



THE MARK OF LINEAR MOTION

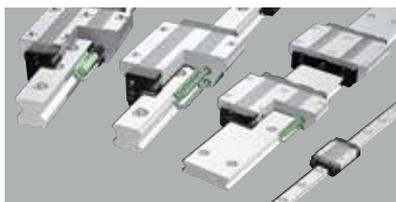
Annual Report

2015

ABOUT THK

THK CO., LTD. manufactures and supplies vital machinery components around the world. THK products help to convert slippage into controlled rotary motion, enabling parts of machinery to move smoothly, easily and precisely in a straight line. Driven by a business philosophy that emphasizes the Company's business philosophy, which is "providing innovative products to the world and generating new trends to contribute to the creation of an affluent society," THK has continued to focus on the development of a variety of products including LM guides, as a creative development-driven enterprise since our establishment in 1971.

Main Products



LM Guide

LM guides are our main products, which incorporated a part with linear rolling motion into practical usage for the first time in the world. They realize the development of high-precision, high-rigidity, energy saving, high-speed machines with long service lives.



Ball Screw

Ball screws are high-efficiency feed screws with the balls making a rolling motion between the screw and the nut. Compared with conventional sliding screws, these products have drive torque of one-third or less, making them most suitable for saving drive motor power.



Electric Actuator

Electric Actuators are hybrid products combining a guide component such as an LM guide with a ball screw, linear motor or other drive component. Reductions in the number of parts and design man-hours can be realized by adopting the electric actuator.



Ball Spline

Ball splines are rolling guide spline bearings. This is an innovative product with a ball rolling on a groove in the shaft, realizing allowable loads greater and enabling torque transmission while making linear movements.

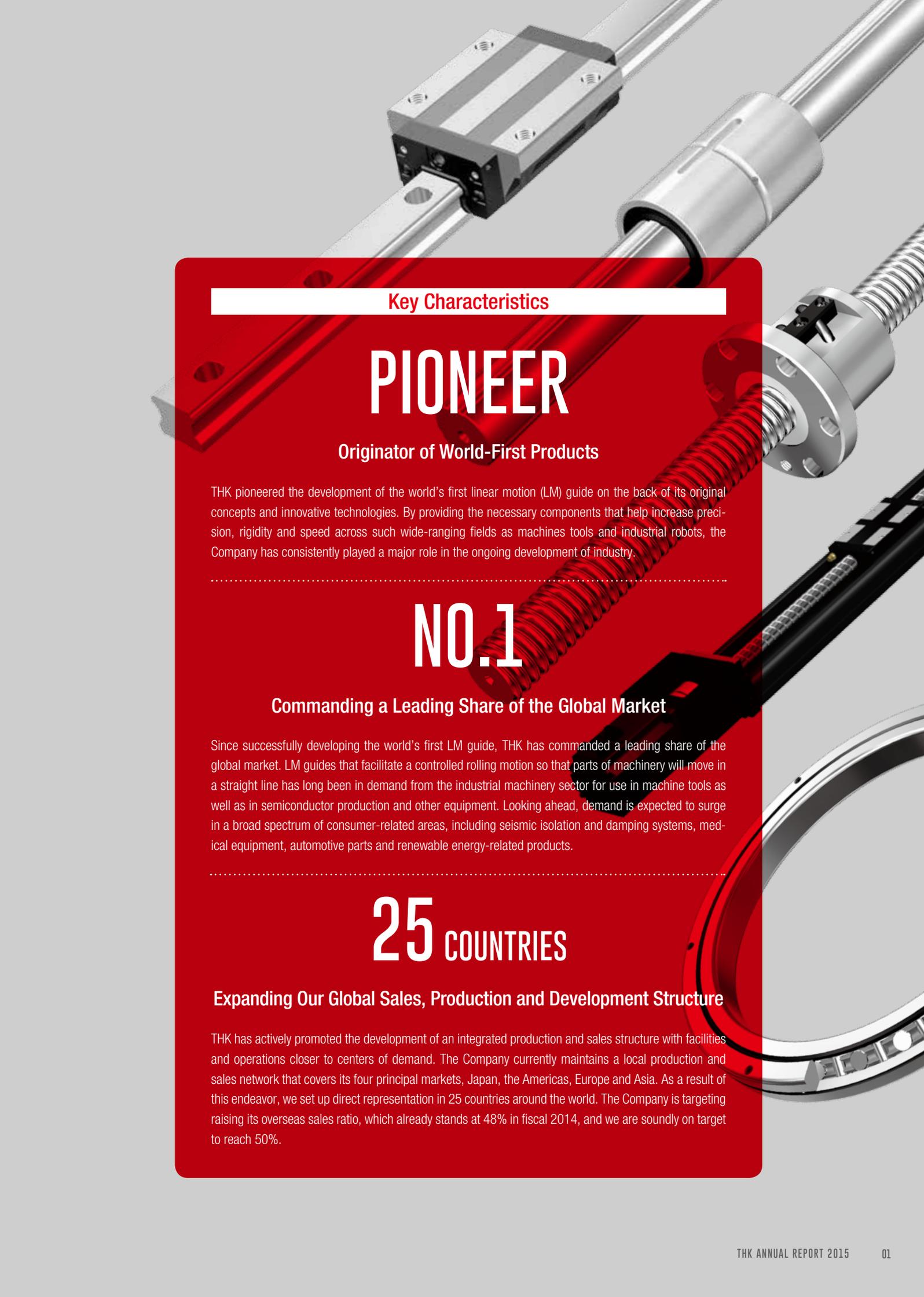


Cross Roller Ring

Cross roller rings have orthogonally arranged cylindrical rollers. They are roller bearings with high rotation accuracy capable of bearing loads in every direction. The rings are highly rigid despite their compact design, and are used in the rotating parts of many different types of industrial machinery.

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Key Characteristics

PIONEER

Originator of World-First Products

THK pioneered the development of the world's first linear motion (LM) guide on the back of its original concepts and innovative technologies. By providing the necessary components that help increase precision, rigidity and speed across such wide-ranging fields as machine tools and industrial robots, the Company has consistently played a major role in the ongoing development of industry.

NO.1

Commanding a Leading Share of the Global Market

Since successfully developing the world's first LM guide, THK has commanded a leading share of the global market. LM guides that facilitate a controlled rolling motion so that parts of machinery will move in a straight line has long been in demand from the industrial machinery sector for use in machine tools as well as in semiconductor production and other equipment. Looking ahead, demand is expected to surge in a broad spectrum of consumer-related areas, including seismic isolation and damping systems, medical equipment, automotive parts and renewable energy-related products.

25 COUNTRIES

Expanding Our Global Sales, Production and Development Structure

THK has actively promoted the development of an integrated production and sales structure with facilities and operations closer to centers of demand. The Company currently maintains a local production and sales network that covers its four principal markets, Japan, the Americas, Europe and Asia. As a result of this endeavor, we set up direct representation in 25 countries around the world. The Company is targeting raising its overseas sales ratio, which already stands at 48% in fiscal 2014, and we are soundly on target to reach 50%.

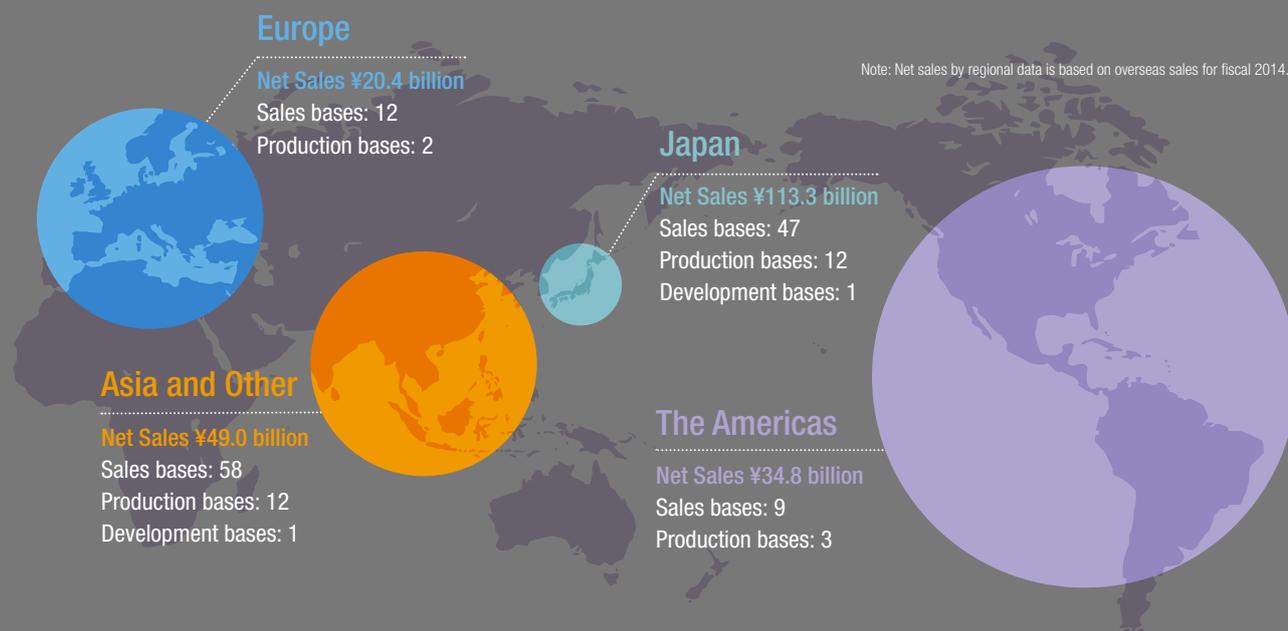
THK'S CHALLENGE

EXPANSION THROUGH...

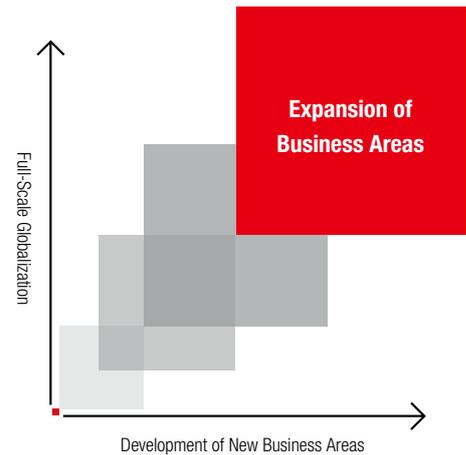
Full-Scale Globalization

THK is building an integrated production and sales structure with facilities and operations closer to centers of demand to produce and sell locally in four areas: Japan, the Americas, Europe and Asia. The Company is continuing its trend, particularly over recent years, of upgrading and expanding its sales network while bolstering its production capabilities across newly emerging markets including China, which is projected to enjoy demand growth over the medium-to-long-term. In developed countries, THK is also working to expand its sales network in a bid to steadily capture demand amid expansion in its user base. Through these means, the Company is working diligently to promote substantial additional growth.

GLOBALIZATION



THK is contributing to the growth and development of customers worldwide and helping to build a prosperous society by promoting the use of its products including LM guides. As a part of these endeavors, the Company has embraced the dual growth strategies of focusing on Full-Scale Globalization and the Development of New Business Areas to increase its geographical presence and expand the range of applications for which THK products are used.

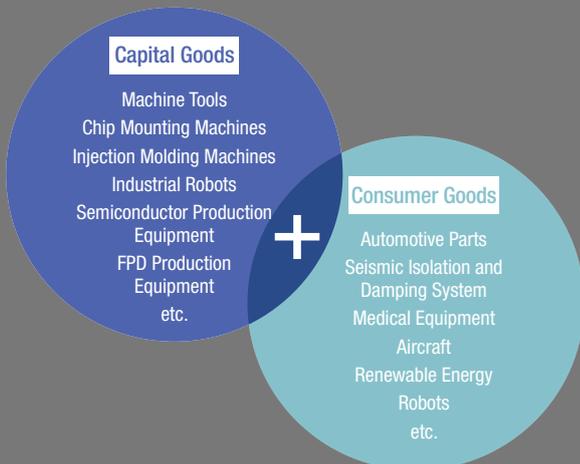


Development of New Business Areas

As a part of efforts to develop new business areas, THK has set up three specialist divisions: the ACE Division, which handles seismic isolation and damping systems; the FAI Division, which is responsible for activities in transportation equipment-related fields; and the IMT Division, which handles such products as electric actuators and next-generation robot-related products. At the same time, the Company is working diligently to cultivate fields in close proximity to the consumer goods sector. Moreover, use of THK's products is expanding across a variety of fields including medical equipment, aircraft, and renewable energy. Recognizing the vast potential that also exists in other areas within the consumer goods sector, the Company is honing its accumulated know-how and core linear motion system technologies nurtured over a long period and is accelerating the pace at which it develops new business fields.

