

Security Code 6481
May 27, 2011

To Shareholders

11-6, Nishi Gotanda 3-chome, Shinagawa-ku, Tokyo, Japan
THK CO., LTD.
Representative Director and President: Akihiro Teramachi

Notice of Convocation of the 41st Ordinary General Shareholders Meeting

Dear Shareholders:

We would like to express our appreciation for your loyal patronage.

We would also like to express our heartfelt sympathy for those who have been impacted by the Great East Japan Earthquake in March this year.

We are writing to inform you that the 41st Ordinary General Shareholders Meeting of THK CO., LTD. (the “Company”) will be held as outlined below, and we cordially request your attendance.

If you are unable to attend the meeting, you may exercise your voting rights in writing or via an electromagnetic method (the Internet).

To exercise your voting rights in writing, please review the reference documents for the Ordinary General Shareholders Meeting attached to this letter, indicate your vote of assent or dissent for each proposal on the enclosed voting sheet and return the sheet so that it will reach us by 5:30 p.m. Japan local time on Friday, June 17, 2011.

To exercise your voting rights via an electromagnetic method (the Internet), please review the reference documents for the Ordinary General Shareholders Meeting, read the section titled “Procedure for Exercising Voting Rights via the Internet” as well shown on page 64 and exercise your voting rights accordingly.

Nominal shareholders such as custodian banks (including standing proxies) may use the electronic voting platform for institutional investors operated by ICJ Co., Ltd., as another electromagnetic method for exercising voting rights at the General Shareholders Meeting of the Company, provided that the shareholder has already subscribed to use of the platform.

The date, time, place and agenda of the Ordinary General Shareholders Meeting are shown on page 2. If attending the meeting, please submit the enclosed voting sheet to the reception desk on arrival at the meeting.

Corrections to the reference documents for the Ordinary General Shareholders Meeting, the business report, the financial statements and the consolidated financial statements, if any, will be posted on our company’s Web site (<http://www.thk.com/us/ir/shareholder/meeting.html>).

- 1. Date and Time:** Saturday, June 18, 2011, 10 a.m.
2. Place 9-1 Daiba 1-chome, Minato-ku, Tokyo
Hotel Nikko Tokyo 1st Floor (Pegasus)
※ The location for this year's Ordinary General Shareholders Meeting is different from that of the previous year. Please see the map described at the foot of the document, and ensure that you know the exact location.

3. Agenda
Reports:

1. Business reports, consolidated financial statements, and the results of the audits of the consolidated financial statements by the accounting auditor and the Board of Auditors for the 41st Term (April 1, 2010 to March 31, 2011)
2. Report of financial statements for the 41st Term (April 1, 2010 to March 31, 2011)

Resolutions:

- Proposal 1:** Surplus Appropriation
Proposal 2: Appointment of Sixteen (16) Directors
Proposal 3: Appointment of One (1) Auditor
Proposal 4: Appointment of One (1) Substitute Auditor
Proposal 5: Bonus Payment to Directors
Proposal 6: Revision of Compensation for Directors

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At the ordinary general shareholders meeting, we will utilize monitors to give a presentation on the current state of the Company, and after the meeting we will hold the "THK Products & THK Group Products Exhibition" in the shareholders meeting hall. We sincerely hope that this opportunity will help deepen your understanding of THK and the THK Group.

(Submitted Documents)

Business Report

(From April 1, 2010 to March 31, 2011)

1. Present Status of the Corporate Group

(1) Review of Business Performance in the Current Consolidated Fiscal Year

1. Business Progress and Results

Economic Environment

During the first half of the consolidated fiscal year under review, the global economy recovered steadily led by a pickup in consumer spending due to the effects of economic stimulus measures implemented by various countries in the previous year, contributing to corporate earnings improvement and having some effects on capital investments. In Japan during the second half the year, the domestic economy appeared to weaken due to the continued appreciation of the yen and the disappearance of the effects of economic stimulus measures, followed by the disastrous Great East Japan Earthquake that occurred at the end of the fiscal year. Meanwhile, overseas economies progressed steadily led by emerging countries, and the global economy saw a gradual overall recovery.

Overall Summary of Sales

The Group's growth strategy is expanding business areas through "Full-Scale Globalization" and "Development of New Business Areas." Amid significant decline in demand since the Lehman shock, without cutting management resources such as our labor force, capital strength and technological capability, and while making every effort to cut waste and reduce variation, we strove to further reinforce our management structure through expanding our sales network in emerging countries focusing on China where the market is expected to grow. As a result of these measures, in an environment where emerging countries showed clear signs of growth, the Group took advantage of the increasing worldwide demand to bear its steady sales revenue. Although the Great East Japan Earthquake which occurred at the end of the fiscal year, had slight effects such as displacing machines at the Company's and some of the Group companies' production facilities, we strove to resume business quickly and stabilize supply. As a result, sales revenue for the year under review increased significantly to ¥190,661 million, compared to ¥115,330 million the previous fiscal year.

Overall Summary of Income

The Group continued efforts to increase productivity by improving raw material turnover and shortening manufacturing lead time. As a result, while constraining fixed costs, a steady increase in sales revenue resulted in an 8.5-percentage-point improvement in the cost-to-sales ratio from the previous consolidated fiscal year to 71.4%.

Selling, general and administrative expenses ("SG&A expenses") decreased ¥99 million from the previous consolidated fiscal year due to our efforts to constrain various expenses, despite sales growth, and a one-time write-off of goodwill in the

previous fiscal year. The ratio of SG&A expenses to sales improved 11.3 percentage points to 17.1%.

As a result, operating income was ¥21,844 million (operating loss of ¥9,508 million was recorded for the previous consolidated year.)

Non-operating loss was ¥212 million due to ¥877 million of foreign exchange losses, despite ¥438 million of equity in earnings of affiliates. Ordinary income was ¥21,631 million (ordinary loss of ¥8,797 million was recorded for the previous consolidated fiscal year.)

Due to these factors, net income for the current fiscal year was ¥13,959 million (net loss of ¥14,300 million was recorded for the previous consolidated year.)

Segment Breakdown

Japan

In Japan, during the first half of the year, the economy saw a recovery led by mainly in exports, having some effects on capital investment activities. Meanwhile, during the second half of the year, in addition to the higher yen and the disappearance of the effects of economic stimulus measures, the Japanese economy appeared to weaken due to the effects of the disastrous Great East Japan Earthquake that occurred at the end of the fiscal year. Industrial machine manufacturers, which form our customer base, expanded exports driven by rising sales to growing emerging countries, and the Group made proactive marketing activities in an effort to realize steady sales growth through an increase in demand for our products. As a result, sales by our machine tools, general machinery and electronics businesses, which are our main lines of businesses, grew strongly achieving sales revenue for the year of ¥127,944 million. In addition, as a result of productivity improvement and reduced SG&A expenses, operating income reached ¥18,322 million.

The Americas

In the Americas, where automobile production grew steadily and capital investment picked up, we strove to increase transactions with existing customers and discover new clients by unifying production and sales. As a result, sales by our machine tools, electronics and transportation equipment businesses increased strongly, resulting in sales revenue of ¥20,608 million and operating income of ¥1,807 million.

Europe

In Europe, which experienced export led economic growth, we strove to increase transactions with existing customers and discover new clients by unifying production and sales. As a result, demand recovery led to a sales increase, resulting in sales revenue of ¥16,099 million. However, as the yen tended to appreciate against the Euro, an operating loss of ¥934 million was recorded.

China

In China, where a steady increase in capital investments was seen and automobile production continued to show strength, we undertook aggressive sales activities by taking advantage of sales network we have strengthened in the past. As a result, sales by our machine tools and transportation equipment businesses, which are our

mainstream businesses, increased briskly, resulting in sales revenue of ¥13,969 million and operating income of ¥2,466 million.

Other Areas

In other areas, we continued our efforts to increase transactions with existing customers and discover new clients in Taiwan, India and the ASEAN countries. As a result, sales in machine tools, our main products, grew strongly, resulting in sales revenue of ¥12,039 million and operating income of ¥545 million.

Overall Summary of Research and Development

In the LM guide series, our main line of products, the Group developed the Caged Ball LM Guide “SPR/SPS models,” with features including high precision, high rigidity, high speed, long-term maintenance free and ecological friendly performance; all features required in latest machine tools. This guide using eight circular-arc grooves, a small radius ball and a super long block provides low waving equivalent to that of a hydrostatic guide and considerably higher rigidity than a roller guide. We have developed the Ball Spline “LTS model” with circumference and outer diameter reduced by one size from those of the conventional existing models, allowing a compact system design. We have also developed the high-speed and compact type Ball Screw “SDA model” meeting DIN specifications. Among actuators, THK launched the Linear Motor Actuator “GLM20AP model” with features including high speed, high acceleration/deceleration, high precision and conformity with overseas specifications, and the driver controller “TSC model” for use in stepping motors.

Overall Summary of the Production Systems

In order to respond to increased demand on the global level, we reinforced production systems domestically and overseas. We endeavored in various ways, to further improve productivity in Japan, the Americas and Europe by promoting automation. In Asia, we increased production capability mainly that of THK MANUFACTURING OF CHINA (WUXI) CO., LTD. and THK MANUFACTURING OF CHINA (LIAONING) CO., LTD. in China where demand grew rapidly.

Term-end Dividends

As the Company earnings are affected by industry trends in capital expenditures, which is a changeable external environment factor, our policy regarding dividends is to flexibly return profits to shareholders according to mid-term business results, while also stabilizing the payment of dividends. Under this policy, although the Group posted red ink for the fiscal year ended March, 2010, we paid an annual dividend per share of ¥15 (interim dividend of ¥7.5 and term-end dividend of ¥7.5) to maintain stable dividend payments. In light of such circumstances, considering earnings recovery for the fiscal year under review, we intend to pay an ordinary term end dividend per share of ¥8, which, along with the interim dividend (¥8 per share), will provide an annual dividend for the fiscal year under review of ¥16 per share.

2. Status of Capital Investments

Total capital investments in the consolidated fiscal year under review amounted to ¥7,812 million, consisting mostly of investments in buildings and processing facilities that were made to reinforce production facilities and improve product quality. The main investment amount at each production site is as follows:

Production Sites (Domestic Plants)	THK CO., LTD.	(Millions of Yen)
	Yamaguchi Plant	1,001
	Kofu Plant	310
	Yamagata Plant	254
	Gifu Plant	203
	Mie Plant	136
	THK RHYTHM CO., LTD.	451
THK NIIGATA CO., LTD.	181	
Production Sites (Overseas Plants)	THK MANUFACTURING OF CHINA (WUXI) CO., LTD. (China)	1,190
	THK MANUFACTURING OF CHINA (LIAONING) CO., LTD. (China)	1,127
	THK RHYTHM NORTH AMERICA CO., LTD. (United States)	732
	DALIAN THK CO., LTD. (China)	532
	THK RHYTHM (THAILAND) CO., LTD. (Thailand)	246

3. Status of Funding

The source of funding for the consolidated fiscal year under review was ¥20,000 million from the newly issued straight bond.

Company Name	Bond Name	Date of Issue	Total Amount of Notes (In million yen)	Rate (%)	Maturity
THK CO., LTD.	The Fifth Unsecured Debt Securities (with inter-bond pari passu clause)	October 20, 2010	7,000	0.461	October 20, 2015
THK CO., LTD.	The Sixth Unsecured Debt Securities (with inter-bond pari passu clause)	October 20, 2010	13,000	0.715	October 20, 2017

For effective funding of operating capital, the Group has specified credit lines totaling ¥15,000 million with its main correspondent financial institutions.

4. Status of Transfer of Business, Absorption-Type Corporate Spin-Off or Incorporation-Type Corporate Spin-Off
None applicable

5. Status of Acquisition of Businesses of Other Companies
None applicable

6. Status of Succession of Rights and Obligations Pertinent to Businesses of Other Companies Resulting from Absorption-Type Corporate Spin-Off or Incorporation-Type Corporate Spin-Off

None applicable

7. Status of Acquisition or Disposition of Shares or Other Equity or Subscription Warrants, etc., in Other Companies

None applicable

(2) Assets and Profit/Loss in the Preceding Three (3) Fiscal Years

1. Assets and Profit/Loss of the Group

Millions of Yen				
Item	38th Term (Term Ended March 2008)	39th Term (Term Ended March 2009)	40th Term (Term Ended March 2010)	41st Term (Term Ended March 2011; Current Consolidated Fiscal Year)
Sales Revenue	208,708	179,269	115,330	190,661
Ordinary Income	27,026	8,329	(8,797)	21,631
Current Net Income	18,323	1,204	(14,300)	13,959
Current Net Income per Share (Yen)	139.53	9.36	(111.20)	108.55
Return on Equity (%)	9.7	0.7	-8.5	8.5
Total Assets	264,229	240,350	236,374	279,768
Shareholders' Equity	192,953	177,712	162,258	167,937
Shareholders' Equity per Share (Yen)	1,484.78	1,372.69	1,252.71	1,296.52

2. Assets and Profit/Loss of the Company

Millions of Yen				
Item	38th Term (Term Ended March 2008)	39th Term (Term Ended March 2009)	40th Term (Term Ended March 2010)	41st Term (Term Ended March 2011; Current Consolidated Fiscal Year)
Sales Revenue	141,275	112,519	71,269	133,691
Ordinary Income	24,988	7,447	(2,387)	16,846
Current Net Income	18,819	3,261	(14,848)	10,683
Current Net Income per Share (Yen)	143.31	25.36	(115.46)	83.07
Return on Equity (%)	10.7	1.8	-8.8	6.5
Total Assets	226,072	222,076	220,646	264,134
Shareholders' Equity	177,582	176,677	160,211	168,945
Shareholders' Equity per Share (Yen)	1,380.78	1,373.77	1,245.77	1,313.70

Notes:

1. Figures in parentheses indicate losses.
2. Current net income per share is calculated based on the average number of outstanding shares of the term. Shareholders' equity per share is calculated based on the number of outstanding shares at the term end. In calculating

current net income per share, return on equity and shareholders' equity per share, the number of shares of treasury stock is deducted from the number of outstanding shares of the term and the number of outstanding shares at the term end, respectively.

