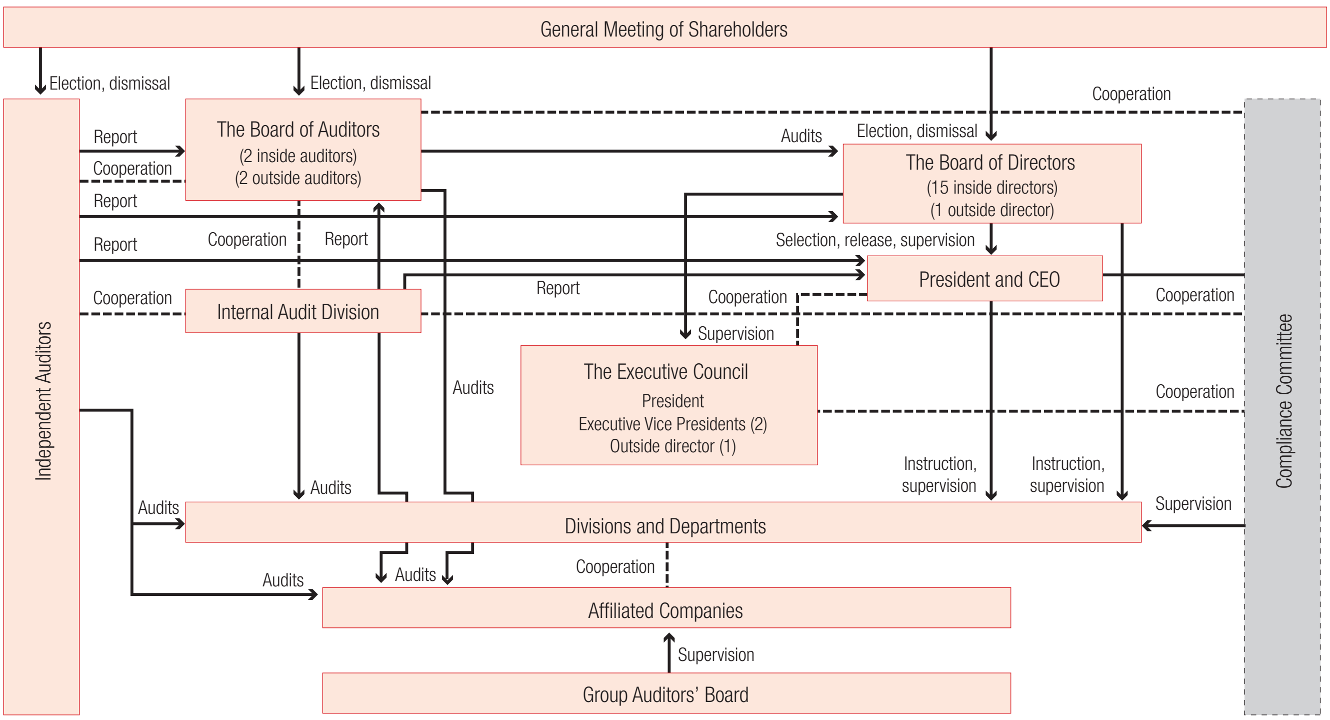
The basic management and administrative structures are the Board of Directors and the Board of Auditors. THK has also established the Executive Council, comprising the president, executive vice presidents and an outside director for a total of four members, to ensure that decisions by the Board of Directors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

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

Implementation of Corporate Governance Measures

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

In cooperation with the independent auditors, the members of the Board of Auditors work to assess the status and results of financial



accounting audits, based on periodic reports from the independent auditors concerning the process and content of such audits.

THK has also established the Internal Audit Division. Based on internal audit regulations, this section conducts regular internal audits to evaluate whether operational execution is done on a faithful, definitive and rational basis and to assess overall management efficiency. Auditors instruct members of the Internal Audit Division regarding matters of vital importance with respect to the conduct of audit operations and at the same time collaborate with the Internal Audit Division in carrying out audit procedures. A liaison committee consisting of auditors working for the parent company and THK Group companies based in Japan also meets regularly to exchange information on auditing practices.

Active Disclosure of Corporate Information

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

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

Construction and Reinforcement of a System of Internal Controls

Concentrating on comprehensive compliance, THK is implementing initiatives to reinforce internal controls as a part of efforts to strengthen its management platform.

In 2008, THK introduced an internal control regulation regarding financial reporting. The entire THK Group including its subsidiaries and affiliates is thus endeavoring to engage in ongoing efforts to facilitate a corporate structure that ensures the reliability of its financial reporting based on Japan's Financial Instruments and Exchange Law. At the same time, the Internal Control Audit Department was established within the Internal Audit Division to evaluate the operational status and performance of internal control systems. Based on evaluations that are conducted annually, initiatives are implemented within the Internal Control Department, set up as a secretariat within the Risk Management Division, to further improve operations and performance.

In-house evaluations undertaken during fiscal 2012 on the Group's internal control systems did not detect any flaws or serious outstanding issues that required disclosure.

The conclusions from these evaluations were submitted in a statutory filing on internal control to the Prime Minister of Japan (the Kanto Local Finance Bureau) in June 2013 and then disclosed.

Framework for the Promotion of Compliance

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

The Company has established the THK Help Line to prevent executive officers and employees from committing violations and to help ensure that swift corrective measures can be taken in the event of any serious compliance-related problems. Reports can be made by telephone or e-mail. Contact can also be made with external legal counsel. In fiscal 2012, eight inquiries were fielded through the THK Help Line. Each was attended to in an appropriate manner in collaboration with the relevant department.

