FINANCIAL SECTION

Contents

Analysis of Operating Results

■ Net Sales

In the fiscal year 2016, which ended March 31, 2017, a moderate recovery continued in the global economy, led by Europe and the United States and other developed countries, despite a slowdown in the economic growth of China and other emerging countries. Although Japan experienced a weakness in exports due to the increased value of the yen, the economy improved overall, moderately recovering through the second half of the year.

The THK Group has identified *full-scale globalization*, the *development of new business areas*, and a *change in business style* as cornerstones of its growth strategy to expand markets for the Company's products, including LM guides. Under its *full-scale globalization* strategy, the Group is striving to expand its production and sales structures globally to capture demand from China and other emerging countries, where the market is growing due to developments in factory automation (FA) and other areas, as well as the demand from developed countries, where the user base is expanding. Under the *development of new business areas* strategy, the Group is working to increase sales revenue from not only existing products, but also newly developed products, buoyed by growing use of the Company's products in such consumer goods-related fields as automotive parts, seismic isolation and damping systems, medical equipment, aircraft, robotics, and renewable energy. Additionally, in order to promote these strategies, the Company is making full use of the IoT, cloud computing, AI, and robots from a variety of different angles, thereby expanding its business domains by realizing a *change in business style*.

During the fiscal year under review, the THK Group vigorously worked to expand sales on a global scale, harnessing the results of prolonged efforts to strengthen its business structure. Furthermore, four THK RHYTHM AUTOMOTIVE (TRA) companies were added to the scope of consolidation after August 31, 2015, with the aim of further expanding the Group's automotive and transportation business. As a result, consolidated net sales increased to ¥273,577 million, up ¥33,098 million (13.8%) compared to last year.

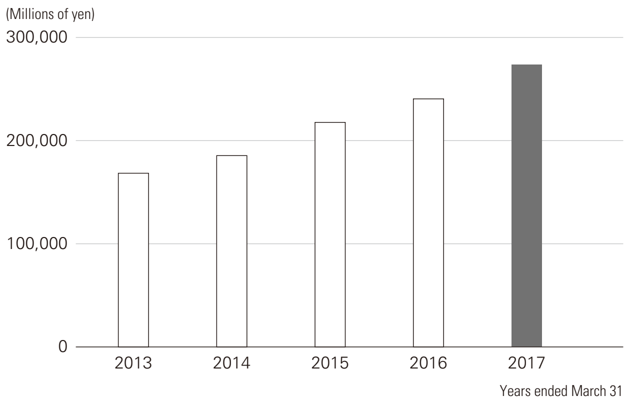
■ Cost of Sales

With the addition of the four TRA companies, which have higher cost to sales ratios than the industrial machinery business, the cost to sales ratio increased 2.4 percentage points from last year, to 74.2%.

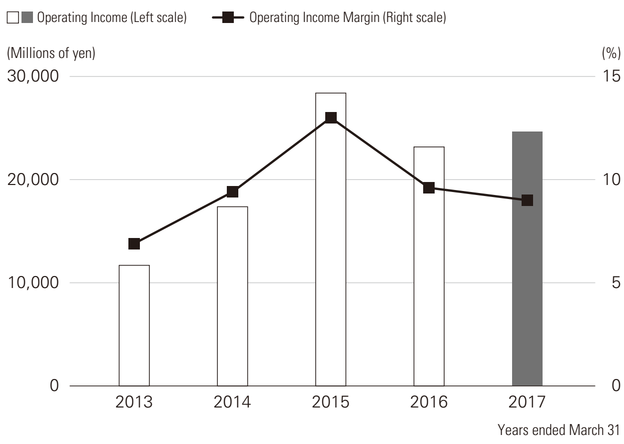
■ Selling, General, and Administrative (SG&A) Expenses

With the addition of the four TRA companies, which have lower ratios of SG&A expenses to sales than the industrial machinery business, the ratio of SG&A expenses to sales decreased 1.8 percentage points from last year, to 16.7%.

Net Sales



Operating Income/Operating Income Margin



■ Operating Income

As a result, while operating income was ¥24,653 million, up ¥1,483 million (6.4%) compared to the previous fiscal year, the operating margin decreased 0.6 percentage points, to 9.0%.

■ Non-Operating Income and Expenses

Non-operating income was ¥2,596 million. This largely comprised ¥524 million of equity in earnings of affiliates and interest received of ¥418 million. Non-operating expenses were ¥3,851 million due mainly to a foreign exchange loss of ¥2,942 million, which resulted from the increased value of the yen.

■ Net Income Attributable to Shareholders of THK CO., LTD.

As a result, the net income attributable to shareholders of THK CO., LTD., rose to ¥16,731 million, which was an increase of ¥3,155 million (23.2%) compared to the previous fiscal year.

Segment Information

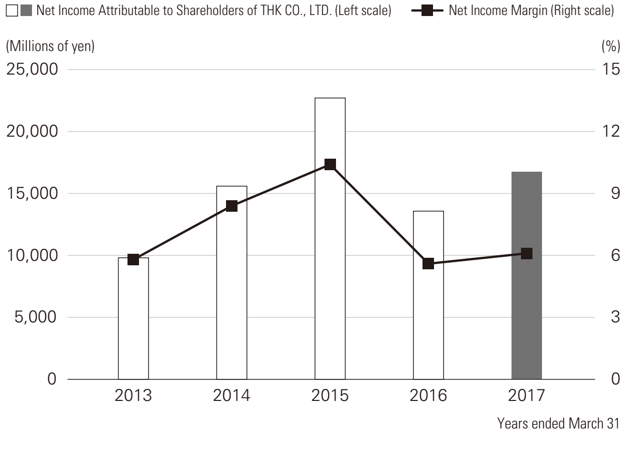
Japan

Although Japan experienced a weakness in exports due to the increased value of the yen, the economy improved overall, moderately recovering through the second half of the year. In addition to actively expanding its sales activities, the THK Group is developing new business areas such as seismic isolation and damping systems, medical equipment, renewable energy, and robotics. With these developments and the rising demand in the electronics field, sales increased to ¥121,865 million, up ¥3,014 million (2.5%) compared to the previous fiscal year. Meanwhile, from a profit perspective, the operating income (segment income) decreased ¥910 million (4.6%) year-on-year, to ¥18,809 million, due primarily to the shift in exchange rates because of the increased value of the yen.

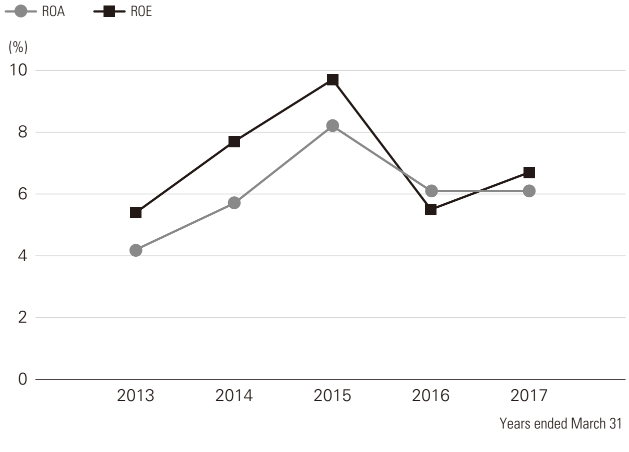
The Americas

In the Americas, economic recovery continued with steady consumer spending and capital investments. The Company worked diligently to expand transactions with existing customers by unifying production and sales while developing new business areas, including the medical equipment and aircraft fields as well as energy-related fields. With these developments and the demand in the electronics field staying steady, as well as the addition of two North American TRA companies into the scope of consolidation, sales increased ¥13,378 million (27.0%) year-on-year, to ¥62,870 million. The operating income (segment income) increased ¥215 million (10.3%), to ¥2,311 million.

Net Income Attributable to Shareholders of THK CO., LTD./Net Income Margin



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



Europe

In Europe, the economy continued to show a moderate recovery. In the fiscal year under review, THK strove to expand transactions with existing customers by unifying production and sales while developing aggressive sales activities to explore new business areas, including the fields of medical equipment, aircraft, and robotics. With these developments, in addition to bringing two European TRA companies into the scope of consolidation, sales increased ¥17,552 million (56.2%) year-on-year, to ¥48,775 million. The operating income (segment income) increased ¥17 million (2.7%), to ¥649 million.

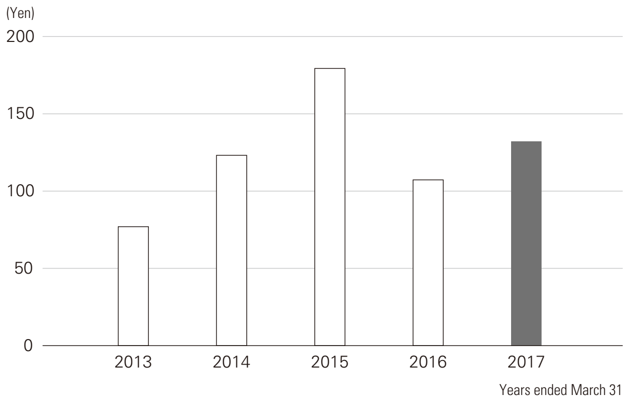
China

In China, where FA has progressed against the backdrop of rising wages and a shortage of labor, which in turn has broadened demand for the Company's products, the Group undertook aggressive sales activities, optimizing the sales networks it has strengthened over time. As a result, the range of demand has broadened despite the slowdown of economic growth. However, sales decreased ¥164 million (0.6%) year-on-year, to ¥28,008 million, primarily due to the shift in exchange rates from the increasing value of the yen. Meanwhile, from a profit perspective, the operating income (segment income) increased ¥2,095 million compared to the previous fiscal year, to ¥750 million. This turnaround was made possible through the many efforts aimed at improving profitability.

