FINANCIAL SECTION

■ Analysis of Operating Results

Net sales

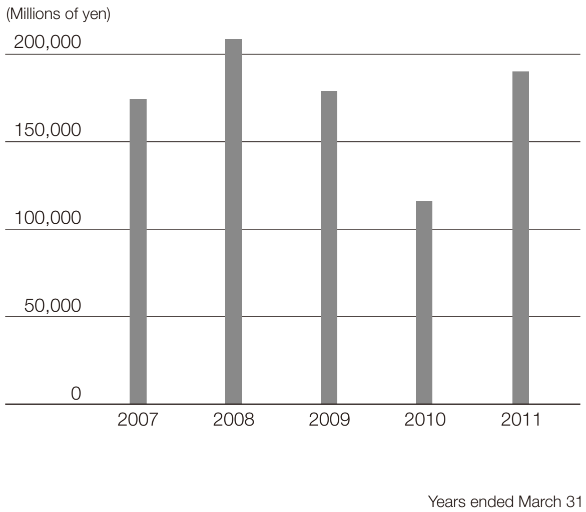
Economic conditions during fiscal 2010, the fiscal year ended March 31, 2011, were generally sound. In the first half, the global economy recovered steadily. This was largely attributable to improvements in corporate-sector earnings fueled by the positive turnaround in personal consumption, which in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

The THK Group has identified "Full-Scale Globalization" and the "Development of New Business Areas" as cornerstones of its growth strategy and efforts to expand its business domain. Amid the sharp and substantial drop in demand in the aftermath of the Lehman Brothers shock, the Group adhered strictly to a policy of eliminating waste and inconsistency. Without detracting from its business platform and the human, technological and financial capital capabilities that provide the wellspring for its growth potential, the Group took steps to upgrade and expand its sales network particularly in such developing countries as China, which are anticipated to experience market growth, in an effort to further bolster its business platform. As a result of these endeavors, and amid growing clarity in the extent of developing market expansion, the THK Group successfully linked the steady upswing in global demand to higher sales. At the end of the fiscal year under review, the Great East Japan Earthquake forced several Group companies to relocate machinery at production plants. In overall terms, however, the impact of the disaster was minor, and the Group was quick to resume full-scale operations and ensure the stable supply of products. Taking each of the aforementioned factors into consideration, net sales for the fiscal year under review increased substantially from ¥115,330 million in fiscal 2009 to ¥190,662 million.

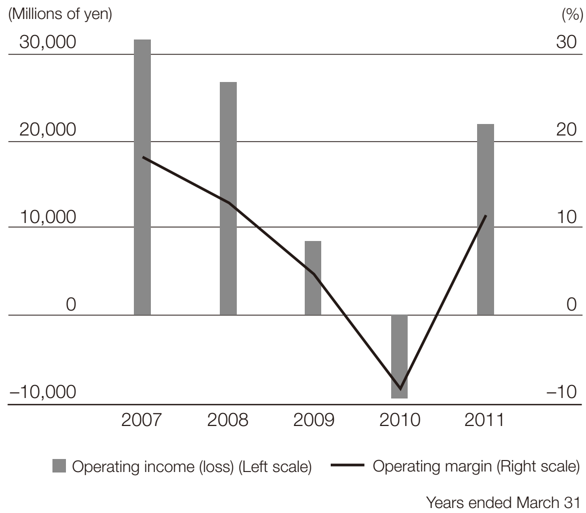
Cost of sales

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

Net Sales



Operating Income (Loss) and Operating Margin



Selling, general and administrative (SG&A) expenses

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

Operating income (loss)

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

Non-operating income and expenses

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

Net income (loss)