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

Thorough Risk Management

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

Board of Directors and Auditors

As of June 15, 2013

Directors

Akihiro Teramachi
President and CEO

Toshihiro Teramachi
Executive Vice President

Hiroshi Imano
Executive Vice President

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

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

Junichi Kuwabara
Director
General Manager of FAI Division

Takanobu Hoshino
Director
General Manager of IMT Division

Nobuyuki Maki
Director
General Manager of Production Division

Hideyuki Kiuchi
Director
General Manager of Corporate Strategy Division

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

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

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.

Junichi Sakai

Director

General Manager of Quality Assurance Division

Sakae Ito

Director

General Manager of Risk Management Division

Masaaki Kainosho

Director

(Outside Director)

Auditors

Yoshimi Sato

Member, Board of Auditors

Kazunori Igarashi

Member, Board of Auditors

Shizuo Watanabe

Member, Board of Auditors

(Outside Auditor)

Masatake Yone

Member, Board of Auditors

(Outside Auditor)

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Management's Discussion & Analysis

Analysis of Operating Results

Net Sales

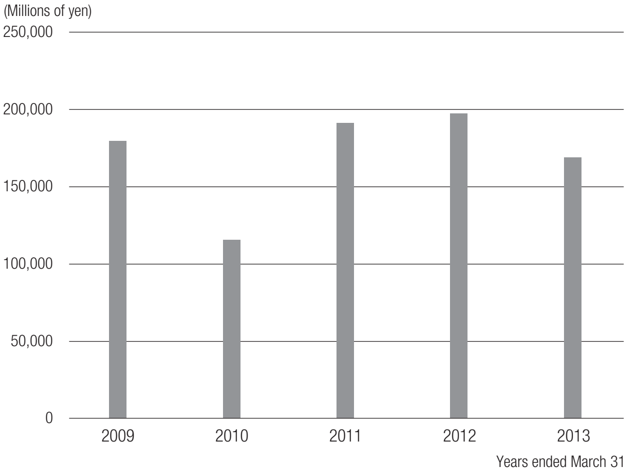
In fiscal 2012, ended March 31, 2013, difficult conditions amid the prolonged financial issues confronting governments across Europe, and a slowdown in the rates of economic growth in developing countries, spread to the global economy as a whole. Overseas, signs of a steady recovery in the U.S. economy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

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

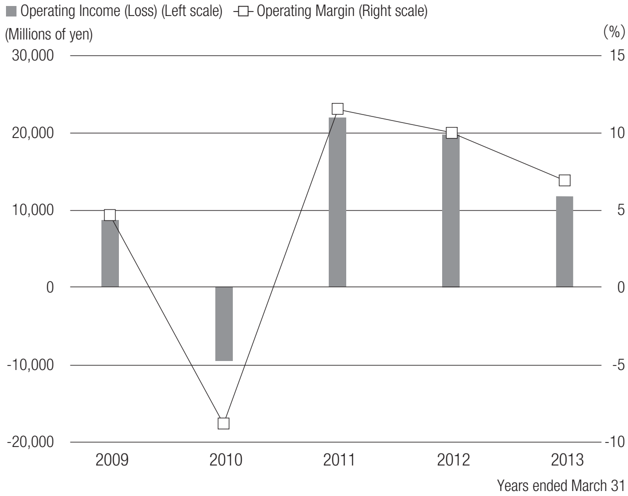
Cost of Sales

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

Net Sales



Operating Income (Loss) and Operating Margin



Selling, General and Administrative (SG&A) Expenses

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

Operating Income

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

Non-Operating Income and Expenses

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

Net Income

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

Segment Information

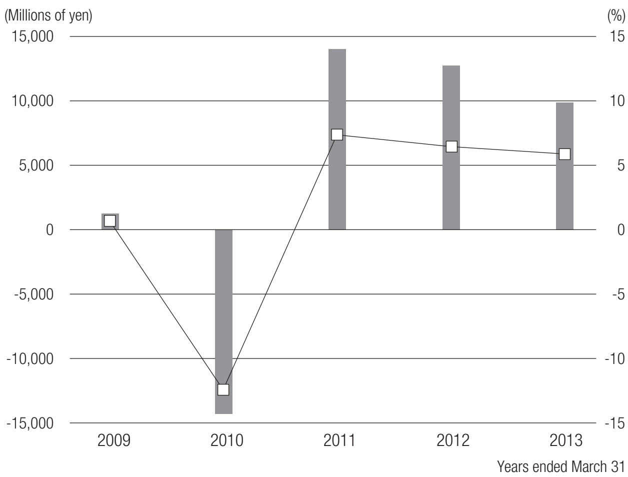
Japan

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

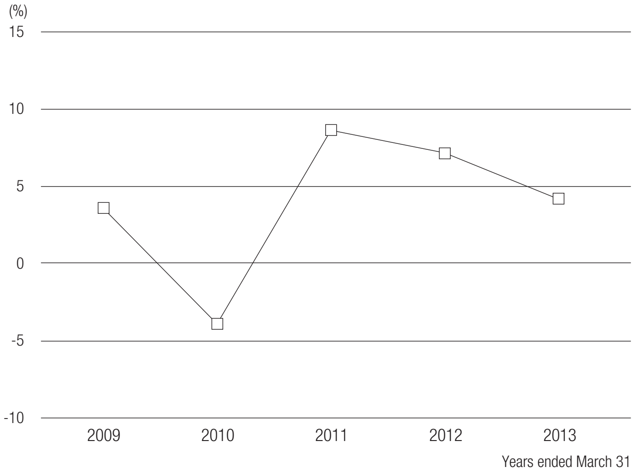
The Americas

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

Net Income (Loss) and Net Margin



Return on Assets (ROA)