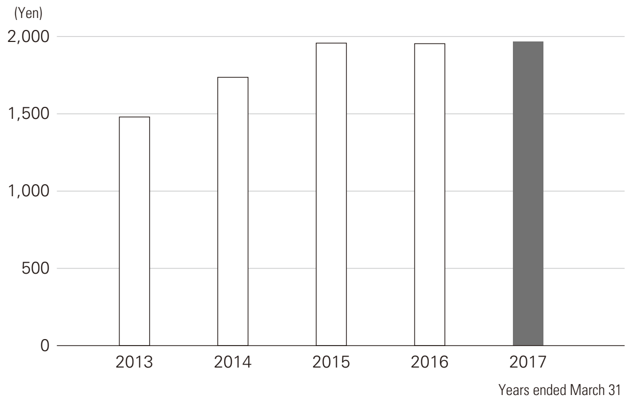
Other

In other regions, as the THK Group expanded its sales network in the ASEAN region and India, the Group undertook aggressive sales activities to expand transactions with existing customers and acquire new customers. However, due in part to the shift in exchange rates from the increased value of the yen, sales decreased ¥682 million (5.4%) compared to the previous fiscal year, to ¥12,056 million. Meanwhile, the operating income (segment income) increased ¥68 million (5.4%), to ¥1,336 million.

Net Income per Share



Net Assets per Share



Financial Position

■ Assets, Liabilities, and Net Assets

Assets

Total current assets stood at ¥259,827 million as of March 31, 2017, an increase of ¥10,968 million compared with the previous fiscal year end. While trade accounts and notes receivable climbed ¥3,933 million in line with the upswing in net sales, inventories decreased ¥1,813 million. Cash and cash equivalents, on the other hand, increased ¥10,380 million due primarily to free cash flow.

Total non-current assets stood at ¥155,103 million as of March 31, 2017, a decrease of ¥3,846 million compared with the previous fiscal year end. In addition to a decrease in property, plant, and equipment of ¥788 million, intangibles also decreased ¥4,240 million.

Liabilities

Total liabilities came to ¥163,390 million, up ¥6,122 million compared with March 31, 2016. Major movement in liabilities included a decrease in long-term debt of ¥2,800 million, but also an increase in trade accounts and notes payable of ¥6,015 million.

Net Assets

Total net assets stood at ¥251,540 million as of March 31, 2017, an increase of ¥1,000 million compared with the previous fiscal year end. While net income attributable to shareholders of THK CO., LTD., came to ¥16,731 million, THK undertook payments for cash dividends of ¥5,185 million. At the same time, foreign currency translation adjustments declined ¥10,965 million compared with the previous fiscal year end.

■ Cash Flows

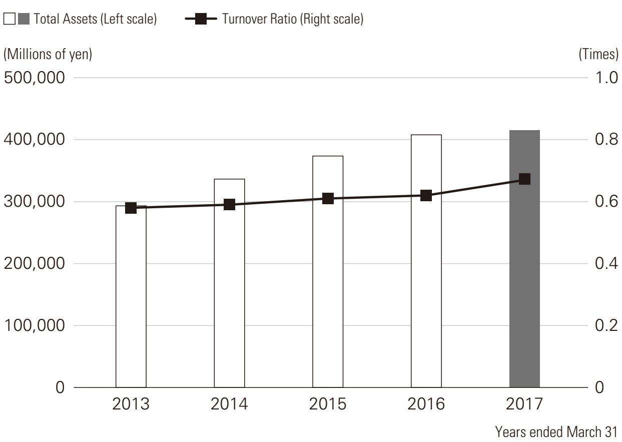
Net cash provided by operating activities came to ¥40,175 million. The major cash inflows were an income before income taxes of ¥23,057 million as well as depreciation and amortization of ¥13,185 million. The principal cash outflows included an increase in trade accounts and notes payable of ¥7,416 million.

Net cash used in investing activities totaled ¥17,960 million, primarily due to the purchase of fixed assets.

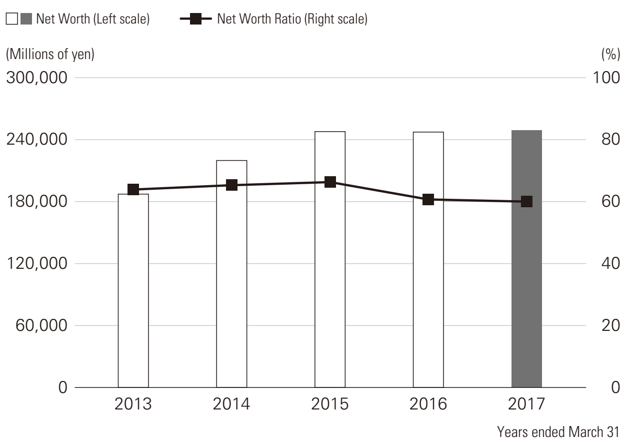
Net cash provided by financing activities was ¥7,548 million. The major cash outflows included the payment of cash dividends and the repayment of long-term debts.

In addition to each of the aforementioned activities, accounting for the effect of exchange differences, cash and cash equivalents as of March 31, 2017, stood at ¥137,345 million, an increase of ¥10,380 million compared with the end of the previous fiscal year.

Total Assets/Turnover Ratio



Net Worth/Net Worth Ratio



RISK FACTORS

Risk factors and uncertainties that could affect the THK Group's business results and financial position include, but are not limited to, the items outlined below.

Please note that any items relating to the future are based on the best judgment of THK Group management as of June 19, 2017.

Dependence on Linear Motion Systems

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

Effect of Changes in Production Trends within Specific Industries

The THK Group manufactures and sells LM guides, ball screws, and other machine components, as well as link balls, suspension ball joints, and other transportation equipment components. The principal users of these products are companies that make industrial machinery and equipment, including machine tools, general machinery, and semiconductor production equipment, as well as manufacturers of transportation equipment. While the THK Group is striving through full-scale globalization, the development of new business areas, and a change in business style to realize expansions in its business domains, the performance of the THK Group is influenced by production trends within industrial sectors such as machine tools, general machinery, semiconductor production equipment, and transportation equipment, whose manufacturers constitute the THK Group's major customers.

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

Business Expansion Outside of Japan

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

Exchange Rate Fluctuations

While the THK Group engages in the hedging of risks by means such as foreign exchange contracts for foreign currency transactions, primarily with regard to importing and exporting, there is the possibility that the Group's business results and financial position could be negatively impacted by any major exchange rate fluctuations.

Furthermore, the financial statements of THK's subsidiaries outside of Japan are converted to yen for the generation of the Company's consolidated financial statements. Thus, there is also the possibility that, even with there being no change in the value in the local currency, the amount on the consolidated financial statement after the conversion to yen could be negatively impacted by the exchange rate at the time of conversion.

Reliance on Specific Supply Sources

The THK Group procures some of its raw materials and parts from external supply sources. As a result, the THK Group's business results and financial position could be negatively affected in the event of a shortfall in raw materials and parts owing to factors such as a drop in the production capacity of suppliers, a natural disaster, or some other unforeseen incident.

Incidence of Non-Conforming Products

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

Under these circumstances, the THK Group has worked to establish quality assurance systems to ensure that high product quality is maintained across all product sectors. However, any incidence of non-conforming product that arises in any of these markets could potentially result in substantial costs or a loss of trust among the general public, thereby exerting a negative impact on the business results and financial position of the THK Group.

Information Security

The THK Group collects, maintains, and manages personal information as well as trade secrets relating to its customers, business partners, and other affiliates as it conducts its business activities. Every effort is made to ensure that this information is stringently managed. However, if part or all of this information is leaked due to a computer virus, information system defect, or another factor, such an event would have the potential to exert a negative impact on the Group's credibility, which could similarly affect the Group's business results and financial position.

Disasters, Acts of Terrorism, Infectious Diseases, and Other Maladies

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

Sharp Hikes in the Prices of Raw Materials

In the event of unanticipated sharp hikes in the prices of raw materials arising from factors such as high crude oil prices, the social conditions in countries that supply raw materials, and rising demand in newly emerging markets, the manufacturing costs of the Group's products can be expected to increase. As a result, there is a possibility that the THK Group's business results and financial position could be negatively impacted.

CONSOLIDATED FINANCIAL STATEMENTS

THK CO., LTD. and consolidated subsidiaries

Consolidated Balance Sheets

March 31, 2017 and 2016

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2017	2016	**2017**
ASSETS			
Current Assets:			
Cash and cash equivalents (Note 17)	**¥ 137,345**	¥ 126,964	**$ 1,224,108**
Receivables (Note 17):			
Trade accounts and notes receivable	**72,636**	70,034	**647,379**
—Unconsolidated subsidiaries and affiliates	**2,798**	1,466	**24,937**
Other receivables	**2,035**	2,620	**18,137**
—Unconsolidated subsidiaries and affiliates	**897**	944	**7,994**
	78,367	75,066	**698,458**
Less allowance for doubtful receivables	**(174)**	(162)	**(1,550)**
	78,192	74,904	**696,898**
Inventories (Note 3)	**37,428**	39,242	**333,582**
Short-term loans receivable	**3**	4	**26**
Deferred tax assets (Note 13)	**2,780**	2,573	**24,777**
Other current assets	**4,075**	5,170	**36,319**
Total current assets	**259,827**	248,858	**2,315,748**
Investments and Other:			
Investments in securities (Notes 4 and 17)	**4,107**	2,573	**36,604**
Investments in unconsolidated subsidiaries and affiliates	**4,182**	4,479	**37,272**
Net defined benefit asset (Note 6)	**2,110**	1,493	**18,805**
Long-term loans receivable	**61**	63	**543**
Deferred tax assets (Note 13)	**1,444**	2,060	**12,869**
Other investments	**2,328**	2,381	**20,748**
Total investments and other	**14,235**	13,052	**126,871**
Property, Plant and Equipment:			
Buildings and structures	**69,730**	70,389	**621,479**
Machinery, equipment, vehicles and others (Note 12)	**196,866**	194,384	**1,754,598**
	266,596	264,773	**2,376,078**
Less accumulated depreciation	**(180,188)**	(178,198)	**(1,605,953)**
	86,408	86,575	**770,124**
Land	**13,854**	13,998	**123,475**
Construction in progress	**8,377**	8,854	**74,661**
Total property, plant and equipment	**108,639**	109,428	**968,262**
Intangibles:			
Goodwill	**11,251**	12,780	**100,276**
Other	**20,976**	23,688	**186,951**
Total intangibles	**32,228**	36,468	**287,237**
Total assets	**¥ 414,931**	¥ 407,808	**$ 3,698,137**

The accompanying notes are an integral part of these statements.

