FINANCIAL SECTION

Contents

MANAGEMENT'S DISCUSSION & ANALYSIS

Analysis of Operating Results

■ **Net Sales**

In fiscal 2013, ended March 31, 2014, as economic growth in emerging countries slowed, recovery trends were seen in developed countries. In overall terms, the global economy experienced a moderate upswing. In Japan, consumer spending increased on the back of high stock prices that improved consumer sentiment, and the Japanese economy recuperated with signs of a positive turnaround in capital investments. Turning to specific overseas economies, conditions in the United States were buoyed by strong consumer spending, and the European economy showed signs of a recovery from its recession phase. In emerging countries such as China, however, the pace of growth slowed owing to slumping domestic demand.

The THK Group has identified "Full-Scale Globalization" and the "Development of New Business Areas" as cornerstones of its growth strategy aimed at capturing the latent demand for its products such as LM guides. In addition, as new drivers of our growth come to light in the global economy's recovery from the Lehman Brothers shock, the THK Group is accelerating its growth strategy in order to secure demand. Against the backdrop of higher rates of economic growth in emerging countries, compared with developed countries, in particular, demand for machinery and the development of factory automation (FA) is anticipated to increase. Under these circumstances, the THK Group is undertaking proactive investments for future growth. In addition to strengthening its sales, production and development structure in China, the Group is also expanding sales channels in India and the ASEAN region. In developed countries, demand for the Group's products in the consumer goods domain is anticipated to expand due to the progress of motorization and growing awareness toward disaster countermeasures. At the same time, THK is focusing on new markets to promote the widespread adoption of its products including linear motion systems. In the fiscal year under review, demand in the electronics industry showed a moderate recovery. Under these circumstances, the THK Group leveraged previous efforts to reinforce its operating structure to proactively expand sales. Moreover, buoyed by movements in the value of the yen, which weakened compared with the previous fiscal year, the Group reported an increase in consolidated net sales of ¥17,100 million, or 10.2%, year on year, to ¥185,466 million.

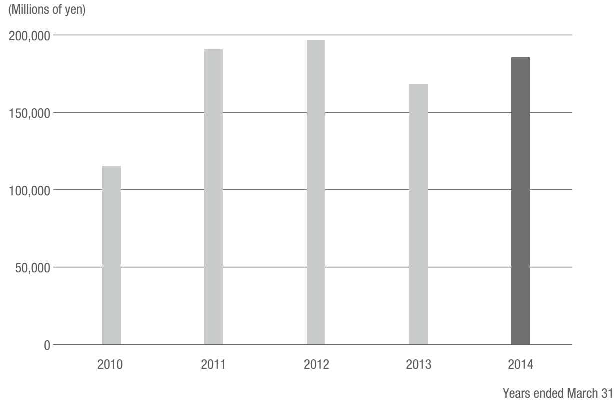
■ **Cost of Sales**

From a cost perspective, the Group implemented various measures aimed at improving productivity. Those measures included the P25 Project, a cross-sectional initiative designed to reinforce the Group's earnings base, which helped to successfully streamline fixed costs and lower the variable cost ratio. As a result, the cost of sales to sales ratio improved by 2.2 percentage points compared with the previous fiscal year, to 71.5%.

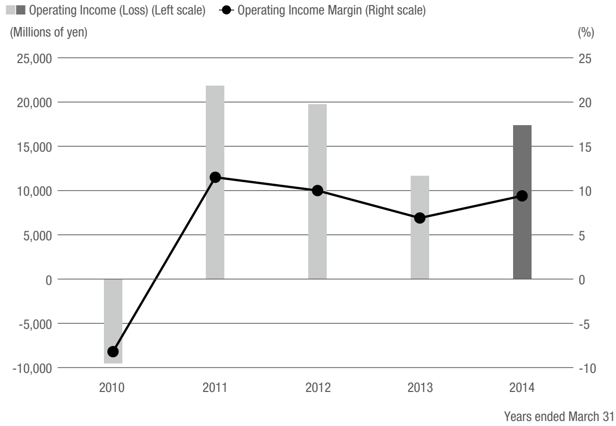
■ **Selling, General and Administrative (SG&A) Expenses**

SG&A expenses were up ¥2,928 million, or 9.0%, compared with the previous fiscal year, to ¥35,534 million. This was mainly due to higher net sales and an increase in research and development costs for forward-looking enhanced research activities. The ratio of SG&A expenses to net sales, however, improved by 0.2 percentage point year on year to 19.2 %. This was largely attributable to successful efforts to contain costs and improve operating efficiency.

Net Sales



Operating Income (Loss)/Operating Income Margin



■ Operating Income

Accounting for each of the aforementioned factors, operating income increased ¥5,677 million, or 48.6%, compared with the previous fiscal year, to ¥17,370 million for an operating margin of 9.4%

■ Non-Operating Income and Expenses

Turning to non-operating income and expenses, total non-operating income was ¥6,635 million. In addition to a foreign exchange gain, net of ¥5,193 million, this total reflected equity in earnings of an affiliate of ¥522 million. Total non-operating expenses were ¥1,585 million and mainly included interest expenses of ¥802 million.

■ Net Income

Net income for the fiscal year under review amounted to ¥15,591 million, up ¥5,782 million, or 58.9%, compared with the previous fiscal year.

Segment Information

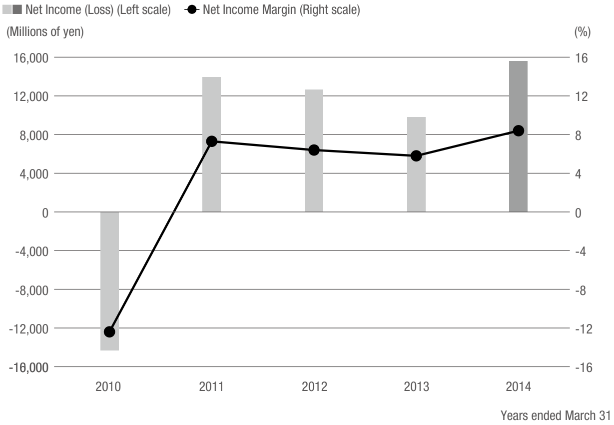
Japan

In Japan, consumer spending increased on the back of consumer sentiment buoyed by high stock prices. At the same time, the Japanese economy experienced a positive upswing showing signs of a recovery in capital investment. In the first half of the fiscal year under review, demand in the electronics industry entered an adjustment phase during summer. Demand in other industries remained at levels lower than the previous fiscal year. In the second half, however, conditions exhibited a positive trend with a recovery in overall demand including the machine tool and electronics industries. Under these circumstances, THK worked proactively to implement aggressive business measures and cultivate new business fields, including seismic isolation and damping systems. As a result, net sales amounted to ¥107,436 million, up ¥430 million, or 0.4%, compared with the previous fiscal year. Operating income (segment income) amounted to ¥16,434 million, up ¥4,858 million, or 42.0%, year on year due to successful efforts to implement various operating measures including the P25 Project, the Group's cross-divisional project. These measures helped to streamline fixed costs and lower the variable cost ratio. In addition, the weaker yen during the period had a favorable impact on operating results.