(3) Status of Major Subsidiaries

1. Status of Major Subsidiaries

Name of Company	Capital Stock	Percentage of Voting Rights Held by the Company	Description of Main Business Operations
THK INTECHS CO., LTD.	¥100 million	100%	Manufacture and sales of mechanical element devices and parts
TALK SYSTEM CORPORATION	¥400 million	99.00	Sales of mechanical element parts, etc.
THK RHYTHM CO., LTD.	¥490 million	100	Manufacturing and sales of transport equipment parts
THK Holdings of America, L.L.C.	US\$120,000,000	100	Holding and controlling company in North America
THK America, Inc.	US\$20,100,000	100 (100)	Sales of the Company's products in North America
THK Manufacturing of America, Inc.	US\$75,000,000	100 (100)	Manufacture of mechanical parts in North America
THK RHYTHM NORTH AMERICA CO., LTD.	US\$66,000	100 (100)	Manufacturing and sales of transport equipment parts in North America
THK Europe B.V.	60,153,000 Euro	100	Holding and controlling company in Europe
THK GmbH	102,000 Euro	100 (100)	Sales of the Company's products in Germany and nearby areas
THK Manufacturing of Europe S.A.S.	72,040,000 Euro	100 (100)	Manufacture of mechanical parts in Europe
THK (CHINA) CO., LTD.	1,722,157,000 Yuan	100	Holding and controlling company in China and sales of mechanical parts
DALIAN THK CO., LTD.	181,147,000 Yuan	70.00 (25.00)	Manufacturing and sales of mechanical parts in China
THK MANUFACTURING OF CHINA (WUXI) CO., LTD.	532,140,000 Yuan	100 (100)	Manufacturing and sales of mechanical parts in China
THK MANUFACTURING OF CHINA (LIAONING) CO., LTD.	722,585,000 Yuan	100 (100)	Manufacturing and sale of mechanical parts in China

Note: Figures in parentheses in the “Percentage of Voting Rights Held by the Company” indicate indirect ownership.

2. Status of Major Affiliated Companies

Name of Company	Capital Stock	Percentage of Voting Rights Held by the Company	Principal Business
SAMICK THK CO., LTD.	10,500 million Won	33.82%	Manufacturing and sale of mechanical parts in South Korea

3. Changes in the Group

THK (CHINA) CO., LTD., conducted a capital increase in March 2011, resulting in its capital stock of 1,722,157,000 Yuan.

(4) Future Tasks

The Company’s business performance is currently affected by variable industrial capital investment trends. To alleviate the associated business risk and lead it to middle-to-long-term growth, the Group has expanded its business areas through “Full-scale Globalization” and “Development of New Business Areas.”

While it has become clear that the global economy is being driven by the economic growth of emerging countries since the Lehman shock, in autumn 2008, we assume that a middle-to-long-term expansion in capital investments closely related to businesses of the Company will expand. Furthermore, in light of efforts to further reduce CO2 emissions, which are becoming increasingly indispensable, we believe that electric-powered operations will likely spread in various fields to improve energy efficiency, and that demand for LM guides which are core components for electric-powered operations will increase further.

In order to meet such demand steadily and achieve significant growth on a middle-to-long-term basis, we will strive to accelerate “Full-scale Globalization” and “Development of New Business Areas” and reinforce various corporate activities to further improve profitability, and satisfy expectations of our shareholders.

We would be most grateful for your continued support and patronage.

(5) Description of Main Business Operations (As of March 31, 2011)

The Group manufactures and sells mechanical element parts including LM guides and ball screws, and transportation equipment element parts including link balls, suspensions and ball joints in the four key geographic regions of Japan, the Americas, Europe and Asia. The Company's principal customer base includes manufacturers of such capital goods as machine tools, general machinery and semiconductor production equipment, and transportation equipment manufacturers producing vehicles and motorcycles.

LM guides, our core products, enabled "rolling" in linear motion parts in a mechanical device, which reduced friction to about 2% compared to a "sliding" motion. This feature enabled mechanical devices with higher speed, higher precision and enhanced energy saving, thereby contributing to the development of industry and the preservation of the ecosystem.

(6) Major Offices and Plants (As of March 31, 2011)

THK CO., LTD.	11-6, Nishi-Gotanda 3-chome, Shinagawa-ku, Tokyo, Japan
Production Sites (Domestic Plants)	Kofu (Chuo-shi, Yamanashi), Gifu (Fuwa-gun, Gifu), Mie (Matsusaka-shi, Mie), Yamaguchi (Sanyo Onoda-shi, Yamaguchi), Yamagata (Higashine-shi, Yamagata), THK INTECHS CO., LTD. (Sunto-gun, Shizuoka; Kurokawa-gun, Miyagi), THK NIIGATA CO., LTD. (Agano-shi, Niigata), THK RHYTHM CO., LTD. (Hamamatsu-shi, Shizuoka) THK RHYTHM KYUSHU CO., LTD. (Nakatsu-shi, Oita)
Production Sites (Overseas Plants)	THK Manufacturing of America, Inc. (United States) THK RHYTHM NORTH AMERICA CO., LTD. (United States) THK Manufacturing of Europe S.A.S. (France) DALIAN THK CO., LTD. (China) THK MANUFACTURING OF CHINA (WUXI) CO., LTD. (China) THK MANUFACTURING OF CHINA (LIAONING) CO., LTD. (China) THK RHYTHM GUANGZHOU CO., LTD. (China)
Sales Offices (Domestic)	THK CO., LTD.: 28 offices in 20 areas nationwide TALK SYSTEM CORPORATION: 17 offices in 14 areas nationwide
Sales Offices (Overseas)	THK America, Inc. (United States), THK GmbH (Germany) THK (CHINA) CO., LTD. (China), THK TAIWAN CO., LTD. (Taiwan), THK LM SYSTEM Pte. Ltd. (Singapore)

Notes:

1. In June 2010, RHYTHM CORPORATION and Rhythm Kyushu Co., Ltd. changed their corporate names to THK RYTHM CO., LTD. and THK RYTHM KYUSHU CO., LTD., respectively.

2. In January 2011, THK CO., LTD. integrated its Mie Branch with its Nagoya Branch.
3. In March 2011, TALK SYSTEM CORPORATION integrated its Saitama Office with its Utsunomiya Office, and opened it as the North Kanto Branch in Saitama City, Saitama Prefecture.

(7) Status of Employees (As of March 31, 2011)

1. Employees of the Group

Business Segment	Number of Employees	Change from the Previous Consolidated Fiscal Year-End
Japan	4,774	—
Americas	652	—
Europe	687	—
China	1,810	—
Other	102	—
Total	8,025	+466

Notes:

The number of employees is the number of staff members in service (excluding employees dispatched from the Group to a company outside of the Group and including employees of a company outside of the Group dispatched to the Group).

2. Status of Employees of the Company

Number of Employees	Change from the Previous Fiscal Year	Average Age	Average Years of Service
3,332 employees	-4	37.0	14.4

Note: The number of employees is the number of staff members in service (excluding employees dispatched from the Company to outside and including the Company's employees on loan from a different company).

(8) Status of Significant Borrowings (As of March 31, 2011)

(Millions of Yen)

Lender	Amount of Borrowing
Mizuho Corporate Bank, Ltd.	8,600
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	4,000
Mitsubishi UFJ Trust and Banking Corporation	3,200
Sumitomo Mitsui Banking Corporation	1,600
The Sumitomo Trust and Banking Co., Ltd.	800
THE YAMAGUCHI BANK, Ltd.	700
Resona Bank, Limited.	600
The Yamanashi Chuo Bank, Ltd.	500

(9) Other Significant Matters Related to the Current Status of the Group

None applicable

2. Current Status of the Company

(1) Stocks (As of March 31, 2011)

1. Total authorized shares: 465,877,700
2. Total outstanding shares (incl. 5,253,960 of treasury shares) 133,856,903
3. Number of shareholders: 22,844
4. Major shareholders (Top 10):

Shareholder	Number of Shares Held (Thousand Shares)	Shareholding Ratio (%)
State Street Bank and Trust Company	13,570	10.56
Japan Trustee Services Bank, Limited, Trust Account	7,789	6.06
Akihiro Teramachi	5,844	4.54
The Master Trust Bank of Japan, Ltd., Trust Account	5,100	3.96
The Chase Manhattan Bank NA London SL Omnibus Account	4,669	3.63
JPMorgan Chase Bank 385164	4,115	3.20
JPMorgan Chase Bank 385078	2,721	2.11
State Street Bank and Trust Company 505225	2,246	1.74
FTC Co., Ltd.	2,074	1.61
Credit Suisse Securities (USA) LLC-SPCL. FOREXCL. BENE	2,056	1.60

Note 1: The treasury shares held by the Company, which is 5,253,960 shares in total, are excluded from the above-mentioned Shareholders.

2: Shareholding ratio is calculated by excluding treasury stock

3: FTC Co., Ltd. is a holding company, of which all the shares are owned by its president and CEO, Akihiro Teramachi.

(2) Subscription Warrants

1. Subscription Warrants Held by Officers of the Company as Compensation for Duties Performed (As of March 31, 2011):

None applicable

2. Subscription Warrants Granted to Employees and Others During the Fiscal Year under Review as Compensation for Duties Performed:

None applicable

3. Other Significant Matters Related to Subscription Warrants:

None applicable

(3) Status of Corporate Officers

1. Directors and Auditors (As of March 31, 2011)

Position in the Company	Name	Duties or Significant Positions Concurrently Held
Representative Director and President	Akihiro Teramachi	
Senior Managing Director	Masamichi Ishii	
Managing Director	Takeki Shirai	
Managing Director	Toshihiro Teramachi	
Managing Director	Hiroshi Imano	
Director	Takashi Okubo	President of THK (CHINA) CO., LTD. President of THK MANUFACTURING OF CHINA (LIAONING) CO., LTD.
Director	Tetsuya Hayashida	Representative Director and President of THK Europe B.V. Representative Director and President of THK GmbH Representative Director and President of THK France S.A.S. Representative Director and President of THK Manufacturing of Europe S.A.S. Representative Director and President of PGM Ballscrews Ireland Ltd. (currently THK Manufacturing of Ireland Ltd.)
Director	Hideyuki Kiuchi	General Manager of Corporate Strategy
Director	Junichi Kuwabara	General Manager of FAI
Director	Junichi Sakai	General Manager of Quality Assurance General Manager of Advanced Technology Information Center
Director	Hirokazu Ishikawa	Senior General Manager of Sales Support Headquarters General Manager of ICB (Integrated Corporate Brand) Center
Director	Junji Shimomaki	Senior General Manager of Sales Headquarters
Director	Takanobu Hoshino	General Manager of IMT
Director	Kaoru Hoshide	Senior General Manager of Engineering Headquarters
Director	Nobuyuki Maki	Senior General Manager of Production Headquarters

Director	Akihiko Kambe	Representative Director and President of THK Holdings of America L.L.C. Representative Director and President of THK Manufacturing of America, Inc.
Standing Auditor	Yoshimi Sato	
Standing Auditor	Kazunori Igarashi	
Auditor	Shizuo Watanabe	Tax Accountant
Auditor	Masatake Yone	Esq., Partner of Mori Hamada & Matsumoto, a law firm Outside Director of NAMCO BANDAI Holdings Inc. Outside Director of GCA Savvian Group Corporation

Notes:

1. Directors Masato Sawada and Isamu Hatanaka, retired at the closing of the 40th Ordinary General Shareholders Meeting held on June 19, 2010.
2. Directors Nobuyuki Maki and Akihiko Kambe, were newly selected at the 40th Ordinary General Shareholders Meeting held on June 19, 2010, and assumed office.
3. Auditors Shizuo Watanabe and Masatake Yone are outside auditors.
4. Shizuo Watanabe, auditor, is a certified tax accountant with a substantial level of expertise in tax accounting.
5. Shizuo Watanabe, auditor, is listed as an independent officer on the list of directors and auditors filed with the Tokyo Stock Exchange.
6. Masatake Yone, auditor, is an attorney knowledgeable in corporate laws and regulations and qualified to supervise corporate management.
7. PGM Ballscrews Ireland Ltd. changed its name to THK Manufacturing of Ireland Ltd. in April 2011.