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2017	2016	**2017**
LIABILITIES AND NET ASSETS			
Current Liabilities:			
Current portion of long-term debt (Notes 5 and 17)	**¥ 15,185**	¥ 2,253	**$ 135,338**
Payables (Note 17):			
Trade accounts and notes payable	**41,728**	35,750	**371,907**
—Unconsolidated subsidiaries and affiliates	**960**	923	**8,556**
Other payables	**3,346**	7,930	**29,821**
—Unconsolidated subsidiaries and affiliates	**37**	145	**329**
	46,073	44,750	**410,632**
Income taxes payable	**3,865**	806	**34,447**
Accrued bonuses to employees	**3,398**	3,193	**30,285**
Other accrued expenses	**6,599**	6,678	**58,814**
Lease obligations	**147**	190	**1,310**
Other current liabilities	**5,610**	1,699	**50,000**
Total current liabilities	**80,880**	59,572	**720,855**
Long-term Liabilities:			
Long-term debt (Notes 5 and 17)	**67,480**	83,280	**601,426**
Reserve for directors' and corporate auditors' retirement benefits	**116**	129	**1,033**
Reserve for product warranty	**129**	142	**1,149**
Long-term lease obligations	**156**	234	**1,390**
Net defined benefit liability (Note 6)	**7,827**	7,195	**69,759**
Deferred tax liabilities (Note 13)	**5,359**	5,488	**47,762**
Other liabilities	**1,440**	1,224	**12,834**
Total long-term liabilities	**82,510**	97,695	**735,383**
Commitment and Contingent Liabilities (Notes 7 and 8)			
Net Assets (Note 9):			
Shareholders' equity			
Common stock			
Authorized: 465,877,700 shares; Issued: 133,856,903 shares as of March 31, 2017 and 2016	**34,606**	34,606	**308,431**
Additional paid-in capital	**44,584**	44,584	**397,361**
Retained earnings	**176,617**	165,076	**1,574,126**
Treasury stock, at cost: 7,285,746 shares and 7,269,394 shares as of March 31, 2017 and 2016, respectively	**(13,991)**	(13,950)	**(124,696)**
Total shareholders' equity	**241,817**	230,317	**2,155,231**
Accumulated other comprehensive income:			
Net unrealized gain on available-for-sale securities	**1,585**	665	**14,126**
Foreign currency translation adjustments	**6,793**	17,759	**60,543**
Remeasurements of defined benefit plans	**(1,256)**	(1,394)	**(11,194)**
Total accumulated other comprehensive income	**7,122**	17,030	**63,475**
Non-controlling interests	**2,600**	3,192	**23,172**
Total net assets	**251,540**	250,540	**2,241,889**
Total liabilities and net assets	**¥ 414,931**	¥ 407,808	**$ 3,698,137**

The accompanying notes are an integral part of these statements.

Consolidated Statements of Income

Years ended March 31, 2017 and 2016

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2017	2016	**2017**
Net Sales	**¥ 273,577**	¥ 240,478	**$ 2,438,297**
Cost of Sales (Note 11)	**203,112**	172,711	**1,810,267**
Gross profit	**70,464**	67,766	**628,021**
Selling, General and Administrative Expenses (Notes 10 and 11)	**45,811**	44,597	**408,297**
Operating income	**24,653**	23,169	**219,723**
Non-Operating Income (Expenses):			
Interest and dividend income	**497**	485	**4,429**
Interest expenses	**(397)**	(426)	**(3,538)**
Foreign exchange loss, net	**(2,942)**	(5,716)	**(26,221)**
Equity in earnings of an affiliate	**524**	644	**4,670**
Rental income	**403**	387	**3,591**
(Loss) gain on sales and disposal of property, plant and equipment, net	**(341)**	472	**(3,039)**
Other, net	**659**	595	**5,873**
	(1,596)	(3,557)	**(14,224)**
Income before income taxes	**23,057**	19,612	**205,499**
Income Taxes (Note 13)			
Current	**6,447**	5,289	**57,459**
Deferred	**(64)**	1,073	**(570)**
Total income taxes	**6,383**	6,363	**56,889**
Net income	**16,673**	13,249	**148,600**
Net loss attributable to non-controlling interests	**(58)**	(325)	**(516)**
Net income attributable to shareholders of THK CO., LTD.	**¥ 16,731**	¥ 13,575	**$ 149,117**

The accompanying notes are an integral part of these statements.

Consolidated Statements of Comprehensive Income

Years ended March 31, 2017 and 2016

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2017	2016	**2017**
Net Income	**¥ 16,673**	¥ 13,249	**$ 148,600**
Other Comprehensive Loss (Note 14):			
Net unrealized gain (loss) on available-for-sale securities	**920**	(643)	**8,199**
Foreign currency translation adjustments	**(10,990)**	(4,818)	**(97,950)**
Remeasurements of defined benefit plans	**171**	(1,223)	**1,524**
Share of other comprehensive loss of an affiliate accounted for under the equity method	**(542)**	(565)	**(4,830)**
Total other comprehensive loss	**(10,441)**	(7,250)	**(93,057)**
Comprehensive Income	**6,231**	5,999	**55,534**
Attributable to:			
Shareholders of THK CO., LTD.	**6,823**	6,519	**60,811**
Non-controlling interests	**¥ (591)**	¥ (520)	**$ (5,267)**

The accompanying notes are an integral part of these statements.

Consolidated Statements of Changes in Net Assets

Years ended March 31, 2017 and 2016

	Millions of yen				
	Shareholders' equity				
	Common stock	Additional paid-in capital	Retained earnings	Treasury stock, at cost	Total shareholders' equity
Balance at April 1, 2015	¥ 34,606	¥ 44,584	¥ 158,463	¥ (13,943)	¥ 223,711
Cash dividends	—	—	(6,962)	—	(6,962)
Net income attributable to shareholders of THK CO., LTD.	—	—	13,575	—	13,575
Purchase of treasury stock	—	—	—	(6)	(6)
Disposal of treasury stock	—	—	—	0	0
Net changes of items other than shareholders' equity	—	—	—	—	—
Balance at March 31, 2016	**¥ 34,606**	**¥ 44,584**	**¥ 165,076**	**¥ (13,950)**	**¥ 230,317**
Cash dividends	**—**	**—**	**(5,190)**	**—**	**(5,190)**
Net income attributable to shareholders of THK CO., LTD.	**—**	**—**	**16,731**	**—**	**16,731**
Purchase of treasury stock	**—**	**—**	**—**	**(41)**	**(41)**
Net changes of items other than shareholders' equity	**—**	**—**	**—**	**—**	**—**
Balance at March 31, 2017	**¥ 34,606**	**¥ 44,584**	**¥ 176,617**	**¥ (13,991)**	**¥ 241,817**

	Millions of yen					
	Accumulated other comprehensive income					
	Net unrealized gain on available-for-sale securities	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Non-controlling interests	Total net assets
Balance at April 1, 2015	¥ 1,312	¥ 22,940	¥ (166)	¥ 24,086	¥ 2,701	¥ 250,498
Cash dividends	—	—	—	—	—	(6,962)
Net income attributable to shareholders of THK CO., LTD.	—	—	—	—	—	13,575
Purchase of treasury stock	—	—	—	—	—	(6)
Disposal of treasury stock	—	—	—	—	—	0
Net changes of items other than shareholders' equity	(646)	(5,181)	(1,227)	(7,055)	490	(6,565)
Balance at March 31, 2016	**¥ 665**	**¥ 17,759**	**¥ (1,394)**	**¥ 17,030**	**¥ 3,192**	**¥ 250,540**
Cash dividends	**—**	**—**	**—**	**—**	**—**	**(5,190)**
Net income attributable to shareholders of THK CO., LTD.	**—**	**—**	**—**	**—**	**—**	**16,731**
Purchase of treasury stock	**—**	**—**	**—**	**—**	**—**	**(41)**
Net changes of items other than shareholders' equity	**(920)**	**(10,965)**	**137**	**(9,907)**	**(591)**	**(10,499)**
Balance at March 31, 2017	**¥ 1,585**	**¥ 6,793**	**¥ (1,256)**	**¥ 7,122**	**¥ 2,600**	**¥ 251,540**

	Thousands of U.S. dollars (Note 1)				
	Shareholders' equity				
	Common stock	Additional paid-in capital	Retained earnings	Treasury stock, at cost	Total shareholders' equity
Balance at March 31, 2016	**$ 308,431**	**$ 397,361**	**$ 1,471,265**	**$ (124,331)**	**$ 2,052,736**
Cash dividends	**—**	**—**	**(46,256)**	**—**	**(46,256)**
Net income attributable to shareholders of THK CO., LTD.	**—**	**—**	**149,117**	**—**	**149,117**
Purchase of treasury stock	**—**	**—**	**—**	**(365)**	**(365)**
Net changes of items other than shareholders' equity	**—**	**—**	**—**	**—**	**—**
Balance at March 31, 2017	**$ 308,431**	**$ 397,361**	**$ 1,574,126**	**$ (124,696)**	**$ 2,155,231**

	Thousands of U.S. dollars (Note 1)					
	Accumulated other comprehensive income					
	Net unrealized gain on available-for-sale securities	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Non-controlling interests	Total net assets
Balance at March 31, 2016	**$ 5,926**	**$ 158,279**	**$ (12,424)**	**$ 151,782**	**$ 28,449**	**$ 2,232,976**
Cash dividends	**—**	**—**	**—**	**—**	**—**	**(46,256)**
Net income attributable to shareholders of THK CO., LTD.	**—**	**—**	**—**	**—**	**—**	**149,117**
Purchase of treasury stock	**—**	**—**	**—**	**—**	**—**	**(365)**
Net changes of items other than shareholders' equity	**(8,199)**	**(97,727)**	**1,221**	**(88,297)**	**(5,267)**	**(93,573)**
Balance at March 31, 2017	**$ 14,126**	**$ 60,543**	**$ (11,194)**	**$ 63,475**	**$ 23,172**	**$ 2,241,889**

The accompanying notes are an integral part of these statements.