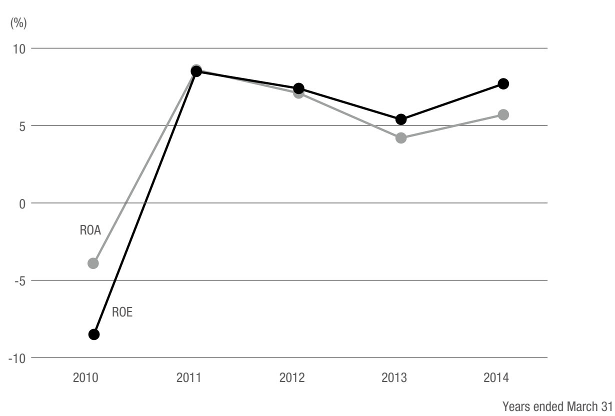
The Americas

In the Americas, an upswing in automobile production, and capital investments also continued to increase on the back of strong consumer spending. Under these circumstances, production and sales worked in unison to expand transactions with existing customers and to cultivate new business opportunities in the medical equipment, aircraft,

Net Income (Loss)/Net Income Margin



Return on Assets (ROA)/Return on Equity (ROE)



energy-related and other fields. Coupled with the favorable effect of the weaker yen, these endeavors served to boost sales particularly in the electronics and transportation equipment industries. As a result, sales in the Americas amounted to ¥28,618 million, up ¥6,310 million, or 28.3%, compared with the previous fiscal year. Operating income (segment income) came to ¥1,166 million, up ¥156 million, or 15.4%, year on year.

Europe

After a period of prolonged recession, Europe showed signs of a recovery. Against this backdrop, production and sales worked in unison to expand transactions with existing customers and to cultivate new business opportunities in the medical equipment, aircraft, energy-related and other fields. Buoyed also by the positive effects of the weak yen, sales in Europe amounted to ¥18,292 million, up ¥3,229 million, or 21.4%, compared with the previous fiscal year. Operating income (segment income) was ¥180 million, up ¥558 million year on year. This was a return to profitability.

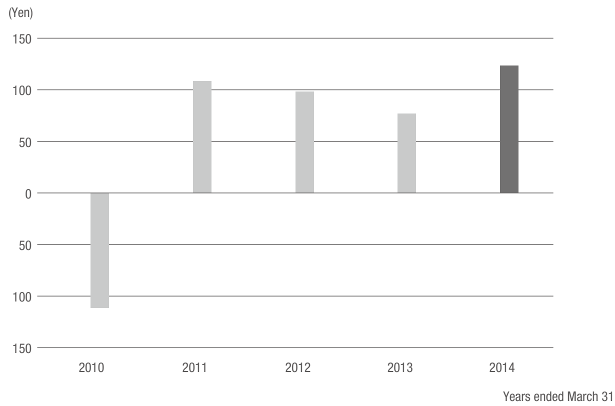
China

In China, automobile production remained robust, however, the country's rapid rate of economic growth slowed. Driven by investments in the smart phone and tablet computer markets, there were signs of a partial recovery of demand for small machine tools. Under these circumstances, THK implemented aggressive business measures on the back of its strengthened sales channels and successfully increased sales to the various industries, such as general machinery and transportation equipment industries. As a result, sales in China amounted to ¥19,858 million, up ¥6,431 million, or 47.9%, compared with the previous fiscal year. In contrast, the Group incurred an operating loss (segment loss) of ¥614 million, a negative turnaround of ¥279 million. This largely reflected proactive investment geared toward future growth.

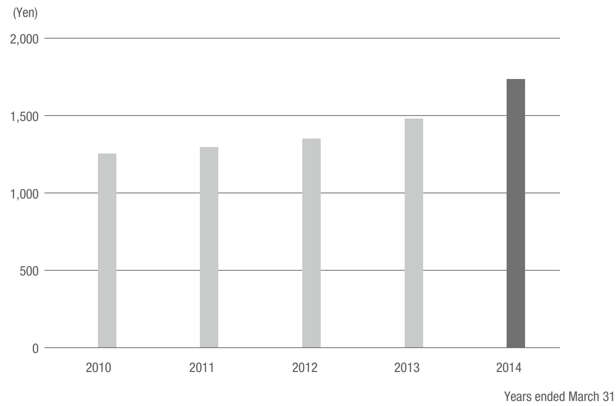
Other

In other countries and regions including Taiwan, India and the ASEAN region, there were signs of a recovery in demand especially for small machine tools. This largely reflected investments in the smartphone and tablet computer markets. Against this backdrop, the THK Group continued to expand transactions with existing customers and to cultivate new customers. Results were also impacted by the yen, which remained weak throughout the fiscal year. As a result, sales amounted to ¥11,262 million, up ¥700 million, or 6.6%, compared with the previous fiscal year. Operating income (segment income) came to ¥677 million, up ¥386 million, or 132.6%, year on year.

Net Income (Loss) per Share



Net Assets per Share



Financial Position

■ Assets, Liabilities and Net Assets

Assets

Total current assets stood at ¥227,890 million as of March 31, 2014, an increase of ¥33,949 million compared with the end of the previous fiscal year. Cash and cash equivalents climbed ¥22,375 million year on year, owing mainly to free cash flow and the effect of exchange difference. At the same time, trade accounts and notes receivable grew ¥6,441 million, reflecting higher net sales, and inventories increased ¥4,667 million.

Total non-current assets stood at ¥108,527 million as of March 31, 2014, an increase of ¥9,322 million year on year. During the fiscal year under review, THK undertook capital investments of ¥8,888 million while depreciation expenses amounted to ¥10,844 million. Other factors contributing to the movement in non-current assets included an upswing in total property, plant and equipment of ¥7,142 million owing largely to exchange difference to assets denominated on foreign currencies, and increased in intangibles of ¥1,446 million.

Liabilities

Total liabilities came to ¥114,268 million, an increase of ¥10,180 million compared with the end of the previous fiscal year. Major movements in liabilities included an increase in trade accounts and notes payable of ¥4,565 million, reflecting the upswing in net sales, and an increase in income taxes payable of ¥3,631 million. During the period under review, THK repaid debt totaling ¥20,000 million and reclassified bonds totaling ¥10,000 million, which fall due for repayment within one year, as current liabilities from long-term liabilities.

Net Assets

Total net assets stood at ¥222,149 million, up ¥33,091 million compared with the previous fiscal year-end. In addition to net income of ¥15,591 million, this increase was largely attributable to foreign currency translation adjustments, which grew ¥20,061 million year on year.

■ Cash Flows

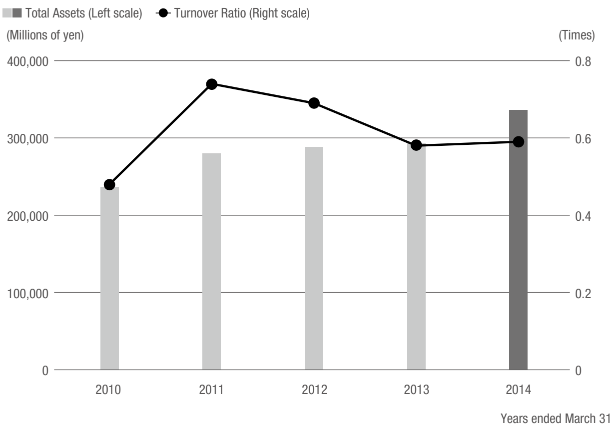
Net cash provided by operating activities came to ¥23,665 million, compared with ¥20,395 million in the previous fiscal year. Major cash inflows were income before income taxes and minority interests of ¥24,005 million, depreciation and amortization of ¥11,101 million, and increase in accounts and notes payable of ¥1,976 million. The principal cash outflows included increase in accounts and notes receivable of ¥3,810 million and increase in inventories of ¥1,479 million.