NEW BUSINESS

Expansion from Capital Goods into Consumer Goods



FAI Division (Future Automotive Industry)

- Develops and supplies key automotive components that enhance automobile safety
- Other transportation equipment-related businesses



ACE Division (Amenity Creation Engineering)

- Mainly develops and supplies seismic isolation and damping system that help ensure housing safety
- Support the home automation



IMT Division (Innovation Mechatronics Technology)

- Supplies unit products customized to each customer's needs
- Develops and supplies electric actuator series that address customers' general-purpose needs
- Developing next generation robot related products that are projected to expand in the future



Fields with High Future Growth Potential

- Medical equipment, aircraft, and energy-related fields

CONSOLIDATED PERFORMANCE OVERVIEW

Years ended March 31

	2005	2006	2007	2008	2009
Net Sales*	¥147,158	¥158,412	¥174,710	¥208,708	¥179,269
Japan	105,554	112,244	119,513	136,321	109,566
The Americas	12,888	14,107	16,649	26,000	23,266
Europe	15,340	16,198	19,344	25,236	24,915
Asia and Other	13,374	15,861	19,203	21,150	21,520
Gross Profit	53,606	57,921	65,142	68,052	48,340
Operating Income (Loss)	25,974	27,079	31,815	26,937	8,523
Income (Loss) before Income Taxes and Minority Interests	26,845	30,565	34,524	26,701	6,284
Net Income (Loss)	17,348	18,584	21,038	18,323	1,204
Total Assets	220,007	244,384	263,280	264,229	240,350
Net Assets	127,649	168,272	189,039	192,953	177,712

*Segments are based on where our customers are located.

Per Share

Net Income (Loss)—Basic	¥ 145.31	¥ 148.42	¥ 158.36	¥ 139.53	¥ 9.36
Net Income (Loss)—Diluted	130.05	137.97	157.22	138.74	—
Book Value	1,067.42	1,266.39	1,407.84	1,484.78	1,372.69
Cash Dividend	18	25	33	36	20

Overseas Sales Ratio (%)	28.3	29.1	31.6	34.7	38.9
Operating Margin (%)	17.7	17.1	18.2	12.9	4.8
Return on Equity (ROE) (%)	14.7	12.6	11.8	9.7	0.7
Return on Assets (ROA) (%)	12.8	11.8	12.8	10.5	3.6
Equity Ratio (%)	58.0	68.9	71.1	72.3	73.4
Asset Turnover Ratio (Times)	0.72	0.68	0.69	0.79	0.71

Notes: 1. U.S. dollar amounts represent translation of Japanese yen, for convenience only, at the rate of ¥120.27 = U.S. \$1, the approximate rate of exchange prevailing in Tokyo on March 31, 2015.

2. Return on assets (ROA) represents operating income (loss) plus interest and dividend income as a percentage of average total assets.

3. THK has applied the Accounting Standard for Presentation of Net Assets in the Balance Sheet (Accounting Standards Board of Japan (ASBJ) Statement No. 5) and the Guidance on Accounting Standard for Presentation of Net Assets in the Balance Sheet (ASBJ Guidance No. 8) in calculating net assets effective from fiscal 2006, the fiscal year ended March 31, 2007.

In fiscal 2014, ended March 31, 2015, net sales increased 17.4% year on year, to ¥217.6 billion.

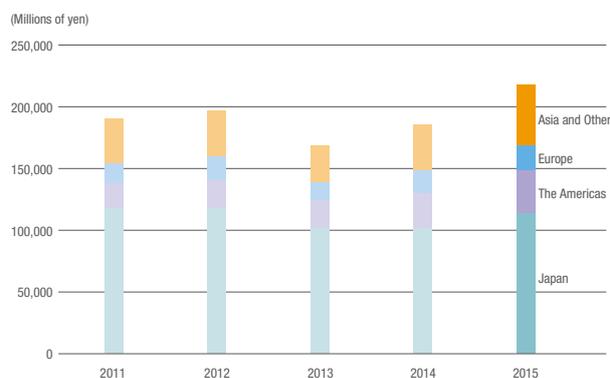
In overall terms, demand trended upward in Japan amid a robust increase in capital investment. Outside Japan, demand in the Americas, Europe, and China was generally firm.

Under these circumstances, THK reported an increase in revenue. This positive performance largely reflected the Company's efforts to aggressively expand sales while taking advantage of a business structure that had been strengthened by various measures. Results were also buoyed by movements in foreign currency exchange rates and the downturn in the value of the yen compared with the previous period.

Operating income increased 63.4% year on year, to ¥28.3 billion.

In addition to the increase in net sales, the improvement in earnings was due mainly to the success of various improvement activities, including the P25 Project, a cross-divisional initiative designed to bolster the business base, to enhance the efficiency of fixed costs and reduce the ratio of variable costs. The upswing in earnings was also attributable to the favorable flow-on effects of the year-on-year depreciation in the value of the yen.

Net Sales



Operating Income/Operating Income Margin

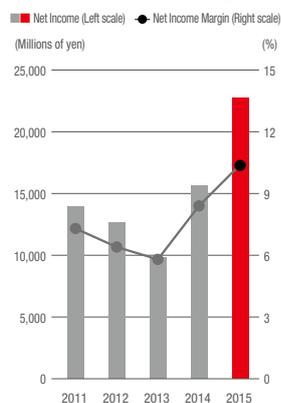


Millions of yen						Thousands of U.S. dollars
2010	2011	2012	2013	2014	2015	2015
¥115,330	¥190,661	¥196,866	¥168,366	¥185,466	¥217,678	\$1,809,911
70,295	117,304	117,900	101,443	101,052	113,361	942,554
14,552	20,812	22,279	22,527	28,900	34,856	289,814
12,635	16,106	19,979	15,194	18,427	20,456	170,083
17,846	36,438	36,707	29,200	37,085	49,003	407,441
23,189	54,442	53,975	44,298	52,903	67,024	557,279
(9,508)	21,844	19,745	11,692	17,370	28,388	236,035
(14,510)	21,612	18,520	14,737	24,004	33,501	278,548
(14,300)	13,959	12,641	9,808	15,590	22,705	188,783
236,374	279,768	288,333	293,145	336,416	373,610	3,106,427
162,258	167,937	175,516	189,058	222,148	250,498	2,082,797

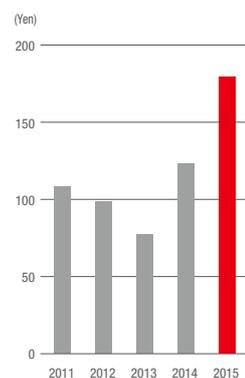
Yen						U.S. dollars
¥ (111.20)	¥ 108.55	¥ 98.31	¥ 76.96	¥ 123.16	¥ 179.36	\$ 1.49
—	—	—	—	—	—	—
1,252.71	1,296.52	1,352.00	1,479.41	1,736.51	1,957.48	16.27
15	16	20	18	26	50	0.41

39.0	38.5	40.1	39.7	45.5	47.9
(8.2)	11.5	10.0	6.9	9.4	13.0
(8.5)	8.5	7.4	5.4	7.7	9.7
(3.9)	8.6	7.1	4.2	5.7	8.2
68.2	59.6	60.3	63.9	65.3	66.3
0.48	0.74	0.69	0.58	0.59	0.61

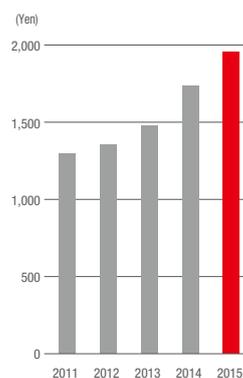
Net Income/Net Income Margin



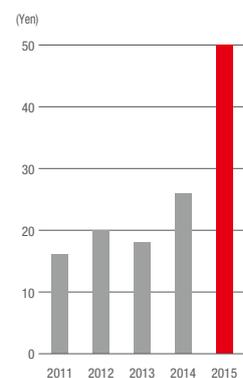
Net Income per Share



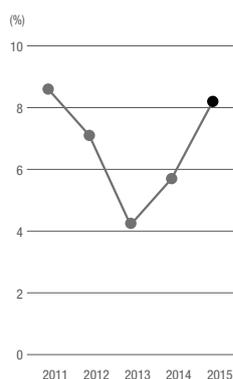
Net Assets per Share



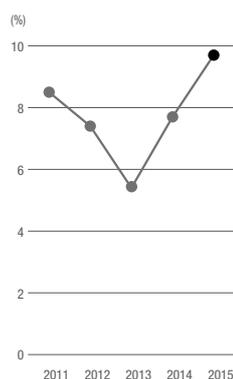
Cash Dividend per Share



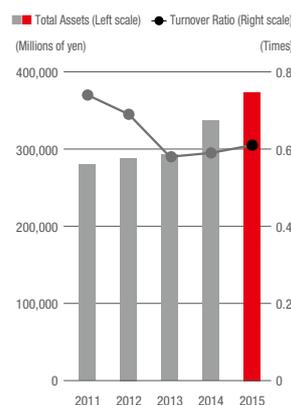
Return on Assets (ROA)



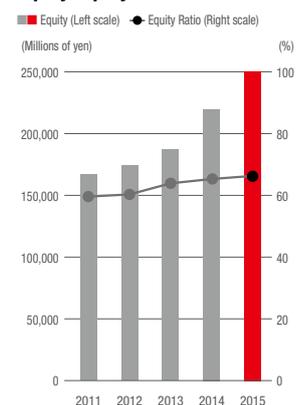
Return on Equity (ROE)



Total Assets/Turnover Ratio



Equity/Equity Ratio





TOP MESSAGE



**Pursuit of the two pillars of our growth strategy,
“Full-Scale Globalization” and the “Development of
New Business Areas”**

THK CO., LTD.
President and CEO

Akihiro Teramachi

Looking Back on Fiscal 2014

Looking at the operating environment in fiscal 2014, ended March 31, 2015, overall demand in Japan increased against the backdrop of robust capital investment. Turning to overseas markets, demand in such countries and regions as the Americas, Europe, and China was firm. Taking into account these and other factors including movements in foreign currency exchange rates and the year-on-year downturn in the value of the yen, consolidated net sales climbed 17.4% compared with the previous fiscal year, to ¥217.6 billion. From a profit perspective, operating income increased 63.4% year on year, to ¥28.3 billion while net income grew 45.6%, to ¥22.7 billion. This was largely attributable to the upswing in net sales as well as the impact of fluctuation in foreign currency exchange rates.

Amid these circumstances, the THK Group continued to promote the two core growth strategies of Full-Scale Globalization and the Development of New Business Areas as a part of efforts to expand the market for its products including LM guides. With regard to Full-Scale Globalization, we anticipate market growth on the back of advances in factory automation (FA) in developing countries. At the same time, the range of

users is also expected to widen in developed countries. In order to steadfastly capture demand from emerging markets and developed countries, we will therefore work to upgrade and expand our global sales network. In the Development of New Business Areas, we will strive to boost sales not only of existing products, but also of newly developed offerings amid the growing use of our products in such new fields as medical equipment, aircraft, robots, and renewable energy. In addition to activities aimed at expanding operations in each of these business fields, we will work to increase profitability by vigorously promoting a variety of measures that are designed to improve the efficiency of fixed expenses as well as the ratio of variable expenses to total expenses.

Drawing on the fruits of these endeavors, THK was successful in securing a year-on-year increase in both revenue and earnings in fiscal 2014. In addition to exceeding plans, which were revised in November 2014, the Company reported record high results in terms of net sales and net income. Based on the aforementioned, THK has made a solid start toward achieving the objectives set out under its medium-term management plan.