2. Compensation for Directors and Auditors

Classification	Persons Receiving Payment (Persons)	Amount of Payment (Millions of Yen)
Directors	18	350
(Outside directors' figures)	(—)	(—)
Auditors	4	53
(Outside auditors' figures)	(2)	(18)
Total	22	404
(Outside officers' figures)	(2)	(18)

Notes:

1. Pursuant to resolutions of the General Shareholders Meeting, the maximum compensation for a Director is ¥100 million a month, not including the salary of employees who concurrently serve as directors (Resolution of the Ordinary General Shareholders Meeting of June 2004).
2. Pursuant to resolutions of the General Shareholders Meeting, the maximum

compensation for an Auditor is ¥10 million a month (Resolution of the Ordinary General Shareholders Meeting of June 2004).

3. In addition to the amounts shown above, employees who concurrently serve as directors receive the equivalent of ¥98 million in employee salary.
4. In addition to the amounts shown above, there are accrued payable balances of retirement allowances to 5 Directors pursuant to resolutions of the General Shareholders Meeting in the amounts of ¥874 million.
As for the accrued payable balances of retirement allowances to directors, the system of retirement bonuses for directors was abolished as of June 26, 2004 and in the wake of the abolishment of that system, the resolution for the payment of retirement bonuses for directors was passed at the Ordinary General Shareholders Meeting held on the same day.
5. There are sixteen (16) directors and four (4) auditors (two (2) of whom are outside auditors) as of the end of the current fiscal year. These figures differ from the number of directors and the number of auditors indicated in the table above, which includes two (2) directors who retired at the 40th Ordinary General Shareholders Meeting held on June 19, 2010.
6. In addition to the above, the following officers' retirement benefits were provided to officers who retired upon the end of the 40th Ordinary General Shareholders Meeting held on June 19, 2010.
Officers' Retirement Benefits Paid: ¥11 million (One retired directors)
7. The amounts shown above include provision of reserve for bonuses to officers of 50 million yen, of which 45 million yen is payable to 16 Directors and 5 million yen is payable to 4 Auditors (of which 1 million yen is payable to 2 outside auditors.)

3. Matters Related to Outside Officers

- A. Status of important concurrent services in other corporations, etc. (of those serving as executive officers in other corporations, etc.) and relationships between the Company and other such corporations, etc.
Masatake Yone, auditor, is a partner of "Mori Hamada & Matsumoto," a law firm. There is no special relationship between the Company and "Mori Hamada & Matsumoto."
- B. Status of important concurrent services in other corporations, etc. (of those serving as external officers and the like in other corporations, etc.) and relationships between the Company and other such corporations, etc.
Masatake Yone, auditor, is an external director of NAMCO BANDAI Holdings Inc. and also an external director of GCA Savvian Group Corporation. There is no special relationship between the Company and NAMCO BANDAI Holdings Inc. or between the Company and GCA Savvian Group Corporation.
- C. Status of major business activities in the current fiscal year
- Attendance at Board of Directors and Board of Auditors Meetings

	Board of Directors Meetings (16 Meetings)		Board of Auditors Meetings (14 Meetings)	
	Attendance	Percentage of Attendance	Attendance	Percentage of Attendance
Auditor: Shizuo Watanabe	16	100%	13	92.86%
Auditor: Masatake Yone	13	81.25%	11	78.57%

- Comments at the Board of Directors meetings and Board of Auditors meetings
Shizuo Watanabe, auditor, has offered advice and suggestions to ensure the adequacy and appropriateness of the decision-making process at the Board of Directors meetings by providing opinions primarily from the standpoint of general management and tax accounting. At the meetings of the Board of Auditors, he poses questions, as appropriate, about audits conducted by other auditor(s) and expresses opinions, whenever necessary, from the standpoint outside the Company.

Masatake Yone, auditor, has offered advice and suggestions to ensure the adequacy and appropriateness of the decision-making process at the Board of Directors meetings by providing opinions primarily from the standpoint of corporate law and general management. At the meetings of the Board of Auditors, he poses questions, as appropriate, about audits conducted by other auditor(s) and expresses opinions, whenever necessary, from the standpoint outside the Company.

D. Description of Limited Liability Agreement

- Pursuant to the provision of Article 427, Paragraph 1, of the Companies Act, the Company and each outside auditor entered into an agreement that limits the indemnity liability under Article 423, Paragraph 1.

The maximum limit of the indemnity liability under the agreement is the higher of the minimum liability limit set forth in Article 425, Paragraph 1, of the Companies Act or ¥5 million, on condition that the outside auditor fulfills due diligence and there is no negligence or no grave fault of the outside auditor with regard to the execution of duties that caused such liability.

(4) Status of Accounting Auditor

1. Name: Grant Thornton Taiyo ASG

2. Amount of Compensation of the Accounting Auditor Pertinent to the Fiscal Year under Review:

	(Millions of Yen)
	Amount of Compensation
1. Amount of compensation as the accounting auditor for the current fiscal year	85
2. Total sum of monies or money equivalent to be paid by the Company and its subsidiaries to the accounting auditor	91

Note: Under the audit agreement between the Company and the accounting auditor, the Company does not classify the amount of auditing compensation for the audit set forth in the Companies Act and the audit set forth in the Financial Instruments Exchange Law. Therefore, the amount shown in 1 above includes auditing compensation under the Financial Instruments Exchange Law.

3. Matters Related to the Audit of the Financial Statements of Important Consolidated Subsidiaries

Of the Company's important consolidated subsidiaries, THK Holdings of America, L.L.C., THK America, Inc., THK Manufacturing of America, Inc., THK RHYTHM NORTH AMERICA CO., LTD., THK Europe B.V., THK GmbH, THK Manufacturing of Europe S.A.S., THK (CHINA) CO., LTD., DALIAN THK CO., LTD., THK MANUFACTURING OF CHINA (WUXI) CO., LTD. (China), and THK MANUFACTURING OF CHINA (LIAONING) CO., LTD. (China), were audited by certified accountants other than the Company's accounting auditor, Grant Thornton Taiyo ASG.

4. Description of Non-Audit Activities

The Company entrusts the Accounting Auditor to compose a letter to the manager in charge of underwriting for bond issuance.

In addition, the Company entrusts the Accounting Auditor to provide "Guidance and Advisory Services for the Adoption Process of the International Financial Reporting Standards (IFRS)," other than those stipulated in Article 2, Paragraph 1 of the Certified Public Accountants Act, and pays the fee.

5. Policy for Determining Dismissal and Non-Reappointment of Accounting Auditors

The Company shall dismiss an accounting auditor under unanimous consent of all Auditors in a Board of Auditors meeting when the accounting auditor is applicable to conditions set forth in Article 340, Paragraph 1, of the Companies Act.

In addition, in case the Board of Auditors determines that it is difficult for the accounting auditor to perform accounting duties, the Board of Auditors will propose dismissal or non-reappointment of the accounting auditor as an agenda item at the General Shareholders Meeting. When the accounting auditor is dismissed based on a

legally defined basis for dismissal, an Auditor selected by the Board of Auditors will report the decision for dismissal and the basis thereof at the first General Shareholders Meeting after the dismissal.

(5) Systems to Ensure the Adequacy of Operations

The following is an overview of decisions concerning the systems to ensure compliance with applicable laws and regulations and the Company's Articles of Incorporation in Directors' business executions and other systems to ensure adequacy in the Company's business operations:

1. Systems to Ensure Compliance of Applicable Laws and Regulations and the Company's Articles of Incorporations in Business Executions by Directors and Employees

The "THK Basic Policy" was established to ensure that officers and employees comply with applicable laws and regulations and perform their duties under sound social norms. The Representative Director and President shall disseminate the principles of the policy among officers and employees and ensure that all business activities comply with relevant laws and regulations. To ensure thorough implementation of the policy, the Company shall establish the Compliance Committee, chaired by the Representative Director and President, as well as a subordinate organization that consists of the heads of each business division. The Compliance Committee shall include outside experts as members and strive to improve companywide compliance system and identify problems. The "THK Helpline" will be established and operated as a measure for employees to directly report legally questionable conduct and provide related information anonymously to outside experts.

2. Issues Regarding Storage and Management of Matters Related to Directors' Execution of Duties

In accordance with the Document Control Procedure, matters related to Directors' execution of duties shall be recorded and stored in documents or magnetic media (hereinafter "Documents"). Directors and Auditors may view these Documents at any time under the Document Control Procedure.

3. Regulations and Other Systems Concerning Management of Loss Risks

Each responsible section shall establish rules/guidelines, conduct education/training and prepare/distribute manuals to address the risks related to compliance, environment, disasters, quality, information security, export management and new types of flu. Companywide risk monitoring and measures shall be implemented by the Risk Management Office. When a new risk emerges, the Board of Directors shall promptly assign a Director to address the risk.

4. Systems to Ensure Efficient Execution of Directors' Duties

The Board of Directors shall set companywide goals to be shared by Directors and employees, disseminate the targets throughout the Company and establish medium-term management goals covering three (3) fiscal years. To achieve said goals, the Directors in charge of each section shall establish a business execution structure with specific measures and the allocation of authority. The Board of Directors shall establish a system that achieves efficient companywide operation through monthly and quarterly reviews of the progress in pursuit of the goals by using IT and by implementing necessary improvements.

5. Systems to Ensure Adequacy of Operations of the Corporate Group Consisting of the Company and Its Subsidiaries

To establish internal control within the Company and each member company of the Group, the Company shall assign sections in charge of internal control at each member company of the Group and establish a system that ensures effective discussion of internal control of the Company and member companies of the Group, information sharing, communication of instructions and requests, and so forth. The Company's directors and the President of each member company of the Group shall bear the authority and responsibility to execute the proper establishment and operation of the internal control that ensures the adequacy of operations in each section. The Company's section in charge of internal audits shall conduct internal audits at the Company and each member company of the Group and shall report the results to the Board of Directors and the aforementioned sections in charge of internal control of each Group company. After receiving the results of these internal audits, the relevant sections shall provide each member company with guidance on improvement measures, support on execution of the measures and advice. To ensure the reliability of financial reports, the Company shall formulate the "internal control regulations" for Group companies, thereby reinforcing and managing the relevant control system.

6. In the Event the Board of Auditors Requests Assistance from Employees, the Structure for Said Employees and Issues Pertaining to the Independence of Those Employees from Directors

Auditors may instruct necessary issues to staff members of the Internal Audit Office. A staff member that receives an order from an Auditor with respect to audit operations shall not be governed by any supervision or order from a Director or the head of the Internal Audit Office.

7. Systems for Directors and Employees to Report to the Board of Auditors; Other Reporting to the Board of Auditors

Directors or employees shall establish a system to promptly report legal issues, issues with significant impact on the Company and the Group, the status of internal audits, the status of reports received by the THK Helpline and the content thereof to the Board of Auditors. Details concerning those who report, the recipients of the reports and the timing of the reports shall be determined through due consultation between the Directors and the Board of Auditors. However, employees may report directly to the Auditors when the issue in question might result in a material loss to the Company or upon finding a significant violation of laws or regulations.

8. Other Systems to Ensure the Effective Execution of Audits by the Board of Auditors

The Board of Auditors shall hold regular meetings attended by the President and Representative Director, the Senior Managing Directors and the Managing Directors to exchange opinions.

9. Basic Beliefs towards the Elimination of Anti-Social Forces and the Degree of the Introduction of Necessary Steps

The Company has established its own system which aims to remove anti-social forces as below:

- 1) The Company has declared in the “THK Basic Policy” that it shall “take a firm stance against anti-social forces”.
- 2) The Company, as a member of the “Liaison Council of Tokyo Metropolitan Policy’s Anti-Crime Syndicate (the “Council”)", collects information at monthly meetings hosted by the Council and on other occasions. In addition, the Corporate Strategy Office is engaged in the management of relevant information in an integrated manner.
- 3) If the Company receives an inappropriate demand from anti-social forces, the Corporate Strategy Office and the Risk Management Office are to respond to it. In so doing, staff at the Corporate Strategy Office and the Risk Management Office who have participated in lectures and other courses of the Council will respond to such a matter while in conjunction with the police station under the jurisdiction and so forth, and will take resolute steps such as resorting to legal means through our corporate lawyers as necessary.
- 4) The Company is striving, in order to extirpate transactions with companies that have relations with anti-social forces, to have our business partners submit a written pledge in which they declare that they have no relations with anti-social forces.

(6) Basic Policies on Control of the Company

Based on its management philosophy of “providing innovative products to the world and staying abreast of new trends to contribute to the creation of an affluent society,” THK has formulated the “THK Basic Policy” consisting of three policies: 1) Creation of Value and Contribution to the Society, 2) Customer-Oriented Mind-Set and 3) Legal Compliance. The Basic Policy serves as the fundamental ethics that supersede all internal regulations and codes of conduct.

Under this Policy, THK engages in business operations in order to create values beneficial to society by utilizing various management resources. In other words, THK aims to expand corporate value through creative product development and exclusive production technology as a creative and developmental corporation while conducting fair and safe business operations; building strong relationships with customers, shareholders and local communities; and fulfilling its responsibility as a member of society through environmental conservation and prompt information disclosure. THK believes that it cannot raise its corporate value and the common interests of shareholders without fulfilling its social responsibility.

At the same time, THK aims to gain customers’ trust by thinking from their perspective, always treating them with integrity, and offering the best products and services. THK believes that such efforts help us earn the trust of shareholders and other stakeholders, resulting in an appropriate gain of profits. Earning trust thereby earning profits is the way to achieve the sustainability of THK. We direct profits earned in this way to new investments and the creation of new products and services, thereby, we believe, earning further trust from customers.

THK has so far earned the trust of customers and of various kinds of stakeholders, including shareholders, through offering creative ingenious technologies and customer-oriented products and services based on the aforementioned beliefs.