Europe

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

China

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

Other

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

Financial Position

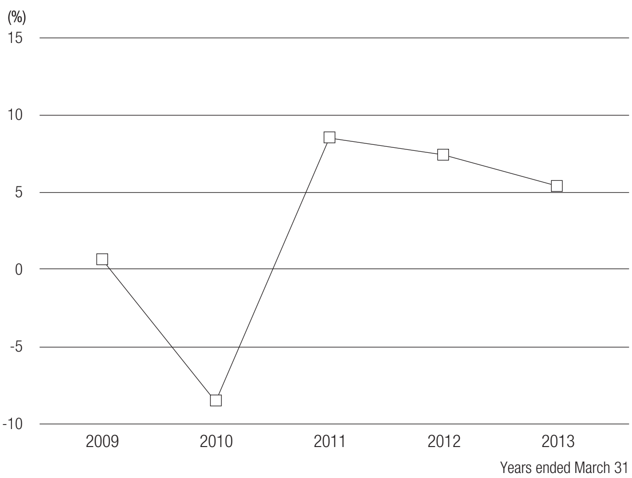
Assets, Liabilities and Net Assets

Assets

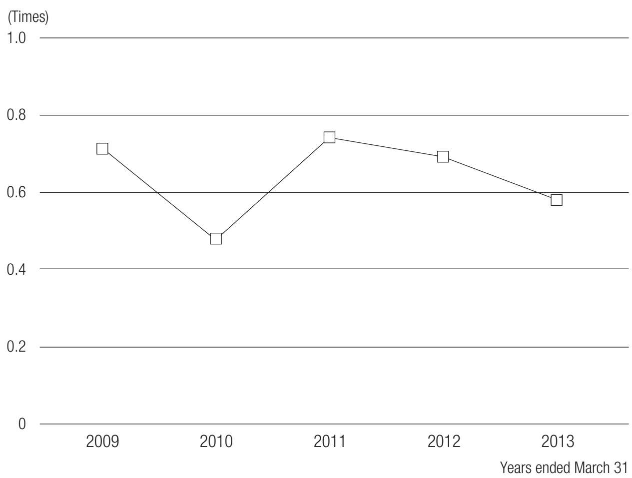
Total current assets stood at ¥193,941 million as of March 31, 2013, a decrease of ¥4,711 million compared with the end of the previous fiscal year. While cash and cash equivalents increased ¥5,180 million year on year, owing mainly to free cash flow, this was more than offset by the drop in trade accounts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

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

Return on Equity (ROE)



Asset Turnover Ratio



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

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

Liabilities

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

Net Assets

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

Cash Flows

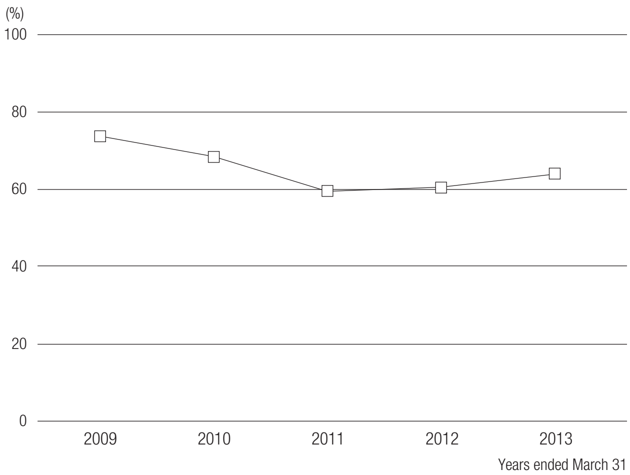
Net cash provided by operating activities came to ¥20,395 million, compared with ¥16,504 million in the previous fiscal year. Major cash inflows were income before income taxes and minority interests of ¥14,737 million, depreciation and amortization of ¥9,973 million, decrease in accounts and notes receivable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

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

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

Accounting for each of the aforementioned activities, cash and cash equivalents as of March 31, 2013 stood at ¥115,968 million, an increase of ¥5,180 million compared with the previous fiscal year-end.

Equity Ratio



Risk Factors

Risk factors and uncertainties that could affect the THK Group's business results and financial position include, but are not limited to, the items outlined in the following discussion. Please note that information provided on this page was accurate as of June 17, 2013. Any items relating to the future are based on the best judgment of THK Group management as of this date.

Dependence on Linear Motion Systems

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

Effect of Changes in Production Trends within Specific Industries

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

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

Overseas Business Expansion

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

Exchange Rate Fluctuations

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

Reliance on Specific Sources of Supply

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

Incidence of Defective Products

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

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

Information Security

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

Disasters, Acts of Terrorism, Infectious Diseases and Other Maladies

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

Sharp Hikes in the Prices of Raw Materials

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

Consolidated Financial Statements

THK CO., LTD. and Consolidated Subsidiaries

Consolidated Balance Sheets

March 31, 2013 and 2012

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

The accompanying notes are an integral part of these statements.

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

Consolidated Statements of Income

Years ended March 31, 2013 and 2012

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

The accompanying notes are an integral part of these statements.

Consolidated Statements of Comprehensive Income

Years ended March 31, 2013 and 2012

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

The accompanying notes are an integral part of these statements.

Consolidated Statements of Changes in Net Assets

Years ended March 31, 2013 and 2012

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

The accompanying notes are an integral part of these statements.