Looking at fiscal 2015, ending March 31, 2016, the external operating environment is shrouded in considerable uncertainty. This reflects

Medium-term Management Plan

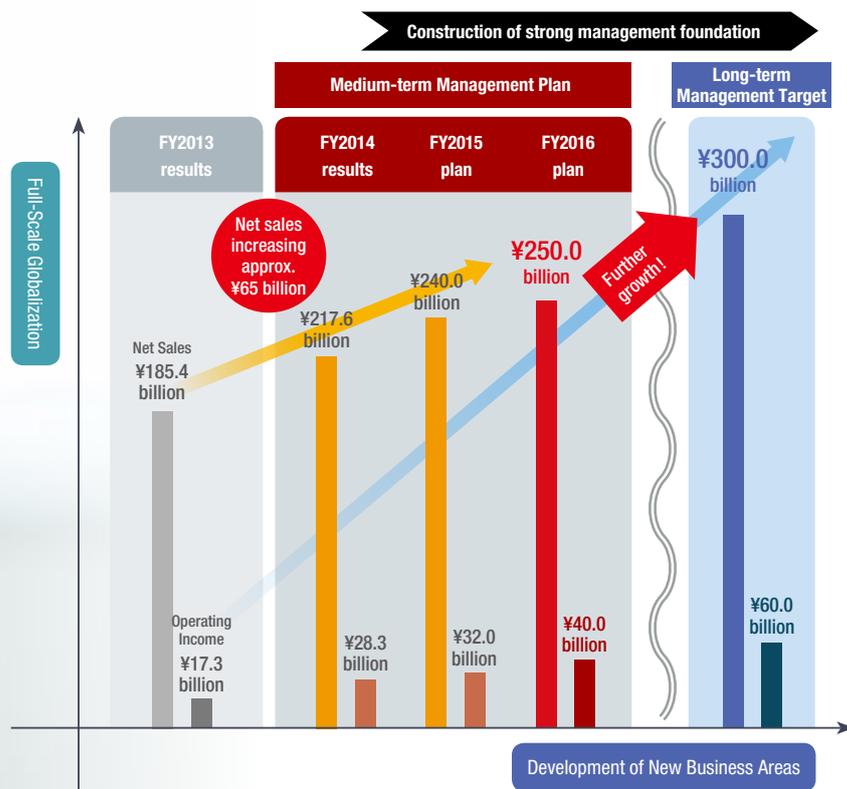
Numerical targets for FY2016

Consolidated Net Sales	¥250.0 billion
Operating Income	¥40.0 billion
ROE	Over 10%

[Assumptions]
Exchange rate \$1= ¥100
IMF Global economic growth rate of 3.8% on average
The market growth rate of 5% on average in the production goods industry

The point of medium-term management plan

- Fixed plan with FY2016 as the final fiscal year
- Break the past record-high net sales and record-high profits
- Continue and further strengthen the basic strategy
- Establishment of management foundation toward the long-term management target
Net sales: 300.0 billion yen; and
Operating Income Margin: 20%



a variety of factors including sovereign risk across certain regions including Southern Europe. Despite these uncertainties, however, the global economy is projected to benefit from continued positive conditions in overall terms. As a result, and taking into consideration the status of current orders, THK announced details of its plan for fiscal 2015 in May 2015. In specific terms, the Company anticipates it will post record high operating income of ¥32 billion, up 12.7%, on net sales of ¥240 billion, up 10.3% year on year. Net income is expected to reach ¥23.1 billion, an increase of 1.7%.

Medium-term Management Plan

In May 2014, THK announced details of its medium-term management plan. Under this plan, the Company identified the overarching goal of strengthening its management foundation together with the long-term management targets of ¥300 billion in consolidated net sales and a consolidated operating income margin of 20%. Over the three-year period of the fixed medium-term management plan, which ends in fiscal 2016, we will work to achieve the more immediate consolidated net

sales, operating income, and ROE numerical targets of ¥250 billion, ¥40 billion, and over 10%, respectively. The basic strategies put forward to achieve the plan remain unchanged. Accordingly, we are ramping up efforts to promote Full-Scale Globalization and the Development of New Business Areas. Amid the ongoing upgrade and expansion of its global sales network, THK is reaching out to customers around the world and listening to their feedback as a part of efforts to deliver THK's value while lending a keen ear to and absorbing contact from customers. There are indications that these efforts are bearing fruit with the steady emergence of new demand. At the same time, we are channeling our energies toward expanding net sales, commonly referred to as the top line, by strengthening efforts to acquire a greater share of the volume zone and reinforcing the marketing and strategy functions.

Full-Scale Globalization

In addition to developed countries, THK is placing considerable emphasis on upgrading and expanding its sales network in developing countries focusing mainly on China as a part of efforts to promote Full-Scale

Globalization.

In China, the THK Group has steadily expanded its presence with the number of offices totaling 36 as of the end of March 2015. As the trend toward FA continues to advance, and the user base widens, we are building a robust indirect sales network while striving to definitely capture demand.

In the ASEAN region, we set up the ASEAN Customer Support in order to better assist the efforts of Japanese companies seeking to enter local markets. The scope of this support structure has broadened to cover six countries. Moving ahead, we will extend this coverage to other countries within the ASEAN region and take steadfast steps to garner demand.

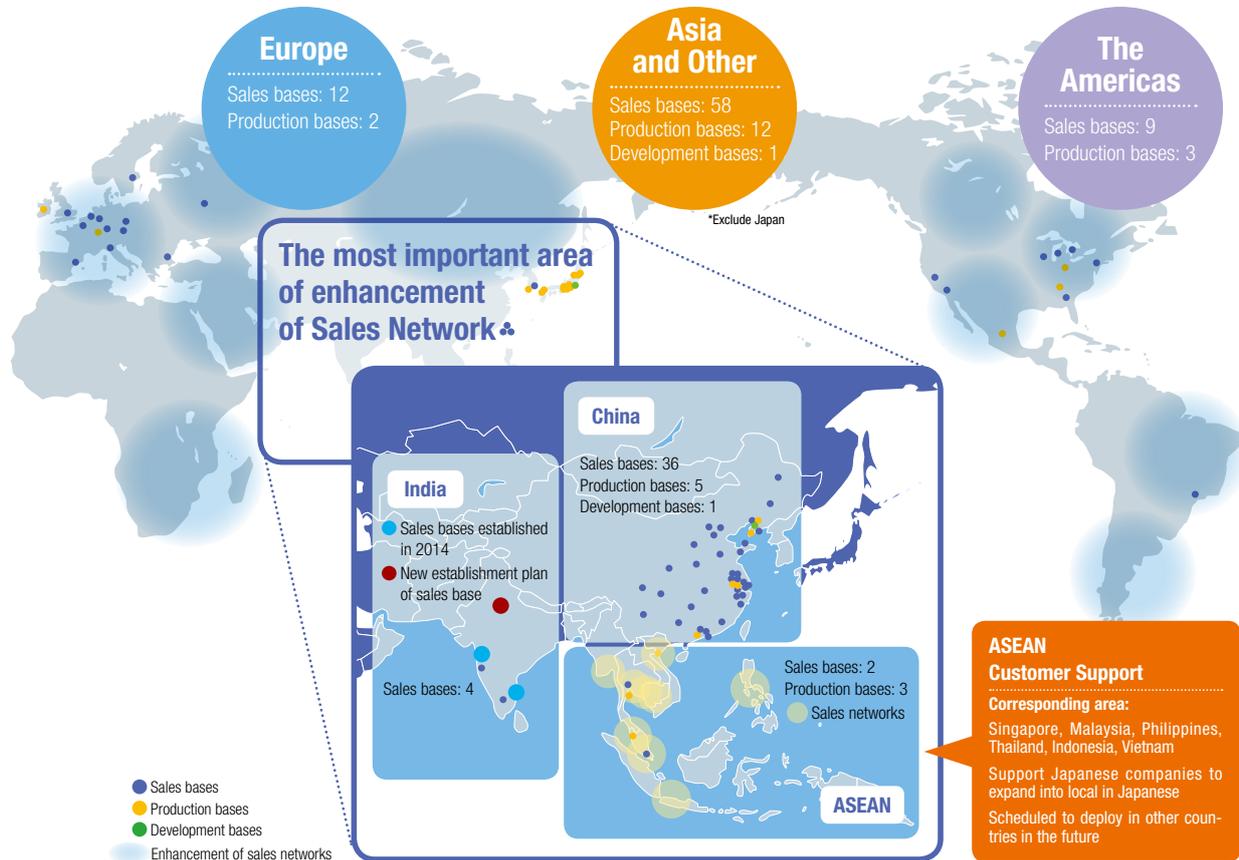
Following the path taken by China, India is exhibiting signs of considerable market growth. In 2012, THK established a sales company and opened a sales base in Bangalore. This was followed by a steady succession of bases in Pune, Chennai, and Ahmedabad. Sales and marketing personnel have already been assigned to our office in Delhi with plans to open sales bases in the near future. Our goal is to win over a robust share of the increase in demand.

In addition to upgrading and expanding its sales network, THK is working to boost sales by effectively applying a variety of tools including catalogs, exhibitions, the media, and the Internet. In developed regions and countries including Europe and the United States, the Company's

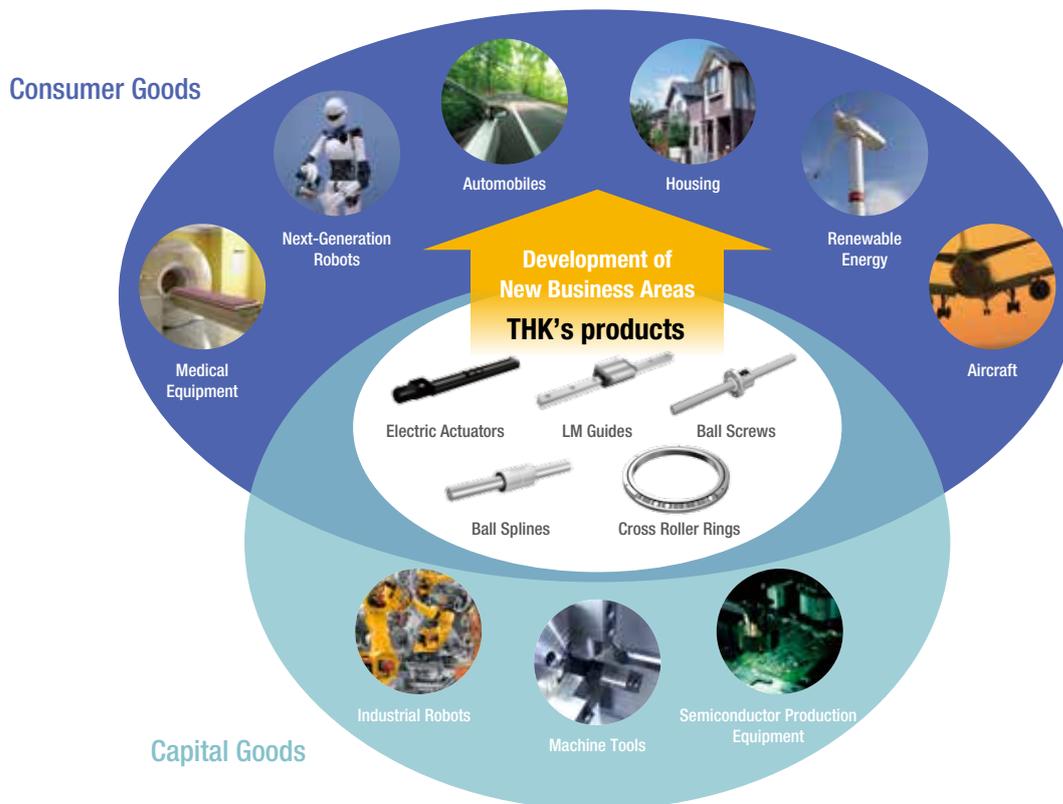
participation in exhibitions revolves mainly around specific sectors such as machine tools, semiconductors, and robotics. We are, however, looking at new areas in which to participate and plan to increase our exposure the medical equipment and aircraft fields. With exhibitions held in each of the regions and countries throughout Asia, we are strengthening our support capabilities. THK is also taking progressive steps to bolster its homepage. Building on the extremely high 35 countries that our homepage can currently accommodate, we will increase the scope of this coverage as and when required. Working beyond efforts aimed at increasing the number of countries, we will place equal emphasis on reinforcing mechanisms that allow customers to more easily access and use website when undertaking and Internet search.

The THK Group remains committed to expanding its global production structure as a part of efforts to increase its top line. In January 2014, operations commenced at THK RHYTHM MEXICANA, S.A. DE C.V. with the aim of bolstering the Group's supply of automotive parts to North and South America. In China, DALIAN THK CO., LTD. moved to a site that is more than four times the size of its previous location with three times the production space. Production commenced from February 2015. Construction on the Group's sixth production facility in China has also commenced at THK MANUFACTURING OF CHINA (CHANGZHOU) CO., LTD. China is experiencing a growing trend toward the use of robots and automation. This is on the back of an increase in wages and a shortage of

Expansion of Top Line: Full-Scale Globalization



Expansion of Top Line: Development of New Business Areas



labor as well as growing demand for higher quality products. The THK Group will look to address these needs by enhancing its ability to newly design businesses for set as opposed to single unit items.

Development of New Business Areas

In our second growth strategy pillar that entails the Development of New Business Areas, we set up three specialist divisions: the Future Automotive Industry (FAI) Division, which is charged with the responsibility of expanding use of the Company's transportation equipment-related products; the Amenity Creation Engineering (ACE) Division, which handles seismic isolation and damping systems that protect people's lives and possessions from the threat of earthquakes; and the Innovation Mechatronics Technology (IMT) Division, which is engaged in efforts aimed at expanding the Company's unit products, equipment, and electric actuator businesses. Through each of these divisions, the THK Group is working diligently to not only expand sales through existing products, but also through the development of new products.

In the FAI Division, product use is expanding steadily worldwide. In areas outside existing businesses such as stabilizer link balls, the division is striving to expand linear motion related product applications across a variety of automotive mechanical components including next-generation steering, brakes, suspension, and car interiors.