Accordingly, THK is fully convinced that it can achieve the common interests of shareholders, that is, to enhance corporate value and further growth, only by further refining its originality and offering even higher-quality and customer-oriented products and services.

From such perspectives, THK’s growth and rise in corporate value cannot be achieved without the support of shareholders that share the same beliefs—the same ideas that have supported the past growth of the Company and improvement of THK’s corporate value—regardless of the size of their stakes. If shareholders with such perspectives increase, that will help further improve THK’s corporate value and leverage its growth. Accordingly, THK intends to strive to gain their lasting support and understanding.

With regard to specific measures to address any party that might emerge to attempt a large-scale acquisition of the Company’s stocks solely for their own profit, ignoring the sacrifice of other shareholders, not considering the growth of THK’s corporate value and conflicting with the basic beliefs described above, the Company will continue careful consideration. When a clear plan and specifics to address such events is ready, we will present it to the shareholders and ask their opinion.

Consolidated Balance Sheet

(As of March 31, 2011)

(Millions of Yen)

Assets		Liabilities	
Current Assets	191,665	Current Liabilities	51,961
Cash and deposits	100,104	Notes and accounts payable	31,743
Notes and accounts receivable	56,442	Lease obligations	50
Merchandise and finished goods	9,780	Accrued corporate tax, etc.	5,808
Work in process	6,396	Reserve for bonuses	2,758
Raw materials and supplies	10,728	Reserve for bonuses to officers	50
Deferred tax assets	3,029	Other	11,550
Short-term loans	2,003	Long-Term Liabilities	59,870
Accrued receivables	1,803	Bonds payable	30,000
Other	1,562	Long-term loans payable	20,000
Allowance for bad debts	(184)	Lease obligations	59
Fixed Assets	88,103	Reserve for employees' retirement benefits	4,963
Tangible fixed assets	75,409	Reserve for officers' retirement benefits	89
Buildings and structures	23,988	Product warranty allowance	110
Machinery and transportation equipment	32,223	Long-term deferred tax liabilities	3,710
Land	12,892	Other	935
Construction in progress	3,746	Total Liabilities	111,831
Other	2,558	Net Assets	
Intangible fixed assets	1,093	Shareholder's Equity	178,221
Goodwill	117	Capital stock	34,606
Other	976	Capital surplus	44,342
Investments and other assets	11,599	Profit surplus	110,632
Investment securities	5,253	Treasury stock	(11,359)
Deferred tax assets	1,031	Accumulated Other Comprehensive Income	(11,490)
Insurance reserve	3,540	Net unrealized gain on available-for-sale securities	590
Other	2,078	Foreign exchange conversion loss adjustment account	(12,080)
Allowance for bad debts	(304)	Minority Interest	1,206
		Total Net Assets	167,937
Total Assets	279,768	Total Liabilities and Net Assets	279,768

Consolidated Statement of Income
(From April 1, 2010, to March 31, 2011)

(Millions of Yen)

Accounting Item	Amount	
Sales Revenue		190,661
Cost of sales		136,219
Gross profit		54,442
Selling, general, and administrative expenses		32,598
Operating Income		21,844
Non-Operating Income		
Interest received	211	
Dividends received	39	
Rent income	273	
Rental income	438	
Refunded consumption taxes	181	
Miscellaneous income	544	1,689
Non-Operating Expenses		
Interest expenses	582	
Foreign exchange losses	877	
Miscellaneous loss	442	1,902
Ordinary Income		21,631
Extraordinary Income		
Gain on sale of fixed assets	29	
Subsidy	125	
Subsidies for employment adjustment	2	
Other	20	176
Extraordinary Loss		
Loss on disposition and sale of fixed assets	88	
Loss on valuation of investment securities	43	
Loss on disaster	41	
Other	22	195
Net Income before Income Taxes		21,612
Income taxes—current	6,371	
Income taxes—deferred	1,082	7,454
Income before minority interests		14,158
Minority interest		199
Net Income		13,959

Consolidated Statement of Changes in Shareholders' Equity

(From April 1, 2010, to March 31, 2011)

(Millions of Yen)

	Shareholders' Equity					Accumulated Other Comprehensive Income			Minority Interest	Total Net Assets
	Capital stock	Capital surplus	Profit surplus	Treasury stock	Total shareholders' equity	Net unrealized gain on available-for-sale securities	Foreign exchange conversion loss adjustment account	Total of accumulated other comprehensive income		
Balance as of March 31, 2010	34,606	44,342	98,703	(11,356)	166,296	542	(5,738)	(5,196)	1,158	162,258
Changes in the consolidated accounting year										
Dividends from surplus			(2,030)		(2,030)					(2,030)
Net Income			13,959		13,959					13,959
Acquisition of treasury stock				(3)	(3)					(3)
Disposal of treasury stock		0	(0)	0	0					0
Changes in the item other than shareholders' equity during the consolidated accounting year (net amount)						47	(6,342)	(6,294)	47	(6,246)
Total change in the consolidated accounting year	—	0	11,928	(3)	11,925	47	(6,342)	(6,294)	47	5,678
Balance as of March 31, 2011	34,606	44,342	110,632	(11,359)	178,221	590	(12,080)	(11,490)	1,206	167,937

Notes to the Consolidated Financial Statements

1. Important Matters for the Preparation of the Consolidated Financial Statements

(Matters Related to the Scope of Consolidation)

(1) Matters Related to the Scope of Consolidation

1. Consolidated Subsidiaries

Number of consolidated subsidiaries	28 companies Effective as of the consolidated fiscal year under review, Beldex Corporation, which was formerly a consolidated subsidiary, was excluded from the scope of consolidation due to liquidation.
Names of major consolidated subsidiaries	The consolidated subsidiaries are shown in “1. Current Status of the Corporate Group, (3) Status of Major Subsidiaries.”

2. Non-Consolidated Subsidiaries

Names of major non-consolidated subsidiaries	Nippon Slide CO., LTD.
Reasons for exclusion from the scope of consolidation	All of the Company’s non-consolidated subsidiaries are small enterprises, and their total shareholders’ equity, sales revenues, profit/loss for the term (amount corresponding to the stake) and profit surplus (amount corresponding to the stake) do not have any material impact on the consolidated financial statements.

(2) Matters Related to the Application of the Equity Method

1. Affiliated Companies Subject to the Application of the Equity Method

Number of affiliated companies subject to the application of the equity method	1 company
Names of major companies	SAMICK THK CO., LTD.

2. Non-Consolidated Subsidiaries and Affiliated Companies Not Subject to Application of the Equity Method

Names of major companies	Nippon Slide CO., LTD.
Reasons for non-application of the equity method	All of the Company’s non-consolidated subsidiaries and affiliated companies that are not subject to the application of the equity method are small enterprises, and their total shareholders’ equity, sales revenues, profit/loss for the term (amount corresponding to the stake) and profit surplus (amount corresponding to the stake) do not have any

material impact on the consolidated financial statements or any importance in the overall group's perspectives.

(3) Matters Related to Fiscal Year of Consolidated Subsidiaries

Of the consolidated subsidiaries, 19 overseas consolidated subsidiaries close their accounts on December 31, and 9 in Japan close their accounts on March 31.

When preparing the consolidated financial statements, financial statements as of December 31 are used for overseas consolidated subsidiaries, and adjustments are made for significant transactions occurring up to the consolidated account closing day.

(Matters Related to Accounting Policies)

(1) Valuation Basis and Method for Securities

Other securities

Securities with fair market value	Fair market value method based on the market value as of the last day of the consolidated fiscal year (Unrealized gains and losses are reported, net of applicable taxes, in a separate component of net assets. The cost of securities sold is determined by the moving-average method.)
Securities without fair market value	Stated at cost determined by the moving-average method

(2) Valuation Basis and Method for Inventories

1. Merchandise and finished goods
Stated at cost by the gross average method, in principle. (Amounts in the balance sheets were calculated by writing down the book value with regard to the inventories for which profitability was clearly declining.)
2. Work in process
Stated at cost by the gross average method, in principle. (Amounts in the balance sheets were calculated by writing down the book value with regard to the inventories for which profitability was clearly declining.)
3. Raw materials and supplies
Stated at cost by the gross average method, in principle. (Amounts in the balance sheets were calculated by writing down the book value with regard to the inventories for which profitability was clearly declining.)

(3) Depreciation Method for Important Depreciable Assets

- | | |
|---|--|
| 1. Tangible fixed assets
(Except for lease properties) | <p>The Company and its domestic consolidated subsidiaries adopt the declining-balance method, whereas overseas consolidated subsidiaries adopt the straight-line method and the accelerated depreciation method in accordance with local accounting standards.</p> <p>However, the Company and domestic consolidated subsidiaries adopt the straight-line method for buildings acquired on or after April 1, 1998 (excluding attached facilities). Also, the life of major fixed assets is as follows:</p> <p style="margin-left: 40px;">Building and structures: 5–50 years</p> <p style="margin-left: 40px;">Machinery, equipment and vehicles: 4–12 years</p> |
| 2. Intangible fixed assets
(Except for lease properties) | <p>The Company and its domestic consolidated subsidiaries adopt the straight-line method. However, capitalized software for internal use is amortized by the straight-line method over the estimated internal useful life (5 years). Overseas consolidated subsidiaries adopt the straight-line method in accordance with local accounting standards.</p> |
| 3. Lease properties | <p>Lease properties related to finance leases other than those that are deemed to transfer the ownership of the leased assets to the lessees are depreciated assuming the lease period as the useful life and no residual value.</p> <p>For finance leases with a lease transaction start date on or before March 31, 2008 other than those that are deemed for transfer of the leased assets to lessees, the Company continues to adopt an accounting treatment in conformity with the accounting method for ordinary lease transactions.</p> |

(4) Accounting Standards for Important Reserves

1. Allowance for bad debts To prepare for losses from bad debts, the Company and domestic consolidated subsidiaries provide the allowance for doubtful accounts at an amount of possible losses from uncollectible trade receivables based on the actual rate of losses from bad debt for ordinary receivables, and on the estimated recoverability for specific doubtful receivables. Overseas consolidated subsidiaries provide estimated amounts on the estimated recoverability for specific doubtful receivables.
2. Reserve for bonuses The reserve for bonuses is provided at an amount as a defrayment for the consolidated fiscal year under review based on the estimated total amount of employees' bonuses.
3. Reserve for bonuses to officers The reserve for bonuses to directors is to be provided at an amount of money as a defrayment for the consolidated fiscal year under review of the total estimated future amount of bonuses.
4. Reserve for employees' retirement benefits The reserve for employees' retirement benefits is provided at an amount recognized to have accrued as of the balance-sheet date based on the projected retirement benefit obligation and fair value of pension plan assets at the end of the consolidated fiscal year under review.
The actuarial gain or loss is amortized by the straight-line method over the average remaining service years (5–18 years) for employees at the time of recognition from the following year of recognition.
5. Reserve for officers' retirement benefits To allocate retirement compensation for officers of some domestic consolidated subsidiaries, the reserve for retirement benefits to officers is provided at an amount that would be required to be paid in accordance with the Company's internal rules if all eligible Officers resign their positions as of the balance-sheet date.
6. Reserve for product warranty To prepare for expenses to address product-related complaints at some domestic consolidated subsidiaries, a reserve for product warranty has been provided based on the results of the previous year.

(5) Important Method of Hedge Accounting

- | | |
|---|---|
| 1. Method of hedge accounting | The appropriation treatment is adopted for forward foreign exchange contracts because they satisfy the requirements of such appropriation treatment. The preferential treatment is adopted for interest-rate swaps because they satisfy the requirements of such preferential treatment. |
| 2. Hedging instruments and hedged items | |
| Forward foreign exchange contracts | Monetary claims and debts denominated in foreign currencies |
| Interest-rate swaps | Interest on borrowings |
| 3. Hedge policy | Forward foreign exchange contracts are intended to hedge foreign exchange volatility risks in order to stabilize cash flows pertinent to the recovery and payment of monetary claims and debts denominated in foreign currencies. Interest-rate swaps are intended to hedge interest rate volatility risks involved in borrowings. |
| 4. Evaluation method for hedge validity | Evaluation of the validity of forward foreign exchange contracts is omitted because the significant terms of the relevant transactions and those as to the hedged assets are the same and it is predicted that any fluctuations in the market rates and cash flows will be offset at the beginning of hedging and will continue to be so afterward. Evaluation of the validity of interest-rate swaps is omitted because they satisfy the requirements of the preferential treatment. |

(6) Matters Related to the Valuation of Assets and Liabilities of Consolidated Subsidiaries

The valuation of assets and liabilities of consolidated subsidiaries is processed according to the fair market value method.

(7) Matters Related to the Amortization of Goodwill

Goodwill is equally amortized over 5–10 years.

(8) Method of Accounting Processing of Consumption Tax

Accounting of the consumption tax and local consumption taxes is processed according to the net-of-tax method.

(Change of accounting policies)

Adoption of the “Accounting Standard for Equity Method of Accounting for Investments” and the “Practical Solution on Unification of Accounting Policies Applied to Associates Accounted for Using the Equity Method”

The Company, effective beginning in the consolidated fiscal year under review, adopted the “Accounting Standard for Equity Method of Accounting for Investments” (ASBJ Statement No. 16 (March 10, 2008)) and the “Practical Solution on Unification of Accounting Policies Applied to Associates Accounted for Using the Equity Method” (ASBJ Practical Issues Task Force (PITF) No. 24 (March 10, 2008)).