Consolidated Statements of Cash Flows

Years ended March 31, 2017 and 2016

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2017	2016	**2017**
Cash Flows from Operating Activities:			
Income before income taxes	**¥ 23,057**	¥ 19,612	**$ 205,499**
Adjustments:			
Depreciation and amortization	**13,185**	13,643	**117,513**
Amortization of goodwill	**978**	664	**8,716**
Interest and dividend income	**(497)**	(485)	**(4,429)**
Interest expenses	**397**	426	**3,538**
Foreign exchange loss, net	**1,409**	2,659	**12,557**
Equity in earnings of an affiliate	**(524)**	(644)	**(4,670)**
Loss (gain) on sales and disposal of property, plant and equipment, net	**341**	(472)	**3,039**
Changes in assets and liabilities:			
Increase in accounts and notes receivable	**(5,906)**	(1,318)	**(52,638)**
Increase in inventories	**422**	(3,386)	**3,761**
Increase in accounts and notes payable	**7,416**	1,094	**66,096**
Increase in provisions	**172**	13	**1,532**
Increase in net defined benefit liability	**421**	75	**3,752**
Other, net	**1,819**	992	**16,212**
Subtotal	**42,693**	32,875	**380,508**
Interest and dividend received	**480**	504	**4,278**
Interest paid	**(351)**	(508)	**(3,128)**
Income taxes paid	**(2,646)**	(13,117)	**(23,582)**
Net cash provided by operating activities	**40,175**	19,753	**358,065**
Cash Flows from Investing Activities:			
Purchase of property, plant and equipment and intangibles	**(17,482)**	(15,522)	**(155,811)**
Proceeds from sales of property, plant and equipment	**20**	1,743	**178**
Increase in investments in securities, unconsolidated subsidiaries and affiliates	**(238)**	(67)	**(2,121)**
Increase in loans receivable	**(125)**	(11)	**(1,114)**
Payment for acquisition of subsidiaries' shares resulting in change in scope of consolidation	**—**	(24,379)	**—**
Payment for transfer of business	**—**	(24,161)	**—**
Payment for insurance fund	**—**	(671)	**—**
Cancellation of insurance fund	**11**	—	**98**
Other, net	**(145)**	385	**(1,292)**
Net cash used in investing activities	**(17,960)**	(62,685)	**(160,071)**
Cash Flows from Financing Activities:			
Proceeds from long-term debt	**—**	22,534	**—**
Repayment of long-term debt	**(2,185)**	(7,000)	**(19,474)**
Proceeds from issuance of corporate bonds	**—**	10,000	**—**
Cash dividends	**(5,185)**	(6,953)	**(46,212)**
Proceeds from payment from non-controlling shareholders	**—**	1,011	**—**
Purchase of treasury stock	**(41)**	(6)	**(365)**
Proceeds from sales of treasury stock	**—**	0	**—**
Repayment of lease obligations	**(137)**	(321)	**(1,221)**
Payment for acquisition of subsidiaries' shares not resulting in change in scope of consolidation	**—**	(10)	**—**
Net cash (used in) provided by financing activities	**(7,548)**	19,252	**(67,272)**
Foreign Currency Translation Adjustments on Cash and Cash Equivalents	**(4,285)**	(4,596)	**(38,190)**
Net Increase (Decrease) in Cash and Cash Equivalents	**10,380**	(28,275)	**92,513**
Cash and Cash Equivalents at Beginning of Year	**126,964**	155,239	**1,131,586**
Cash and Cash Equivalents at End of Year	**¥ 137,345**	¥ 126,964	**$ 1,224,108**

The accompanying notes are an integral part of these statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

THK CO., LTD. and consolidated subsidiaries

1. Basis of Presenting Consolidated Financial Statements

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

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

U.S. dollar amounts presented in the consolidated financial statements are included solely for the convenience of the readers. These translations should not be construed as presentations that the yen amounts actually represent or could be converted into U.S. dollars at that or any other rate. For this purpose, the rate of ¥112.20 to U.S. $1, the approximate rate of exchange prevailing in Tokyo on March 31, 2017, have been used for the translation of the accompanying consolidated financial statements as of March 31, 2017 and for the year then ended.

As permitted by the Financial Instruments and Exchange Act, amounts of less than one million yen have been omitted. U.S. dollar amounts are translated from such yen amounts and amounts of less than one thousand dollars have been omitted. As a result, the total amounts in Japanese yen and translated U.S. dollars shown in the consolidated financial statements and notes to the consolidated financial statements do not necessarily agree with the sum of the individual amounts.

2. Summary of Significant Accounting Policies

(a) Consolidation

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

The Company had 38 subsidiaries as of March 31, 2017 and 36 subsidiaries as of March 31, 2016. The consolidated financial statements for the years ended March 31, 2017 and 2016 include the accounts of the Company and its 35 (33 in 2016) consolidated subsidiaries (collectively, "the Group"). Investments in the remaining three subsidiaries including THK BRAZIL INDUSTRIA E COMERCIO LTDA are not consolidated and stated at cost, because these companies are small in size and if these companies had been consolidated, the effect on the consolidated financial statements would not have been significant.

(Changes in the scope of consolidation)

Changes in the scope of consolidation for the year ended March 31, 2017 were as follows:

THK CAPITAL UNLIMITED COMPANY and THK FINANCE UNLIMITED COMPANY, which were newly established during the year ended March 31, 2017, were included in the scope of consolidation.

The excess of the cost of acquisition over the fair value of the net assets of an acquired subsidiary (goodwill) at the date of acquisition is amortized over 5 to 15 years by the straight-line method.

The fiscal year closing date of 29 overseas consolidated subsidiaries, excluding THK India Pvt. Ltd., is December 31. In consolidating these accounts, financial statements as of and for the year ended December 31 are used after making necessary adjustments for consolidation to the significant intercompany transactions during the period between January 1 and March 31. The fiscal year closing date of other consolidated subsidiaries is March 31.

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

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

The Company had three affiliates and three unconsolidated subsidiaries as of March 31, 2017 and 2016. Under the control concept, companies over which the Company directly or indirectly has the ability to exercise significant influence are accounted for using the equity method. For the years ended March 31, 2017 and 2016, the Company has applied the equity method to investment in SAMICK THK CO., LTD.

Investments in the remaining affiliates and unconsolidated subsidiaries (THK BRAZIL INDUSTRIA E COMERCIO LTDA, etc.) are stated at cost. If the equity method had been applied to the investments in those companies, the effect on the consolidated financial statements would not have been significant.

(b) Translation of Foreign Currency Financial Statements

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

(c) Inventories

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

(d) Financial Instruments

Securities

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

With respect to equity investments in investment business limited partnerships, which are regarded as securities pursuant to paragraph 2 of Article 2 of the Financial Instruments and Exchange Act, such investments are stated using net equity based on the recent available financial statements as of the reporting dates which are provided by the partnership agreements.

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

Derivatives and Hedging Accounting

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

Hedge accounting method:

For forward foreign exchange contracts which qualify the required condition under the related Japanese accounting standards, the hedged foreign currency denominated receivables and payables are translated at the contract rates and no gains or losses are recognized.

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

For interest rate and currency swap contracts which qualify the required condition under the related Japanese accounting standards, the hedged foreign currency assets and liabilities are translated at the contract rates and no gains or losses on the translation are recognized and the differential paid or received on interest rates under swap contracts are recognized and included in the interest income or expenses.

Hedging instruments and hedged items are as follows:

Hedging instruments:	Hedged items:
Forward foreign exchange contracts	Foreign currency denominated receivables and payables
Interest rate swap contracts	Interest on bank loans
Interest rate and currency swap contracts	Foreign currency denominated loans and interest thereof

Hedging policy:

Forward foreign exchange contracts aim to hedge foreign exchange fluctuation risk and fixed cash flows associated with collection of and payment for foreign currency denominated receivables and payables.

Interest rate swap contracts aim to hedge interest rate fluctuation risk associated with bank loans.

Interest rate and currency swap contracts aim to hedge foreign exchange fluctuation risk and interest rate fluctuation risk associated with foreign currency denominated bank loans.

Assessment of hedge effectiveness:

With respect to forward foreign exchange contracts, assessment of hedge effectiveness is omitted since significant conditions concerning hedging instruments and hedged items are identical and it is assumed in advance that those contracts will offset market fluctuations or cash flow fluctuations continuously on and after the beginning of the hedge.

With respect to interest rate swap contracts, assessment of hedge effectiveness is omitted since they meet the requirements for special hedge accounting treatments.

With respect to interest rate and currency swap contracts, assessment of hedge effectiveness is omitted since they meet the requirements for applicable special accounting treatments as mentioned above.

(e) Property, Plant and Equipment (except for leased assets)
Property, plant and equipment of the Company and its domestic consolidated subsidiaries are depreciated using the straight-line method.

The range of useful lives is principally from 5 to 50 years for buildings and structures and from 4 to 12 years for machinery, equipment and vehicles.

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

(f) Intangibles
Intangible assets are amortized using the straight-line method.

Software for internal use of the Company and domestic consolidated subsidiaries is amortized on a straight-line basis over a period of five years, the estimated useful life of the software.

(g) Lease
Leased assets under finance lease arrangements that do not transfer ownership are depreciated using the straight-line method over the lease term as the useful life with the residual value deemed to be zero.

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

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

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

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

(l) Accounting for Employees' Retirement Benefits
1) Methods to determine the estimated retirement benefits to be attributed to the reporting period
   The benefit formula is employed for the method of determining the estimated retirement obligation to be attributed to the reporting period.
2) Amortization of actuarial gains/losses and prior service cost
   Prior service cost are amortized pro rata in the years from the following fiscal year by the straight-line method based on the average remaining service years (15 years) of the employees when incurred. Actuarial gains/losses are amortized pro rata in the years from the following fiscal year by the straight-line method based on the average remaining service years (from 5 to 18 years) of the employees when incurred.
3) Application of the simplified method for small businesses
   For certain consolidated subsidiaries, a simplified method is applied for the calculation of retirement benefit obligations and retirement benefit expenses whereby the necessary retirement benefit provisions for voluntary resignations at the end of the consolidated fiscal year are recorded as retirement benefit obligations.