Net cash used in investing activities totaled ¥9,554 million, compared with ¥15,284 million in the previous fiscal year. The primary component was purchase of property, plant and equipment and intangibles.

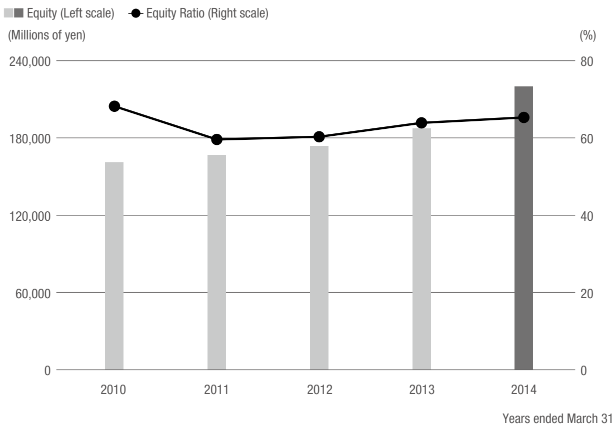
Net cash used in financing activities was ¥2,790 million compared with ¥5,388 million in the previous fiscal year. The major cash outflow was cash dividends. During the fiscal year under review, THK issued bonds totaling ¥20,000 million and repaid long-term debt of ¥20,000 million.

Accounting for each of the aforementioned activities, cash and cash equivalents as of March 31, 2014 stood at ¥138,343 million, an increase of ¥22,375 million compared with the end of the previous fiscal year.

Total Assets/Turnover Ratio



Equity/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 23, 2014. 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 its business domains, the performance of the THK Group is influenced by production trends within industrial sectors such as machine tools, general machinery and semiconductor production equipment as well as other transportation equipment that form the THK Group's major customers.

As a result, 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

The THK Group conducts a portion of its business in foreign currencies. Accordingly, the Group attempts to hedge currency risk using forward foreign currency exchange 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. As a result, the THK Group's business results and financial position could be negatively affected in the event of a shortfall in raw materials and parts owing to such factors as a drop in the production capacity of suppliers, natural disaster or other unforeseen incident.

Incidence of Defective Products

THK Group products are widely used in industrial machinery including machine tools, industrial robots and semiconductor production equipment. Applications for THK products have also expanded to include various areas related to consumer goods, including automobiles, seismic isolation and damping systems, medical equipment, amusement equipment and the aircraft industry.

Under these circumstances, 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 stringently 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

Against the backdrop 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 Group's products can be expected to increase. As a result, the potential exists for the THK Group's business results and financial position to be negatively impacted.

CONSOLIDATED FINANCIAL STATEMENTS

THK CO., LTD. and consolidated subsidiaries

Consolidated Balance Sheets

March 31, 2014 and 2013

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2014	2013	2014
ASSETS			
Current Assets:			
Cash and cash equivalents (Note 19)	**¥ 138,343**	¥ 115,968	**$ 1,344,180**
Receivables (Note 19):			
Trade accounts and notes receivable (Note 11)	**51,149**	44,438	**496,978**
—Unconsolidated subsidiaries and affiliates	**1,408**	1,678	**13,682**
Other receivables	**1,098**	1,247	**10,671**
—Unconsolidated subsidiaries and affiliates	**684**	772	**6,638**
	54,339	48,135	**527,969**
Less allowance for doubtful receivables	**(132)**	(120)	**(1,281)**
	54,207	48,015	**526,688**
Inventories (Note 4)	**28,766**	24,099	**279,500**
Short-term loans receivable—			
Unconsolidated subsidiaries and affiliates	**1,000**	1,000	**9,716**
Other	**2**	2	**22**
Deferred tax assets (Note 16)	**3,554**	3,246	**34,536**
Other current assets	**2,018**	1,611	**19,603**
Total current assets	**227,890**	193,941	**2,214,245**
Investments and Other:			
Investments in securities (Notes 6 and 19)	**2,335**	2,240	**22,689**
Investments in unconsolidated subsidiaries and affiliates	**4,103**	3,018	**39,868**
Net defined benefit asset (Note 8)	**33**	—	**320**
Long-term loans receivable—			
Unconsolidated subsidiaries and affiliates	**—**	1,000	**—**
Other	**62**	50	**603**
Deferred tax assets (Note 16)	**1,368**	848	**13,290**
Other investments	**1,573**	1,584	**15,286**
Total investments and other	**9,474**	8,740	**92,056**
Property, Plant and Equipment (Notes 5):			
Buildings and structures	**62,037**	56,419	**602,773**
Machinery, equipment and others	**170,091**	155,855	**1,652,650**
	232,128	212,274	**2,255,423**
Less accumulated depreciation	**(157,160)**	(144,420)	**(1,527,010)**
	74,968	67,854	**728,413**
Land	**13,195**	13,094	**128,201**
Construction in progress	**6,676**	6,749	**64,868**
Total property, plant and equipment	**94,839**	87,697	**921,482**
Intangibles:			
Goodwill	**894**	1,171	**8,678**
Other	**3,320**	1,597	**32,259**
Total intangibles	**4,214**	2,768	**40,937**
Total assets	**¥ 336,417**	¥ 293,146	**$ 3,268,720**

The accompanying notes are an integral part of these statements.

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2014	2013	**2014**
LIABILITIES AND NET ASSETS			
Current Liabilities:			
Current portion of long-term debt (Notes 7 and 19)	**¥ 10,000**	¥ 20,000	**$ 97,163**
Payables (Note 19):			
Trade accounts and notes payable (Note 11)	**25,084**	20,608	**243,725**
—Unconsolidated subsidiaries and affiliates	**327**	238	**3,179**
Other payables	**1,258**	1,723	**12,220**
—Unconsolidated subsidiaries and affiliates	**138**	128	**1,341**
	26,807	22,697	**260,465**
Income taxes payable	**5,808**	2,177	**56,438**
Accrued bonuses to employees	**2,958**	2,572	**28,739**
Other accrued expenses	**7,172**	6,538	**69,688**
Lease obligations	**280**	237	**2,720**
Other current liabilities	**1,465**	1,436	**14,232**
Total current liabilities	**54,490**	55,657	**529,445**
Long-term Liabilities:			
Long-term debt (Notes 7 and 19)	**50,000**	40,000	**485,814**
Reserve for employees' retirement benefits (Note 8)	**—**	3,009	**—**
Reserve for directors' and corporate auditors' retirement benefits	**127**	114	**1,239**
Reserve for product warranty	**149**	132	**1,451**
Long-term lease obligations	**524**	534	**5,088**
Net defined benefit liability (Note 8)	**4,084**	—	**39,680**
Deferred tax liabilities (Note 16)	**3,862**	3,660	**37,520**
Other liabilities	**1,032**	982	**10,023**
Total long-term liabilities	**59,778**	48,431	**580,815**
Commitment and Contingent Liabilities (Notes 9 and 10)			
Net Assets (Note 12):			
Shareholders' equity			
Common stock			
Authorized: 465,877,700 shares; Issued: 133,856,903 shares as of March 31, 2014 and 2013	**34,606**	34,606	**336,244**
Additional paid-in capital	**44,585**	44,585	**433,199**
Retained earnings	**141,475**	128,416	**1,374,611**
Treasury stock, at cost: 7,263,269 shares and 7,260,392 shares as of March 31, 2014 and 2013, respectively	**(13,935)**	(13,928)	**(135,394)**
Total shareholders' equity	**206,731**	193,679	**2,008,660**
Accumulated other comprehensive income (loss):			
Net unrealized gain on available-for-sale securities	**802**	741	**7,792**
Foreign currency translation adjustments	**12,930**	(7,131)	**125,632**
Remeasurements of defined benefit plans (Note 8)	**(632)**	—	**(6,145)**
Total accumulated other comprehensive income (loss)	**13,100**	(6,390)	**127,279**
Minority interests	**2,318**	1,769	**22,521**
Total net assets	**222,149**	189,058	**2,158,460**
Total liabilities and net assets	**¥336,417**	¥293,146	**$3,268,720**