Following the Great East Japan Earthquake in 2011, which trig-

gered increased awareness toward the dangers that earthquakes present, we are increasing the number of applications for our products in the Amenity Creation Engineering (ACE) Division. Awareness toward the importance of business continuity plans (BCPs) in particular continues to rise. Against this backdrop, the ACE Division is experiencing an upswing in demand for seismic isolation platforms that protect specific pieces of equipment. This reflects the corporate sector's growing understanding of the need to protect vital assets including servers and manufacturing equipment from the threat of earthquakes. In order to capture this demand, THK is engaging vigorously in sales and marketing activities while promoting the competitive advantage of the Company's products. At the same time, we are working to develop new products that address market needs. Under these circumstances, THK introduced a new mass damper to the market in fiscal 2014. With the increase in business inquiries from such wide-ranging fields as automated warehouses and precision equipment, we are actively endeavoring to expand sales.

The IMT Division is upgrading and expanding its product lineup in existing fields. In addition to bolstering its business structure in Japan as a matter of course, the division is promoting Full-Scale Globalization in the Americas, Europe, and Asia. Particular emphasis is being placed on building a local production and sales platform in Asia, where the market is projected to experience growth. Furthermore, in the robot-related field, we opened a next-generation industrial robot showroom in Nagoya. Among the large number of visitors to showroom, we are receiving numerous inquiries and attracting widespread interest.

The Company's products including its lineup of LM guides and ball screws are being widely adopted across fields other than the aforementioned three divisions. In the medical equipment field, for example, the Company's products offer a wide range of applications. This includes in the surgical and assisted-gait robot fields. For aircraft, the Company's products are being increasingly applied in a variety of innovative ways. THK's products can be found in table pullout mechanisms, cockpit doors, reclining seats, and control sticks. In the field of renewable energy, use of the Company's products as mechanical components is beginning to emerge. Several companies have adopted the Company's shaft units in vertical shaft-type wind power generators. THK's products in this field offer extremely high power generation efficiency prompting expectations that demand will grow in the future.

In this manner, latent demand for the Company's products exists wherever there is a need for the linear motion of mechanical components. In order to tap into this vast potential, we will continue to hone our accumulated know-how and core linear motion system technologies nurtured over a long period. Making the most of our competitive advantage, we will accelerate the pace of Development of New Business Areas.

Transfer of the L&S Business from TRW Automotive Inc.

On April 22, 2015, THK announced that the linkage and suspension business (L&S business) of TRW Automotive Inc. (TRW), a manufacturer of automotive components based in the U.S., in Europe and North America would be transferred to the Company. This initiative is positioned as a key component in THK's basic strategy to pursue Full-Scale Globalization and the Development of New Business Areas. We are confident that in acquiring this business we have taken a major step toward further growth and achieving our goal of also becoming the world's leading ball joint manufacturer.

In broad terms, there were five objectives for carrying out this business transfer. The first was to put in place a complete L&S global business network by securing a business platform in Europe and North America. The second objective was to combine the automobile-related technologies of TRW with the Company's existing core linear-motion technologies and the automotive-related technologies of THK RHYTHM CO., LTD. by bringing in TRW's development base in Germany thereby building a structure that is capable of expanding automotive applications of linear products using innovative mechanisms. In addition to expanding sales in Europe and the U.S., our third objective is to take a major leap forward by putting in place a global supply structure that will help cultivate markets in such developing countries as China and India. Fourth, we plan to extend our business into areas that have traditionally remained untouched. By bringing commercial vehicle businesses in Europe and the U.S. under the Company's control, we will be better placed to address a complete range of automotive needs from compact to large vehicles. The fifth objective is to strengthen our production technology platform. By combining the technological expertise of both THK and TRW, we will further enhance our earnings capabilities.



THK anticipates that these efforts to strengthen all of its global-level competencies in the development, manufacture, and sale of automobile under-carriage components will enable the Group to gain further business opportunities. At the same time, in bringing together the core linear motion technologies of the Company, the production technologies for automotive parts of THK RHYTHM, and the development capabilities of TRW, efforts will be made to ramp up research and development activities in order to expand the use of linear motion products including LM guides, which serve as critical automotive safety components. Meanwhile, we are looking to review our long-term management targets and medium-term management plan following the business transfer.

Toward Further Growth

As stated throughout this message to stakeholders, the THK Group will accelerate the pace of efforts to pursue Full-Scale Globalization and the Development of New Business Areas in order to increase its top line. Equal emphasis will also be placed on improving the efficiency of fixed expenses as well as the ratio of variable expenses to sales in a bid to strengthen the bottom line.

Turning to the return of profits to shareholders, THK has taken steps to progressively lift its dividend payout ratio as a part of efforts to achieve a target of 30% in fiscal 2016, the final year of the medium-term management plan. While taking into consideration the investment necessary to ensure growth, we are keen to strengthen our commitment to shareholders and to boost shareholder returns. Accordingly, we plan to bring forward our dividend payment ratio performance target one year in advance and secure a level of 30.7% in fiscal 2015.

As we work toward achieving our established goals, we kindly request the continued support and understanding of all stakeholders.

July 2015

THK CO., LTD.
President and CEO

Akihiro Teramachi

TRANSFER OF THE L&S BUSINESS FROM TRW AUTOMOTIVE INC.

To the Full-scale Application of LM Products for Automotive Parts

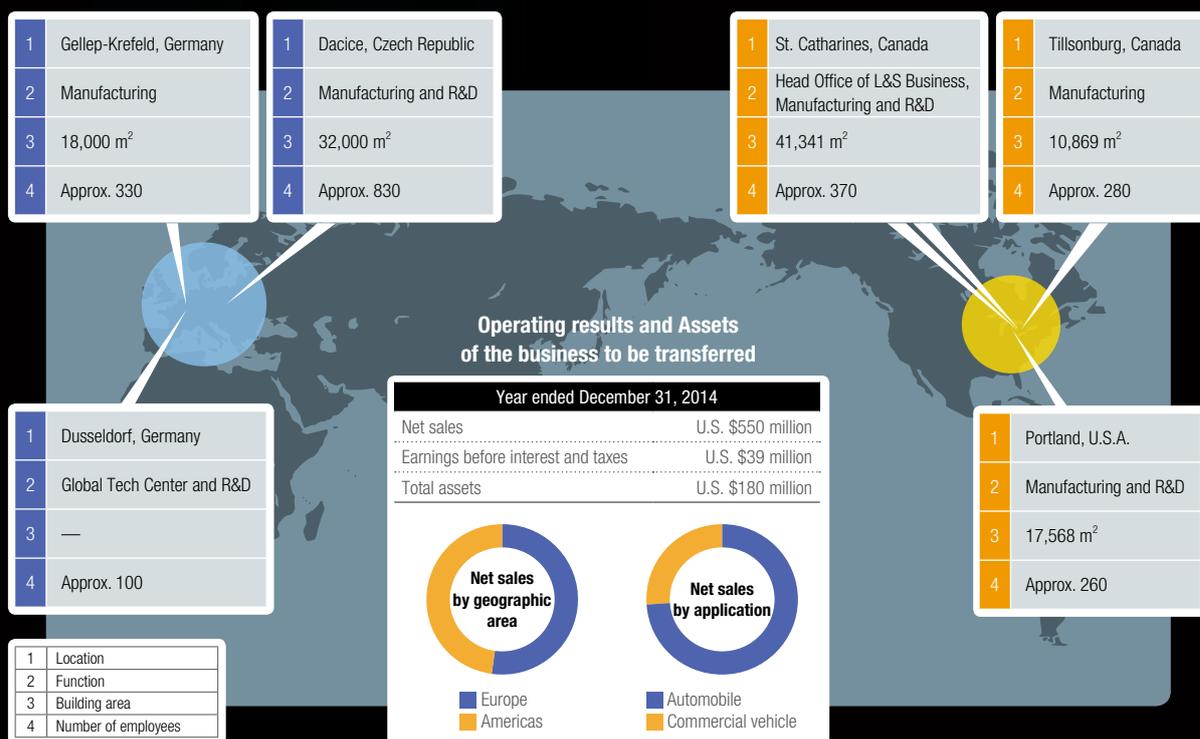
On April 22, 2015, THK announced that the linkage and suspension business (L&S business) of TRW Automotive Inc. (TRW), a manufacturer of automotive components based in the U.S., in Europe and North America would be transferred to the Company. The transfer has been set for a date that falls within four months of April 21, the day the agreement was signed. THK will release information on the effect on its performance of the transfer once details have been determined in a timely manner. Moreover, the Company will revise its previously identified long-term management targets and medium-term management plan as a result of the business transfer (as of July 31, 2015).

Having developed ball splines, a linear motion product, and the auto parts known as link balls, THK started business in 1971. Mainly involved with the link balls, the Company's auto parts businesses were combined into one with the establishment of the Future Automotive Industry (FAI) Division in 1999. In 2007, amid moves to expand its business, the Company acquired RHYTHM CORPORATION (now THK RHYTHM CO., LTD.),

which possesses advantages in steel technologies. In 2011, with the aim of expanding its marketing area in Southeast Asia, the Company acquired TRW's Asia and Pacific L&S business, which have been smoothly expanded. Thus, on this occasion, the Company has decided to participate in the business transfer of TRW's L&S businesses in Europe and North America.

The operating result details of the business being acquired are that its net sales in fiscal 2014 were U.S.\$550 million and its earnings before interest and taxes (EBIT) U.S.\$39 million. As regards bases, there are two manufacturing facilities in Europe, in Germany and the Czech Republic, in addition to a development base in Germany. In North America, there are two plants in Canada and one in the United States. The business transfer will add approximately 2,170 to the number of THK employees. With regard to sales composition, three quarters is made up of different applications for passenger automobiles, one quarter for commercial vehicles. By region, the proportion of sales between Europe and North America is about the same. The customers associated with the business are primarily major automakers in Europe and North America. As those covered are automakers with which THK has not previously had dealings, the business transfer will enable global customer development in addition to traditional customers.

Taking advantage of the opportunity presented by this business transfer, THK aims to also become the world's No. 1 ball joint manufacturer. Beyond that, THK will work to secure the expanded application of its mainstay LM guides and other linear motion products as critical automotive safety components.



BUSINESS REVIEW: GEOGRAPHIC BUSINESS REVIEW



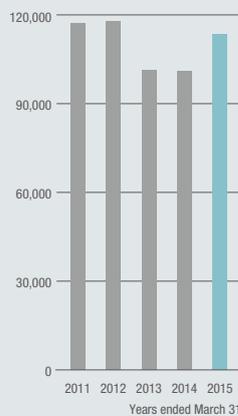
Japan

Year-on-year Net Sales

12.2%

UP

Net Sales (Millions of yen)



Bases (As of March 31, 2015)

Japan	Sales offices	45
	Plants	12
	Distribution centers	3

Group Companies (As of March 31, 2015)

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

Operating Conditions and Performance Overview

Sales in Japan increased 12.2% year on year, to ¥113.3 billion.

During the first half of the fiscal year under review, the economy in Japan showed signs of weakness due to such factors as the downturn in personal consumption following the rush in demand in the lead-up to the consumption tax rate hike. On a positive note, there were indications of a modest recovery in the economy during the second half. From the company's perspective, demand increased for machine tools. At the same time, electronics-related products also enjoyed demand on the back of investments in the smartphone, tablet PC, and related markets. Under these circumstances, THK worked proactively to further develop its business and cultivated new business fields in such markets as seismic isolation and damping systems. As a result, the THK Group recorded an increase in revenue owing mainly to the increase in sales to the machine tools, general machinery, and electronics industries.

Year ended March 31, 2015 (FY2014) Operating Activities (Results)

Sales

- THK increased its focus on aggressive sales and marketing activities while cultivating such new business areas as automotive parts and seismic isolation and damping systems as a part of its efforts to definitely link demand with sales.
- THK continued to promote the "TAP 1" skills development program for sales personnel in order to improve their skills. At the same time, the Company took steps to deepen relationships with existing customers and nurture new customers. In concrete terms, THK not only focused on showcasing the unique characteristics of its products, but also worked to actively develop sales proposals inviting customers to apply THK products as an answer to specific issues.
- THK reviewed its existing sales network with a view to comprehensively incorporating a variety of factors including the attributes of regions in which customers operate, different industries as well as product fields, and sales configurations.

Production

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

General Overview

- THK strove to build a business base that is capable of withstanding global competition. To this end, the Company undertook a variety of improvement measures including the promotion of the P25 Project, which aims to strengthen the Company's earnings base.

Year ending March 31, 2016 (FY2015) Operating Activities (Plan)

Sales

- While continuing to strengthen "TAP 1" activities, THK will work diligently to uncover opportunities in such existing fields as machine tools and semiconductor production equipment. At the same time, every effort will be made to cultivate new business fields including medical equipment, aircraft, and 3D printers.
- THK will work to strengthen its marketing and strategic planning performance through a variety of measures including the effective application of customer and sales information. In this manner, the Company will strive to link its endeavors to increased sales.