Consolidated Statements of Cash Flows

Years ended March 31, 2013 and 2012

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

The accompanying notes are an integral part of these statements.

Notes to Consolidated Financial Statements

THK CO., LTD. and Consolidated Subsidiaries

1. Basis of Presenting Consolidated Financial Statements

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

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

2. United States Dollar Amounts

U.S. dollar amounts presented in the consolidated financial statements are included solely for the convenience of the readers. These translations should not be construed as presentations that the yen amounts actually represent or could be converted into U.S. dollars at that or any other rate. For this purpose, the rate of ¥93.99 to U.S.$ 1, the approximate rate of exchange prevailing in Tokyo on March 29, 2013, have been used for the translation of the accompanying consolidated financial statements as of March 31, 2013 and for the year then ended.

3. Summary of Significant Accounting Policies

(a) Consolidation

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

The Company had 36 (35 in 2012) subsidiaries as of March 31, 2013. The consolidated financial statements for the year ended March 31, 2013 include the accounts of the Company and its 33 (31 in 2012) consolidated subsidiaries (collectively, "the Group"). Investments in the remaining three subsidiaries including THK Brasil LTDA are not consolidated and stated at cost, because these companies are small in size and if these companies had been consolidated, the effect on the consolidated financial statements would not have been significant.

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

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

The fiscal year closing date of 25 overseas consolidated subsidiaries, excluding THK India Pvt. Ltd., is December 31. In consolidating these accounts, financial statements as of and for the year ended December 31 are used after making necessary adjustments for consolidation to the significant intercompany transactions during the period between January 1 and March 31. The fiscal year closing date of other consolidated subsidiaries is March 31.

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

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

The Company had three affiliates and three (four in 2012) unconsolidated subsidiaries as of March 31, 2013. Under the control concept, companies over which the Company directly or indirectly has the ability to exercise significant influence are accounted for using the equity method. For the years ended March 31, 2013 and 2012, the Company has applied the equity method to investment in SAMICK THK CO., LTD. Investments in the remaining affiliates and unconsolidated subsidiaries (THK Brasil LTDA, etc.) are stated at cost. If the equity method had been applied to the investments in those companies, the effect on the consolidated financial statements would not have been significant.

(b) Translation of Foreign Currency Financial Statements

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

(c) Inventories

Inventories, except for work in process, are stated at cost determined principally by the gross average method. Work in process for ordered products is stated at cost determined principally by the specific identified cost method. If acquisition cost of an inventory exceeds its net selling value, the carrying amount of such inventory is written down to its net selling value and the difference is charged to income.

(d) Financial Instruments

Securities

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

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

Derivatives

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

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

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

(e) Property, Plant and Equipment

Property, plant and equipment of the Company and its domestic consolidated subsidiaries are depreciated mainly using the declining-balance method, whereas the straight-line method or accelerated methods are mainly applied to those of foreign subsidiaries. However, buildings, except for building attachments, acquired by the Company and its domestic consolidated subsidiaries on or after April 1, 2008 are depreciated using the straight-line method.
The range of useful lives is principally from 5 to 50 years for buildings and structures and from 4 to 12 years for machinery and equipment.

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

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

(f) Intangibles

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

(g) Allowance for Doubtful Receivables

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

(h) Accrued Bonuses to Employees

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

(i) Reserve for Employees' Retirement Benefits

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

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

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

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

(k) Reserve for Product Warranty

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

(l) Lease

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

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

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

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

(m) Asset Retirement Obligations

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

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

(n) Foreign Currency Translation

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

(o) Consumption Taxes

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

(p) Income Taxes

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

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

(q) Cash and Cash Equivalents

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

(r) Per Share Information

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

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

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

(s) New Accounting Standard in Issue Not Yet Adopted

Accounting Standard for Retirement Benefits

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

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

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

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

4. Inventories

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

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

5. Long-lived Assets

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

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

No impairment loss was recognized for the years ended March 31, 2013 and 2012.

6. Investments in Securities

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

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

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

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

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

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

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

"Acquisition cost" in the above table refers to the cost after deducting impairment losses. Impairment losses on available-for-sale securities value were recognized during the years ended March 31, 2013 and 2012 as follows:

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

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

The following available-for-sale securities were sold during the years ended March 31, 2013 and 2012:

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

7. Long-term Debt

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

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

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

	Millions of yen					
	2013					
	Due within 1 year	Due after 1 to 2 years	Due after 2 to 3 years	Due after 3 to 4 years	Due after 4 to 5 years	Due after 5 years
Bonds	¥ —	¥10,000	¥7,000	¥—	¥13,000	¥10,000
Bank loans	20,000	—	—	—	—	—
Total	¥20,000	¥10,000	¥7,000	¥—	¥13,000	¥10,000

	Thousands of U.S. dollars					
	2013					
	Due within 1 year	Due after 1 to 2 years	Due after 2 to 3 years	Due after 3 to 4 years	Due after 4 to 5 years	Due after 5 years
Bonds	$ —	$106,394	$74,476	$—	$138,313	$106,394
Bank loans	212,789	—	—	—	—	—
Total	$212,789	$106,394	$74,476	$—	$138,313	$106,394

8. Reserve for Employees' Retirement Benefits

As discussed in Note 3(*i*), on October 1, 2011, the Company abolished its tax-qualified pension plan and transferred to defined benefits corporate pension plan and partially to defined contribution pension plan. Certain domestic consolidated subsidiaries and certain overseas consolidated subsidiaries have lump-sum retirement payment programs and Welfare Pension Fund Plan (defined benefit pension plan). When certain qualified employees retire, additional retirement benefits will be paid. Other domestic and overseas consolidated subsidiaries mainly have defined contribution plans.