Consolidated Statements of Income

Years ended March 31, 2014 and 2013

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2014	2013	2014
Net Sales	**¥185,466**	¥168,366	**$1,802,041**
Cost of Sales (Note 14)	**132,562**	124,067	**1,288,014**
Gross profit	**52,904**	44,299	**514,027**
Selling, General and Administrative Expenses (Notes 13 and 14)	**35,534**	32,606	**345,253**
Operating income	**17,370**	11,693	**168,774**
Non-Operating Income (Expenses):			
Interest and dividend income	**476**	416	**4,624**
Interest expenses	**(802)**	(712)	**(7,790)**
Foreign exchange gain, net	**5,193**	2,651	**50,460**
Equity in earnings of an affiliate	**522**	200	**5,075**
Rental income	**332**	313	**3,223**
Loss on sales and disposal of property, plant and equipment, net	**(205)**	(48)	**(1,995)**
Subsidy income	**592**	20	**5,747**
Other, net	**527**	204	**5,121**
	6,635	3,044	**64,465**
Income before income taxes and minority interests	**24,005**	14,737	**233,239**
Income Taxes (Note 16)			
Current	**8,494**	4,689	**82,529**
Deferred	**(247)**	185	**(2,399)**
Total income taxes	**8,247**	4,874	**80,130**
Net income before minority interests	**15,758**	9,863	**153,109**
Minority Interests in Net Income	**167**	54	**1,624**
Net income	**¥ 15,591**	¥ 9,809	**$ 151,485**

The accompanying notes are an integral part of these statements.

Consolidated Statements of Comprehensive Income

Years ended March 31, 2014 and 2013

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2014	2013	**2014**
Net Income before Minority Interests	**¥15,758**	¥9,863	**$153,109**
Other Comprehensive Income (Note 17):			
Net unrealized gain (loss) on available-for-sale securities	**54**	(39)	**524**
Foreign currency translation adjustments	**19,662**	8,428	**191,043**
Share of other comprehensive income of an affiliate accounted for under the equity method	**804**	547	**7,808**
Total other comprehensive income	**20,520**	8,936	**199,375**
Comprehensive Income	**36,278**	18,799	**352,484**
Attributable to:			
Shareholders of THK CO., LTD.	**35,729**	18,548	**347,155**
Minority interests	**549**	251	**5,329**

The accompanying notes are an integral part of these statements.

Consolidated Statements of Changes in Net Assets

Years ended March 31, 2014 and 2013

	Millions of yen				
	Shareholders' equity				
	Common stock	Additional paid-in capital	Retained earnings	Treasury stock, at cost	Total shareholders' equity
Balance at April 1, 2012	¥34,606	¥44,585	¥121,162	¥(11,362)	¥188,991
Cash dividends	—	—	(2,555)	—	(2,555)
Net income	—	—	9,809	—	9,809
Purchase of treasury stock	—	—	—	(2,566)	(2,566)
Disposition of treasury stock	—	—	—	—	—
Net changes of items other than shareholders' equity	—	—	—	—	—
Balance at March 31, 2013	**¥34,606**	**¥44,585**	**¥128,416**	**¥(13,928)**	**¥193,679**
Cash dividends	**—**	**—**	**(2,532)**	**—**	**(2,532)**
Net income	**—**	**—**	**15,591**	**—**	**15,591**
Purchase of treasury stock	**—**	**—**	**—**	**(7)**	**(7)**
Disposition of treasury stock	**—**	**0**	**—**	**0**	**0**
Net changes of items other than shareholders' equity	**—**	**—**	**—**	**—**	**—**
Balance at March 31, 2014	**¥34,606**	**¥44,585**	**¥141,475**	**¥(13,935)**	**¥206,731**

	Millions of yen					
	Accumulated other comprehensive income					
	Net unrealized gain on available-for-sale securities	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Minority interests	Total net assets
Balance at April 1, 2012	¥777	¥(15,903)	¥ —	¥(15,126)	¥1,652	¥175,517
Cash dividends	—	—	—	—	—	(2,555)
Net income	—	—	—	—	—	9,809
Purchase of treasury stock	—	—	—	—	—	(2,566)
Disposition of treasury stock	—	—	—	—	—	—
Net changes of items other than shareholders' equity	(36)	8,772	—	8,736	117	8,853
Balance at March 31, 2013	**¥741**	**¥ (7,131)**	**¥ —**	**¥ (6,390)**	**¥1,769**	**¥189,058**
Cash dividends	**—**	**—**	**—**	**—**	**—**	**(2,532)**
Net income	**—**	**—**	**—**	**—**	**—**	**15,591**
Purchase of treasury stock	**—**	**—**	**—**	**—**	**—**	**(7)**
Disposition of treasury stock	**—**	**—**	**—**	**—**	**—**	**0**
Net changes of items other than shareholders' equity	**61**	**20,061**	**(632)**	**19,490**	**549**	**20,039**
Balance at March 31, 2014	**¥802**	**¥ 12,930**	**¥(632)**	**¥ 13,100**	**¥2,318**	**¥222,149**

	Thousands of U.S. dollars (Note 2)				
	Shareholders' equity				
	Common stock	Additional paid-in capital	Retained earnings	Treasury stock, at cost	Total shareholders' equity
Balance at April 1, 2013	**$336,244**	**$433,199**	**$1,247,728**	**$(135,331)**	**$1,881,840**
Cash dividends	**—**	**—**	**(24,602)**	**—**	**(24,602)**
Net income	**—**	**—**	**151,485**	**—**	**151,485**
Purchase of treasury stock	**—**	**—**	**—**	**(64)**	**(64)**
Disposition of treasury stock	**—**	**0**	**—**	**1**	**1**
Net changes of items other than shareholders' equity	**—**	**—**	**—**	**—**	**—**
Balance at March 31, 2014	**$336,244**	**$433,199**	**$1,374,611**	**$(135,394)**	**$2,008,660**

	Thousands of U.S. dollars (Note 2)					
	Accumulated other comprehensive income					
	Net unrealized gain on available-for-sale securities	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Minority interests	Total net assets
Balance at April 1, 2013	**$7,198**	**$ (69,287)**	**$ —**	**$ (62,089)**	**$17,192**	**$1,836,943**
Cash dividends	**—**	**—**	**—**	**—**	**—**	**(24,602)**
Net income	**—**	**—**	**—**	**—**	**—**	**151,485**
Purchase of treasury stock	**—**	**—**	**—**	**—**	**—**	**(64)**
Disposition of treasury stock	**—**	**—**	**—**	**—**	**—**	**1**
Net changes of items other than shareholders' equity	**594**	**194,919**	**(6,145)**	**189,368**	**5,329**	**194,697**
Balance at March 31, 2014	**$7,792**	**$125,632**	**$(6,145)**	**$127,279**	**$22,521**	**$2,158,460**

The accompanying notes are an integral part of these statements.