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

Segment Information

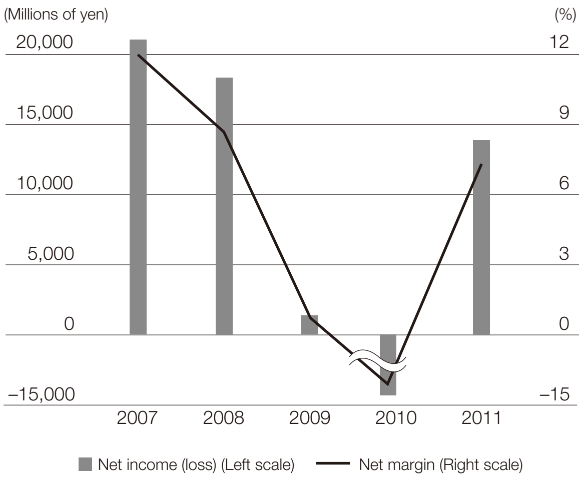
Japan

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

The Americas

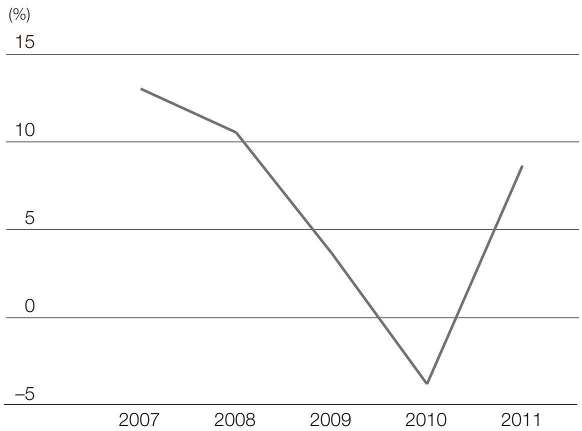
In the Americas, trends in automobile production were firm. Amid a positive upswing in capital investment, the Group took steps to expand transactions with existing customers and to cultivate new business fields underpinned by its integrated production and sales structure. Based on these endeavors, sales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

Net Income (Loss) and Net Margin



Years ended March 31

Return on Assets (ROA)



Note: Operating income (loss) plus interest and dividend income as a percentage of average total assets.

Years ended March 31

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

Europe

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

China

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

Other

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

■ Financial Position

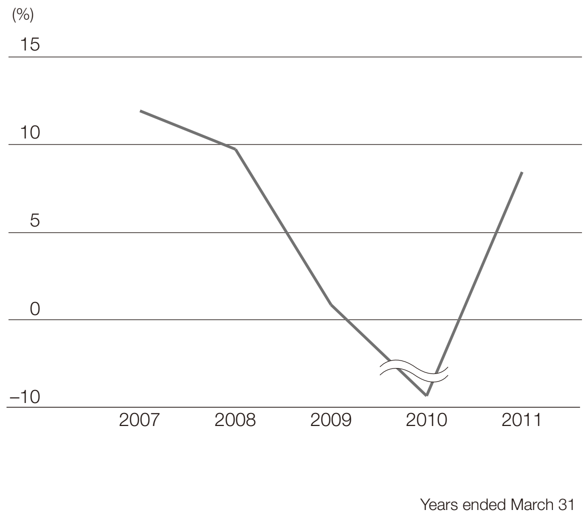
Assets, liabilities and net assets

• Assets

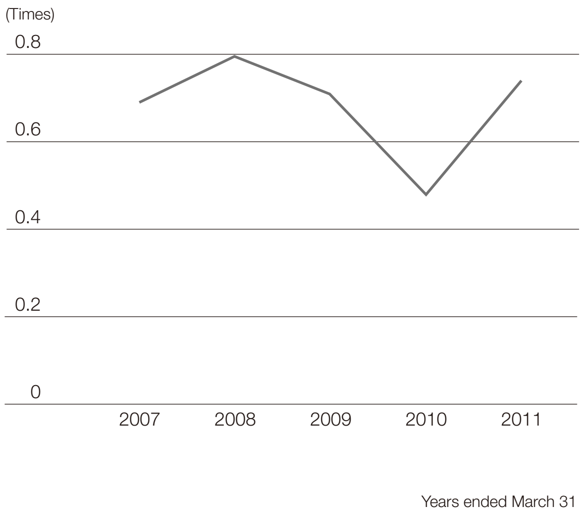
Current assets stood at ¥191,666 million as of March 31, 2011, an increase of ¥48,206 million compared with the previous fiscal year-end. Major components included cash and cash equivalents, which climbed by ¥30,837 million due mainly to the issuance of bonds totaling ¥20,000 million; trade accounts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

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

Return on Equity (ROE)



Asset Turnover Ratio



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

• Liabilities

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

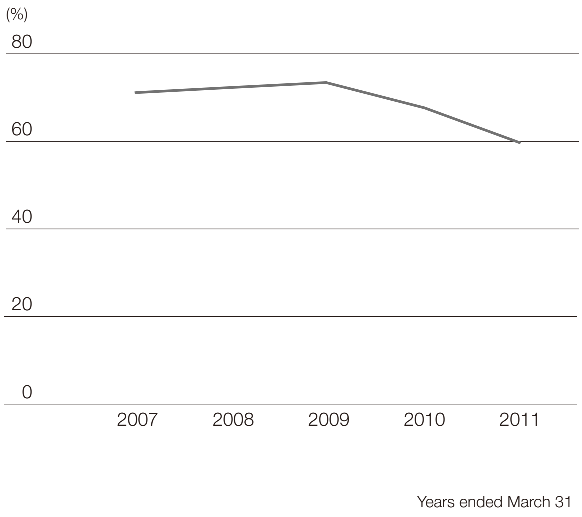
Long–term liabilities totaled ¥59,870 million as of March 31, 2011, an increase of ¥20,129 million compared with the previous fiscal year-end, owing mainly to the issuance of ¥20,000 million of bonds.