Production

- THK will improve productivity by promoting a variety of measures including automation and the use of robotics across its production process. At the same time, the Company will lift its cost competitiveness by promoting in-house operations and engaging in various activities that help to improve the production process.

General Overview

- In order to increase the efficiency of its operations and improve the quality of its services, THK consolidated the operating and accounting function between certain bases in the east Japan region in April 2015. Looking ahead, THK will increase sales and definitively improve profit margins by continuing to adopt a proactive stance toward various improvement activities and further strengthening its business base.

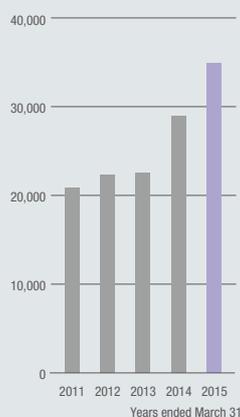
The Americas

Year-on-year Net Sales

20.6%

UP

Net Sales (Millions of yen)



Bases (As of March 31, 2015)

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

Group Companies (As of March 31, 2015)

- THK Holdings of America, L.L.C.
- THK America, Inc.
- THK Manufacturing of America, Inc.
- THK RHYTHM NORTH AMERICA CO., LTD.
- THK RHYTHM MEXICANA, S.A. DE C.V.
- THK BRAZIL INDUSTRIA E COMERCIO LTDA.

Operating Conditions and Performance Overview

Regional sales increased 20.6% year on year, to ¥34.8 billion.

In the Americas, where economies continued to expand on the back of increased capital investments supported by steady personal consumptions, the THK Group strove to expand transactions with existing customers and develop new business areas in the medical equipment, aircraft, energy-related and other fields by integrating production and sales. As a result, revenue in this region increased with sales of electronic products, machine tools and transportation equipment climbing. The Group's performance in the region was also buoyed by the continued downturn in the value of the yen compared with levels reported in the previous fiscal year.

Year ended March 31, 2015 (FY2014) Operating Activities (Results)

Sales

- With capital goods manufacturers shifting their production activities overseas, particularly to Asia, the THK Group worked diligently to uncover opportunities in fresh fields—such as the medical equipment, aircraft and energy-related areas—and to cultivate new markets, including Mexico and Canada.
- Demand in such new business fields as medical equipment, aircraft and energy-related areas is projected to be robust. Demand is also expected to grow in other new business fields including 3D printers and humanoid robots. Against this backdrop, the THK Group made every effort to aggressively undertake PR activities and participate in exhibitions while focusing on increasing net sales.

Production

- In addition to undertaking a variety of improvements across the production process, the THK Group took steps to enhance productivity and its cost competitiveness by adhering strictly to a policy of inventory management.

Year ending March 31, 2016 (FY2015) Operating Activities (Plan)

Sales

- In addition to expanding its market share by further cultivating existing customers and taking over the competition, the THK Group will review and rebuild its distribution and sales network.
- Together with efforts to cultivate new markets in such areas as Mexico and Canada, the THK Group will expand sales in new fields by participating in exhibitions and engaging in advertising and promotions across a wide range of fields.

Production

- THK will take full advantage of its position as the only company in its industry to maintain a production platform in North America. At the same time, the Company will expand its product lineup to match market needs.
- The THK Group will work to enhance productivity as well as its cost competitiveness by undertaking a variety of improvements including improving the operating skills of its employees and promoting the trend toward automation across the production process.



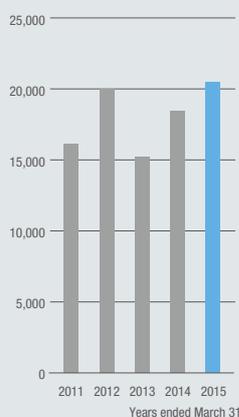
Europe

Year-on-year Net Sales

11.0%

UP

Net Sales (Millions of yen)



Bases (As of March 31, 2015)

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

Group Companies (As of March 31, 2015)

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

Operating Conditions and Performance Overview

Regional sales increase 11.0% year on year, to ¥20.4 billion.

Amid signs of an ongoing recovery in Europe, the THK Group worked diligently to deepen transactions with existing customers through integrated production and sales while aggressively engaging in sales and marketing activities in an effort to cultivate opportunities in a wide range of medical equipment, aircraft, railway-related, and other new business fields. As a result, the THK Group reported an upswing in revenue owing mainly to successful efforts to increase sales, especially to the machine tools and general machinery industries, and the favorable effects of foreign currency exchange rate movements including the year-on-year depreciation in the value of the yen.

Year ended March 31, 2015 (FY2014) Operating Activities (Results)

Sales

- In addition to further cultivating existing customers in the machine tools, general machinery, FA, robotics, and related fields, the THK Group placed particular weight on uncovering business opportunities in such areas as the medical equipment, aircraft and railway-related fields, which are projected to experience robust demand going forward.
- In order to ensure that the Group captures demand, the THK Group worked beyond Western Europe and upgraded and expanded its distribution and sales network in Eastern Europe and Russia, which is expected to witness demand growth.

Production

- Amid the growing entry into the European market by competitor manufacturers from Asia, the THK Group strove to increase its cost competitiveness by promoting increased automation across the production process and optimizing product items. At the same time, the Group took steps to engage in innovative manufacturing.

Year ending March 31, 2016 (FY2015) Operating Activities (Plan)

Sales

- In addition to deepening transaction with existing customers through PR activities including various advertising and participation in exhibitions, the THK Group will work to upgrade and expand its indirect sales network focusing mainly on cultivating new distributors.
- The THK Group will focus its sales and marketing activities toward new areas including the aircraft, railway, and household goods as well as the space and defense fields.

Production

- In addition to undertaking a variety of improvement activities across its production process, the THK Group will promote automation and the use of robotics. Through these means, the Group will endeavor to expand production output and lower manufacturing costs.



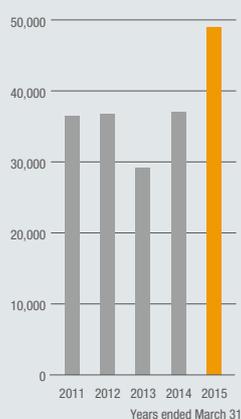
Asia and Other

Year-on-year Net Sales

32.1%

UP

Net Sales (Millions of yen)



Bases

(As of March 31, 2015)

China	Sales offices	36
	Plants	5
	R&D Center	1
Taiwan	Sales offices	3
Singapore	Sales offices	1
India	Sales offices	2
Thailand	Sales offices	1
	Plants	1
South Korea	Sales offices	13
	Plants	4
Vietnam	Plants	1
Malaysia	Plants	1

Group Companies

(As of March 31, 2015)

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

Operating Conditions and Performance Overview

Sales in Asia and other regions grew 32.1% year on year, to ¥49.0 billion.

Developing countries including China are experiencing a slowdown in their rates of economic growth. Driven by rising investments in smartphones, tablet PCs, and related areas, increased demand centered on small machine tools. In addition, amid widening areas of demand for the Group's products in China, where progress is being made in FA in the same way as in developed countries, the Group engaged in aggressive sales and marketing activities, taking full advantage of earlier efforts to bolster its sales network. In addition to these activities, revenue increased as the Group was able to bring about an upswing in net sales across a wide range of fields—including machine tools, general machinery, and transportation equipment—due to the impact of movements in foreign currency exchange rates, most notably a weaker yen compared with the previous fiscal year.

Year ended March 31, 2015 (FY2014) Operating Activities (Results)

Sales

- In addition to working to upgrade and expand its sales network in China and put in place a structure to address robust demand, including that from the ongoing progress being made in FA, the THK Group cultivated new fields and new customers.
- In Taiwan, in addition to upgrading and expanding its sales network and cultivating existing customers, the Group made progress in cultivating new fields through a variety of activities, including the promotion of the Group's seismic isolation systems to semiconductor manufacturers.
- In the ASEAN region, the THK Group introduced ASEAN Customer Support in April 2014 to build a system capable of providing support, in the Japanese language, to those Japanese companies that are entering the region. In addition, the Group made progress in cultivating new customers and in upgrading and expanding its sales network, for example by opening a sales office in Pune, India, in October 2014.

Production

- The THK Group worked diligently in every region to bolster its cost competitiveness by enhancing operational skills and productivity and promoting the local procurement of component parts.

Other

- While THK (CHINA) CO., LTD.'s technical departments collaborated with the Group's R&D operations in Japan, ongoing efforts were made in product development that reflects the local needs of developing countries.

Year ending March 31, 2016 (FY2015) Operating Activities (Plan)

Sales

- In China, in addition to the ongoing upgrade and expansion of its sales network and the cultivation of new areas and new customers, the THK Group will work to expand its market share in ball screws through the completion of its new plant at DALIAN THK CO., LTD.
- In Taiwan, in addition to efforts to expand market share in existing fields and to upgrade and expand its indirect sales network, the THK Group is working to cultivate new fields, including 3D printers and seismic isolation systems.
- In the ASEAN region, the Group will steadfastly work to capture demand, for example by ongoing extensions to the areas covered under ASEAN Customer Support. In India, in addition to such initiatives as newly establishing sales offices in Chennai and Ahmedabad in April 2015, we will upgrade and expand sales networks and cultivate new customers.

Production

- Amid plans to enhance productivity by improving operational skills and promoting automation, the Group will expand volumes and improve profitability by augmenting its production capabilities and enhancing its volume zone response.
- To respond to increases in demand over the medium-to-long-term at a global level, the Group completed a new factory at DALIAN THK CO., LTD. Covering an area approximately four times the size of the previous location, with a production area three times the size, the new plant has commenced operations. In addition, the plan is for the THK MANUFACTURING OF CHINA (CHANGZHOU) CO., LTD. which will move into the manufacture of unit products, to commence operations in the current fiscal year. The plant will capture automation demand that is expected to be robust in the years to come.

Other

- While THK (CHINA) CO., LTD.'s technical departments continue to collaborate with the Group's R&D operations in Japan, efforts will be made in product development that reflects the local needs of developing countries.

BUSINESS REVIEW: NEW BUSINESS REVIEW

ACE Division

ACE

Amenity Creation Engineering

ACE Division Overview

Guided by the concept of “developing technology to realize creative living spaces for greater comfort,” the ACE Division develops and markets seismic isolation and damping systems that protect human life and property from the threat of earthquakes. In addition, the division takes steps to promote increased use of its products and technologies in home automation-related devices, such as the sliding components of shelves in system kitchens. In its seismic isolation and damping system business, the division provides a broad lineup of products—from seismic isolation devices for high-rise buildings, low-rise residences and historical structures, such as temples and shrines, to seismic isolation platforms for servers and a variety of manufacturing equipment—by leveraging basic technologies, such as LM guides and ball screws. Amid such operating activities, the ACE Division aims to support society in fields that are closely linked to people’s everyday lives.

Operating Conditions and Business Expansion Activities

Amid a rapidly increasing general awareness of the need to implement disaster-related contingency measures, THK expects demand for seismic isolation and damping systems to continue growing over the medium-to-long-term. Especially amid the increasing awareness of the importance of business continuity plans (BCPs) following the Great East Japan Earthquake of 2011, more widespread demand is expected for seismic isolation platforms to protect specific pieces of equipment and assets essential to business operations, including servers and a variety of manufacturing equipment.

In fiscal 2014, adding to the previous adoption of seismic isolation platforms for servers, the ACE Division achieved a significant year-on-year increase in their adoption for the protection of 3D measuring equipment, diffusion furnaces and works of art. Furthermore, having recently entered the mass damper market, the ACE Division made enterprising expansion efforts toward their adoption in such areas as automated warehouses and precision instruments.

Continuing to promote the considerable benefits of THK’s seismic isolation and damping technologies to architectural firms and homebuilders, the ACE Division will expand its sales network, for example in the systems integrator and medical fields. In addition, while planning technological improvements in collaboration with other divisions to steadily address the diversifying needs for seismic isolation and damping systems, the ACE Division will also expand its product lineup and work to capture overseas demand.

Product Lineup: Building Seismic Isolation Systems

Support

Linear Re-circulating Guide CLB

A seismic isolation system that combines LM guides in the shape of a cross. When supporting buildings, the CLB smoothly and easily responds to a variety of shaking motions.

Reduce

Viscous Damping System RDT

Absorbing the earthquake force transmitted to a building by using ball screws, this system reduces the shaking in response to the earthquake’s speed.

Return

Laminated Rubber for Recovery Use

Serves to return a building to its original neutral position after following earthquake-induced movement.

Product Lineup: Seismic Isolation Platforms

Seismic Isolation Module Model TGS



Model TGS isolation modules enable flexible layouts and are suitable for the partial isolation of heavy loads and seismic floor isolation.