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

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

(o) Income Taxes
Japanese income taxes consist of corporate income taxes, local inhabitants' taxes and enterprise taxes.

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

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

(q) Per Share Information
Net assets per share is computed by dividing net assets except minority interests at the year-end by the number of common stock outstanding at the year-end.

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

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

(r) Accounting Changes

Accounting changes which are difficult to distinguish from changes in accounting estimates

Regarding the depreciation method of property, plant and equipment (excluding lease assets), the Company and its domestic consolidated subsidiaries had adopted mainly the declining-balance method and certain U.S. consolidated subsidiaries had adopted the accelerated declining-balance method, but effective from current fiscal year, they changed their depreciation method to the straight-line method.

The Group judged that the straight-line method as a depreciation method for property, plant and equipment would reflect more appropriately its actual economic status because the property, plant and equipment are expected to operate stably, after the Group investigated the actual status of use of the property, plant and equipment from the viewpoint of unification of the Group accounting policies of domestic and foreign companies as the Group developed global activities in the recent years.

As a result of this change, operating income and income before taxes for the year ended March 31, 2017 increased by ¥1,582 million ($14,038 thousand), respectively, compared to those amounts under the previous method.

(s) Changes in Accounting Estimates

Changes in the estimates of asset retirement obligation

The Company and certain domestic consolidated subsidiaries decided to relocate the head office in the year ended March 31, 2017. Pursuant to this decision, regarding asset retirement obligation which represents the restoring costs in accordance with the real estate rent contract of the head office, the uncollectible amounts of key money on the building rent contract are reasonably estimated and the amounts attributed to the current fiscal year are charged to income in place of recording asset retirement obligation.

As a result of this change, operating income and income before taxes for the year ended March 31, 2017 decreased by ¥13 million ($115 thousand), respectively, compared to those amounts under the previous method.

(t) Additional Information

Application of Implementation Guidance on Recoverability of Deferred Tax Assets

The Company has applied "Implementation Guidance on Recoverability of Deferred Tax Assets" (Accounting Standards Board of Japan ("ASBJ") Guidance No. 26 issued on March 28, 2016) from the year ended March 31, 2017.

3. Inventories

Inventories as of March 31, 2017 and 2016 comprised of the following:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	**2017**
Merchandise and finished goods	**¥ 12,860**	¥ 16,619	**$ 114,616**
Work in process	**8,607**	7,352	**76,711**
Raw materials and supplies	**15,960**	15,270	**142,245**
Total	**¥ 37,428**	¥ 39,242	**$ 333,582**

4. Investments in Securities

As of March 31, 2017 and 2016, available-for-sale securities with available fair value were as follows:

	Millions of yen		
	2017		
	Carrying amount	Acquisition cost	Net unrealized gain (loss)
Carrying amount (fair value) exceeds acquisition cost: Equity securities	**¥ 3,307**	**¥ 1,028**	**¥ 2,279**
Carrying amount (fair value) does not exceed acquisition cost: Equity securities	**366**	**430**	**(64)**
Total	**¥ 3,674**	**¥ 1,459**	**¥ 2,215**

	Millions of yen		
	2016		
	Carrying amount	Acquisition cost	Net unrealized gain (loss)
Carrying amount (fair value) exceeds acquisition cost: Equity securities	¥ 2,096	¥ 1,006	¥ 1,089
Carrying amount (fair value) does not exceed acquisition cost: Equity securities	258	435	(176)
Total	¥ 2,354	¥ 1,442	¥ 912

	Thousands of U.S. dollars		
	2017		
	Carrying amount	Acquisition cost	Net unrealized gain (loss)
Carrying amount (fair value) exceeds acquisition cost: Equity securities	**$ 29,474**	**$ 9,162**	**$ 20,311**
Carrying amount (fair value) does not exceed acquisition cost: Equity securities	**3,262**	**3,832**	**(570)**
Total	**$ 32,745**	**$ 13,003**	**$ 19,741**

As of March 31, 2017 and 2016, available-for-sale securities whose fair value is not reliably determinable were as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	**2017**
Available-for-sale securities			
Unlisted equity securities	**¥ 193**	¥ 173	**$ 1,720**
Investments in investment business limited partnerships	**239**	45	**2,130**

These unlisted equity securities and investments in investment business limited partnerships are not included in "Available-for-securities" in the above table.

"Acquisition cost" in the above table refers to the cost after deducting impairment losses. No impairment losses on available-for-sale securities value were recognized during the years ended March 31, 2017 and 2016.

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

There were no available-for-sale securities sold during the years ended March 31, 2017 and 2016.

5. Long-term Debt

Long-term debt as of March 31, 2017 and 2016 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	**2017**
Bank loans 0.076% due in 2026	**¥ 29,665**	¥ 32,533	**$ 264,393**
Corporate bonds issued by the Company:			
0.715% Unsecured straight bonds due in 2017	**13,000**	13,000	**115,864**
0.850% Unsecured straight bonds due in 2018	**10,000**	10,000	**89,126**
0.430% Unsecured straight bonds due in 2018	**10,000**	10,000	**89,126**
0.660% Unsecured straight bonds due in 2020	**10,000**	10,000	**89,126**
0.296% Unsecured straight bonds due in 2020	**10,000**	10,000	**89,126**
	¥ 82,665	¥ 85,533	**$ 736,764**
Current portion	**(15,185)**	(2,253)	**(135,338)**
Long-term debt, less current portion	**¥ 67,480**	¥ 83,280	**$ 601,426**

Annual maturities of long-term debt as of March 31, 2017 are as follows:

	Millions of yen					
	2017					
	Due within 1 year	Due after 1 to 2 years	Due after 2 to 3 years	Due after 3 to 4 years	Due after 4 to 5 years	Due after 5 years
Bonds	**¥ 13,000**	**¥ 20,000**	**¥ —**	**¥ 20,000**	**¥ —**	**¥ —**
Bank loans	**2,185**	**2,185**	**12,185**	**2,185**	**2,185**	**8,740**
Total	**¥ 15,185**	**¥ 22,185**	**¥ 12,185**	**¥ 22,185**	**¥ 2,185**	**¥ 8,740**

	Thousands of U.S. dollars					
	2017					
	Due within 1 year	Due after 1 to 2 years	Due after 2 to 3 years	Due after 3 to 4 years	Due after 4 to 5 years	Due after 5 years
Bonds	**$ 115,864**	**$ 178,253**	**$ —**	**$ 178,253**	**$ —**	**$ —**
Bank loans	**19,474**	**19,474**	**108,600**	**19,474**	**19,474**	**77,896**
Total	**$ 135,338**	**$ 197,727**	**$ 108,600**	**$ 197,727**	**$ 19,474**	**$ 77,896**

6. Employees' Retirement Benefits

1. Outline of the retirement benefit plans adopted

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

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

Under lump-sum payment plans (all are non-contributory), lump-sum payments based on salaries and service years are provided.

Under some defined benefit corporate pension plans and lump-sum payment plans of certain consolidated subsidiaries, net defined benefit liability and retirement benefit expenses are calculated using a simplified method.

2. Defined Benefit Plans

(1) The changes in projected benefit obligations for the years ended March 31, 2017 and 2016, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	**2017**
Beginning balance of projected benefit obligation	**¥ 23,725**	¥ 15,336	**$ 211,452**
Service cost	**1,073**	791	**9,563**
Interest cost	**334**	280	**2,976**
Actuarial differences	**160**	1,673	**1,426**
Retirement benefits paid	**(485)**	(354)	**(4,322)**
Increase due to business combinations	**—**	6,305	**—**
Other	**35**	(307)	**311**
Ending balance of projected benefit obligations	**¥ 24,842**	¥ 23,725	**$ 221,408**

(2) The changes in plan assets for the years ended March 31, 2017 and 2016, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	**2017**
Beginning balance of plan assets	**¥ 18,023**	¥ 10,438	**$ 160,632**
Expected return on plan assets	**545**	361	**4,857**
Actuarial differences	**264**	(291)	**2,352**
Contribution from the employer	**827**	791	**7,370**
Retirement benefits paid	**(342)**	(267)	**(3,048)**
Increase due to business combinations	**—**	7,368	**—**
Impact from foreign exchanges	**(191)**	(378)	**(1,702)**
Ending balance of plan assets	**¥ 19,126**	¥ 18,023	**$ 170,463**

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

	Millions of yen		Thousands of U.S. dollars
	2017	2016	**2017**
Contributory defined benefit obligations	**¥ 23,749**	¥ 22,626	**$ 211,666**
Plan assets	**(19,126)**	(18,023)	**(170,463)**
	4,623	4,603	**41,203**
Non-contributory defined benefit obligations	**1,093**	1,098	**9,741**
Net liability recorded in the consolidated balance sheet	**¥ 5,716**	¥ 5,701	**$ 50,944**
Net defined benefit liability	**7,827**	7,195	**69,759**
Net defined benefit asset	**(2,110)**	(1,493)	**(18,805)**
Net liability recorded in the consolidated balance sheet	**¥ 5,716**	¥ 5,701	**$ 50,944**

(4) The components of retirement benefit expenses for the years ended March 31, 2017 and 2016, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	**2017**
Service cost	**¥ 1,073**	¥ 791	**$ 9,563**
Interest cost	**334**	280	**2,976**
Expected return on plan assets	**(545)**	(361)	**(4,857)**
Amortization of actuarial differences	**122**	(88)	**1,087**
Amortization of prior service costs	**138**	138	**1,229**
Retirement benefit expenses on defined benefit plans	**¥ 1,122**	¥ 760	**$ 10,000**

(5) Remeasurements of defined benefit plans

The components of remeasurements of defined benefit plans (before tax effect) on "Other comprehensive income" were as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	**2017**
Prior service costs	**¥ 138**	¥ 138	**$ 1,229**
Actuarial differences	**258**	(2,227)	**2,299**
Total	**¥ 396**	¥ (2,089)	**$ 3,529**

(6) Remeasurements of defined benefit plans

The components of remeasurements of defined benefit plans (before tax effect) on "Accumulated other comprehensive income" were as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	**2017**
Unrecognized prior service costs	**¥ 1,315**	¥ 1,453	**$ 11,720**
Unrecognized actuarial differences	**329**	579	**2,932**
Total	**¥ 1,645**	¥ 2,033	**$ 14,661**

Note: Above amounts are related to the Company and consolidated subsidiaries and remeasurements of defined benefit plans on "Accumulated other comprehensive income" include unrecognized items (corresponding to the equity) of affiliates accounted for using the equity method.