This change has no impact on ordinary income and net income before taxes.

Adoption of the Accounting Standard for Asset Retirement Obligations

The Company, effective beginning with the consolidated fiscal year under review, adopted the “Accounting Standards for Asset Retirement Obligations” (ASBJ Statement No. 18 (March 31, 2008))” and the “Guidance on Accounting Standard for Asset Retirement Obligations” (ASBJ Guidance No. 21 (March 31, 2008))”. This change has no impact on operating income, ordinary income and net income before taxes.

(Changes to Disclosure Methods)

(Relating to Preparation of the Consolidated Income Statement)

Effective beginning the consolidated fiscal year under review, the Company, based on “Accounting Standard for Consolidated Financial Statements” (ASBJ Statement No. 22, (December 26, 2008)), adopted the “Partial Revision of the Ordinance for Enforcement of the Companies Act and the Corporate Calculation Regulations” (Ordinance of the Ministry of Justice No. 7 of 2009, dated March 27, 2009) as reflected in the entry “income before minority interests.”

“Refunded consumption taxes”, which was included in “Miscellaneous income” under non-operating income for the previous consolidated fiscal year, has been presented as a separate item for the consolidated fiscal year under review to reflect the increasing materiality of the amount.

2. Notes to the Consolidated Balance Sheet

(1) Accumulated depreciation of fixed tangible assets ¥126,432 million

(2) Investment securities (stocks) of non-consolidated subsidiaries and affiliated companies ¥3,146 million

(3) Contingent liability

The Company provides a liability guarantee on the purchase liability of the following company:

Nippon Slide CO., LTD. ¥151 million

3. Notes to the Consolidated Statement of Changes in Shareholders' Equity

(1) Matters Related to Outstanding Shares

Type of Stock	End of the Previous Consolidated Fiscal Year	Increase	Decrease	End of the Consolidated Fiscal Year under Review
Common stock (shares)	133,856,903	—	—	133,856,903

(2) Matters Related to Dividends

1. Dividend payments

Resolution	Type of Stock	Total Dividend (Millions of Yen)	Dividend per Share (Yen)	Reference Date	Effective Date
Ordinary General Shareholders Meeting, Jun. 19, 2010	Common stock	964	7.5	March 31, 2010	June 21, 2010
Board of Directors Meeting, Nov. 12, 2010	Common stock	1,028	8	Sept. 30, 2010	Dec. 6, 2010

2. Dividend for which the reference date falls in the current consolidated fiscal year with an effective date falling in the next consolidated fiscal year

The following will be submitted for a vote at the 41st term's Ordinary General Shareholders Meeting on June 18, 2011.

Vote	Type of Stock	Resource of the Dividend	Total Dividend (Millions of Yen)	Dividend per Share (Yen)	Reference Date	Effective Date
Ordinary General Shareholders Meeting, June 18, 2011	Common stock	Profit surplus	1,028	8	March 31, 2011	June 20, 2011

4. Notes to Financial Instruments

(1) Matters Related to the Status of Financial Instruments

For fund management of the Company Group, funds are invested in short-term deposits, etc. For fundraising, necessary funds are mainly raised by issuing bonds and by borrowing funds from banks in light of the business plan.

Against credit risks of customers involved in notes receivable and accounts receivable, credit management and protection of receivables are implemented in compliance with the “Control Rules on Trade Receivables.”

Investment securities are mainly stocks, and their market values, financial conditions of their issuing bodies and so on are captured at regular intervals.

Bond issuance and bank borrowing are intended to raise mainly operating funds and other funds necessary for business activities such as equipment investments and so forth. Against interest rate volatility risks of long-term borrowings, their interest rates are fixed by using derivative transactions (interest-rate swaps).

It is the policy that derivative transactions are made within the actual demand in order to avert foreign exchange rate volatility risks and interest rate volatility risks and that no speculative derivative transaction is made.

(2) Matters Related to Market Values of Financial Instruments, etc.

The table below shows book values of financial instruments in the consolidated balance sheet as of March 31, 2011 and their market values as well as differences between the book values and market values. However, the table below excludes such financial instruments, the market values of which it is extremely difficult to capture (see Note 2).

	Book Value in the Consolidated Balance Sheet (Millions of yen)	Market Value (Millions of yen)	Difference (Millions of yen)
1. Cash and deposits	100,104	100,104	—
2. Notes and accounts receivable	56,442	56,442	—
3. Investment securities Other securities	1,922	1,922	—
Total assets	158,468	158,468	—
4. Notes and accounts payable	31,743	31,743	—
5. Bonds payable	30,000	29,855	(144)
6. Long-term loans payable	20,000	20,000	—
Total liabilities	81,743	81,599	(144)
7. Derivative transactions	—	—	—

(Note 1) Matters related to the calculation methods of market values of financial instruments and about marketable securities and derivative transactions

1. “Cash and deposits” and 2. “Notes and accounts receivable”: the market values of these financial instruments are almost equal to their book values because they are

settled in a short time. For this reason, their market values are based on their book values.

3. “Investment securities”: the market values of the financial instruments are based on their prices at stock exchanges
4. “Notes and accounts payable”: the market values of these financial instruments are almost equal to their book values because they are settled in a short time. For this reason, their market values are based on their book values.
5. “Bonds payable”: the market value of a bond issued by the Company is calculated based on the present value as a result of discounting the total amount of principal and interest by the rate with the remaining period and credit risk of the relevant bond taken into account.
6. “Long-term loans payable”: long-term borrowings are based on floating interest rates and market rates of interest are reflected in a short time. Moreover, there are no important changes in the credit conditions of the Company after the borrowings were made. Therefore, the market values of long-term borrowings are based on their book values because the former is approximated by the latter.
7. “Derivative transactions”: derivative transactions to which the hedge accounting is applied.

Interest Rate Related Matters

Method of Hedge Accounting	Transaction Type, etc.	Main Hedged Object	Amount of Contract, etc. (Millions of yen)	Of the Amount of Contract, etc. that for more than one year (Millions of yen)	Market value (Millions of yen)
Preferential treatment of interest-rate swaps	Interest-rate swap transactions Fixed-rate interest payment and floating rate interest receipt	Long-term borrowings	20,000	20,000	(470)
Total			20,000	20,000	(470)

(Note) Market values are calculated based on the prices and so forth as presented by trading financial institutions.

(Note 2) Non-listed stocks (their book value in the consolidated balance sheet is 184 million yen) have no market prices and it is therefore deemed extremely difficult to capture their market values. For this reason, non-listed stocks are not included in 3 “Investment securities, Other securities.”

5. Notes to per Share Information

- | | |
|------------------------------------|-----------|
| (1) Shareholders' equity per share | ¥1,296.52 |
| (2) Current net income per share | ¥108.55 |

6. Notes to Significant Subsequent Events

None applicable

7. Other Notes

Amounts less than ¥1 million of the indicated amounts are truncated.

Balance Sheet
(As of March 31, 2011)

(Millions of Yen)

Assets		Liabilities	
Current Assets	158,960	Current Liabilities	41,173
Cash and deposits	49,804	Accounts payable	24,087
Notes receivable	14,304	Short-term loans payable	1,064
Accounts receivable	34,131	Accrued payables	2,899
Merchandise and finished goods	5,015	Lease obligations	25
Work in process	3,766	Accrued expenses	5,505
Raw materials and supplies	5,286	Accrued corporate tax, etc.	5,309
Prepaid expenses	474	Advances	21
Deferred tax assets	2,029	Deposits received	194
Short-term loans	16,436	Reserve for bonuses	2,000
Accrued receivables	2,164	Reserve for bonuses to officers	50
Deposits paid	24,035	Other	16
Others	1,537	Long-Term Liabilities	54,015
Allowance for bad debts	(26)	Bonds payable	30,000
Fixed Assets	105,174	Long-term loans payable	20,000
Tangible fixed assets	37,332	Lease obligations	21
Buildings	12,040	Reserve for employees' retirement	3,105
Structures	502	benefits	
Machinery and equipment	14,584	Other	888
Automobiles and transportation	25	Total Liabilities	95,188
equipment		Net Assets	
Tools and supplies	1,159	Shareholders' Equity	168,366
Land	7,854	Capital stock	34,606
Lease properties	31	Capital surplus	47,471
Construction in progress	1,134	Capital reserve	47,471
Intangible fixed assets	362	Profit surplus	97,642
Patents	10	Legal retained earnings	1,958
Goodwill	117	Other profit surplus	95,684
Software	198	Special depreciation reserve	200
Others	37	Reserves for advanced depreciation	14
Investments and other assets	67,479	of land	
Investment securities	2,082	Dividend reserve	2,000
Affiliates' stocks	19,674	General reserve	83,000
Investment in affiliated companies	37,696	Profit surplus carried forward	10,468
Long-term loans	3,479	Treasury stock	(11,353)
Claims provable in bankruptcy,	3	Valuation/Conversion Difference	578
claims provable in rehabilitation		Net unrealized gain on available-	578
and other		for-sale securities	
Long-term prepaid expenses	92		
Insurance reserve	3,478	Total Net Assets	168,945
Deferred tax assets	460	Total Liabilities and Net Assets	264,134
Others	791		
Allowance for bad debts	(279)		
Total Assets	264,134		

Statement of Income
(From April 1, 2010, to March 31, 2011)

(Millions of Yen)

Accounting Item	Amount	
Sales Revenue		133,691
Cost of sales		95,976
Gross profit		37,714
Selling, general, and administrative expenses		20,596
Operating Income		17,118
Non-Operating Income		
Interest received	261	
Dividends received	229	
Rental income	337	
Loyalty income	193	
Miscellaneous income	294	1,315
Non-Operating Expenses		
Interest expenses	388	
Interest on corporate bonds	190	
Foreign exchange translation loss	738	
Commission fee	72	
Miscellaneous loss	197	1,587
Ordinary Income		16,846
Extraordinary Income		
Gain on sale of fixed assets	15	
Subsidy income	125	
Subsidies for employment adjustment	2	
Other	4	147
Extraordinary Loss		
Loss on disposition and sale of fixed assets	29	
Loss on valuation of investment securities	39	
Other	0	68
Net Income before Income Taxes		16,924
Income taxes—current	5,147	
Income taxes—deferred	1,093	6,241
Net Income		10,683

Statement of Changes in Shareholders' Equity

(From April 1, 2010, to March 31, 2011)

(Millions of Yen)

	Shareholders' Equity										
	Capital stock	Capital Surplus			Legal retained earnings	Profit Surplus					Total profit surplus
		Capital reserve	Other capital surplus	Total capital surplus		Other profit surplus					
						Special depreciation reserve	Reserve for advanced depreciation on land	Dividend reserve	General reserve	Profit surplus carried forward	
Balance as of March 31, 2010	34,606	47,471	(0)	47,471	1,958	226	14	3,000	96,000	(12,246)	88,952
Change in the consolidated fiscal year											
Dividends from surplus										(1,993)	(1,993)
Addition to the special depreciation reserves						38				(38)	
Reimbursement from the special depreciation reserves						(64)				64	
Reversal of reserve for dividends								(1,000)		1,000	
Reversal of general reserve									(13,000)	13,000	
Net Income										10,683	10,683
Acquisition of treasury stock											
Disposal of treasury stock			0	0						(0)	(0)
Changes in items other than shareholders' equity during the fiscal year (net amount)											
Total changes in the consolidated fiscal year	—	—	0	0	—	(25)	—	(1,000)	(13,000)	22,715	8,689
Balance as of March 31, 2011	34,606	47,471	—	47,471	1,958	200	14	2,000	83,000	10,468	97,642

	Shareholders' Equity		Valuation/Conversion Difference, etc.		Total Net Assets
	Treasury stock	Total shareholders' equity	Net unrealized gain on available-for-sale securities	Total valuation/conversion difference, etc.	
Balance as of March 31, 2010	(11,350)	159,680	531	531	160,211
Changes in the consolidated fiscal year					
Dividends from surplus		(1,993)			(1,993)
Addition to the special depreciation reserve					
Reimbursement from the special depreciation reserves					
Reversal of reserve for dividends					
Reversal of general reserve					
Net Income		10,683			10,683
Acquisition of treasury stock	(3)	(3)			(3)
Disposal of treasury stock	0	0			0
Changes in items other than shareholders' equity during the consolidated fiscal year (net amount)			47	47	47
Total changes in the consolidated fiscal year	(3)	8,686	47	47	8,734
Balance as of March 31, 2011	(11,353)	168,366	578	578	168,945

Notes to the Non-Consolidated Financial Statements

1. Important Matters for the Preparation of the Non-Consolidated Financial Statements

(1) Valuation Basis and Method for Securities

1. Other securities
 - Securities with fair market value Fair market value method based on the market value, etc., as of the last day of the consolidated fiscal year
(Unrealized gains and losses are reported, net of applicable taxes, in a separate component of net assets. The cost of securities sold is determined by the moving-average method.)
 - Securities without fair market value Moving average cost method
2. Affiliates' stocks Moving average cost method

(2) Valuation Basis and Method for Inventories

1. Merchandise and finished goods Merchandise is stated by the first-in, first-out cost method. (Amounts in the balance sheets were calculated by writing down the book value with regard to the merchandise for which profitability was clearly declining.) Finished goods were stated by the gross average cost method. (Amounts in the balance sheets were calculated by writing down the book value with regard to the finished goods for which profitability was clearly declining.)
2. Work in process Work in process was stated by the gross average cost method. (Amounts in the balance sheets were calculated by writing down the book value with regard to the finished goods for which profitability was clearly declining.)
3. Raw materials and supplies Raw materials and supplies were stated by the gross average cost method. (Amounts in the balance sheets were calculated by writing down the book value with regard to the finished goods for which profitability was clearly declining.)