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

• Net assets

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

Equity Ratio



Cash flows

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

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

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

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

RISK FACTORS

Risk factors and uncertainties that could affect the THK Group's business results and financial position include, but are not limited to, the items outlined in the following discussion. Please note that information provided on this page was accurate as of June 20, 2011. Any items relating to the future are based on the best judgment of THK Group management as of this date.

Dependence on linear motion systems

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

Effect of changes in production trends within specific industries

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

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

Overseas business expansion

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

Exchange rate fluctuations

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

Reliance on specific sources of supply

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

Incidence of defective products

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

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

Information security

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

Disasters, acts of terrorism, infectious disease and other maladies

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

Sharp hikes in the prices of raw materials

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

CONSOLIDATED FINANCIAL STATEMENTS

THK CO., LTD. AND CONSOLIDATED SUBSIDIARIES

Consolidated Balance Sheets

as of March 31, 2010 and 2011

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

The accompanying notes are an integral part of these statements.

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

Consolidated Statements of Operations

for the years ended March 31, 2010 and 2011

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

The accompanying notes are an integral part of these statements.

Consolidated Statement of Comprehensive Income

for the year ended March 31, 2011

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

The accompanying notes are an integral part of these statements.

Consolidated Statements of Changes in Net Assets

for the years ended March 31, 2010 and 2011

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

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

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

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

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

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

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

The accompanying notes are an integral part of these statements.

Consolidated Statements of Cash Flows
for the years ended March 31, 2010 and 2011

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

The accompanying notes are an integral part of these statements.

Notes to Consolidated Financial Statements

THK CO., LTD. AND CONSOLIDATED SUBSIDIARIES

1. Basis of Presenting Consolidated Financial Statements

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

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

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

2. United States Dollar Amounts

U.S. dollar amounts presented in the consolidated financial statements are included solely for the convenience of the readers. These translations should not be construed as presentations that the yen amounts actually represent or could be converted into U.S. dollars at that or any other rate. For this purpose, the rate of ¥83.15 to U.S.$ 1, the approximate rate of exchange prevailing in Tokyo on March 31, 2011, have been used for the translation of the accompanying consolidated financial statements as of and for the year ended March 31, 2011.

3. Summary of Significant Accounting Policies

(a) Consolidation

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

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

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

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

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

Under Japanese GAAP; (1) the accounting policies and procedures applied to a parent company and its subsidiaries for similar transactions and events under similar circumstances should in principle be unified for the preparation of the consolidated financial statements, (2) financial statements prepared by foreign subsidiaries in accordance with either International Financial Reporting Standards or the generally accepted accounting principles in the United States of America tentatively may be used for the consolidation process, (3) however, the following items should be adjusted in the consolidation process so that net income is accounted for in accordance with Japanese GAAP unless they are immaterial; 1) amortization of goodwill; 2) scheduled amortization of actuarial gain or loss of pensions that has been directly recorded in net assets; 3) expensing capitalized development costs of research and development; 4) cancellation of the fair value model accounting for property, plant, and equipment and investment properties and incorporation of the cost model accounting; 5) recording the prior years' effects of changes in accounting policies in the income statement where retrospective adjustments to financial statements have been incorporated; and 6) exclusion of minority interests from net income, if contained.

The Company had three (three in 2010) affiliates and six (six in 2010) unconsolidated subsidiaries as of March 31, 2011. Under the control concept, companies over which the Company directly or indirectly has the ability to exercise significant influence are accounted for using the equity method. For the years ended March 31, 2010 and 2011, the Company has applied the equity method to investment in SAMICK THK CO., LTD. Investments in the remaining affiliates and unconsolidated subsidiaries are stated at cost. If the equity method had been applied to the investments in those companies, the effect on the consolidated financial statements would not have been significant.

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

(b) Translation of Foreign Currency Financial Statements

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

(c) Inventories

Inventories are stated at cost determined principally by the gross average method. If acquisition cost of an inventory exceeds its net selling value, the carrying amount of such inventory is written down to its net selling value and the difference is charged to income.