Consolidated Statements of Cash Flows

Years ended March 31, 2014 and 2013

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2014	2013	**2014**
Cash Flows from Operating Activities:			
Income before income taxes and minority interests	**¥ 24,005**	¥ 14,737	**$ 233,239**
Adjustments:			
Depreciation and amortization	**11,101**	9,973	**107,862**
Amortization of goodwill	**356**	431	**3,459**
Interest and dividend income	**(476)**	(416)	**(4,624)**
Interest expenses	**802**	712	**7,791**
Foreign exchange gain, net	**(4,745)**	(3,286)	**(46,101)**
Equity in earnings of an affiliate	**(522)**	(200)	**(5,075)**
Loss on sales and disposal of property, plant and equipment, net	**206**	48	**1,998**
Loss on write-down of investments in securities	**—**	0	**—**
Changes in assets and liabilities:			
(Increase) decrease in accounts and notes receivable	**(3,810)**	8,329	**(37,023)**
(Increase) decrease in inventories	**(1,479)**	3,653	**(14,366)**
Increase (decrease) in accounts and notes payable	**1,976**	(8,096)	**19,197**
Increase (decrease) in provisions	**346**	(614)	**3,360**
Increase in net defined benefit liability	**38**	—	**373**
Other, net	**859**	(21)	**8,350**
Subtotal	**28,657**	25,250	**278,440**
Interest and dividend received	**626**	566	**6,085**
Interest paid	**(766)**	(707)	**(7,442)**
Income taxes paid	**(4,852)**	(4,714)	**(47,148)**
Net cash provided by operating activities	**23,665**	20,395	**229,935**
Cash Flows from Investing Activities:			
Purchase of property, plant and equipment and intangibles	**(10,797)**	(15,282)	**(104,908)**
Proceeds from sales of property, plant and equipment	**260**	123	**2,528**
Increase in investments in securities, unconsolidated subsidiaries and affiliates	**(16)**	(16)	**(160)**
Increase in loans receivable	**(8)**	(4)	**(75)**
Collection on loans receivable	**1,007**	4	**9,788**
Other, net	**0**	(109)	**2**
Net cash used in investing activities	**(9,554)**	(15,284)	**(92,825)**
Cash Flows from Financing Activities:			
Repayment of long-term debt	**(20,000)**	—	**(194,326)**
Proceeds from long-term debt	**20,000**	—	**194,326**
Cash dividends	**(2,525)**	(2,548)	**(24,537)**
Cash dividends to minority shareholders	**(3)**	(60)	**(33)**
Purchase of treasury stock	**(7)**	(2,566)	**(64)**
Proceeds from sales of treasury stock	**0**	—	**1**
Repayment of lease obligations	**(255)**	(214)	**(2,477)**
Net cash used in financing activities	**(2,790)**	(5,388)	**(27,110)**
Foreign Currency Translation Adjustments on Cash and Cash Equivalents	**11,054**	5,457	**107,405**
Net Increase in Cash and Cash Equivalents	**22,375**	5,180	**217,405**
Cash and Cash Equivalents at Beginning of Year	**115,968**	110,788	**1,126,775**
Cash and Cash Equivalents at End of Year	**¥138,343**	¥115,968	**$1,344,180**

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 ¥102.92 to U.S. $1, the approximate rate of exchange prevailing in Tokyo on March 31, 2014, have been used for the translation of the accompanying consolidated financial statements as of March 31, 2014 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 subsidiaries as of March 31, 2014 and 2013. The consolidated financial statements for the years ended March 31, 2014 and 2013 include the accounts of the Company and its 33 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.

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 unconsolidated subsidiaries as of March 31, 2014 and 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, 2014 and 2013, 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, 1998 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.

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 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.

(j) 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.

(k) Lease

The Group leases certain computers, equipment, software, and other assets. Lease assets are mainly included in machinery, equipment and others in the consolidated balance sheets. Depreciation of lease assets is computed using the straight-line method over the leasing period with no residual value.

(l) Accounting for Employees' Retirement Benefits

Net defined benefit liability is recorded at the amount of projected benefit obligations, net of plan assets, based on the estimated amount at March 31, 2014 in order to provide for the retirement benefits of the employees.

In determining projected benefit obligations at reporting period, the straight-line basis is used.

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 when incurred.

Actuarial gains and losses and past service costs that are yet to be recognized in profit or loss are recorded as remeasurements of defined benefit plans under accumulated other comprehensive income within the net asset section, after adjusting for tax effects.

In determining the amount of net defined benefit liability and retirement benefit expenses, some small sized consolidated companies apply a simplified method that the amount that would be required if all employees retired at the fiscal year end on a voluntary basis is regarded as retirement benefit obligations.

(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 an obligation for disposal costs of PCB (polychlorinated biphenyl) -contained wastes and contamination survey on land. The asset retirement obligation, however, is not reasonably determinable because the time of performance, amount, and other factors of such obligations are uncertain. Therefore, the aforementioned obligations are not recognized in the accompanying consolidated financial statements.

(n) Foreign Currency Translation

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

(o) Consumption Taxes

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

(p) Income Taxes

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

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

(q) Cash and Cash Equivalents

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

(r) Per Share Information

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

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

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

(s) Accounting Changes

Effective March 31, 2014, the Company applied Accounting Standard for Retirement Benefits (ASBJ Statement No. 26, revised on May 17, 2012) and Guidance on Accounting Standard for Retirement Benefits (ASBJ Guidance No. 25, revised on May 17, 2012), except for the provisions stated in Paragraph 35 of ASBJ Statement No. 26 and Paragraph 67 of ASBJ Guidance No. 25, and recorded retirement benefit obligations, net of plan assets, as "Net defined benefit liability (or Net defined benefit asset)" and included unrecognized actuarial gains and losses and unrecognized past service costs in "Net defined benefit liability (or Net defined benefit asset)."

Pursuant to the transitional treatment prescribed in Paragraph 37 of ASBJ Statement No. 26, the Company added the effects from the changes to "remeasurements of defined benefit plans" under accumulated other comprehensive income.

As a result, the Company recorded net defined benefit asset of ¥33 million ($320 thousand) and net defined benefit liability of ¥4,084 million ($39,680 thousand). Accumulated other comprehensive income decreased by ¥632 million ($6,145 thousand).

The effects on per share information are described in Note 18.

(t) 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 applied the revised accounting standard from 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.

Accounting Standards for Business Combinations and Related Standards and Guidance

On September 13, 2013, the ASBJ issued revised ASBJ Statement No. 21, "Accounting Standard for Business Combinations," No. 22, "Accounting Standard for Consolidated Financial Statements," No. 7, "Accounting Standard for Business Divestitures," and No. 2, "Accounting Standard for Earnings per Share" and revised ASBJ Guidance No. 10, "Guidance on Accounting Standards for Business Combinations and Business Divestitures" and No. 4, "Guidance on Accounting Standard for Earnings per Share."

These accounting standards were revised principally concerning "Treatment for changes in parent's ownership interest in a subsidiary that do not result in a loss of control in the additional acquisitions of shares in a subsidiary," "Accounting for acquisition-related costs," "Presentation of net income and change from minority interests to non-controlling interests," and "Provisional accounting treatments."

The Company expects to apply these standards and guidance from April 1, 2015, except for provisional accounting treatments, which are expected to be applied from business combinations to be implemented on or after April 1, 2015.

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

4. Inventories

Inventories as of March 31, 2014 and 2013 comprised of the following:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	**2014**
Merchandise and finished goods	**¥12,020**	¥ 9,125	**$116,786**
Work in process	**5,185**	4,288	**50,382**
Raw materials and supplies	**11,561**	10,686	**112,332**
Total	**¥28,766**	¥24,099	**$279,500**

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, 2014 and 2013.