Seismic Isolation Table Model TSD

Model TSD isolation tables are seismic isolators that function by simply installing them on the floor. They have been adopted for a wide range of applications, including servers, precision instruments, and works of art.



Microscopes



Dialysis machines



Analysis equipment



Works of art

FAI Division

FAI

Future Automotive Industry

FAI Division Overview

While engaging in the development and supply of the automotive components that support the basic functions of automobiles, the FAI Division is responding rapidly and precisely to changes in the global automotive market and targeting a global presence as an automotive parts supplier. Automobile undercarriage components that realize weight savings and are highly resistant to corrosion and abrasion, the FAI Division's mainstay link ball products are attracting keen interest from major automobile manufacturers in Japan and overseas. In 2007, RHYTHM CORPORATION (now THK RHYTHM CO., LTD.), which boasts superior forging technologies, was included in THK's scope of consolidation as a subsidiary company. While working to draw out synergies between THK RHYTHM and THK at each of the management, sales, production and technology levels, efforts were made to expand business. The division is now working to expand applications of its linear motion-related products in a variety of automobile mechanisms other than automobile undercarriage components, including next-generation steering, brakes, suspensions and interiors.

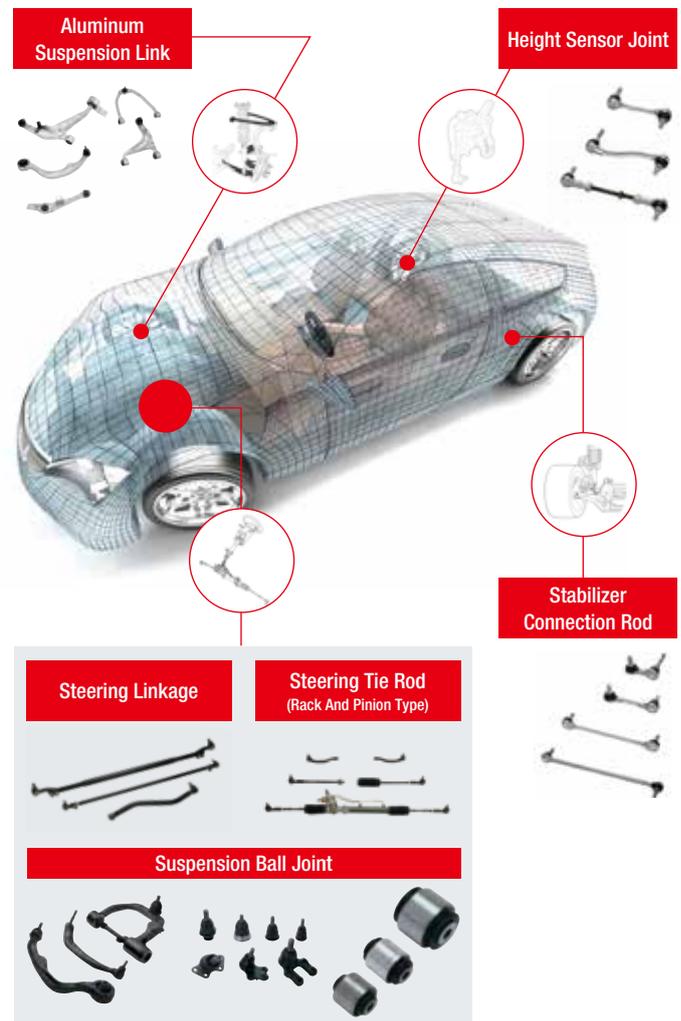
Business Environment and Business Expansion Activities

Expected in the global automotive market over the medium-to-long-term are expansion in the number of production regions and significant growth in automobile demand within emerging markets. Another key change is an ongoing trend to make automobiles lighter and more energy efficient, reflecting greater global interest in environmental protection. As a result, hybrid and electric vehicles are expected to gain in popularity.

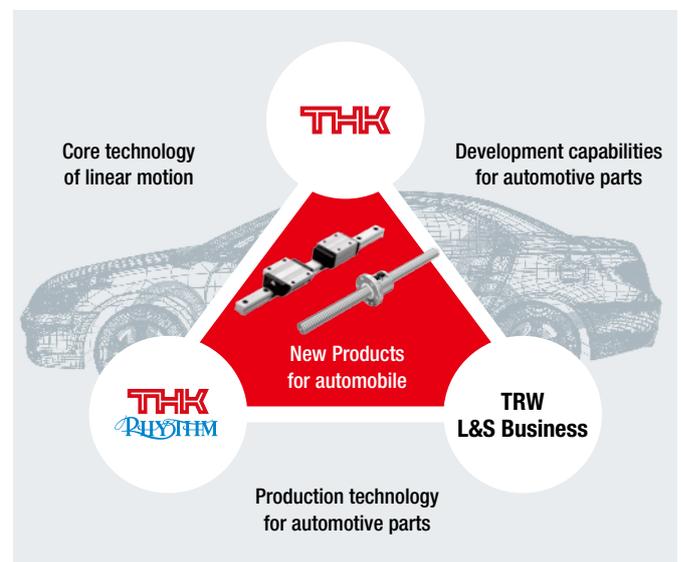
In fiscal 2014, the FAI Division worked aggressively in unison with THK RHYTHM to expand sales across the world and was able to bring about an increase in the number of adoptions for its products compared with fiscal 2013. In addition to uncovering opportunities with existing customers on an ongoing basis, the THK Group will promote business cultivation in Asia, where particularly robust demand is expected.

Following the transfer of the European and North American linkage and suspension (L&S) business from TRW Automotive Inc., the Company will benefit from the global-level strengthening of all its competencies in development, production and sales, and will work to capture further business opportunities. Moreover, adding to THK's linear core technologies, THK RHYTHM's automotive component manufacturing technologies, and TRW's development capabilities and manufacturing technologies for automotive components, the Group will be redoubling its R&D efforts to bring about the wider adoption of its linear motion products, including LM guides, which are regarded as critical automotive safety components.

Product Lineup: Transportation Equipment



To the Full-scale Application of LM Products for Automotive Parts



IMT Division

IMT

Innovation Mechatronics Technology

IMT Division Overview

Leveraging THK's original concepts and innovative technologies, the IMT Division works to expand business in electric actuators, the market for which is expected to expand in the years ahead, and THK Group unit products. The base technologies in the mechanical slider unit, one of the elements that make up an electric actuator, are LM guides and ball screws, which are THK's core products. A pioneer in LM guides and the manufacturer that leads the world in terms of the know-how accumulated in these products, THK possesses significant advantages in the market, as THK electric actuators are made up of those same high-quality LM guides and ball screws. In addition to these products, the IMT Division is planning to develop and supply optimal components for next-generation robots.

Operating Conditions and Business Expansion Activities

Against the backdrop of the advances made in recent years in enhanced productivity and diverse functionality of industrial machinery as well as the developing trend toward automation on production lines, it is believed that the significant increases in demand for actuators will continue. Of the three types of actuator—hydraulic, pneumatic and electric—it is expected that demand for the particularly energy-efficient electric actuator will rise from the environment-friendliness point of view.

In fiscal 2014, we developed new electric actuator products tailored to various applications, made deeper inroads into the capital goods industry by enterprising sales activities that integrated technologies and sales, and worked on new business development in the community and general living environment areas. In the years to come, we will continue to focus on the development of electric actuators capable of fulfilling ongoing market needs.

In the robot field, where growth is expected in the coming years, we will enterprisingly encourage developments, such as the April 2015 opening of "Risokata," our showroom for next-generation industrial robots. Moreover, naturally reinforcing our business systems in Japan, we will work on full-scale globalization in the Americas, Europe and Asia. Particularly in Asia, where market expansion is anticipated, we will vigorously work to build the foundations of a local production and sales system.

Product Lineup: Electric Actuator

Economy Series

Optimized for air cylinder replacement



Compact Series

Compact, high rigidity



Universal Series

Ideal for transport of heavy loads



Super FA Series

Optimized for high takt time operations



Clean Series

Optimized for clean environments



Multi-Axis Series

Optimized to reduce the number of processes



Press Series

Optimized for press fitting



Controller Series



Linear Motor Series

Optimized for high speed, high acceleration/deceleration, multisliders



Precision Stage Series

Optimized for mission-critical parts of equipment



"Risokata," our showroom for next-generation industrial robots

Creating even more ideal forms out of ideal forms

NEXTAGE Works
Side by Side
With People

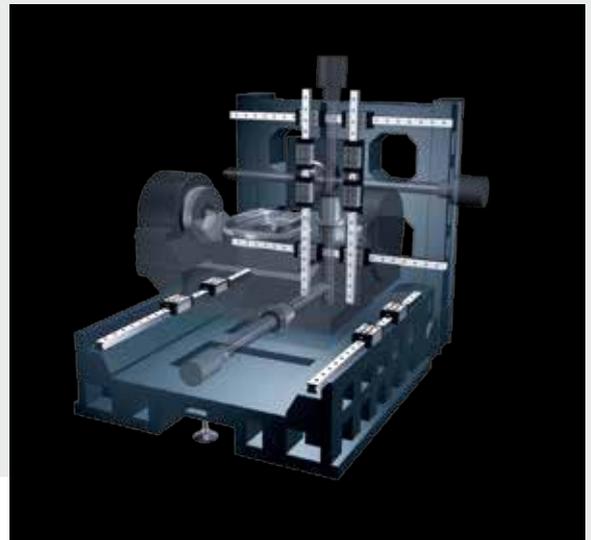


INNOVATIVE PRODUCTS

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

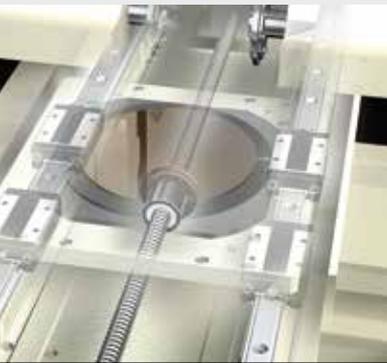
LM Guides

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



An example of use as a machine tool (machining center)





An example of use as a semiconductor production (Dicing saw)



Ball Screws

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



Electric actuators are used in medical equipment such as CT scanners



Electric Actuators

Electric actuators are hybrid products combining a guide component such as an LM guide with a ball screw, linear motor or other drive component. In industries such as electronics, there is an increasing need to shorten development and manufacturing lead-times. Modularization allows electric actuators to realize benefits such as simplified design and fewer assembly components, thus helping to meet such requirements. THK supplies a varied lineup of electric actuators ranging from basic, low-priced units to high-end components designed to operate at high speed or perform to clean-room specifications. Such advanced electric actuators have become indispensable parts in equipment used in the manufacture or inspection of semiconductors and flat-panel displays.



Used in bathing assistance equipment



Ball Splines

Developed in 1971, the same year that the Company was established, ball splines were the precursor to the LM guide. Balls roll along an R-shaped groove machined into the spline axle. This critical advance boosts the load that the device can tolerate and permits the transmission of torque, resulting in a revolutionary linear motion system. Compared with the existing configuration, which does not contain such grooves, ball splines boost the tolerable load by a factor of 13 and service life by a factor of 2,200. Today, ball splines play a number of highly functionalized roles in a variety of machines. Usage examples include industrial robots, medical equipment and chip mounters.

Cross Roller Rings

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



Usage in industrial robots



Link Balls, THK RHYTHM Products

A product that THK has manufactured along with LM guides since the time of the Company's foundation is the link ball, an automobile undercarriage component made from aluminum. Manufactured by a proprietary process, link balls are spherical joints in which a high-precision steel ball bearing forms the spherical surface. After molding a die-cast holder, the shank portions are specially welded. Using an integral molding process for the aluminum die-cast makes the link balls highly resistant to corrosion and wear due to abrasion. They are also considerably lighter than the steel parts traditionally used. Playing an important role in automobile safety and comfort, link balls have been adopted by leading automakers in the world for a number of undercarriage mechanisms, such as the joint sections connecting stabilizers to the suspension and ground clearance sensors. As adoption of link balls shifted into high gear, RHYTHM CORPORATION (now THK RHYTHM CO., LTD.), was included in THK's scope of consolidation as a subsidiary in 2007 and, as a company that was primarily involved in the manufacture of steel ball joints, developed business as an automotive parts manufacturer covering the full gamut of ball-joint products. THK RHYTHM manufactures and sells related products, such as steering, suspension, brake, engine and transmission components. In addition to its mainstay cold-forged ball joints, THK RHYTHM is currently expanding operations in the component field, with aluminum links that are integrated ball joints with aluminum suspension links. As critical automotive safety components, these products must meet the highest standards of quality and performance. Responding to market demands by offering guarantees of zero defects and zero delivery problems, THK RHYTHM is contributing to the production of safer, more comfortable automobiles.