(7) Plan assets

a. Components of plan assets

Plan assets consisted of the following:

	2017	2016
Debt securities	**35%**	35%
Equity securities	**44%**	43%
General account	**20%**	20%
Other	**1%**	2%
Total	**100%**	100%

b. Method of determining the long-term expected rate of return on plan assets

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

(8) Main actuarial assumptions used for the years ended March 31, 2017 and 2016, were set forth as follows:

	2017	2016
Discount rate	**0.5%**	0.5%
Long-term expected rate of return	**2.5%**	2.5%

3. Defined Contribution Plans

The amounts of the required contribution to the defined contribution plans of the Company and its consolidated subsidiaries were ¥356 million ($3,172 thousand) and ¥478 million for the years ended March 31, 2017 and 2016, respectively.

7. Committed Line of Credit

As of March 31, 2017 and 2016, the Group had committed lines of credit amounting to ¥15,000 million ($133,689 thousand). None of the committed lines of credit were used.

8. Contingent Liabilities

As of March 31, 2017 and 2016, the Group had no material contingent liabilities.

9. Net Assets

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

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

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

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

The changes in the number of issued shares of common stock and treasury stock during the years ended March 31, 2017 and 2016 were as follows:

	Number of shares			
	April 1, 2016	Increase	Decrease	March 31, 2017
Outstanding shares issued:				
Common stock	133,856,903	—	—	133,856,903
Treasury stock:				
Common stock	7,269,394	16,352	—	7,285,746

An increase of 16,352 shares in treasury stock is due to acquisition of less than one share unit.

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

	Number of shares			
	April 1, 2015	Increase	Decrease	March 31, 2016
Outstanding shares issued:				
Common stock	133,856,903	—	—	133,856,903
Treasury stock:				
Common stock	7,266,746	2,698	50	7,269,394

An increase of 2,698 shares in treasury stock is due to acquisition of less than one share unit.

A decrease of 50 shares in treasury stock is due to additional purchase requisition of less than one share unit.

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

Year ended March 31, 2017

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

General shareholders' meeting held on June 18, 2016:

	Total amount Millions of yen (Thousands of U.S. dollars)	Per share amount Yen (U.S. dollar)	Dividend record date	Effective date
Common stock	¥ 3,164 million ($ 28,199 thousand)	¥ 25.00 ($ 0.22)	Mar.31, 2016	Jun. 20, 2016

Board of Directors meeting held on November 10, 2016:

	Total amount Millions of yen (Thousands of U.S. dollars)	Per share amount Yen (U.S. dollar)	Dividend record date	Effective date
Common stock	¥ 2,025 million ($ 18,048 thousand)	¥ 16.00 ($ 0.14)	Sep. 30, 2016	Dec. 5, 2016

Year ended March 31, 2016

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

General Meeting of Shareholders held on June 20, 2015:

	Total amount Millions of yen	Per share amount Yen	Dividend record date	Effective date
Common stock	¥ 3,797 million	¥ 30.00	Mar. 31, 2015	Jun. 22, 2015

Board of Directors meeting held on November 12, 2015:

	Total amount Millions of yen	Per share amount Yen	Dividend record date	Effective date
Common stock	¥ 3,164 million	¥ 25.00	Sep. 30, 2015	Dec. 7, 2015

10. Amortization of Goodwill

Amortization of goodwill included in selling, general and administrative expenses for the years ended March 31, 2017 and 2016 were ¥978 million ($8,716 thousand) and ¥664 million, respectively.

11. Research and Development

Research and development expenses included in cost of sales or selling, general and administrative expenses for the years ended March 31, 2017 and 2016 were ¥5,235 million ($46,657 thousand) and ¥5,074 million, respectively.

12. Lease

a. Finance leases

The Group mainly leases computer machines and peripheral devices (tools, furniture and fixtures) used at the head office and other locations. Leased assets under finance lease arrangements are depreciated using the straight-line method over the lease term as useful life with the residual value deemed to be zero.

b. Operating leases

Lease commitments under non-cancelable operating leases as of March 31, 2017 and 2016 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	**2017**
Due within one year	**¥ 329**	¥ 535	**$ 2,932**
Due after one year	**541**	510	**4,821**
Total	**¥ 871**	¥ 1,046	**$ 7,762**

13. Income Taxes

The Company and its domestic subsidiaries are subject to Japanese national and local income taxes which, in the aggregate, resulted in a normal effective statutory tax rate of approximately 30.9% and 33.1% for the years ended March 31, 2017 and 2016, respectively.

As of March 31, 2017 and 2016, significant components of deferred tax assets and liabilities were as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	**2017**
Deferred tax assets:			
Valuation loss of investments in affiliates	**¥ 6,987**	¥ 6,987	**$ 62,272**
Net defined benefit liability	**1,884**	2,078	**16,791**
Tax loss carried forward	**1,243**	1,275	**11,078**
Accrued bonuses to employees	**968**	945	**8,627**
Unrealized gain on intercompany sales of inventories	**934**	870	**8,324**
Loss on devaluation of inventories	**790**	890	**7,040**
Unrealized gain on intercompany sales of property, plant and equipment	**539**	681	**4,803**
Accumulated depreciation	**314**	299	**2,798**
Enterprise tax payable	**304**	57	**2,709**
Retirement benefits payable to directors and corporate auditors	**262**	266	**2,335**
Accrued expenses	**212**	252	**1,889**
Impairment loss	**92**	95	**819**
Loss on devaluation of investments in securities	**60**	59	**534**
Allowance for doubtful receivables	**43**	42	**383**
Other	**844**	623	**7,522**
Total	**15,483**	15,425	**137,994**
Less: valuation allowance	**(9,577)**	(9,430)	**(85,356)**
Total deferred tax assets	**5,905**	5,995	**52,629**
Deferred tax liabilities:			
Adjustment to book value of a subsidiary due to fair value measurement at the inception of consolidation	**(1,911)**	(2,366)	**(17,032)**
Unrealized gains on available-for-sale securities	**(1,867)**	(1,486)	**(16,639)**
Depreciation	**(1,729)**	(1,409)	**(15,409)**
Unrealized gains on land revaluation	**(1,175)**	(1,175)	**(10,472)**
Special depreciation reserve for tax purpose	**(32)**	(34)	**(285)**
Other	**(417)**	(393)	**(3,716)**
Total deferred tax liabilities	**(7,134)**	(6,865)	**(63,582)**
Net deferred tax (liabilities) assets	**¥ (1,229)**	¥ (870)	**$ (10,953)**

A reconciliation between the normal effective statutory tax rate and the actual effective tax rate reflected in the accompanying consolidated statements of income for the year ended March 31, 2017 was as follows (For the year ended March 31, 2016, it is omitted because the difference between the normal effective statutory tax rate and the actual effective tax rate is less than 5% of the normal effective statutory tax rate):

	2017
Normal effective statutory tax rate	**30.9%**
Non-deductible items such as entertainment expenses	**0.6**
Non-taxable items such as dividends received	**(2.4)**
Amortization of goodwill	**1.1**
Equity in earnings of affiliates	**(0.7)**
Inhabitant per capita tax	**0.3**
Statutory tax rate difference between parent and subsidiaries	**(1.4)**
Tax credit for research and development	**(2.4)**
Special tax incentives	**(2.3)**
Valuation allowance	**1.6**
Investments in consolidated subsidiaries	**2.3**
Other	**0.1**
Actual effective tax rate	**27.7%**

14. Other Comprehensive Loss

The components of other comprehensive loss for the years ended March 31, 2017 and 2016 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Net unrealized gain (loss) on available-for-sale securities:			
Gain (loss) recognized during the year	**¥ 1,301**	¥ (936)	**$ 11,595**
Reclassification adjustment to net income	**—**	0	**—**
Amount before tax effect	**1,301**	(936)	**11,595**
Tax effect	**(381)**	292	**(3,395)**
Net unrealized gain (loss) on available-for-sale securities	**920**	(643)	**8,199**
Foreign currency translation adjustments:			
Loss recognized during the year	**(10,990)**	(4,818)	**(97,950)**
Reclassification adjustment to net income	**—**	—	**—**
Amount before tax effect	**(10,990)**	(4,818)	**(97,950)**
Tax effect	**—**	—	**—**
Foreign currency translation adjustments	**(10,990)**	(4,818)	**(97,950)**
Remeasurements of defined benefit plans			
Gain (loss) recognized during the year	**136**	(1,993)	**1,212**
Reclassification adjustment to net income	**260**	50	**2,317**
Amount before tax effect	**396**	(1,942)	**3,529**
Tax effect	**(225)**	719	**(2,005)**
Remeasurements of defined benefit plans	**171**	(1,223)	**1,524**
Share of other comprehensive loss of an affiliate accounted for under the equity method:			
Loss recognized during the year	**(542)**	(565)	**(4,830)**
Reclassification adjustment to net income	**—**	—	**—**
Share of other comprehensive loss of an affiliate accounted for under the equity method	**(542)**	(565)	**(4,830)**
Total other comprehensive loss	**¥ (10,441)**	¥ (7,250)	**$ (93,057)**

15. Supplementary Information to Consolidated statements of Cash Flows

Major components of assets and liabilities of a company which newly became a consolidated subsidiary due to acquisition of shares:

Year ended March 31, 2017

There was no applicable information for the year ended March 31, 2017

Year ended March 31, 2016

Components of assets and liabilities at the beginning of consolidation of THK RHYTHM AUTOMOTIVE CZECH a.s., which newly became a consolidated subsidiary due to acquisition of shares and relationship between acquisition value of shares and net payment for acquisition, are as follows:

	Millions of yen
Current assets	¥ 5,205
Noncurrent assets	16,561
Goodwill	9,883
Current liabilities	(3,689)
Noncurrent liabilities	(2,702)
Acquisition value of shares	25,257
Cash and cash equivalents	(877)
Net payment for acquisition	¥ 24,379

Major components of assets and liabilities associated with business transfer made in consideration for cash and cash equivalents:

Year ended March 31, 2017

There was no applicable information for the year ended March 31, 2017

Year ended March 31, 2016

Components of assets and liabilities acquired by business transfer of L&S (Linkage and Suspension) business from TRW Automotive Inc. and relationship between acquisition value of the business and net payment for acquisition are as follows:

	Millions of yen
Current assets	¥ 7,438
Noncurrent assets	18,426
Goodwill	3,351
Current liabilities	(5,144)
Noncurrent liabilities	(0)
Acquisition value of shares	24,073
Cash and cash equivalents	—
Foreign exchange translation differences	88
Net payment for acquisition	¥ 24,161

16. Per Share Information

Per share information as of and for the years ended March 31, 2017 and 2016 is as follows:

	yen		U.S. dollars
	2017	2016	**2017**
Net income – basic	**¥ 132.18**	¥ 107.24	**$ 1.17**
Net assets	**1,966.80**	1,953.97	**17.52**

Diluted net income per share for the years ended March 31, 2017 and 2016 is not presented since the Company did not have any kind of securities with potential dilutive effect in the fiscal years.