6. Investments in Securities

As of March 31, 2014 and 2013, available-for-sale securities with available fair value were as follows:

	Millions of yen		
		2014	
	Carrying amount	Acquisition cost	Net unrealized gain (loss)
Carrying amount (fair value) exceeds acquisition cost: Equity securities	**¥2,159**	**¥993**	**¥1,166**
Carrying amount (fair value) does not exceed acquisition cost: Equity securities	**3**	**4**	**(1)**
Total	**¥2,162**	**¥997**	**¥1,165**

	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

	Thousands of U.S. dollars		
		2014	
	Carrying amount	Acquisition cost	Net unrealized gain (loss)
Carrying amount (fair value) exceeds acquisition cost: Equity securities	**$20,976**	**$9,651**	**$11,325**
Carrying amount (fair value) does not exceed acquisition cost: Equity securities	**27**	**36**	**(9)**
Total	**$21,003**	**$9,687**	**$11,316**

As of March 31, 2014 and 2013, available-for-sale securities whose fair value is not reliably determinable were as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	**2014**
Available-for-sale securities Unlisted equity securities	**¥173**	¥173	**$1,686**

These unlisted equity securities are not included in “Available-for-sale 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, 2014 and 2013 as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Equity securities with fair value	¥—	¥—	$—
Equity securities without fair value	—	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, 2014 and 2013:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Equity securities:			
Sales proceeds	¥ 4	¥—	$ 35
Gain on sales	1	—	12
Loss on sales	—	—	—

7. Long-term Debt

Long-term debt as of March 31, 2014 and 2013 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
1.940% Unsecured syndicated loan payable to banks, due in 2014	¥ —	¥20,000	$ —
1.350% Unsecured straight bonds due in 2014	10,000	10,000	97,163
0.461% Unsecured straight bonds due in 2015	7,000	7,000	68,014
0.715% Unsecured straight bonds due in 2017	13,000	13,000	126,311
0.850% Unsecured straight bonds due in 2018	10,000	10,000	97,163
0.430% Unsecured straight bonds due in 2018	10,000	—	97,163
0.660% Unsecured straight bonds due in 2020	10,000	—	97,163
	¥60,000	¥60,000	$582,977

Annual maturities of long-term debt as of March 31, 2014 are as follows:

	Millions of yen					
	2014					
	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	¥20,000	¥10,000
Bank loans	—	—	—	—	—	—
Total	¥10,000	¥7,000	¥ —	¥13,000	¥20,000	¥10,000

	Thousands of U.S. dollars					
	2014					
	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	$97,163	$68,014	$ —	$126,311	$194,326	$97,163
Bank loans	—	—	—	—	—	—
Total	$97,163	$68,014	$ —	$126,311	$194,326	$97,163

8. Employees' Retirement Benefits

Year ended March 31, 2014

1. Outline of the retirement benefit plans adopted

The Company and consolidated subsidiaries adopt contributory and non-contributory defined benefit plans and defined contribution plans.

Under the defined benefit corporate pension plans (all are contributory), lump-sum severance benefits or pensions based on salaries and service years are provided.

Under lump-sum payment plans (all are non-contributory), lump-sum payments based on salaries and service years are provided. Under some defined benefit corporate pension plans and lump-sum payment plans of certain consolidated subsidiaries, net defined benefit liability and retirement benefit expenses are calculated using a simplified method.

Some consolidated subsidiaries participate in Welfare Pension Fund Plans of multi-employer plans and if the plan assets attributable to those companies cannot be calculated reasonably, they are accounted for in the same manner as the defined contribution plans.

2. Defined Benefit Plans

(1) The changes in projected benefit obligations for the year ended March 31, 2014, were as follows:

	Millions of yen	Thousands of U.S. dollars
Beginning balance of projected benefit obligation	**¥12,163**	**$118,184**
Service cost	**736**	**7,154**
Interest cost	**235**	**2,284**
Actuarial differences	**22**	**217**
Retirement benefits paid	**(291)**	**(2,831)**
Other	**18**	**170**
Ending balance of projected benefit obligations	**¥12,883**	**$125,178**

(2) The changes in plan assets for the year ended March 31, 2014, were as follows:

	Millions of yen	Thousands of U.S. dollars
Beginning balance of plan assets	**¥7,548**	**$73,340**
Expected return on plan assets	**133**	**1,289**
Actuarial differences	**628**	**6,102**
Contribution from the employer	**728**	**7,073**
Retirement benefits paid	**(205)**	**(1,986)**
Ending balance of plan assets	**¥8,832**	**$85,818**

(3) Reconciliation between the ending balances of defined benefit obligations and plan assets and net defined benefit liability recorded in the consolidated balance sheet

	Millions of yen	Thousands of U.S. dollars
Contributory defined benefit obligations	**¥12,037**	**$116,955**
Plan assets	**(8,832)**	**(85,818)**
	3,205	**31,137**
Non-contributory defined benefit obligations	**846**	**8,223**
Net liability (asset) recorded in the consolidated balance sheet	**¥4,051**	**$39,360**
Net defined benefit liability	**4,084**	**39,680**
Net defined benefit asset	**(33)**	**(320)**
Net liability (asset) recorded in the consolidated balance sheet	**¥4,051**	**$39,360**

(4) The components of retirement benefit expenses for the year ended March 31, 2014, were as follows:

	Millions of yen	Thousands of U.S. dollars
Service cost	**¥ 736**	**$ 7,154**
Interest cost	**235**	**2,284**
Expected return on plan assets	**(133)**	**(1,289)**
Amortization of actuarial differences	**51**	**492**
Amortization of prior service costs	**139**	**1,345**
Retirement benefit expenses on defined benefit plans	**¥1,028**	**$ 9,986**

(5) Remeasurements of defined benefit plans

The components of remeasurements of defined benefit plans are as follows:

	Millions of yen	Thousands of U.S. dollars
Unrecognized prior service costs	**¥1,731**	**$16,815**
Unrecognized actuarial differences	**(751)**	**(7,297)**
Total	**¥ 980**	**$ 9,518**

Note: Account before tax effect

(6) Plan assets

a. Components of plan assets

Plan assets consisted of the following:

Debt securities	**22%**
Equity securities	**40%**
General account	**36%**
Other	**2%**
Total	**100%**

b. Method of determining the long-term expected rate of return on plan assets
The long-term expected rate of return on plan assets is determined considering allocation of plan assets which are expected currently and in the future and the long-term rates of return which are expected currently and in the future from the various components of the plan assets.

(7) Weighted-average actuarial assumptions used for the year ended March 31, 2014, were set forth as follows:
Discount rate: 2.0%
Long-term expected rate of return: 1.5%

3. Defined Contribution Plans

The amount of the required contribution to the defined contribution plans of the Company and its consolidated subsidiaries is ¥405 million ($3,936 thousand).

4. Multi-Employer Plans

The amount of the required contribution to the Welfare Pension Fund Plans of multi-employer plans which are accounted for in the same manner as defined contribution plans is ¥51 million ($502 thousand).

(1) Latest funding status of multi-employer plans as of March 31, 2014

	Millions of yen	Thousands of U.S. dollars
Plan assets	**¥ 43,895**	**$ 426,496**
Benefit obligations on pension financing calculation	**54,935**	**533,764**
Net	**¥(11,040)**	**$(107,268)**

(2) The Company's share of contribution to the multi-employer plans for the year ended March 31, 2014 was 3.64%.