(3) Depreciation Method for Important Depreciable Assets

- | | |
|---|---|
| 1. Tangible fixed assets
(Other than lease properties) | Straight-line method
However, the Company adopts the straight-line method for buildings acquired on or after April 1, 1998 (excluding attached facilities). |
| 2. Intangible fixed assets
(Other than lease properties) | Straight-line method
However, capitalized software for internal use is amortized by the straight-line method over the estimated internal useful life (5 years).
Also, goodwill is equally amortized over 10 years. |
| 3. Lease properties | Lease properties related to finance leases other than those that are deemed to transfer the ownership of the leased assets to the lessees are depreciated assuming the lease period as the useful life and no residual value.
For finance leases with a lease transaction start date on or before March 31, 2008 other than those that are deemed for transfer of the leased assets to lessees, the Company continues to adopt an accounting treatment in conformity with the accounting method for ordinary lease transactions. |
| 4. Long-term prepaid expenses | Straight-line method |

(4) Accounting Standards for Important Reserves

- | | |
|---|---|
| 1. Allowance for bad debts | To prepare for losses from bad debts, the Company provides the allowance for doubtful accounts at an amount of possible losses from uncollectible trade receivables based on the actual rate of losses from bad debt for ordinary receivables, and on the estimated recoverability for specific doubtful receivables. |
| 2. Reserve for bonuses | The reserve for bonuses is provided at an amount as a defrayment for the fiscal year under review based on the estimated total amount of employees' bonuses. |
| 3. Reserve for bonuses to officers | The reserve for bonuses to directors is to be provided at an amount of money as a defrayment for the fiscal year under review of the total estimated future amount of bonuses. |
| 4. Reserve for employees' retirement benefits | The reserve for employees' retirement benefits is provided at an amount recognized to have accrued as of the balance-sheet date based on the projected retirement benefit obligation and fair value of pension plan assets at the end of the fiscal year under review. |

The actuarial gain or loss is amortized by the straight-line method over the average remaining service years (10 years) for employees at the time of recognition from the following year of recognition.

(5) Important Method of Hedge Accounting

1. Method of hedge accounting	The appropriation treatment is adopted for forward foreign exchange contracts because they satisfy the requirements of such appropriation treatment. The preferential treatment is adopted for interest-rate swaps because they satisfy the requirements of such preferential treatment.
2. Hedging instruments and hedged items	
Forward foreign exchange contracts	Monetary claims and debts denominated in foreign currencies
Interest-rate swaps	Interest on borrowings
3. Hedge policy	Forward foreign exchange contracts are intended to hedge foreign exchange volatility risks in order to stabilize cash flows pertinent to the recovery and payment of monetary claims and debts denominated in foreign currencies. Interest-rate swaps are intended to hedge interest rate volatility risks involved in borrowings.
4. Evaluation method for hedge validity	Evaluation of the validity of forward foreign exchange contracts is omitted because the significant terms of the relevant transactions and those as to the hedged assets are the same and it is predicted that any fluctuations in the market rates and cash flows will be offset at the beginning of hedging and will continue to be so afterward. Evaluation of the validity of interest-rate swaps is omitted because they satisfy the requirements of the preferential treatment.

(6) Method of Accounting Processing of Consumption Tax

Transactions subject to the consumption tax and any local consumption tax are recorded at amounts exclusive of the consumption taxes.

(Changes in accounting treatment)

Adoption of the Accounting Standard for Asset Retirement Obligations

The Company, effective beginning with the fiscal year under review, adopted the “Accounting Standard for Asset Retirement Obligations” (ASBJ Statement No. 18 (March 31, 2008)) and the “Guidance on Accounting Standard for Asset Retirement

Obligations” (ASBJ Guidance No. 21 (March 31, 2008)). This change has no impact on operating income, ordinary income and net income before taxes.

2. Notes to the Balance Sheet

(1) Accumulated depreciation of fixed tangible assets:	¥80,164 million
(2) Amount of accelerated depreciation with national subsidy:	¥150 million
(3) Monetary claims/liabilities pertinent to affiliated companies:	
Short-term monetary claims:	¥55,514million
Short-term monetary liabilities:	¥4,489million
Long-term monetary claims:	¥3,245million
(4) Monetary liabilities to Directors and Auditors:	¥874 million
(5) Contingent liability	
The Company provides a liability guarantee on rent liability for the following company:	
THK GmbH	¥43 million
The Company provides a liability guarantee on purchase liability for the following companies:	
TALK SYSTEM CORPORATION	¥1,653 million
THK INTECHS CO., LTD	¥1,206 million
THK NIIGATA CO., LTD.	¥822 million
THK RHYTHM CO., LTD.	¥752 million
Nippon Slide CO., LTD.	¥151 million
THK RHYTHM KYUSHU CO., LTD	¥109 million

3. Notes to the Statement of Income

Volume of transactions with affiliates:

Sales revenue	¥43,697 million
Purchases	¥17,565 million
Other marketing transactions	¥678 million
Non-marketing transactions	¥1,445 million

4. Notes to the Statement of Changes in Shareholders' Equity

Current Fiscal Year (From April 1, 2010, to March 31, 2011)

Matters Related to Treasury Stock

Type of Stock	End of the Previous Consolidated Fiscal Year	Increase	Decrease	End of the Current Consolidated Fiscal Year
Common stock (shares)	5,252,060	2,050	150	5,253,960

(Summary of Reasons for Changes)

Breakdown of the increases

 Increase ascribed to buy-back of shares below a lot unit: 2,050 shares

Breakdown of the decreases

 Decreases due to purchase requests on shares below a lot unit: 150 shares

5. Notes to Tax-Effect Accounting

(1) Breakdown of deferred tax assets and deferred tax liabilities according to the main cause of occurrence

(Deferred tax assets)	
Loss on valuation of stocks of subsidiaries and affiliates	¥6,083 million
Reserve for employees' retirement benefits	¥1,263 million
Reserve for bonuses	¥813 million
Inventory valuation loss	¥538 million
Accrued business tax	¥474 million
Accrued retirement compensation for officers	¥355 million
Impairment loss	¥340 million
Excess of depreciation and amortization	¥182 million
Loss on valuation of investment securities	¥167 million
Accrued expenses	¥118 million
Allowance on bad debt	¥109 million
Others	¥410 million
Subtotal of deferred tax assets	¥10,857 million
Valuation reserves	¥(7,162) million
Total deferred tax assets	¥3,695 million
(Deferred tax liabilities)	
Insurance reserve	¥(661) million
Net unrealized gain on available-for-sale securities	¥(383) million
Special depreciation reserve	¥(137) million
Others	¥(23) million
Total deferred tax liabilities	¥(1,205) million
Net deferred tax assets	¥2,489 million

(2) Breakdown of main items that served as the cause of a significance difference between the legal effective tax rate and the corporate tax ratio after application of tax effect accounting

Legal effective tax rate	40.7 %
(Adjustments)	
Items permanently not included as a deductible, such as entertainment costs	0.3 %
Items permanently not included as revenue, such as dividend received	-0.5 %
Equal installments of resident tax	0.3 %
Special subtraction from income tax	-3.6 %
Difference from the effective tax rate	-0.4 %
Others	0.1 %
Corporate tax ratio after application of tax effect accounting	36.9 %

6. Notes to the Fixed Assets under Lease Transactions

- (1) Amount equivalent to the acquisition cost at the last day of the current fiscal year: ¥48 million
- (2) Amounts equivalent to accumulated depreciation and the term-end balance as of the last day of the current fiscal year
- | | |
|--|-------------|
| Amount equivalent to accumulated depreciation: | ¥41 million |
| Amount equivalent to the term-end balance: | ¥7 million |
- (3) Amount equivalent to the unearned lease fee as of the last day of the current fiscal year: ¥7 million

7. Notes to the Transactions with Special Interest Parties

(1) Parent company and major corporate shareholders:

None applicable

(2) Officers and major individual shareholders:

None applicable

(3) Subsidiaries, etc.

Category	Company or Personal Name	Address	Capital Stock or Capitalization	Description of Business or Occupation	Ownership of Voting Rights	Description of Relationship		Description of Transactions	Transaction amount (Millions of Yen)	Accounting Item	Term-End Balance (Millions of Yen)
						Concurrent Service as an Officer	Business Relationship				
Subsidiary	TALK SYSTEM CORPORATION	Adachi-ku Tokyo	¥ 400 million	Industrial equipment-related businesses	Direct 99%	2 persons	Purchase of the Company's products	Loans Collection of loan receivables	8,100 7,950	Short-term loans	488
	THK GmbH	Ratingen, Germany	102 thousand Euro	Industrial and Transportation equipment-related businesses	Indirect 100%	2 persons	Purchase of the Company's products	Sales of the Company's products	8,220	Accounts receivable	4,083
	THK RHYTHM CO., LTD.	Hamamatsu-shi, Shizuoka	¥ 490 million	Transportation equipment-related business	Direct 100%	4 persons	Collaboration with the Company's business	Loans Collection of loan receivables	15,750 15,987	Short-term loans	11,755
	THK INTECHS CO., LTD	Nerima-ku Tokyo	¥ 100 million	Industrial equipment-related businesses	Direct 100%	2 persons	Manufacturing of the Company's products	Loans Collection of loan receivables	4,562 5,035	Short-term loans	444
	THK Holdings of America, L.L.C.	Schaumburg, IL., U.S.A.	\$ 120 million	Holding and controlling company in North America	Direct 100%	6 persons	—	Deposit of fund	8,141	Deposits paid	8,315
	THK Europe B.V.	Amsterdam, the Netherlands	60,153 thousand Euro	Holding and controlling company in North Europe	Direct 100%	6 persons	—	Deposit of fund	11,397	Deposits paid	11,753
	THK LM SYSTEM Pte. Ltd.	Kaki Bukit Place, Singapore	S\$ 8 million	Industrial equipment-related businesses	Direct 100%	1 person	Purchase of the Company's products	Deposit of fund	2,856	Deposits paid	2,967
Affiliate	SAMICK THK CO., LTD.	Daegu Korea	10,500 million won	Industrial equipment-related businesses	Direct 33.82%	1 person	Purchase of the Company's products	Sales of the Company's products	8,381	Accounts receivable	2,541

Transaction terms and the policy on determining transaction terms

Notes: 1. Interest rates for loans to TALK SYSTEM CORPORATION are rationally determined by taking into account the market interest rates.

2. Sales prices of our company's products for sale to THK GmbH are determined through due consultation between the two companies and in consideration of market prices.

3. Interest rates for loans to THK RHYTHM CO., LTD. are rationally determined by taking into account the market interest rates.

4. Interest rates for loans to THK INTECHS CO., LTD. are rationally determined by taking into account the market interest rates.

5. Upon depositing its fund to either THK Holdings of America, L.L.C. or THK Europe B.V., or THK LM SYSTEM Pte. Ltd., the Company determines it based on the fund management policy of the Group.

6. Sales prices of our company's products for sale to SAMICK THK CO., LTD. are determined through due consultation between the two companies and in consideration of market prices.

(4) Affiliated companies sharing the same parent company:
None applicable

8. Notes to per Share Information

(1) Net assets per share	¥1,313.70
(2) Current net loss per share	¥83.07

9. Notes to Significant Subsequent Event

None applicable

10. Other Notes

Amounts less than ¥1 million of the indicated amounts are truncated.

Accounting Audit Report on the Consolidated Financial Statements

AUDIT REPORT BY INDEPENDENT AUDITOR

May 11, 2011

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

Grant Thornton Taiyo ASG

Designated	Certified	
Executive	Public	Tsutomu Kawaguchi (Seal)
Employee	Accountant	
Designated	Certified	
Executive	Public	Keita Tajiri (Seal)
Employee	Accountant	
Designated	Certified	
Executive	Public	Hideki Akita (Seal)
Employee	Accountant	

In accordance with the provisions of Article 444, Paragraph 4, of the Companies Act, we audited the consolidated financial statements of THK CO., LTD., consisting of the consolidated balance sheet, consolidated statement of income, statement of changes in consolidated shareholders' equity and notes on the consolidated financial statements covering the consolidated fiscal year from April 1, 2010, to March 31, 2011. The management of the Company is responsible for preparing such financial statements, and it is our responsibility to express our opinions thereon from an independent standpoint.

We performed this audit in compliance with generally accepted fair and reasonable auditing standards in Japan. The auditing standards require us to have reasonable assurance of whether any material misrepresentation exists in the consolidated financial statements. Our audit was made on a test basis and included examination of the presentations in their entirety in the financial statements, including evaluation of the accounting policies and methods of application thereof as employed by management and estimates made by management. We consider that, as a result of our audit, we have obtained a reasonable basis for expressing our opinions.

We are of the opinion that the aforementioned consolidated financial statements fairly present the conditions of the assets, income and loss of the Group consisting of THK CO., LTD., and its consolidated subsidiaries for the fiscal year under review in accordance with generally accepted accounting standards of Japan in all material aspects.