Reserve for employees' retirement benefits as of March 31, 2013 and 2012 consisted of the following:

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

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

Net periodic pension and severance costs for the years ended March, 2013 and 2012 were as follows:

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

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

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

	2013	2012
Discount rate	2.0%	2.0%
Expected rate of return on plan assets	0.5%	1.5%
Amortization of unrecognized actuarial differences	5-18 years	5-18 years

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

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

9. Committed Line of Credit

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

10. Contingent Liabilities

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

11. Notes Receivable and Payable

March 31, 2013 and 2012 fall on bank holidays. The following notes receivable and payable matured on that date were accounted for as if they were settled on that date:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Notes receivable	¥1,405	¥2,006	$14,952
Notes payable	—	27	—

12. Net Assets

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

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

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

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

The changes in the number of issued shares of common stock and treasury stock during the years ended March 31, 2013 and 2012 were as follows:

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

An increase in treasury stock is due to acquisition of 2,000,000 shares based on the resolution of the Board of Directors' meeting and acquisition of 1,650 shares of less than one share unit.

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

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

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

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

Year ended March 31, 2013

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

General shareholders' meeting held on June 16, 2012:

	Total amount Millions of yen (Thousands of U.S. dollars)	Per share amount Yen (U.S. dollar)	Dividend record date	Effective date
Common stock	**¥1,415 million ($15,051 thousand)**	**¥11.00 ($0.12)**	**Mar. 31, 2012**	**Jun. 18, 2012**

Board of Directors meeting held on November 13, 2012:

	Total amount Millions of yen (Thousands of U.S. dollars)	Per share amount Yen (U.S. dollar)	Dividend record date	Effective date
Common stock	**¥1,139 million ($12,123 thousand)**	**¥9.00 ($0.10)**	**Sep. 30, 2012**	**Dec. 10, 2012**

Year ended March 31, 2012

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

General shareholders' meeting held on June 18, 2011:

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

Board of Directors meeting held on November 11, 2011:

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

13. Amortization of Goodwill

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

14. Research and Development

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

15. Lease

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

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

Pro forma information on an "as if capitalized" basis as of March 31, 2013 and 2012 were as follows:

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

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

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

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

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

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

The amounts of acquisition costs and future minimum lease payments under finance leases include the imputed interest expense. Depreciation expenses, which are not reflected in the accompanying consolidated statements of income, computed using the straight-line method, were ¥19 million ($206 thousand) and ¥52 million for the years ended March 31, 2013 and 2012, respectively.

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

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

16. Income Taxes

The Company and its domestic subsidiaries are subject to Japanese national and local income taxes which, in the aggregate, resulted in normal effective statutory tax rate of approximately 38.0 % and 40.7% for the years ended March 31, 2013 and 2012, respectively.

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

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

Reconciliation between the normal effective statutory tax rate and the actual effective tax rate reflected in the accompanying consolidated statements of income for the years ended March 31, 2013 and 2012 was as follows:

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

On December 2, 2011, the “Act for Partial Amendment to the Income Tax Act, etc. for the purpose of Creating a Taxation System Responding to Changes in Economic and Social Structures” (Act No. 114 of 2011) and the “Act on Special Measures for Securing Financial Resources Necessary to Implement Measures for Reconstruction following the Great East Japan Earthquake” (Act No. 117 of 2011) were promulgated. Consequently, the effective statutory tax rate, including special recovery tax rate, has been reduced from 40.7% to 38.0% for the fiscal periods from April 1, 2012 through March 31, 2015 and to 35.6% on or after April 1, 2015.

17. Comprehensive Income

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

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

18. Per Share Information

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

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

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

19. Financial Instruments and Related Disclosures

(1) Policy for financial instruments

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

(2) Nature and risks of financial instruments

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

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

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

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

(3) Risk management

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

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

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

(4) Other information

Fair values of financial instruments are based on quoted prices in active markets. If quoted price is not available, other rational valuation techniques are used instead. Because such valuation techniques include certain assumptions, results may differ if different assumptions are used in the valuation. The contract amounts for derivatives listed in Note 20 do not represent volume of underlying market risks of the derivative transactions.

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

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

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

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

Notes:

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

(3) —Fair value of equity securities is stated at quoted market price. Fair value information of investment securities is discussed in Note 6.

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

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

(7) —Details and information are discussed in Note 20.

Financial instruments which do not have quoted market prices and whose fair value is not reliably determinable are not included in the table above. Such financial instruments as of March 31, 2013 and 2012 are as follows:

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

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

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

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

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

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

20. Derivatives and Hedging Activities

The Group utilizes interest rate swap agreements to hedge interest rate risks associated with its bank loans. The Group's interest rate swaps qualify for hedge accounting and meet specific matching criteria under Japanese GAAP and are not remeasured at market value but the differential paid or received under the swap agreements are recognized and included in interest expenses or income. Fair value information of such derivatives as of March 31, 2013 and 2012 is as follows:

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

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

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

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

21. Segment Information

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

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

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

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

Change in the depreciation method for property, plant and equipment

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

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

Reportable segments

Millions of yen

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

Millions of yen

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

Thousands of U.S. dollars

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

Sales to customers, by business

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

Sales to foreign customers, by customers' location

Millions of yen

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

Millions of yen

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

Thousands of U.S. dollars

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

22. Subsequent Events

a. Appropriation of retained earnings

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

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

b. Issuance of corporate bonds

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

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

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

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Grant Thornton Taiyo ASG LLC

Report of Independent Auditors

To the Board of Directors and Shareholders of THK CO., LTD.