(3) Supplementary explanation
The amount of "Net" shown in the above table (1) consisted of the outstanding balance of past service costs for pension financing calculation purpose in an amount of ¥5,389 million ($52,359 thousand) and deficit brought forward in an amount of ¥5,651 million ($54,909 thousand). Past service costs under the multi-employer plans are amortized on a straight-line basis over a period of 19 years. The share shown in the above note (2) does not agree with the actual Group's share of the funding status.

Year ended March 31, 2013

On October 1, 2011, the Company abolished its tax-qualified pension plan and transferred to defined benefit 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 consisted of the following:

	Millions of yen
Projected benefit obligations (Note)	¥12,163
Fair value of plan assets	(7,548)
	4,615
Unrecognized actuarial differences	87
Unrecognized past service costs	(1,869)
	¥ 2,833
Prepaid pension expense	(¥176)
Reserve for employees' retirement benefits	¥ 3,009

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

Net periodic pension and severance costs for the year ended March 31, 2013 were as follows:

	Millions of yen
Service cost (Note)	¥ 729
Interest cost	224
Expected return on plan assets	(31)
Recognized prior service cost	139
Recognized actuarial differences	122
Other (contribution to defined contribution plans)	404
Net periodic pension and severance costs	¥1,587

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:

Discount rate	2.0%
Expected rate of return on plan assets	0.5%
Amortization of unrecognized actuarial differences	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, 2014, the Group had committed lines of credit amounting to ¥15,000 million ($145,744 thousand). None of the committed lines of credit were used.

10. Contingent Liabilities

As of March 31, 2014, the Group had no material contingent liabilities.

11. Notes Receivable and Payable

March 31, 2013 falls 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
Notes receivable	¥1,405
Notes payable	—

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, 2014 and 2013 were as follows:

	Number of shares			
	April 1, 2013	Increase	Decrease	March 31, 2014
Outstanding shares issued: Common stock	133,856,903	—	—	133,856,903
Treasury stock: Common stock	7,260,392	2,927	50	7,263,269

An increase in treasury stock is due to acquisition of 2,927 shares of less than one share unit.

A decrease in treasury stock is due to additional purchase requisition of 50 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, 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.

Year ended March 31, 2014

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

General 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 ($11,071 thousand)	¥9.00 ($0.09)	Mar. 31, 2013	Jun. 17, 2013

Board of Directors meeting held on November 7, 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	¥1,393 million ($13,531 thousand)	¥11.00 ($0.11)	Sep. 30, 2013	Dec. 9, 2013

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	Per share amount Yen	Dividend record date	Effective date
Common stock	¥1,415 million	¥11.00	Mar. 31, 2012	Jun. 18, 2012

Board of Directors meeting held on November 13, 2012:

	Total amount Millions of yen	Per share amount Yen	Dividend record date	Effective date
Common stock	¥1,139 million	¥9.00	Sep. 30, 2012	Dec. 10, 2012

13. Amortization of Goodwill

Amortization of goodwill included in selling, general and administrative expenses for the years ended March 31, 2014 and 2013 were ¥356 million ($3,459 thousand) and ¥431 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, 2014 and 2013 were ¥4,784 million ($46,488 thousand) and ¥4,390 million, respectively.

15. Lease

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

Lease commitments under non-cancelable operating leases as of March 31, 2014 and 2013 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	**2014**
Due within one year	**¥413**	¥338	**$4,011**
Due after one year	**339**	369	**3,291**
Total	**¥752**	¥707	**$7,302**

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 % for the years ended March 31, 2014 and 2013.

As of March 31, 2014 and 2013, significant components of deferred tax assets and liabilities were as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	**2014**
Deferred tax assets:			
Valuation loss of investments in subsidiaries	**¥ 8,142**	¥ 7,760	**$ 79,108**
Reserve for employees' retirement benefits	**1,005**	965	**9,767**
Accrued bonuses to employees	**984**	915	**9,563**
Loss on devaluation of inventories	**886**	943	**8,606**
Tax loss carried forward	**847**	1,076	**8,227**
Unrealized gain on intercompany sales of inventories	**831**	670	**8,073**
Unrealized gain on intercompany sales of property, plant and equipment	**507**	484	**4,929**
Enterprise tax payable	**443**	210	**4,302**
Net defined benefit liability	**339**	—	**3,292**
Retirement benefits payable to directors and corporate auditors	**316**	314	**3,070**
Impairment losses	**291**	336	**2,825**
Other	**984**	1,059	**9,571**
Total	**15,575**	14,732	**151,333**
Less: valuation allowance	**(9,684)**	(9,645)	**(94,098)**
Total deferred tax assets	**5,891**	5,087	**57,235**
Deferred tax liabilities:			
Unrealized gains of marketable equity securities	**(2,166)**	(2,207)	**(21,050)**
Unrealized gains on land revaluation	**(1,298)**	(1,298)	**(12,614)**
Depreciation	**(1,181)**	(1,006)	**(11,474)**
Special depreciation reserve for tax purpose	**(43)**	(67)	**(413)**
Other	**(158)**	(82)	**(1,531)**
Total deferred tax liabilities	**(4,846)**	(4,660)	**(47,082)**
Net deferred tax assets	**¥ 1,045**	¥ 427	**$ 10,153**

A 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, 2014 and 2013 was as follows:

	2014	2013
Normal effective statutory tax rate	**38.0 %**	38.0 %
Lower tax rates applicable to foreign subsidiaries	**(1.7)**	(0.5)
Tax credit for research and development	**(2.0)**	(2.5)
Valuation allowance	**2.3**	(1.9)
Local effective tax rate differences	**(1.1)**	(0.6)
Equity in earnings of an affiliate	**(0.8)**	(0.5)
Other	**(0.3)**	1.1
Actual effective tax rate	**34.4 %**	33.1 %

Adjustments of deferred tax assets and liabilities due to a change in the corporate income tax rate:

The New Tax Reform Act proclaimed on March 31, 2014 will repeal the Special Recovery Tax from the fiscal year beginning on or after April 1, 2014. As a result, the normal effective statutory tax rate to be used in computing deferred tax assets and liabilities has been reduced from 38.0% to 35.6% for the temporary differences estimated to be expired in the fiscal year beginning on April 1, 2014. As a result, deferred tax assets, net of deferred tax liabilities, decreased by ¥139 million ($1,351 thousand) and income taxes — deferred increased by the same amount.

17. Comprehensive Income

The components of other comprehensive income for the years ended March 31, 2014 and 2013 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Net unrealized gain on available-for-sale securities:			
Gain (loss) recognized during the year	**¥ 80**	¥ (92)	**$ 780**
Reclassification adjustment to net income	**—**	0	**—**
Amount before tax effect	**80**	(92)	**780**
Tax effect	**(26)**	53	**(256)**
Net unrealized gain (loss) on available-for-sale securities	**54**	(39)	**524**
Foreign currency translation adjustments:			
Gain recognized during the year	**19,662**	8,428	**191,043**
Reclassification adjustment to net income	**—**	—	**—**
Amount before tax effect	**19,662**	8,428	**191,043**
Tax effect	**—**	—	**—**
Foreign currency translation adjustments	**19,662**	8,428	**191,043**
Share of other comprehensive income of an affiliate accounted for under the equity method:			
Income recognized during the year	**801**	548	**7,783**
Reclassification adjustment to net income	**3**	(1)	**25**
Share of other comprehensive income of an affiliate accounted for under the equity method	**804**	547	**7,808**
Total other comprehensive income	**¥20,520**	¥8,936	**$199,375**

18. Per Share Information

Per share information as of and for the years ended March 31, 2014 and 2013 is as follows:

	Yen		U.S. dollars
	2014	2013	**2014**
Net income—basic	**¥ 123.16**	¥ 76.96	**$ 1.20**
Net assets	**1,736.51**	1,479.41	**16.87**

Diluted net income per share for the years ended March 31, 2014 and 2013 is not presented since the Company did not have any kind of securities with potential dilutive effect in the fiscal years.