17. Financial Instruments and Related Disclosures

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

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

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

Most of notes and accounts payable are due within a year.

Bonds and bank loans are financed for working capital or capital investment use and other investments for which the maximum redemption/repayment period is nine years. Long-term debt is exposed to interest rate fluctuation risk and foreign exchange fluctuation risk, but with respect to certain long-term debt, the principal and interest are hedged by derivatives (interest rate swaps and interest rate and currency swap contracts).

The Group utilizes forward foreign exchange contracts to manage foreign exchange fluctuation risk associated with foreign currency denominated trade receivables and payables, interest rate swap contracts to manage interest rate fluctuation risk associated with long-term debt and interest rate and currency swap contracts to manage foreign exchange fluctuation risk and interest rate fluctuation risk associated with foreign currency denominated bank loans within the extent of actual demand. With respect to hedging instruments and hedged items, hedging policy and assessment method of hedge effectiveness concerning hedge accounting, please see Note 2 (d).

(3) Risk management

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

(b) Market risks—The Company utilizes forward foreign exchange contracts to manage foreign exchange fluctuation risk identified by currency associated with foreign currency denominated trade receivables and payables. The Company also utilizes interest rate swap contracts to manage interest rate risks associated with bank loans and interest rate and currency swap contracts to manage foreign exchange fluctuation risk and interest rate fluctuation risk associated with foreign currency denominated bank loans. As to investments in securities, fair value and financial condition of investees are periodically reviewed. Derivative transactions are executed and controlled by the Corporate Strategy Division. The General Manager of the Corporate Strategy Division reports results and conditions of derivative transactions at the Board of Director's meetings on a monthly basis.

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

(4) Other information
Fair values of financial instruments are based on quoted prices in active markets. If a quoted price is not available, other rational valuation techniques are used instead. Because such valuation techniques include certain assumptions, results may differ if different assumptions are used in the valuation. The contract amounts for derivatives listed in Note 18 do not represent the volume of underlying market risks of the derivative transactions.

Financial instruments whose fair value is readily determinable as of March 31, 2017 and 2016 are as follows:

	Millions of yen		
	2017		
	Carrying amount	Fair value	Difference
Assets:			
(1) Cash and cash equivalents	**¥ 137,345**	**¥ 137,345**	**¥ —**
(2) Trade accounts and notes receivable	**75,434**	**75,434**	**—**
(3) Investments in securities			
Available-for-sale securities	**3,674**	**3,674**	**—**
Total	**¥ 216,454**	**¥ 216,454**	**¥ —**
Liabilities:			
(4) Trade accounts and notes payable	**¥ 42,689**	**¥ 42,689**	**¥ —**
(5) Long-term debt—Bonds and bank loans, including current portion	**82,665**	**83,322**	**667**
Total	**¥ 125,354**	**¥ 126,021**	**¥ 667**
Derivatives	**¥ —**	**¥ —**	**¥ —**

	Millions of yen		
	2016		
	Carrying amount	Fair value	Difference
Assets:			
(1) Cash and cash equivalents	¥ 126,964	¥ 126,964	¥ —
(2) Trade accounts and notes receivable	71,500	71,500	—
(3) Investments in securities			
Available-for-sale securities	2,354	2,354	—
Total	¥ 200,820	¥ 200,820	¥ —
Liabilities:			
(4) Trade accounts and notes payable	¥ 36,673	¥ 36,673	¥ —
(5) Long-term debt—Bonds and bank loans, including current portion	85,534	86,477	943
Total	¥ 122,207	¥ 123,151	¥ 943
Derivatives	¥ —	¥ —	¥ —

	Thousands of U.S. dollars		
	2017		
	Carrying amount	Fair value	Difference
Assets:			
(1) Cash and cash equivalents	**$ 1,224,108**	**$ 1,224,108**	**$ —**
(2) Trade accounts and notes receivable	**672,317**	**672,317**	**—**
(3) Investments in securities			
Available-for-sale securities	**32,745**	**32,745**	**—**
Total	**$ 1,929,180**	**$ 1,929,180**	**$ —**
Liabilities:			
(4) Trade accounts and notes payable	**$ 380,463**	**$ 380,463**	**$ —**
(5) Long-term debt—Bonds and bank loans, including current portion	**736,764**	**742,620**	**5,944**
Total	**$ 1,117,237**	**$ 1,123,181**	**$ 5,944**
Derivatives	**$ —**	**$ —**	**$ —**

Note:
Assets:
(1) and (2) —As these items are settled within a year and have fair values approximately equal to their carrying amounts, they are stated at the carrying amounts.
(3) —Fair value of equity securities is stated at quoted market price. Fair value information of investment securities is discussed in Note 4.

Liabilities:
(4) —As these items are settled within a year and have fair values approximately equal to their carrying amounts, they are stated at the carrying amounts.
(5) —Fair value of bonds is stated at present value of a total amount of its principal and interest discounted by a rate determined considering its remaining periods and credit risks.
Bank loans are payable with variable interest rates. Fair value of bank loans is stated at carrying amount because fair value of such bank loans is considered approximately equal to its carrying amount based on the following assumptions; (a) variable interest rates reflect the current market rate, and (b) the Company's credit status has not significantly changed after the issuance.

Derivatives —Details and information are discussed in Note 18.

Financial instruments which do not have quoted market prices and whose fair value is not reliably determinable are not included in the table above. Such financial instruments as of March 31, 2017 and 2016 are as follows:

	Millions of yen		Thousands of U.S dollars
	2017	2016	**2017**
Unlisted equity securities	**¥ 193**	¥ 173	**$ 1,720**
Investments in investment business limited partnerships	**239**	45	**2,130**

Detailed information about investments in securities is discussed in Note 5.

Maturity analysis for financial assets as of March 31, 2017 is as follows:

	Millions of yen		Thousands of U.S dollars	
	2017		2017	
	Due within one year	Due after one year	Due within one year	Due after one year
(1) Cash and cash equivalents	**¥ 137,345**	—	**$ 1,224,108**	—
(2) Trade accounts and notes receivable	**75,434**	—	**672,317**	—
Total	**¥ 212,779**	—	**$ 1,896,426**	—

Maturities of long-term debt as of March 31, 2017 are disclosed in Note 5.

18. Derivatives and Hedging Activities

Derivatives to which hedge accounting is applied:

The Group utilizes interest rate swap agreements to hedge interest rate risks associated with its bank loans and interest rate and currency swap contracts to hedge foreign exchange risk and interest rate risks associated with its foreign currency denominated bank loans. The Group's interest rate swaps and interest rate and currency swap contracts qualify for hedge accounting and meet specific matching criteria under Japanese GAAP and are not remeasured at market value but the differential paid or received under the swap agreements are recognized and included in interest expenses or income and the foreign currency assets and liabilities hedged by interest rate and currency swap contracts are translated at the contract rates and no gains or losses are recognized.

Fair value information of such derivatives as of March 31, 2017 and 2016 is as follows:

	Millions of yen		
	2017		
	Contract Amount		
	Within one year	Over one year	Fair value of derivative instruments
Interest rate and currency swaps (fixed rate payment in JPY, floating rate receipt in USD)	**¥ 19,665**	**¥ 17,480**	**¥ 587**

	Millions of yen		
	2016		
	Contract Amount		
	Within one year	Over one year	Fair value of derivative instruments
Interest rate and currency swaps (fixed rate payment in JPY, floating rate receipt in USD)	¥ 11,265	¥ 10,138	¥ (140)

	Thousands of U.S. dollars		
	2017		
	Contract Amount		
	Within one year	Over one year	Fair value of derivative instruments
Interest rate and currency swaps (fixed rate payment in JPY, floating rate receipt in USD)	**$ 175,267**	**$ 155,793**	**$ 5,231**

	Millions of yen		
	2017		
	Contract Amount		
	Within one year	Over one year	Fair value of derivative instruments
Interest rate swaps (fixed rate payment, floating rate receipt)	**¥ 10,000**	**¥ 10,000**	**¥ (75)**

	Millions of yen		
	2016		
	Contract Amount		
	Within one year	Over one year	Fair value of derivative instruments
Interest rate swaps (fixed rate payment, floating rate receipt)	¥ 10,000	¥ 10,000	¥ (137)

	Thousands of U.S. dollars		
	2017		
	Contract Amount		
	Within one year	Over one year	Fair value of derivative instruments
Interest rate swaps (fixed rate payment, floating rate receipt)	**$ 89,126**	**$ 89,126**	**$ (668)**

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

19. Asset Retirement Obligation

As of March 31, 2017

The Group recognizes restoration duty at the time of leaving based on the real estate rent contracts of the Company’s head office, etc. as asset retirement obligation.

Regarding asset retirement obligation as of March 31, 2017, the Company reasonably estimates the amount of security deposits related to the building rent contracts that are not expected to be ultimately collected and records the amount attributed to the current fiscal year in place of recording a liability.

As of March 31, 2016

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

20. Segment Information

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

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

Therefore, the reportable segment information consists of the five geographical segments, namely; (1) Japan, (2) The Americas (the

United States and other), (3) Europe (Germany, France and other), (4) China, and (5) Other (Taiwan, Singapore and other) based on the Group's production/sales structure.