There is no relation of interests between the Company and the auditing firms stated above or any participating partners thereof, as is required to be stated under the Certified Public Accountant Law.

Accounting Audit Report on the Financial Statements

AUDIT REPORT BY INDEPENDENT AUDITOR

May 11, 2011

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

Grant Thornton Taiyo ASG

Designated	Certified	
Executive	Public	Tsutomu Kawaguchi (Seal)
Employee	Accountant	
Designated	Certified	
Executive	Public	Keita Tajiri (Seal)
Employee	Accountant	
Designated	Certified	
Executive	Public	Hideki Akita (Seal)
Employee	Accountant	

In accordance with the provisions of Article 436, Paragraph 2, No. 1, of the Companies Act, we audited the financial statements of THK CO., LTD., consisting of the balance sheet, statement of income, statement of changes in shareholders' equity, notes to the non-consolidated financial statements and supplementary schedules covering the 41st fiscal year from April 1, 2010, to March 31, 2011. The management of the Company is responsible for preparing such financial statements and supplementary schedules, and it is our responsibility to express our opinions thereon from an independent standpoint.

We performed this audit in compliance with generally accepted fair and reasonable auditing standards in Japan. The auditing standards require us to have reasonable assurance of whether any material misrepresentation exists in the financial statements and supplementary schedule. Our audit was made on a test basis and included examination of the presentations in their entirety in the financial statements, including evaluation of the accounting policies and methods of application thereof as employed by management and estimates made by management. We consider that, as a result of our audit, we have obtained a reasonable basis for expressing our opinions.

We are of the opinion that the aforementioned financial statements and supplementary schedules fairly present the conditions of the assets, income and loss of the fiscal year under review in accordance with generally accepted accounting standards of Japan in all material aspects.

There is no relation of interests between the Company and the auditing firms stated above or any participating partners thereof, as is required to be stated under the Certified Public Accountant Law.

Audit Report by the Board of Auditors

AUDIT REPORT

We, the Board of Auditors, submit the following Audit Report based on our deliberation of the Audit Reports prepared by each Auditor with respect to the execution of duties of the Directors during the Company's 41st fiscal year starting on April 1, 2010, and ending on March 31, 2011:

1. Auditing Method and Content of Audits Performed by Auditors and the Board of Auditors

The Board of Auditors determined the auditing policy and allocation of tasks, received reports from each Auditor concerning execution status and results of audits, received reports from Directors and accounting auditors concerning the status of their tax execution, and requested explanations when necessary.

In accordance with the audit policies and task allocations determined by the Board of Auditors, each Auditor communicated with Directors, the Internal Audit Office and other employees to collect information and maintain an appropriate audit environment. In addition, each Auditor attended the Board of Directors meetings and other important meetings to receive reports concerning the status of execution of duties from Directors and employees, request explanations when necessary, peruse important settlement documents, and investigated the business and asset conditions of the Head Office and other major offices. Moreover, with respect to the systems (Internal Control Systems) established in accordance with the description of the resolution of the Board of Directors concerning the system defined in Paragraphs 1 and 3, Article 100, of the Ordinance for Enforcement of the Companies Act and said resolution, as being for the systems to ensure compliance of Directors' execution of duties described in business reports with laws and regulations and the Company's Articles of Incorporation, and also to ensure adequacy of the Company's other business operations, the Auditors received reports regularly from Directors and employees, requested explanations when necessary, and expressed their opinions regarding the status of establishment and performance of the systems.

For the basic policy of the Enforcement Regulations of the Companies Act, Article 118, No.3-B, as described in the Business Report, auditors examined the contents of the policy based on the status of deliberations at the Board of Directors meetings, etc. With respect to subsidiaries, Auditors communicated and exchanged information with the Directors and Auditors of subsidiaries and received reports by subsidiaries concerning their operations when necessary. The Board of Auditors meetings were held on a monthly basis, where results of audits conducted by each Auditor were conveyed to other Auditors to exchange opinions and information sharing. Opinions concerning results of audit activities conducted by Auditors were notified to Directors. Business reports and supplementary schedules for the fiscal year were reviewed in accordance with the above method.

With regard to the accounting audit, Auditors received explanations on the audit plan from the accounting auditor beforehand and discussed it accordingly. The audit results were reported from the accounting auditor. Furthermore, Auditors

monitored and inspected whether the independent auditors maintained their independence and appropriateness in their implementation of audits, received reports from accounting auditors concerning their execution of duties and requested explanations when necessary. Furthermore, we received the notice stating to the effect that the “System to Ensure Appropriate Execution of Duties” (various provisions stated in Article 131 of the Corporate Accounting Regulations) is prepared in accordance with the “Quality Control Standards Concerning Audits” (Business Accounting Deliberation Council, October 28, 2005) and requested explanations when necessary. In accordance with the approach explained above, we reviewed financial statements for the fiscal year under review (non-consolidated balance sheet, non-consolidated statement of income, statement of changes in shareholders’ equity and notes to the non-consolidated financial statements), the supplementary schedules and the consolidated financial statements (consolidated balance sheet, consolidated statement of income, statement of changes in consolidated shareholders’ equity and notes to the consolidated financial statements).

2. Results of the Audit

(1) Audit Results for the Business Report, etc.

- (i) We are of the opinion that the content of business reports and supplementary schedules comply with laws and regulations and the Articles of Incorporation and fairly reflect the state of the Company.
- (ii) We determined no improper acts or material breaches of laws and regulations or the Articles of Incorporation in the execution of duties by Directors.
- (iii) We are of the opinion that the content of the Board of Directors resolutions pertaining to the Internal Control System is appropriate. In addition, we did not identify anything that requires comment with regard to execution of duties by directors concerning said Internal Control System.
- (iv) We do not identify anything that requires comment on the basic policy (described in the Business Report) for the behavior of the person(s) taking control of the determination of financial policies and business policies of the Company.

(2) Audit Results for the Financial Statements and Supplementary Schedules

We are of the opinion that the audit methods and results of Grant Thornton Taiyo ASG are appropriate.

(3) Audit Results for the Consolidated Financial Statements

We are of the opinion that the audit methods and results of Grant Thornton Taiyo ASG are appropriate.

May 12, 2011

The Board of Auditors of THK CO., LTD.

Standing Auditor Yoshimi Sato
Standing Auditor Kazunori Igarashi
Outside Auditor Shizuo Watanabe
Outside Auditor Masatake Yone

Proposal 2: Appointment of Sixteen (16) Directors

The tenure of all sixteen (16) current Directors will expire at the closing of this Ordinary General Shareholders Meeting, and we hereby propose appointment of the sixteen (16) Directors.

The candidates for Director are as follows:

Candidate No.	Name (Date of Birth)	Brief History, Position, Assigned Tasks and Significant Positions Concurrently Held	Number of the Shares of the Company Held
1	Akihiro Teramachi (April 5, 1951)	Oct. 1975 Joined the Company Mar. 1982 Director, General Manager of Administration Jun. 1987 Managing Director and Senior General Manager of Control Jun. 1994 Director and Vice President May 1995 Representative Director and President of DAITO SEIKI CO., LTD. (currently THK INTECHS CO., LTD.) Jan. 1997 Representative Director and President of the Company (Current position)	5,844,000
2	Masamichi Ishii (September 12, 1943)	May 1971 Joined the Company Jun. 1991 Director, Manager of Hachioji Branch Oct. 1991 Director, Manager of Atsugi and Hachioji Branches Jul. 1992 Director, General Manager of East Japan Sales Region II, and Manager of Atsugi Branch of the Company Oct. 1994 Director, General Manager of Sales and East Japan Sales Region II Mar. 2000 Director, Senior General Manager of Sales Jun. 2004 Senior Managing Director (Current position)	62,750
3	Takeki Shirai (October 8, 1942)	Jun. 1971 Joined the Company Oct. 1982 General Manager of Engineering Jun. 1988 Director, General Manager of Engineering Jul. 1992 Director and Senior General Manager of Engineering Jun. 2004 Managing Director (Current position)	60,800
4	Toshihiro Teramachi (November 18, 1958)	Dec. 1988 Joined the Company Jun. 1989 Director, Manager of UK Branch of THK Europe GmbH (currently THK GmbH) Aug. 1992 Executive Vice President and Director of PGM Ballscrews Ltd. (currently THK Manufacturing of Ireland Ltd.) Feb. 1993 Representative Director and President of THK GmbH May 1993 Representative Director and President of THK Europe B.V. Jun. 1998 Director of the Company Jun. 2005 Managing Director (Current position)	300,400

Candidate No.	Name (Date of Birth)	Brief History, Position, Assigned Tasks and Significant Positions Concurrently Held	Number of the Shares of the Company Held
5	Hiroshi Imano (January 31, 1954)	<p>Apr. 1977 Joined Industrial Bank of Japan Co., Ltd. (currently Mizuho Bank, Ltd., Mizuho Corporate Bank Co., Ltd.)</p> <p>Apr. 2002 Transferred to the Company Deputy General Manager of Corporate Strategy</p> <p>Mar. 2004 Resigned from Mizuho Corporate Bank Co., Ltd.</p> <p>Apr. 2004 Joined the Company</p> <p>May 2004 President of THK MANUFACTURING OF CHINA (WUXI) CO., LTD.</p> <p>Oct. 2007 General Manager of Production Headquarters</p> <p>Dec. 2007 General Manager of Production Headquarters Representative Director and President of THK Manufacturing of Europe S.A.S.</p> <p>Jun. 2008 Director, General Manager of Production Headquarters Representative Director and President of THK Manufacturing of Europe S.A.S.</p> <p>Jun. 2010 Managing Director (Current position)</p>	1,000
6	Takashi Okubo (May 4, 1956)	<p>Apr. 1980 Joined the Company</p> <p>Apr. 1986 Manager of Kofu Branch of the Company</p> <p>Oct. 1996 Manager of Atsugi Branch</p> <p>May 2000 President of DALIAN THK CO., LTD.</p> <p>Jun. 2004 Director of the Company President of DALIAN THK CO., LTD.</p> <p>Jun. 2005 President of THK MANUFACTURING OF CHINA (LIONING) CO., LTD.</p> <p>Sep. 2005 President of THK (CHINA) CO., LTD. THK MANUFACTURING OF CHINA (LIAONING) CO., LTD. (Current position)</p>	2,900
7	Tetsuya Hayashida (May 27, 1961)	<p>May 2000 Transferred from DAITO SEIKI CO., LTD. (currently THK INTECHS CO., LTD.) General Manager of Related Business of the Company</p> <p>Dec. 2000 President of THK Manufacturing of Europe S.A.S.</p> <p>Oct. 2003 President of PGM Ballscrews Ireland Ltd. (currently THK Manufacturing of Ireland Ltd.)</p> <p>May 2004 Resigned from DAITO SEIKI CO., LTD. (currently THK INTECHS CO., LTD.) Joined the Company</p> <p>Jun. 2005 Director</p> <p>Oct. 2005 Representative Director and President of THK Europe B.V. Representative Director and President of THK GmbH Representative Director and President of THK France S.A.S. Representative Director and President of PGM Ballscrews Ireland Ltd. (currently THK Manufacturing of Ireland Ltd.)</p> <p>Jun. 2010 Representative Director and President of THK Europe B.V. Representative Director and President of THK GmbH Representative Director and President of THK France S.A.S. Representative Director and President of THK Manufacturing Europe S.A.S. Representative Director and President of PGM Ballscrews Ireland Ltd. (currently THK Manufacturing of Ireland Ltd.) (Current position)</p>	2,200

Candidate No.	Name (Date of Birth)	Brief History, Position, Assigned Tasks and Significant Positions Concurrently Held	Number of the Shares of the Company Held
8	Hideyuki Kiuchi (October 14, 1952)	Apr. 1976 Joined Industrial Bank of Japan Co., Ltd. (Currently Mizuho Bank, Ltd., Mizuho Corporate Bank Co., Ltd.) Jun. 1994 Transferred to the Company Director Jun. 1998 Resigned as Director Mar. 2003 Resigned from Mizuho Holdings, Inc. Apr. 2003 Joined the Company General Manager of Sales Support Headquarters Jun. 2004 General Manager of Legal Dec. 2005 General Manager of Legal and Trading Administration Jun. 2006 Director, General Manager of Corporate Strategy (Current position)	1,200
9	Junichi Kuwabara (November 11, 1954)	Apr. 1977 Joined the Company Jul. 1992 Manager of Hachioji Branch Oct. 1994 Senior Manager, Application Engineering, Sales Engineering Oct. 1996 General Manager, Application Engineering, Sales Engineering Feb. 1999 General Manager of FAI Jun. 2002 Director, General Manager of FAI Jan. 2003 Representative Director and President of THK America, Inc. Jun. 2003 Representative Director and President of THK Holdings of America, L.L.C. Representative Director and President of THK America, Inc. Jun. 2010 Director, General Manager of FAI (Current position)	5,150
10	Junichi Sakai (October 5, 1947)	Jan. 1990 Resigned from NIPPEI TOYAMA CORPORATION Joined the Company Senior Manager of Mechatronics Jul. 1992 General Manager of Mechatronics Oct. 1994 General Manager of Sales Engineering Mar. 2000 General Manager of East Japan Sales Region I Feb. 2003 General Manager of Quality Assurance General Manager of Advanced Technology Information Center Jun. 2004 Director, General Manager of Quality Assurance General Manager of Advanced Technology Information Center (Current position)	1,650
11	Hirokazu Ishikawa (June 3, 1953)	Apr. 1976 Joined the Company Sep. 1984 Manager of Nagaoka Branch Apr. 1992 General Manager of Ueno Branch Jun. 2003 Representative Director and President of DAITO SEIKI CO., LTD. (Currently THK INTECHS CO., LTD.) Jun. 2008 Director and Senior General Manager of Sales Support Headquarters Oct. 2010 Director and Senior General Manager of Sales Support Headquarters General Manager of ICB (Integrated Corporate Brand) Center (Current position)	21,200
12	Junji Shimomaki (October 6, 1953)	Apr. 1976 Joined the Company Jul. 1992 Manager of the Tokyo Branch Feb. 2003 General Manager of East Japan Sales Region I Jun. 2004 General Manager of East Japan Sales Region II Jun. 2009 Director, Senior General Manager of Sales Headquarters (Current position)	6,200