(d) Financial Instruments

Securities

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

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

Derivatives

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

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

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

(e) Property, Plant and Equipment

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

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

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

(f) Amortization

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

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

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

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

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

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

(h) Accrued Bonuses to Employees
Accrued bonuses to employees are stated at an estimated amount to be paid in the following year based on the employees’ compensation in the current year.

(i) Accrued Bonuses to Directors and Corporate Auditors
Bonuses to directors and corporate auditors are accrued at the year end and to be paid in the following year when such bonuses are attributable.

(j) Reserve for Employees’ Retirement Benefits
Reserve for employees’ retirement benefits represents the estimated present value of projected benefit obligations in excess of fair value of plan assets. Amortization of unrecognized actuarial differences is initiated from the following fiscal year on a straight-line basis over a period from five to 18 years.

(k) Reserve for Directors’ and Corporate Auditors’ Retirement Benefits
Reserve for directors’ and corporate auditors’ retirement benefits represents the liability at amount that would be required if all eligible directors and corporate auditors retired at each balance sheet date.

(l) Reserve for Product Warranty
Reserve for product warranty is stated at amount based on the Group’s past experience in order to cover possible warranty liabilities.

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

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

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

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

(n) Asset Retirement Obligations

Effective April 1, 2010, the Company adopted ASBJ Statement No. 18, “Accounting Standard for Asset Retirement Obligations” and ASBJ Guidance No. 21, “Guidance on Accounting Standard for Asset Retirement Obligations”. The accounting standard requires legal obligations associated with the retirement of long-lived assets to be recognized as the sum of the discounted cash flows required for future asset retirement at the time that the obligations are incurred. If the asset retirement obligation cannot be reasonably estimated, such obligation should be recognized as a liability in the period when it becomes reasonably estimated. Upon initial recognition of a liability, the cost is capitalized as part of the related long-lived assets and depreciated over the remaining estimated useful life of the related asset. This accounting change did not have any effect on the consolidated financial statements.

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

(o) Foreign Currency Translation

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

(p) Consumption Tax

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

(q) Income Taxes

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

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

(r) Cash and Cash Equivalents

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

(s) Per Share Information

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

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

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

4. Impairment Losses

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

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

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

5. Financial Instruments and Related Disclosures

(1) Policy for financial instruments

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

(2) Nature and risks of financial instruments

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

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

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

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

(3) Risk management

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

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

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

(4) Other information

Fair values of financial instruments are based on quoted prices in active markets. If quoted price is not available, other rational valuation techniques are used instead. Because such valuation techniques include certain assumptions, results may differ if different assumptions are used in the valuation. The contract amounts for derivatives listed in Note 7 do not represent volume of underlying market risks of the derivative transactions.

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

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

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

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

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

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

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

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

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

Financial instruments which do not have quoted market prices and whose fair value is not reliably determinable are not included in the table above. Such financial instruments as of March 31, 2010 and 2011 are as follows:

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

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

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

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

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

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

6. Investments in Securities

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

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

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

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

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

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

7. Derivatives and Hedging Activities

The Group utilizes interest rate swap agreements to hedge interest rate risks associated with its bank loans. The Group's interest rate swaps qualify for hedge accounting and meet specific matching criteria under Japanese GAAP and are not remeasured at market value but the differential paid or received under the swap agreements are recognized and included in interest expenses or income. Fair value information of such derivatives as of March 31, 2010 and 2011 is as follows:

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

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

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

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

8. Inventories

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

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

9. Long-term Debt

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

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

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

	Millions of yen					
	2011					
	Due within 1 year	Due after 1 to 2 years	Due after 2 to 3 years	Due after 3 to 4 years	Due after 4 to 5 years	Due after 5 years
Bonds	**¥—**	**¥—**	**¥ —**	**¥10,000**	**¥7,000**	**¥13,000**
Bank loans	**—**	**—**	**20,000**	**—**	**—**	**—**
Total	**¥—**	**¥—**	**¥20,000**	**¥10,000**	**¥7,000**	**¥13,000**

	Thousands of U.S. dollars					
	2011					
	Due within 1 year	Due after 1 to 2 years	Due after 2 to 3 years	Due after 3 to 4 years	Due after 4 to 5 years	Due after 5 years
Bonds	**$—**	**$—**	**$ —**	**$120,265**	**$84,185**	**$156,344**
Bank loans	**—**	**—**	**240,529**	**—**	**—**	**—**
Total	**$—**	**$—**	**$240,529**	**$120,265**	**$84,185**	**$156,344**

10. Committed Line of Credit

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

11. Contingent Liabilities

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

12. Lease

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

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

Pro forma information on an “as if capitalized” basis as of March 31, 2010 and 2011 were as follows:

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

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

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

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

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

Total lease payments under these leases were ¥216 million and ¥106 million ($1,273 thousand) for the years ended March 31, 2010 and 2011, respectively.