Segment income is computed based on operating income. The reportable segment information is prepared under the same accounting policies as discussed in Note 2. Inter-segment sales and transfer are stated at amounts based on their fair market values. All adjustments in the following tables are inter-segment elimination on consolidation.

As noted in (r) "Accounting Changes" under "2. Significant Accounting Policies," the Company and its domestic consolidated subsidiaries had adopted mainly the declining-balance method and certain U.S. consolidated subsidiaries adopted mainly the accelerated declining-balance method in the previous years, but effective from the current fiscal year, they changed their depreciation method to the straight-line method.

As a result of this change, segment profit of "Japan" and "The Americas" increased by ¥1,432 million ($12,762 thousand) and ¥150 million ($1,336 thousand), respectively, compared to those amounts under the previous method.

Segment information of the Group as of March 31, 2017 and 2016 and for the years then ended is as follows:

Reportable segments

	Millions of yen							
	2017							
	Japan	The Americas	Europe	China	Other	Total	Adjustments	Consolidated
Sales to customers	**¥ 121,865**	**¥ 62,870**	**¥ 48,775**	**¥ 28,008**	**¥ 12,056**	**¥ 273,577**	**¥ —**	**¥ 273,577**
Inter-segment	**44,982**	**39**	**47**	**4,091**	**1,464**	**50,625**	**(50,625)**	**—**
Total	**166,848**	**62,909**	**48,822**	**32,100**	**13,521**	**324,202**	**(50,625)**	**273,577**
Segment profit (loss)	**¥ 18,809**	**¥ 2,311**	**¥ 649**	**¥ 750**	**¥ 1,336**	**¥ 23,857**	**¥ 795**	**¥ 24,653**
Assets	**¥ 363,731**	**¥ 67,579**	**¥ 84,757**	**¥ 60,801**	**¥ 15,000**	**¥ 591,870**	**¥ (176,938)**	**¥ 414,931**
Other items								
Depreciation and amortization	**¥ 4,450**	**¥ 2,935**	**¥ 2,007**	**¥ 3,556**	**¥ 313**	**¥ 13,262**	**¥ (77)**	**¥ 13,185**
Amortization of goodwill	**20**	**157**	**649**	**—**	**151**	**978**	**—**	**978**
Investment in an affiliate accounted for under the equity method	**4,016**	**—**	**—**	**—**	**—**	**4,016**	**—**	**4,016**
Increase in property, plant and equipment and intangibles	**8,486**	**3,482**	**3,608**	**2,157**	**187**	**17,922**	**(81)**	**17,840**

	Millions of yen							
	2016							
	Japan	The Americas	Europe	China	Other	Total	Adjustments	Consolidated
Sales to customers	¥ 118,851	¥ 49,491	¥ 31,223	¥ 28,173	¥ 12,738	¥ 240,478	¥ —	¥ 240,478
Inter-segment	41,287	17	26	5,831	1,352	48,516	(48,516)	—
Total	160,138	49,509	31,249	34,005	14,091	288,994	(48,516)	240,478
Segment profit (loss)	¥ 19,719	¥ 2,096	¥ 632	¥ (1,344)	¥ 1,267	¥ 22,372	¥ 797	¥ 23,169
Assets	¥ 348,106	¥ 88,686	¥ 65,047	¥ 65,747	¥ 14,502	¥ 582,090	¥ (174,281)	¥ 407,808
Other items								
Depreciation and amortization	¥ 5,644	¥ 2,272	¥ 1,019	¥ 4,437	¥ 447	¥ 13,821	¥ (177)	¥ 13,643
Amortization of goodwill	61	58	231	—	312	664	—	664
Investment in an affiliate accounted for under the equity method	4,312	—	—	—	—	4,312	—	4,312
Increase in property, plant and equipment and intangibles	10,686	18,383	5,319	3,272	496	38,157	522	38,680

Thousands of U.S. dollars

2017	Japan	The Americas	Europe	China	Other	Total	Adjustments	Consolidated
Sales to customers	$ 1,086,140	$ 560,338	$ 434,714	$ 249,625	$ 107,450	$ 2,438,297	$ —	$ 2,438,297
Inter-segment	400,909	347	418	36,461	13,048	451,203	(451,203)	—
Total	1,487,058	560,686	435,133	286,096	120,508	2,889,500	(451,203)	2,438,297
Segment profit (loss)	$ 167,638	$ 20,597	$ 5,784	$ 6,684	$ 11,907	$ 212,629	$ 7,085	$ 219,723
Assets	$ 3,241,809	$ 602,308	$ 755,409	$ 541,898	$ 133,689	$ 5,275,133	$ (1,576,987)	$ 3,698,137
Other items								
Depreciation and amortization	$ 39,661	$ 26,158	$ 17,887	$ 31,693	$ 2,789	$ 118,199	$ (686)	$ 117,513
Amortization of goodwill	178	1,399	5,784	—	1,345	8,716	—	8,716
Investment in an affiliate accounted for under the equity method	35,793	—	—	—	—	35,793	—	35,793
Increase in property, plant and equipment and intangibles	75,632	31,033	32,156	19,224	1,666	159,732	(721)	159,001

Notes:
1. Segmentation by country or area is determined based on geographical proximity.
2. Main countries or areas which belong to the reportable segments other than Japan or China are as follows:
   (1) "The Americas": The United States of America and others
   (2) "Europe": Germany, France and others
   (3) "Other": Taiwan, Singapore and others
3. "Adjustments" are as follows:
   (1) Adjustments of "Segment profit (loss)" in an amount of ¥795 million ($7,085 thousand) for the year ended March 31, 2017 represent elimination of inter-segment transactions
   Adjustments of "Segment profit (loss)" in an amount of ¥797 million for the year ended March 31, 2016 include elimination of inter-segment transactions in an amount of ¥2,285 million and corporate expenses not allocated to each reportable segment in an amount of ¥ (1,487) million. Corporate expenses represent mainly general and administrative expenses not attributed to reportable segments.
   (2) Adjustments of "Segment assets" in an amount of ¥176,938 million ($1,576,987 thousand) and ¥174,281 million for the years ended March 31, 2017 and 2016, respectively, are all elimination of inter-segment transactions.
   (3) Adjustments of "Depreciation and amortization" in an amount of ¥77 million ($686 thousand) and ¥177 million for the years ended March 31, 2017 and 2016, respectively, are all elimination of inter-segment transactions.
   (4) Adjustments of "Increase in property, plant and equipment and intangibles" in an amount of ¥81 million ($721 thousand) and ¥522 million for the years ended March 31, 2017 and 2016, respectively, are all elimination of inter-segment transactions.
4. "Segment profit (loss)" is reconciled with operating income in the consolidated statements of income.

Sales by business

	Millions of yen 2017	Millions of yen 2016	Thousands of U.S. dollars 2017
Industrial Equipment-Related Business	¥ 164,310	¥ 163,363	$ 1,464,438
Transportation Equipment-Related Business	109,266	77,114	973,850
Total	¥ 273,577	¥ 240,478	$ 2,438,297

Sales by geographical area

Millions of yen

2017	Japan	The Americas	Europe	China	Other	Total
Sales to customers	¥ 112,061	¥ 63,025	¥ 46,004	¥ 29,513	¥ 22,971	¥ 273,577

Millions of yen

2016	Japan	The Americas	Europe	China	Other	Total
Sales to customers	¥ 110,498	¥ 50,343	¥ 30,424	¥ 27,967	¥ 21,243	¥ 240,478

Thousands of U.S. dollars

2017	Japan	The Americas	Europe	China	Other	Total
Sales to customers	$ 998,761	$ 561,720	$ 410,017	$ 263,039	$ 204,732	$ 2,438,297

Tangible fixed assets by geographical area

Millions of yen 2017	Japan	The Americas	Europe	China	Other	Total
Tangible fixed assets	**¥ 47,049**	**¥ 16,838**	**¥ 13,760**	**¥ 28,167**	**¥ 2,823**	**¥ 108,639**

Millions of yen 2016	Japan	The Americas	Europe	China	Other	Total
Tangible fixed assets	¥ 43,390	¥ 16,350	¥ 12,924	¥ 33,493	¥ 3,269	¥ 109,428

Thousands of U.S. dollars 2017	Japan	The Americas	Europe	China	Other	Total
Tangible fixed assets	**$ 419,331**	**$ 150,071**	**$ 122,638**	**$ 251,042**	**$ 25,160**	**$ 968,262**

Amortization and unamortized balance of goodwill by reportable segment

Millions of yen 2017	Japan	The Americas	Europe	China	Other	Total	Adjustments	Consolidated
Amortization	**¥ 20**	**¥ 157**	**¥ 649**	**¥ —**	**¥ 151**	**¥ 978**	**¥ —**	**¥ 978**
Unamortized balance	**—**	**2,303**	**8,948**	**—**	**—**	**11,251**	**—**	**11,251**

Millions of yen 2016	Japan	The Americas	Europe	China	Other	Total	Adjustments	Consolidated
Amortization	¥ 61	¥ 58	¥ 231	¥ —	¥ 312	¥ 664	¥ —	¥ 664
Unamortized balance	20	2,542	10,052	—	164	12,780	—	12,780

Thousands of U.S. dollars 2017	Japan	The Americas	Europe	China	Other	Total	Adjustments	Consolidated
Amortization	**$ 178**	**$ 1,399**	**$ 5,784**	**$ —**	**$ 1,345**	**$ 8,716**	**$ —**	**$ 8,716**
Unamortized balance	**—**	**20,525**	**79,750**	**—**	**—**	**100,276**	**—**	**100,276**

21. Subsequent Events

Appropriation of retained earnings

The following appropriation of retained earnings as of March 31, 2017 was approved at the Company's General Meeting of Shareholders held on June 17, 2017:

	Total amount Millions of yen (Thousands of U.S. dollars)	Per share amount Yen (U.S. dollar)	Dividend record date	Effective date
Common stock	¥ 3,164 million ($ 28,199 thousand)	¥ 25.00 ($ 0.22)	Mar.31, 2017	Jun. 19, 2017

The payments will be financed from internal and external resources.