Usage of link balls in automotive parts



Usage of THK RHYTHM products in automotive parts



RESEARCH AND DEVELOPMENT

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

THK Product Development as a Contributor to Industrial Development

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

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

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

A Global R&D System for the Next Generation

Operating primarily out of the Technology Center located in Tokyo, THK’s R&D activities are undertaken by the elite minds working at the ACE, FAI and IMT divisions, with a particular focus on the Engineering Division. In addition to mainstay LM systems, a task force composed of members of these divisions is making every effort to develop innovative products targeting the mechatronics and consumer markets. Drawing on its core linear motion system technologies and know-how, THK is therefore ramping up its product development activities in such wide-ranging fields as seismic isolation and damping systems, transportation equipment, medical equipment, aircraft, and renewable energy in a bid to expand into new fields.

Turning to activities outside Japan, THK established an R&D facility with-

in the head office of THK (CHINA) CO., LTD. in Dalian, Liaoning Province in April 2010 and operates a designated R&D Center opened in April 2012. THK is building a global development system that has already completed several projects and is engaging in product development to meet diversified global needs in tandem with the Engineering and Development Division in Japan.

Product Development in Fiscal 2014: Realizing the “cubic E” Concept

Leveraging creative ideas and the Group’s unique technologies, the main theme of THK’s current R&D activities is the “cubic E” concept, which embraces the three keywords “Ecological,” “Economical” and “Endless.” Based on this theme, we continued throughout fiscal 2014 to speed up development with the aim of extending the range of applications for our technologies while at the same time seeking to develop highly original and attractive products for launch 5–10 years in the future. Major achievement in fiscal 2014 included the development of products for a number of original applications. In the industrial machinery field, and with an emphasis on ball screws and roller rings, we developed electric actuator-related new model products for use in areas where demand is projected to increase in line with the ongoing progress toward electric-powered living.

With regard to our endeavors in new business areas, the Group focused on further raising competitiveness particularly from the perspective of costs in the transportation equipment field. In this context, steps were taken to develop new crafting techniques, more compact and lightweight products as well as products for use in electric vehicles. The Group also focused attention on product development aimed at entering new markets and increasing sales in other fields including renewable energy, aircraft, robotics, construction equipment, and welfare/nursing/rehabilitation. In the renewable energy field, THK used running data from existing wind and hydroelectric power generators to develop and commence mass production/sales of optimal low-torque shaft units for wind power generators. In hydroelectric generation, we continued conducting demonstration experiments overseas and commenced such experiments at agricultural ditches in Japan. In the aviation field, THK engaged in joint development of airplane interiors with major aircraft manufacturers as well as developed rotating/sliding components for seat reclining mechanisms and table sliding components, both of which utilize the characteristically smooth movements of THK products. In the robotics field, we upgraded and expanded the lineup of “SEED Solutions,” the element/components of a robotics technology system for next-generation robots, releasing SEED drivers, SEED small-sized electric actuators, and robotic hands in such fields as factory automation (FA) and education. Moreover, we are working to expand into the industrial robotics field by developing peripheral technologies for upper-body humanoid robots. “Extra-Vehicular Activity (EVA) Support Robot Experiment on JEM (REX-J)” conducted in 2012 on the International Space Station included small ball-screw actuator-equipped robotic hands developed by THK. In recognition of its contributions to the success of this mission, THK received a certificate of appreciation from the Japan Aerospace Exploration Agency (JAXA) in July 2014.

Fiscal 2015 Policies and Initiatives

We plan to continuously focus our efforts in fiscal 2015 on the efficient development of new products with the aim of expanding applications for THK technology further. Specifically, we will pursue themes such as customer convenience while promoting designs that incorporate the potential for enhanced productivity and quality. Moreover, by conducting in tandem basic and applied development activities, we will focus on developing products that

can quickly generate commercial returns. Complementing these endeavors, and while strengthening our global development capabilities, the R&D base within THK CHINA will serve at the center of efforts to actively promote product development that addresses local market needs. The THK Group boasts a wide variety of proprietary technologies. Looking ahead, we will actively promote technological interaction between Group companies in an effort to stimulate maximum synergies through the mutual rerouting of technologies thereby leading to new product development.

MAJOR NEW PRODUCTS



Caged Roller LM Guide Model SRG ultra-long block type

In connection with its SRG caged roller LM guide, the Company introduced an ultra-long block version model. This initiative is aimed at addressing the need for higher load capacity.



Caged Ball Screw Model SDA-V

Aiming to expand its global market share in ball screws, THK offers the SDA caged ball screw compatible with DIN specifications, an industry standard in Germany. It enables high-speed motion with low noise levels and can be operated without maintenance for long periods.



DIN Standard Compliant Ball Screw Model EP/EB-V

The EP/EB-V is ball screw compatible with DIN specifications. It enables high-speed motion thanks to improved processing technology and features a wider array of shaft diameters.



High-Speed Roller Ring Model RHB/RHE

The RHB/RHE is capable of higher speeds thanks to its redesigned rolling element contact configuration. Incorporating the RHB as an inner-ring as well as an RHE outer-ring rotation configuration, the RHB/RHE realizes greater rigidity and precision than conventional models.



Electric Actuator Compact Series KSF

The KSF features a large shaft diameter ball screw, enabling high speeds and quick acceleration/deceleration with the same body size using a large rated-output motor.



Electric Actuator Linear Motor Series GLM20AP

The GLM20AP features additional high-speed specifications. Coil optimization increases the GLM20AP's maximum power output.



Electric Actuator Clean Series CKRF

Retaining the KRF's basic configuration, the CKRF features a redesigned structure suitable for clean rooms. The upper surface's strip seal keeps surface areas free from contamination.



Electric Actuator Universal Series USW-L

A new addition to the USW series, the USW-L is compatible with long-stroke, high-speed, higher load capacity conveyance. Adopting a full-cover configuration, the USW-L is designed to prevent intrusion of foreign matter from outside.



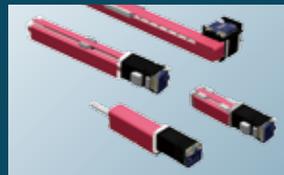
Network Unit TNU

The TNU is easy for customers to use, featuring specifications that meet telecommunication standards compatible with all major networks used in Japan.



Robotic Hand TRX

The TRX is an all-in-one general-use gripper able to hold various work pieces. Lightweight and compact, the TRX features both high efficiency and high rigidity.



Simple Actuator SEED + Picisel

The SEED + Picisel is a simple actuator that combines small-sized wireless control driver SEED Driver with compact actuator Picisel. Applying robot technologies, this model reduces wiring, enables multiple axis control, is easy to operate, and is more space saving than existing systems.

ENVIRONMENTAL PRESERVATION

As a pioneering global manufacturer of vital machinery components, the THK Group has contributed to society and economic activity via the development of linear motion systems. At the same time, we recognize our corporate social responsibility in terms of contributing to global environmental preservation efforts so that future generations inherit a healthy planet. To this end, we are engaged in various activities aimed at continuously reducing the impact on the environment as well as trying to protect and improve the natural environment.

The THK Group's Basic Policy Regarding the Environment

1. Conservation of the environment is considered a major management concern, and we are striving to accurately grasp the impact on the environment produced by the Group's business activities, products and services. Every division participates by setting relevant environmental goals.
2. In addition to following environmental laws, we set self-imposed standards for Group companies and regularly review them to improve the efficiency and effectiveness of our environmental management.
3. We will continually promote the development of products that help reduce environmental burdens.
4. We will decrease energy use associated with our business activities, while continually promoting reductions in per units of energy consumption and greenhouse gas emissions.
5. In addition to continually promoting conservation and the recycling of resources, with particular attention to reducing and recycling waste from our manufacturing divisions, we will strive to prevent pollution.
6. To promote greater unity in our environmental activities, we will provide guidance and support to our affiliates and business partners, and strive to work in cooperation and harmony with local communities.
7. This basic policy regarding the environment shall be disseminated to all divisions in the Group through education, training and activities designed to improve awareness. We will disclose information concerning the environment to parties within and outside the Group in a timely manner.

Revised on June 3, 2013

Environmental Activities and Targets

Area	Objectives and Goals	Main Activities
Energy conservation, prevention of global warming	Cut greenhouse gas emissions	<ol style="list-style-type: none"> 1. Energy diagnostics 2. Energy conservation 3. Use of clean energy
Materials conservation, zero emissions	Reduce environmental impact Achieve zero emissions	<ol style="list-style-type: none"> 1. Input controls on materials, parts and by-products 2. Controls on emissions and final waste disposal 3. Material reuse/recycling
Harmful substance controls	Eliminate and control harmful substances in THK Group production and distribution activities	<ol style="list-style-type: none"> 1. Substitution of PRTR-designated substances 2. Green procurement and purchasing
Environment-friendly products and services	Develop products and supply services using LCA (Life Cycle Assessment) methods	<ol style="list-style-type: none"> 1. Cage-embedded product series development 2. Extension of service life and maintenance-free periods

Environmental Management Systems

THK is working to acquire ISO 14001 certification for the environmental management systems at its production sites in Japan and overseas, and THK RHYTHM CHANGZHOU CO., LTD. (TRCC) in China became the latest to receive certification in fiscal 2014.

To promote Group-wide environmental activities, THK has its Risk Management Division's Environmental Management Department advance efforts to reduce environmental impact by collaborating with production, administrative and distribution divisions.

With regard to the previously cited environmental targets, the Group did not achieve that for environmental risk substances (3% year on year decrease in the amount of PRTR-designated substances handled), but was able to achieve the targets in the energy conservation and global warming prevention field (CO₂ basic unit emissions for a year-on-year reduction target of 1%) and in the material conservation and zero emissions field (zero emissions rate against a reduction target of less than 0.50%).

ISO 14001 Certified Business Locations

Business Location	Date of Certification	Certifying Body
YAMAGATA Plant		
KOFU Plant	December 17, 2010 (Registration renewal date)	JQA
YAMAGUCHI Plant		
MIE Plant		
GIFU Plant		
THK RHYTHM NORTH AMERICA CO., LTD. (USA)	June 13, 2001	SQA
THK RHYTHM CO., LTD. Headquarters / HAMAMATSU Plant	December 20, 2001	JIA
THK RHYTHM KYUSHU Plant	December 20, 2002	JIA
THK Manufacturing of America, Inc. (USA)	July 14, 2003	QMI
THK Manufacturing of Europe S.A.S. (France)	February 3, 2004	AFAQ
THK NIIGATA CO., LTD.	October 21, 2005	JQA
THK RHYTHM CO., LTD. INASA Plant	December 20, 2006	JIA
THK MANUFACTURING OF CHINA (WUXI) CO., LTD. (China)	January 7, 2008	CQC
DALIAN THK CO., LTD. (China)	December 18, 2008	TUV
THK MANUFACTURING OF CHINA (LIAONING) CO., LTD. (China)	January 12, 2010	TUV
THK RHYTHM (THAILAND) CO., LTD. (Thailand)	July 9, 2010	URS
THK RHYTHM GUANGZHOU CO., LTD. (China)	December 9, 2010	SGS
THK RHYTHM MALAYSIA Sdn. Bhd. (Malaysia)	October 25, 2011	DQS GmbH
THK INTECHS CO., LTD. MISHIMA / SENDAI Plants	March 21, 2013	ClassNK
THK RHYTHM CHANGZHOU CO., LTD. (China)	March 17, 2015	BUREAU VERITAS

Environment-friendly Plant Commences Operations

Having come on stream in 1996 as THK's first production base in China, DALIAN THK CO., LTD. commenced the operation of its new plant, built to keep pace with business expansion, in February 2015. Naturally, the new plant brings improvements in productivity, and by following an environment-friendly plant concept, the plant was painstakingly designed with full consideration given to environmental aspects. These ranged from the hard aspects, including the plant's buildings, ancillary and production facilities, to the flow lines within the plant site, the production control methods and the impact the plant places on the local area.

From the environmental preservation standpoint, the plant reduces environmental impact on the local air and soil to the greatest extent possible by the installation of such facilities as LPG-fired steam boilers and large-scale water purification tanks. In addition, the working environment is kept clean, making the plant a pleasant and comfortable workplace for its employees.

From the standpoint of saving energy, the latest inverter air-conditioning systems have been installed in preparation for the weather in Dalian, where it gets very cold in winter, and LED lighting equipment has been fitted throughout almost all the plant, administrative offices and dormitories. In addition, the company has installed a range of environment-friendly facilities, can ascertain the operational status of equipment throughout the plant thanks to a central monitoring system, and is working on the efficient utilization of resources, including electric power, water and types of gas.