The amounts of acquisition costs and future minimum lease payments under finance leases include the imputed interest expense. Depreciation expenses, which are not reflected in the accompanying consolidated statements of operations, computed using the straight-line method, were ¥216 million and ¥106 million ($1,273 thousand) for the years ended March 31, 2010 and 2011, respectively.

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

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

13. Amortization of Goodwill

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

14. Research and Development

Research and development expenses included in cost of sales or selling, general and administrative expenses for the years ended March 31, 2010 and 2011 were ¥3,940 million and ¥4,341 million ($52,208 thousand), respectively.

15. Reserve for Employees' Retirement Benefits

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

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

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

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

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

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

	2010	2011
Discount rate	2.0%	**2.0%**
Expected rate of return on plan assets	1.5%	**1.5%**
Amortization of unrecognized actuarial differences	5–18 years	**5–18 years**

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

16. Income Taxes

The Company and its domestic subsidiaries are subject to Japanese national and local income taxes which, in the aggregate, resulted in normal effective statutory tax rate of approximately 40.7% for the years ended March 31, 2010 and 2011.

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

	Millions of yen		Thousands of U.S. dollars
	2010	**2011**	**2011**
Deferred tax assets:			
Valuation loss of investments in subsidiaries	¥ 6,342	**¥ 6,093**	**$ 73,273**
Reserve for employees' retirement benefits	1,860	**1,958**	**23,546**
Loss on devaluation of inventories	1,038	**1,115**	**13,409**
Tax loss carried forward	3,928	**1,375**	**16,538**
Accrued bonuses to employees	735	**1,086**	**13,061**
Enterprise taxes	1	**503**	**6,044**
Unrealized gain on intercompany sales of property, plant and equipment	401	**383**	**4,611**
Retirement benefits payable to directors and corporate auditors	408	**392**	**4,716**
Impairment losses	357	**346**	**4,165**
Other	1,535	**1,574**	**18,932**
Total	16,605	**14,825**	**178,295**
Less: valuation allowance	(9,781)	**(9,163)**	**(110,198)**
Total deferred tax assets	6,824	**5,662**	**68,097**
Deferred tax liabilities:			
Unrealized gains of marketable equity securities	(2,270)	**(2,326)**	**(27,975)**
Unrealized gains on land revaluation	(1,422)	**(1,422)**	**(17,103)**
Depreciation	(725)	**(696)**	**(8,371)**
Insurance premium	(587)	**(661)**	**(7,951)**
Special depreciation reserve for tax purpose	(157)	**(138)**	**(1,665)**
Other	(126)	**(68)**	**(816)**
Total deferred tax liabilities	(5,287)	**(5,311)**	**(63,881)**
Net deferred tax assets	¥ 1,537	**¥ 351**	**$ 4,216**

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

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

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

17. Comprehensive Income

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

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

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

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

18. Per Share Information

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

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

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

19. Segment Information

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

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

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

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

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

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

Reportable segments

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

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

Sales to customers, by business

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

Sales to foreign customers, by customers' location

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

	Thousands of U.S. dollars					
	2011					
	Japan	The Americas	Europe	China	Other	Total
Sales to foreign customers	**$1,410,760**	**$250,295**	**$193,707**	**$158,987**	**$279,238**	**$2,292,987**

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

Reportable segments

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

Sales to customers, by business

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

Sales to foreign customers, by customers' location

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

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

1) Business Segment Information

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

Major products in each business segment are as follows:

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

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

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

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

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

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

2) Geographical Segment Information

Principal countries and jurisdictions in each segment are as follows:

“The Americas” mainly includes the United States.
“Europe” mainly includes Germany, the United Kingdom and the Netherlands.
“Asia and other” mainly includes China, Korea and Taiwan.

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

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

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

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

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

(3) Sales to foreign customers

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

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

Grant Thornton

Grant Thornton Taiyo ASG

Report of Independent Auditors

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

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

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of THK Co., Ltd. and its subsidiaries as of March 31, 2010 and 2011, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in Japan.

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

Grant Thornton Taiyo ASG

Tokyo, Japan
June 20, 2011