As noted in Note 3(s), the Company applied the revised accounting standards for retirement benefits and follows the transitional treatment prescribed in Paragraph 37 of ASBJ Statement No. 26. As a result, net assets per share at March 31, 2014 decreased by ¥4.99 ($0.05).

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 six years and one month. 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, 2014 and 2013 are as follows:

	Millions of yen		
	2014		
	Carrying amount	Fair value	Difference
Assets:			
(1) Cash and cash equivalents	**¥138,343**	**¥138,343**	**¥ —**
(2) Trade accounts and notes receivable	**52,557**	**52,557**	**—**
(3) Investments in securities			
Available-for-sale securities	**2,162**	**2,162**	**—**
Total	**¥193,062**	**¥193,062**	**¥ —**
Liabilities:			
(4) Trade accounts and notes payable	**¥ 25,411**	**¥ 25,411**	**¥ —**
(5) Long-term debt—Bonds	**60,000**	**60,590**	**590**
Total	**¥ 85,411**	**¥ 86,001**	**¥590**
Derivatives	**¥ —**	**¥ —**	**¥ —**

	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
Derivatives	¥ —	¥ —	¥ —

	Thousands of U.S. dollars		
	2014		
	Carrying amount	Fair value	Difference
Assets:			
(1) Cash and cash equivalents	**$1,344,180**	**$1,344,180**	**$ —**
(2) Trade accounts and notes receivable	**510,660**	**510,660**	**—**
(3) Investments in securities			
Available-for-sale securities	**21,003**	**21,003**	**—**
Total	**$1,875,843**	**$1,875,843**	**$ —**
Liabilities:			
(4) Trade accounts and notes payable	**$ 246,904**	**$ 246,904**	**$ —**
(5) Long-term debt—Bonds	**582,977**	**588,705**	**5,728**
Total	**$ 829,881**	**$ 835,609**	**$5,728**
Derivatives	**$ —**	**$ —**	**$ —**

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.
Derivatives—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, 2014 and 2013 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	**2014**
Unlisted equity securities	**¥173**	¥173	**$1,686**

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

Maturity analysis for financial assets as of March 31, 2014 is as follows:

	Millions of yen	
	2014	
	Due within one year	Due after one year
(1) Cash and cash equivalents	**¥138,343**	**—**
(2) Trade accounts and notes receivable	**52,557**	**—**
Total	**¥190,900**	**—**

	Thousands of U.S. dollars	
	2014	
	Due within one year	Due after one year
(1) Cash and cash equivalents	**$1,344,180**	**—**
(2) Trade accounts and notes receivable	**510,660**	**—**
Total	**$1,854,840**	**—**

Maturities of long-term debts as of March 31, 2014 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, 2014 and 2013 is as follows:

There were no derivatives outstanding as of March 31, 2014.

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

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.

Segment information of the Group as of March 31, 2014 and 2013 and for the years then ended is as follows:

Reportable segments

Millions of yen

2014	Japan	The Americas	Europe	China	Other	Total	Adjustments	Consolidated
Sales to customers	¥107,436	¥28,618	¥18,292	¥19,858	¥11,262	¥185,466	¥ —	¥185,466
Inter-segment	39,628	13	40	3,792	709	44,182	(44,182)	—
Total	147,064	28,631	18,332	23,650	11,971	229,648	(44,182)	185,466
Segment profit (loss)	¥ 16,434	¥ 1,166	¥ 180	¥ (614)	¥ 677	¥ 17,843	¥ (473)	¥ 17,370
Assets	¥300,546	¥44,939	¥25,073	¥62,267	¥18,246	¥451,071	¥(114,654)	¥336,417
Other items								
Depreciation and amortization	¥ 5,664	¥ 1,153	¥ 469	¥ 3,366	¥ 305	¥ 10,957	¥ 144	¥ 11,101
Amortization of goodwill	62	—	—	—	294	356	—	356
Investment in an affiliate accounted for under the equity method	3,896	—	—	—	—	3,896	—	3,896
Increase in property, plant and equipment and intangibles	3,103	1,950	257	4,958	825	11,093	(643)	10,450

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

	Thousands of U.S. dollars							
	2014							
	Japan	The Americas	Europe	China	Other	Total	Adjustments	Consolidated
Sales to customers	**$1,043,881**	**$278,061**	**$177,731**	**$192,944**	**$109,424**	**$1,802,041**	**$ —**	**$1,802,041**
Inter-segment	**385,040**	**127**	**392**	**36,840**	**6,890**	**429,289**	**(429,289)**	**—**
Total	**1,428,921**	**278,188**	**178,123**	**229,784**	**116,314**	**2,231,330**	**(429,289)**	**1,802,041**
Segment profit (loss)	**$ 159,681**	**$ 11,330**	**$ 1,749**	**$ (5,970)**	**$ 6,578**	**$ 173,368**	**$ (4,594)**	**$ 168,774**
Assets	**$2,920,186**	**$436,644**	**$243,614**	**$605,000**	**$177,287**	**$4,382,731**	**$(1,114,011)**	**$3,268,720**
Other items								
Depreciation and amortization	**$ 55,030**	**$ 11,202**	**$ 4,561**	**$ 32,708**	**$ 2,958**	**$ 106,459**	**$ 1,403**	**$ 107,862**
Amortization of goodwill	**601**	**—**	**—**	**—**	**2,858**	**3,459**	**—**	**3,459**
Investment in an affiliate accounted for under the equity method	**37,858**	**—**	**—**	**—**	**—**	**37,858**	**—**	**37,858**
Increase in property, plant and equipment and intangibles	**30,149**	**18,950**	**2,492**	**48,169**	**8,020**	**107,780**	**(6,247)**	**101,533**

Sales to customers, by business

	Millions of yen		Thousands of U.S. dollars
	2014	2013	**2014**
Industrial Equipment-Related Business	**¥135,200**	¥124,268	**$1,313,646**
Transportation Equipment-Related Business	**50,266**	44,098	**488,395**
Total	**¥185,466**	¥168,366	**$1,802,041**

Sales to foreign customers, by customers' location

	Millions of yen					
	2014					
	Japan	The Americas	Europe	China	Other	Total
Sales to foreign customers	**¥101,052**	**¥28,901**	**¥18,427**	**¥19,351**	**¥17,735**	**¥185,466**

	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

	Thousands of U.S. dollars					
	2014					
	Japan	The Americas	Europe	China	Other	Total
Sales to foreign customers	**$981,854**	**$280,807**	**$179,045**	**$188,020**	**$172,315**	**$1,802,041**

22. Subsequent Events

Appropriation of retained earnings

The following appropriation of retained earnings as of March 31, 2014 was approved at the Company's shareholders' meeting held on June 21, 2014:

	Total amount Millions of yen (Thousands of U.S. dollars)	Per share amount Yen (U.S. dollar)	Dividend record date	Effective date
Common stock	¥1,899 million ($18,451 thousand)	¥15.00 ($0.15)	Mar. 31, 2014	Jun. 23, 2014

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, 2014 and 2013, 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, 2014 and 2013, 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.

Convenience translations

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2014, 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 23, 2014