Candidate No.	Name (Date of Birth)	Brief History, Position, Assigned Tasks and Significant Positions Concurrently Held	Number of the Shares of the Company Held
13	Takanobu Hoshino (October 23, 1960)	Apr. 1983 Joined the Company Jun. 2008 Representative Director and President of DAITO SEIKI CO., LTD. (currently THK INTECHS CO., LTD.) Jun. 2009 Director, General Manager of IMT (Current position)	3,700
14	Kaoru Hoshide (September 30, 1961)	Apr. 1985 Joined the Company Jan. 2002 General Manager, CAP Project of the Company Jun. 2009 Director, Senior General Manager of Engineering Headquarters (Current position)	2,200
15	Nobuyuki Maki (May 12, 1960)	Apr. 1983 Joined the Company Jul. 1992 Manager of the Chicago Branch, THK America, Inc. Jan. 2003 President and Representative Director, THK Manufacturing of America, Inc. Oct. 2007 Manager of Yamaguchi Plant Jun. 2010 Director, Senior General Manager of Production Headquarters (Current position)	400
16	Akihiko Kambe (March 6, 1959)	Apr. 1982 Joined the Company Aug. 2007 President and Representative Director, THK Manufacturing of America, Inc. Jun. 2010 Director of the Company President and Representative Director, THK Holdings of America, L.L.C. President and Representative Director, THK Manufacturing of America, Inc. (Current position)	1,000

Notes:

1. The information in the brief history, position, assigned tasks of and significant positions concurrently held by candidates for Director in the table above is as of May 12, 2011.
2. A candidate for Director, Tetsuya Hayashida, serves concurrently as Representative Director of PGM Ballscrews Ireland Ltd. (currently THK Manufacturing of Ireland Ltd.), to which the Company sells parts.
3. There is No special interest relationship between the Company and any other candidate for Director.

Proposal 3: Appointment of One (1) Auditor

The tenure of Auditor Masatake Yone will expire at the closing of this Ordinary General Shareholders Meeting, and we hereby propose appointment of the one (1) Auditor. The Board of Auditors has approved this proposal.

The candidate for Auditor is as follows:

Name (Date of Birth)	Brief History, Position and Significant Positions Concurrently Held	Number of the Shares of the Company Held
Masatake Yone (July 8, 1954)	Apr. 1981 Registered as an attorney at law Admitted to the Bar Member of the Tokyo Bar Association	—
	Mar 1987 registered as an attorney at law in New York State, USA	
	Jun. 1998 Admitted to U.S. Bar Association and New York State Bar Association	
	Apr. 2000 Partner in Mori Hamada & Matsumoto law offices	
	Apr. 2005 External Director of NAMCO BANDAI Holdings Inc. External Director of GCA Savvian Group Corporation	
Jun. 2007 Auditor (Current position)		

Notes:

1. There is no special relationship interest between the candidate for Auditor, Masatake Yone, and the Company.
2. Mr. Masatake Yone, a candidate for Auditor, is a candidate for Outside Auditor.
3. Rationale for the appointment of the candidate for Outside Auditor, independence as the candidate for Outside Auditor, rationale for determining competence to properly perform the duties of an Outside Auditor, and Limited Liability Agreement with the Outside Auditor

(1) Rationale for the appointment of, and independence of the candidate for Outside Auditor

1. We seek to appoint Mr. Masatake Yone as an Outside Auditor so that the audit system of the Company may be reinforced by his legal knowledge accumulated through his long-term experience as a lawyer.
2. (ii) Mr. Masatake Yone has served four years since being elected as an Auditor of the Company.

(2) Rationale for determining competence to properly perform the duties of an Outside Auditor

Mr. Masatake Yone, despite his lack of experience in direct involvement in corporate management, is well versed in corporate law as a lawyer, and has extensive insight into corporate governance. We judge him capable of properly performing the duties of an Outside Auditor.

(3) Limited Liability Agreement with the Outside Auditor

The details of the agreement are as follows: the Company has entered into a limited liability agreement with Mr. Masatake Yone. If he is reelected, the Company will continue the said agreement.

- If the Outside Auditor should bear a liability to the Company due to his negligence of duties, the liability for damages shall be limited to the higher of the minimum amount of liability as set forth in Article 425, Paragraph 1 of the Company Law or five million yen.
- The above limited liability shall be allowed only if no malicious intent or gross negligence is involved in performing his duties as Outside Auditor.

Proposal 4: Appointment of One (1) Substitute Auditor

The effect of the resolution of the 37th Ordinary General Shareholders Meeting held on June 16, 2007, under which Mr. Tomitoshi Omura was elected as an Auditor, will expire as of the opening of the forthcoming Ordinary General Shareholders Meeting. To provide for a case of vacancy in the Board of Auditors that results in an insufficient number of such auditors as stipulated in relevant laws and regulations, we propose to appoint one Substitute Auditor.

The effect of the resolution regarding the said appointment can be nullified by a resolution of the Board of Directors, with the consent of the Board of Auditors, only before he assumes the position.

The effect of the resolution shall expire at the opening of the Ordinary General Shareholders Meeting to be held in June 2015 in accordance with Article 37, Paragraph 3 of the Articles of Incorporation.

The Company has already obtained the approval of the Board of Auditors with respect to this proposal.

The candidate for Substitute Auditor is as follows:

Name (Date of Birth)	Brief History, Position and Significant Positions Concurrently Held	Number of the Shares of the Company Held
Tomitoshi Omura (August 3, 1954)	Oct. 1976 Registered as Assistant CPA Oct. 1977 Joined Fuji Accounting Office Oct. 1980 Joined Asahi & Co. (currently KPMG AZSA LLC.) Mar. 1982 Registered as Certified Public Accountant Feb. 1990 Established Omura Accounting Office (Current position)	—

Notes:

1. There is no special interest relationship between the candidate for Substitute Auditor, Tomitoshi Omura, and the Company.
2. We propose that a candidate for Substitute Auditor Mr. Tomitoshi Omura, be elected as Substitute for Outside Auditor.
3. Rationale for the appointment of the candidate for Substitute for Outside Auditor, independence as the candidate for Outside Auditor, rationale for determining competence to properly perform the duties of an Outside Auditor, and Limited Liability Agreement with Outside Auditor

(1) Rationale for the appointment of the candidate for Substitute for Outside Auditor and his independence

We seek to appoint Mr. Tomitoshi Omura as an Outside Auditor so that the audit system of the Company may be reinforced by his accounting knowledge accumulated through his long-term experiences as a certified public accountant.

(2) Rationale for determining competence to properly perform the duties of an Outside Auditor

Mr. Tomitoshi Omura, despite his lack of experience in direct involvement in corporate management, is well versed in corporate accounting and law as a certified public accountant, and has extensive insight into corporate

governance. We judge him capable of properly performing the duties of an Outside Auditor.

(3) Limited Liability Agreement with Outside Auditor

The details of the agreement are as follows: If Mr. Tomitoshi Omura is appointed Auditor, the Company shall enter into a limited liability agreement with him.

- If the Outside Auditor should bear a liability to the Company due to his negligence of duties, the liability for damages shall be limited to the higher of the minimum amount of liability as set forth in Article 425, Paragraph 1 of the Company Law or five million yen.
- The above limited liability shall be allowed only if no malicious intent or gross negligence is involved in performing his duties as Outside Auditor.

Proposal 5: Bonus Payment to Directors

We propose to pay bonuses totaling 50 million yen to 16 Directors and four Auditors in office as of March 31, 2011, (of which 45 million yen is payable to Directors and 5 million yen to Auditors), in consideration of such factors as the previous payments and corporate earnings for the fiscal year under review.

As for the amount for each Director and each Auditor, we propose to entrust decisions regarding Directors to the Board of Directors and decisions regarding Auditors to consultation among Auditors.

Proposal 6: Revision of Compensation for Directors

The current framework for total remuneration payable to the Company's Directors was approved as the fixed compensation scheme, with the amount of no more than ¥100 million per month to be entrusted to the Board of Directors, at the 34th Ordinary General Shareholders Meeting held on June 26, 2004, and has remained unchanged to the present time, and separately from this, the payment of bonuses to Directors in accordance with business performance has been approved at the Ordinary General Shareholders Meeting each year.

However, in light of enforcement of the Company Law and changes in treatment of bonuses in the Accounting Standards, we propose, effective from the fiscal year ending in March 2012, to introduce the performance-based compensation scheme which is closely linked to business results as below, while maintaining the current remuneration for the existing fixed compensation scheme and abolishing bonus payments to Directors. We would like to ask our shareholders to entrust the matters relating to time of payment and allocation to the Board of Directors, regarding both the fixed compensation and the performance-based compensation.

The amount of compensations for both schemes shall, as in the past, not include the salaries of employees who concurrently serve as Directors.

Please note that the Company now has 16 Directors, and the number of Directors will remain the same at 16 without change if Proposal 2 is approved and adopted as proposed.

1. Amount of fixed compensation (total)

Up to ¥100 million per month

2. Performance-based compensation (total)

The total amount of performance-based compensation is limited to the sum of 3% of consolidated net income for the fiscal year of payment, and 3% of the average of the consolidated net income for the most recent four fiscal years including the said fiscal year. This is to put mid-term activities and achievements into consideration. The reason we make this proposal this time is that we believe it will raise the motivation of Directors to achieve better business performance by setting compensation clearly linked to business results, and will allow the shareholders' interest to be shared and the Director compensation system to be appropriate by linking remuneration payable to Directors with the single-year and mid-term financial results.

<Procedure for Exercising Voting Rights via the Internet>

If exercising voting rights via the Internet, please review the following and exercise your voting rights accordingly.

Shareholders attending the Ordinary General Shareholders Meeting do not need to take any procedures to exercise voting rights by mail (with a voting form) or via the Internet.

1. Web site for the Exercise of Voting Rights
 - (1) Voting rights may be exercised over the Internet via personal computer or mobile phone (i-mode, EZweb or Yahoo! Mobile)* only by accessing the Web site the Company has designated for the exercising of voting rights (<http://www.evotc.jp/>). (However, access to the Web site is not available between 2 a.m. and 5 a.m. Japan local time every day.)
*“i-mode,” “EZweb” and “Yahoo!” are registered trademarks of NTT DoCoMo, Inc., KDDI Corporation and Yahoo! Inc. of the United States, respectively.
 - (2) Depending on the Internet connectivity environment, such as the use of a firewall, antivirus software or a proxy server, some shareholders may not be able to exercise their voting rights via a personal computer.
 - (3) When exercising voting rights using a mobile phone, the device must have either i-mode, EZweb or Yahoo! Mobile service. For security reasons, devices that use encoded transmission (SSL transmission) or that are unable to transmit mobile phone information cannot be used.
 - (4) Exercise of voting rights via the Internet will be available until 5:30 p.m. Japan local time on Friday, June 17, 2011, but please exercise your voting rights ahead of the designated time and contact the help desk with questions, if any.
2. Method of Exercising Voting Rights via the Internet
 - (1) Use the login ID and temporary password that are shown in the voting form on the voting Web site (<http://www.evotc.jp/>), and follow the directions on the screen to enter your approval or disapproval of the proposals.
 - (2) To prevent illegal access by persons other than shareholders (impersonation) and to prevent the exercise of voting rights from falsification, shareholders who use the site for the exercise of voting rights should change their temporary password upon entering the site.
 - (3) Each convocation notice for the General Shareholders Meeting will contain a new login ID and temporary password.
3. Handling of Cases Involving the Overlapping Exercise of Voting Rights
 - (1) In the event that voting rights are exercised both by mail and via the Internet, the vote via the Internet shall prevail.
 - (2) In the event that voting rights are exercised multiple times via the Internet, the most recent vote shall prevail. In the event of the overlapping exercise of voting rights via personal computer and mobile phone, the most recent vote shall prevail.

4. Fees Arising from Accessing the Site for the Exercise of Voting Rights

Any fees that arise from accessing the site for the exercise of voting rights (e.g., dial-up connection charges, telephone charges) shall be borne by the shareholder. If using a mobile phone, any necessary packet transmission charges or other costs involved in use of the phone shall be borne by the shareholder.

For Questions Concerning Systems and Other Matters

Mitsubishi UFJ Trust & Banking Co., Ltd.

Securities Agent Division (Help Desk)

Tel.: 0120-173-027 (toll-free)

Hours of Operation: 9 a.m.–9 p.m. Japan local time