We have audited the accompanying consolidated balance sheets of THK CO., LTD. and its subsidiaries as of March 31, 2013 and 2012, and the related consolidated statements of income, comprehensive income, changes in net assets, and cash flows for the years then ended, and all expressed in Japanese yen.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of THK CO., LTD. and its subsidiaries as of March 31, 2013 and 2012, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in Japan.

Emphasis of matter

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

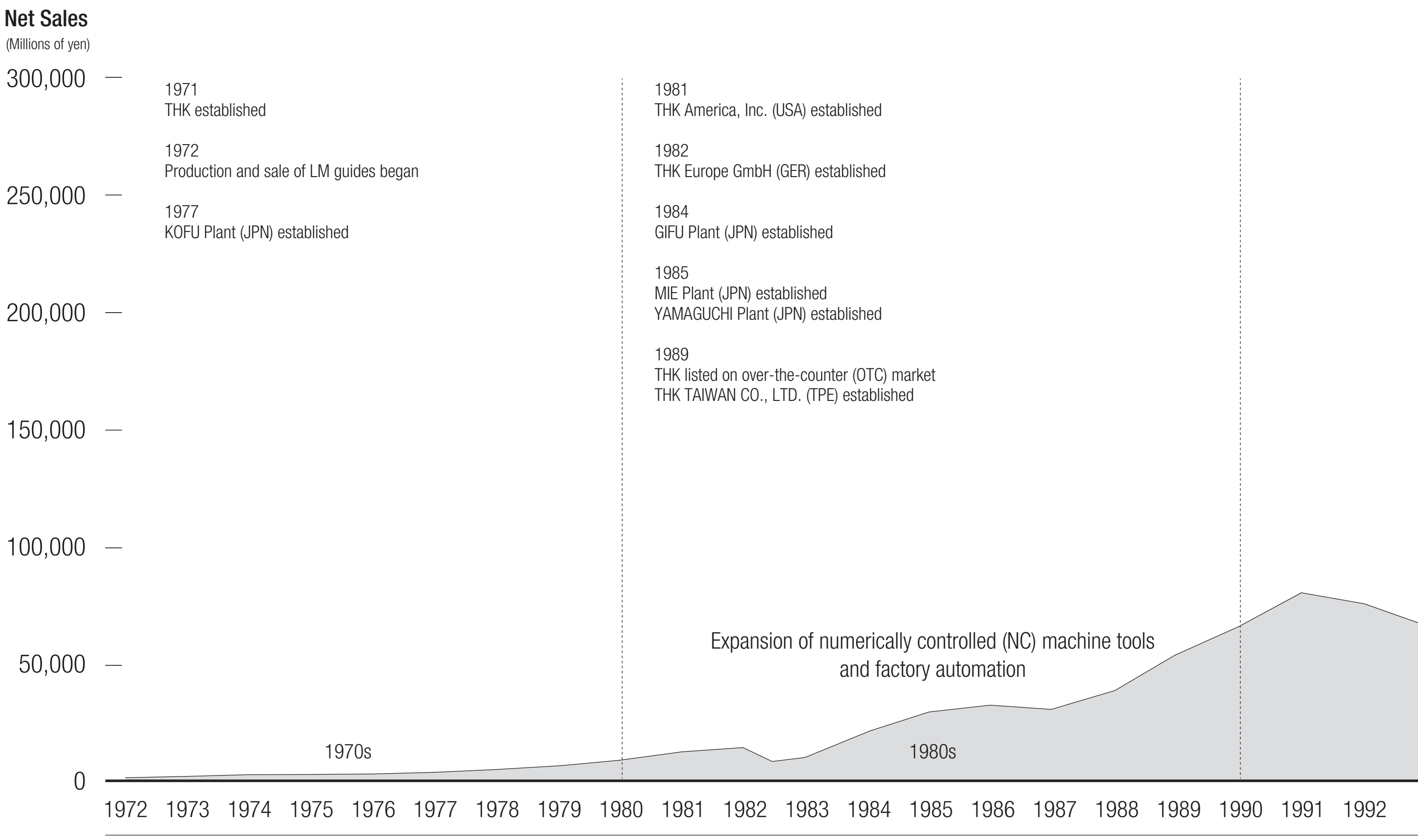
Convenience translations

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2013, are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 2 to consolidated the financial statements.

Grant Thornton Taiyo ASG LLC.

Tokyo, Japan
June 17, 2013

Corporate History



The 1970s:

Inauguration and Initial Period of Set Up

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

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

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

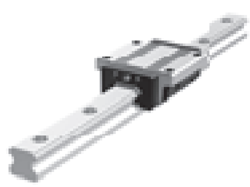
Ball Splines

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

The 1980s:

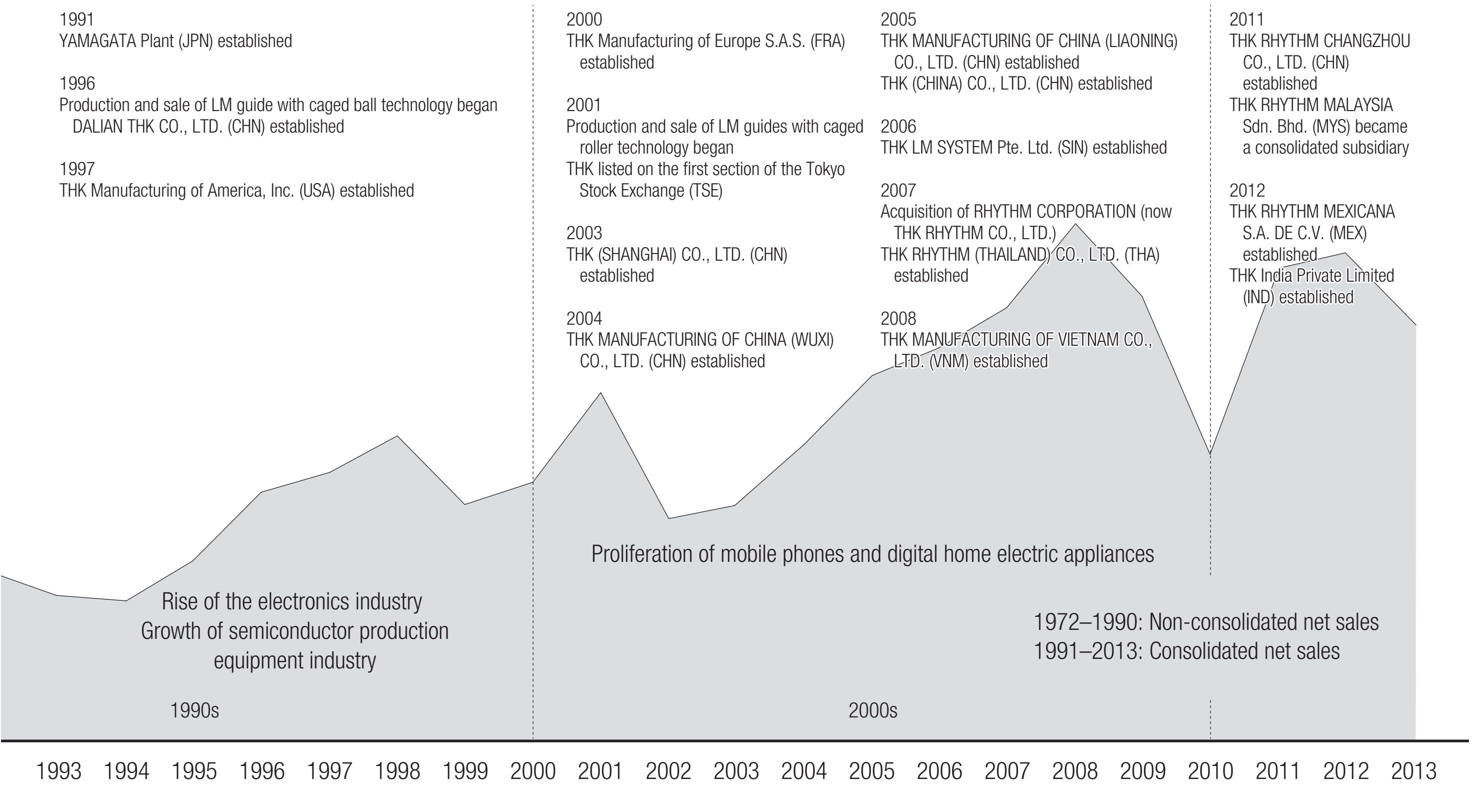
Significant Developments in Factory Automation (FA)

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



LM Guides

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

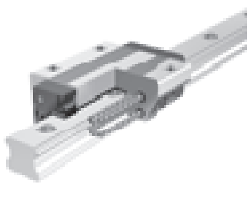


Years ended March 31

The 1990s:

The Rise of the Electronics Industry

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



LM Guides with Caged Ball Technology

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

Future Growth:

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

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

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

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

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

Subsidiaries & Affiliate

As of March 31, 2013

Subsidiaries	Main Operations	Head Office	Percentage Owned by the Company, Directly or Indirectly (%)
THK INTECHS CO., LTD.	Manufacture and sale of vital machinery components and machinery	Tokyo, Japan	100.00
TALK SYSTEM CORPORATION	Sale of machinery parts and various types of equipment	Tokyo, Japan	99.00
THK NIIGATA CO., LTD.	Manufacture of ball splines	Niigata, Japan	100.00
THK RHYTHM CO., LTD.	Transportation equipment-related business	Shizuoka, Japan	100.00
THK RHYTHM KYUSHU CO., LTD.	Transportation equipment-related business	Oita, Japan	100.00
L Trading Co., Ltd.	Transportation equipment-related business	Shizuoka, Japan	100.00
NIPPON SLIDE CO., LTD.	Manufacture and sale of slide rails	Tokyo, Japan	100.00
THK Holdings of America, L.L.C.	Holding and management company	Illinois, U.S.A.	100.00
THK America, Inc.	Sale of LM guides, ball screws, spherical joints	Illinois, U.S.A.	100.00
THK Manufacturing of America, Inc.	Manufacture of LM guides, spherical joints	Ohio, U.S.A.	100.00
THK RHYTHM NORTH AMERICA CO., LTD.	Transportation equipment-related business	Tennessee, U.S.A.	100.00
THK RHYTHM MEXICANA, S.A. DE C.V.	Transportation equipment-related business	Guanajuato, Mexico	100.00
THK RHYTHM MEXICANA ENGINEERING, S.A. DE C.V.	Transportation equipment-related business	Guanajuato, Mexico	100.00
THK Europe B.V.	Holding and management company	Amsterdam, Netherlands	100.00
THK GmbH	Sale of LM guides, ball screws, spherical joints	Ratingen, Germany	100.00
THK France S.A.S.	Sale of LM guides, ball screws, spherical joints	Champagne Au Mont d'or, France	100.00
THK Manufacturing of Europe S.A.S.	Manufacture of LM guides, ball screws, spherical joints	Ensisheim, France	100.00
THK Manufacturing of Ireland Ltd.	Manufacture and sale of ball screws	Dublin, Ireland	100.00
THK (CHINA) CO., LTD.	Holding and management company, sale of LM guides	Dalian, China	100.00
THK (SHANGHAI) CO., LTD.	Sale of LM guides, ball screws, spherical joints	Shanghai, China	100.00
DALIAN THK CO., LTD.	Manufacture and sale of ball screws, actuators	Dalian, China	70.00
THK MANUFACTURING OF CHINA (WUXI) CO., LTD.	Manufacture of LM guides	Wuxi, China	100.00
THK MANUFACTURING OF CHINA (LIAONING) CO., LTD.	Manufacture of LM guides	Dalian, China	100.00
THK MANUFACTURING OF CHINA (CHANGZHOU) CO., LTD.	Manufacture of LM-related parts, unit products	Changzhou, China	100.00
THK RHYTHM GUANGZHOU CO., LTD.	Transportation equipment-related business	Guangzhou, China	100.00
THK RHYTHM CHANGZHOU CO., LTD.	Transportation equipment-related business	Changzhou, China	100.00
THK TAIWAN CO., LTD.	Sale of LM guides, ball screws, spherical joints	Taipei, Taiwan	100.00
Beldex KOREA Corporation	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 (THAILAND) CO., LTD.	Transportation equipment-related business	Rayong, Thailand	100.00
THK MANUFACTURING OF VIETNAM CO., LTD.	Manufacture of slide rails	Bac Ninh, Vietnam	100.00
THK RHYTHM MALAYSIA Sdn. Bhd.	Transportation equipment-related business	Penang, Malaysia	80.00
THK India Private Limited	Sale of LM guides, ball screws, spherical joints	Bangalore, India	100.00

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

Corporate Data

As of March 31, 2013

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	8,958 (consolidated); 3,381 (parent company)
Month of Ordinary General Meeting of Shareholders	June
URL	http://www.thk.com/
Independent Auditors	Grant Thornton Taiyo ASG

Stock Information

Common Stock:	
Authorized	465,877,700 shares
Issued	133,856,903 shares
Stock Exchange Listing	Tokyo Stock Exchange
Stock Transfer Agent	Mitsubishi UFJ Trust and Banking Corporation
Number of Shareholders	21,731

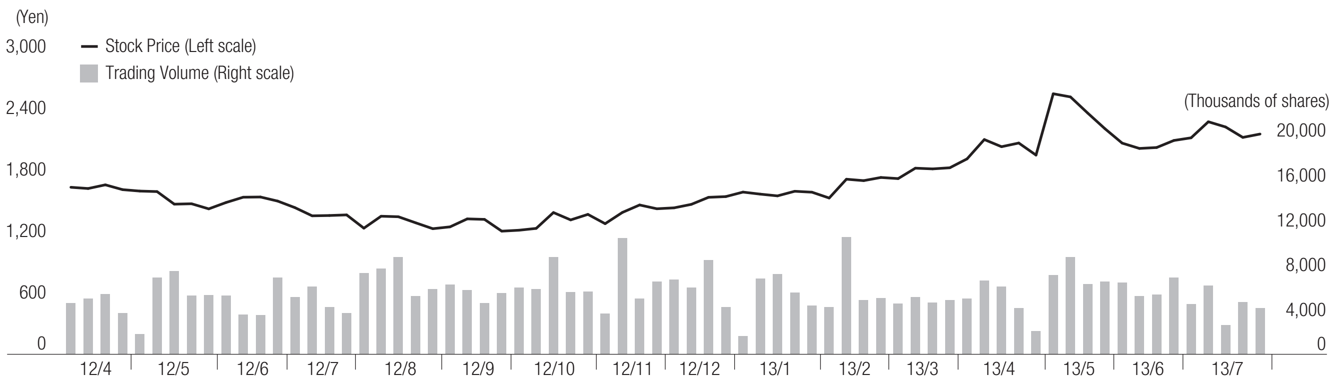
Major Shareholders

Shareholders	Number of Issued Shares Held	Shareholding Ratio (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	8,587,600	6.41
Japan Trustee Services Bank, Ltd. (Trust Account)	7,329,700	5.47
THK CO., LTD.	7,257,010	5.42
FTC Co., Ltd.	4,274,000	3.19
Japan Trustee Services Bank, Ltd. (Trust Account 9)	3,756,300	2.80
State Street Bank and Trust Company 505224	3,691,900	2.75
Akihiro Teramachi	3,645,400	2.72
State Street Bank and Trust Company 505225	2,243,033	1.67
Credit Suisse Securities (USA) LLC-SPCL. For ExCL. BEN	2,133,800	1.59
The Nomura Trust and Banking Co., Ltd. (Investment Trust Account)	1,889,800	1.41

Shareholder Composition

Shareholder Type	Number of Shareholders	Number of Issued Shares Held	Shareholding Ratio (%)
Financial Institutions	59	39,376,300	29.42
Securities Companies	37	997,562	0.75
Other Corporations	300	6,687,468	5.00
Overseas Institutions	371	58,077,960	43.39
Individuals and Others	20,963	21,460,603	16.03
Treasury Stock	1	7,257,010	5.42

Stock Price and Trading Volume



THK CO., LTD.

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