LPG-fired steam boilers



LED Lights (Plant)

CORPORATE GOVERNANCE AND INTERNAL CONTROLS

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

Basic Stance on Corporate Governance

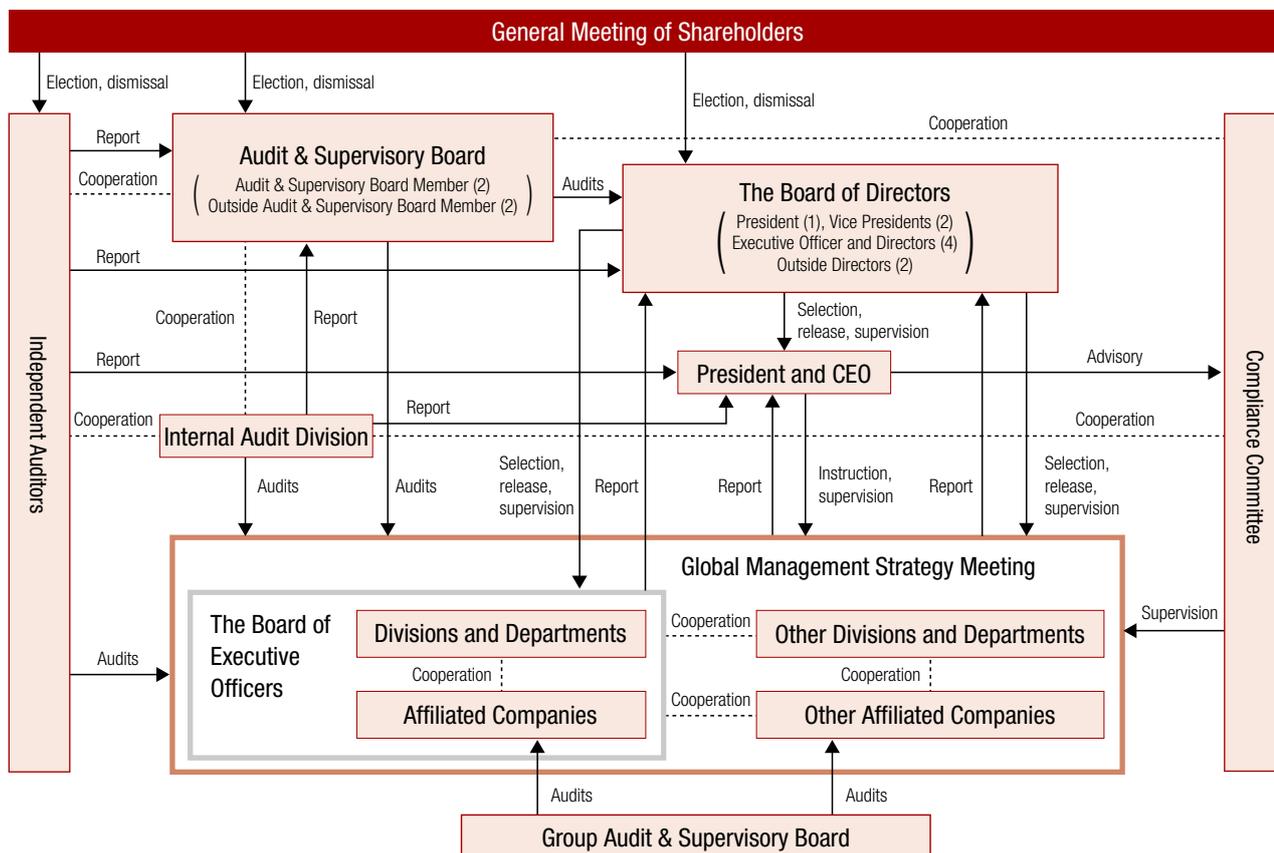
THK's basic stance on corporate governance is that, from the perspective of maximizing shareholder returns, the Company aims to boost the transparency of management to shareholders while at the same time striving to achieve proper and efficient management.

A company with a Board of Auditors, THK's management organizations are based on a Board of Directors and a Audit & Supervisory Board that include outside directors and Audit & Supervisory Board Members, respectively. With effect from June 21, 2014, the Company is introducing an executive officer system in conjunction with a reduction in the number of its directors. Through this move, THK is planning to enhance the management oversight function carried out by the Board of Directors, clarify roles and responsibilities with regard to operational execution, and accelerate decision making and operational execution.

Comprising a total of nine directors—a president, two directors with special titles, four directors who also serve as executive officers, and two outside directors—the Board of Directors make decisions on important management

matters and carry out oversight of directors and executive officers in the execution of their duties. Having introduced an outside director who has independence from the members who make up the Board of Directors, the Company is working to further improve management oversight functions. Also with effect from June 21, 2014, the number of independent outside directors was increased from one to two, as part of the Company's efforts to ensure the neutrality, legality, and validity of management.

In order to make rapid and appropriate decisions, the Board of Directors hears and acts upon necessary information from officers and relevant internal departments. Discussions and debate are undertaken during Board of Directors' meetings with the opinions of lawyers, accountants and other third-party professionals sought as required. The Board of Directors then holds discussions on the basis of the gathered information and makes decisions on important management matters. As seen from the above, the Company is working to improve management oversight functions by having the opinions of experts, who have a third-party perspective, reflected in the Board of Directors' decision-making process, and the opinions of the two outside directors, who possess sufficient insight and a wealth of experience reflected in its



corporate management. It should also be noted that a director's term of office has been set at one year to clarify his or her management responsibilities.

Comprising a total of four Audit & Supervisory Board Members—two full-time and two part-time—Audit & Supervisory Board works to improve auditing function by strengthening the functions of Audit & Supervisory Board itself. In addition to attending Board of Directors' meetings and other important meetings, and having examined the Company's business affairs and finances, each Audit & Supervisory Board Member works on effective audits of the execution of directors' and executive officers' duties and of business execution through the exchange of views and information at Audit & Supervisory Board. The outside Audit & Supervisory Board Members conduct legitimate and pertinent audits in each of the respective fields with which they are conversant, namely financial accounting and corporate legal affairs.

Appointed by decision of the Board of Directors, executive officers will be granted authority as officials responsible for the comprehensive execution of business affairs in specific matters. The Company is working to accelerate business execution by clarifying roles and responsibilities related to the execution of executive officers' duties. It should be noted that an executive officer's term of office has also been set at one year to clarify his or her management responsibilities.

Active Disclosure of Corporate Information

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

With a view to open meetings, THK has held its General Meeting of Shareholders on a Saturday in mid-June every year since 1998, thereby avoiding the period when many shareholder meetings are clustered. Furthermore, the Company provides seating for stakeholders, including business partners, to observe the proceedings and makes efforts so that more people gain a greater understanding of the Company.



Construction and Reinforcement of a System of Internal Controls

Concentrating on comprehensive compliance, THK is implementing initiatives to reinforce internal controls as a part of efforts to strengthen its management platform. In 2008, THK introduced an internal control regulation regarding financial reporting. The entire THK Group including its subsidiaries and

affiliates is thus endeavoring to engage in ongoing efforts to facilitate a corporate structure that ensures the reliability of its financial reporting based on Japan's Financial Instruments and Exchange Law.

At the same time, the Internal Control Audit Department was established within the Internal Audit Division to evaluate the operational status and performance of internal control systems. Based on evaluations that are conducted annually, initiatives are implemented within the Internal Control Department, set up as a secretariat within the Risk Management Division, to further improve operations and performance.

In-house evaluations undertaken during fiscal 2014 on the Group's internal control systems did not detect any flaws or serious outstanding issues that required disclosure. The conclusions from these evaluations were submitted in a statutory filing on internal control to the Prime Minister of Japan (the Kanto Local Finance Bureau) in June 2015 and then disclosed.

Promotion of a Framework for Compliance

THK established the Compliance Committee in 2005 as a permanent body chaired by the President and CEO. As well as determining all policies relating to the establishment of an in-house compliance framework, the Committee reports and considers responses to any cases where employees are in breach of statutory requirements or cases of reported compliance violations. The Compliance Committee coordinates with designated legal counsel in the latter's capacity as observer to the Committee and provides a legal and appropriate response.

In addition, THK's operating divisions have all established compliance working groups reporting to the Compliance Committee, working group members being selected from each site and region. The working group members play an important role in maintaining the compliance system through a variety of measures, including the holding of voluntary study workshops on compliance at the sites and in the regions for which they are responsible, while fulfilling an advisory function covering compliance issues.

The Company has established the THK Help Line to prevent executive officers and employees from committing violations and to help ensure that swift corrective measures can be taken even in the event of a serious compliance-related problem. In fiscal 2014, seven inquiries were fielded through the THK Help Line. Each was attended to in an appropriate manner in collaboration with the relevant department.

Thorough Risk Management

With regard to the risks related to such areas as compliance, the environment, disasters, quality, information security, export controls and new forms of influenza, each responsible department within THK has formulated regulations and guidelines, organized educational and training programs as well as compiled and distributed manuals. The monitoring of and Companywide response to cross-organizational risk is the responsibility of the Risk Management Division. With regard any to newly arisen risk, the Company will promptly designate a director or executive director to be placed in charge of the response at a Board of Directors' meeting. After a large-scale earthquake has occurred, the Company will put in place a business continuity plan (BCP) that is well known to its officers and employees. The Internal Audit Division conducts audits of the risk management system.

BOARD OF DIRECTORS AND AUDIT & SUPERVISORY BOARD MEMBERS

As of June 20, 2015

Directors



Akihiro Teramachi

President and CEO



Toshihiro Teramachi

Executive Vice President



Hiroshi Imano

Executive Vice President



Nobuyuki Maki

Director and Managing Executive Officer
Senior Manager of
L&S General Promotion Office



Takashi Okubo

Director and Managing Executive Officer
Executive Vice Chairman of
THK (CHINA) CO., LTD.



Junichi Sakai

Director and Executive Officer
General Manager of
Quality Assurance Division
General Manager of ICB Center



Takashi Teramachi

Director and Executive Officer
Deputy General Manager of
IMT Division
Representative Director and President of
THK INTECHS CO., LTD.



Masaaki Kainosho

Outside Director



Masakatsu Hioki

Outside Director

Audit & Supervisory Board Members



Hideyuki Kiuchi

Audit & Supervisory Board Member



Kazunori Igarashi

Audit & Supervisory Board Member



Shizuo Watanabe

Outside Audit & Supervisory Board Member



Masatake Yone

Outside Audit & Supervisory Board Member

Executive Officers

Managing Executive Officer

Tetsuya Hayashida

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

Managing Executive Officer

Junji Shimomaki

Senior General Manager of Sales Division

Managing Executive Officer

Masato Sawada

General Manager of FAI Division
Director and Executive Vice Chairman of THK RHYTHM CO., LTD.

Managing Executive Officer

Takanobu Hoshino

General Manager of IMT Division
Director and Executive Vice Chairman of THK INTECHS CO., LTD.

Managing Executive Officer

Akihiko Kambe

Senior General Manager of Production Division
Senior General Manager of Sales Support Division

Managing Executive Officer

Kaoru Hoshide

Senior General Manager of Engineering Division

Managing Executive Officer

Masaki Sugita

Representative Director and President of THK Holdings of America, L.L.C.
Representative Director and President of THK America, Inc.

Executive Officer

Naoki Kinoshita

President of THK (CHINA) CO., LTD.

Executive Officer

Nobuaki Sugahara

General Manager of Corporate Strategy Division

Executive Officer

Junichi Kuwabara

General Manager of ACE Division

Executive Officer

Yukio Yamada

General Manager of Sales Division
General Manager of International Sales Department

Executive Officer

Sakae Ito

General Manager of Risk Management Division

Executive Officer

Hitoshi Muramoto

Representative Director and President of THK RHYTHM CO., LTD.

*Exclude concurrently serving as director

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FINANCIAL SECTION

MANAGEMENT'S DISCUSSION & ANALYSIS

Analysis of Operating Results

■ Net Sales

In fiscal 2014, ended March 31, 2015, the global economy continued to experience a moderate recovery led by the U.S. Among developed countries, signs of a modest improvement were seen in the Japanese economy, despite a drop in demand following the surge immediately prior to the consumption tax rate hike. Turning to economies in Europe, which had essentially remained stagnant, conditions continued to improve. In contrast, the rates of economic growth in China and other emerging countries slowed compared with the prior high levels.

The Group has identified "Full-Scale Globalization" and the "Development of New Business Areas" as cornerstones of its growth strategy aimed at expanding markets for its products including LM guides. Under the "Full-Scale Globalization" strategy, the Group is striving to expand its global sales network to capture demand from the growing markets in emerging countries where among other developments factory automation (FA) is under way, and in developed countries where the user base is expanding. Meanwhile, under the "Development of New Business Areas" strategy, the Group is endeavoring to increase sales from not only existing products, but also newly developed products, which are enjoying wider-spread use in such new fields as medical equipment, aircraft, robotics and renewable energy. To date the THK Group has worked diligently to strengthen its business structure. Making the most this business structure, the Group aggressively expanded sales throughout the fiscal year under review in response to the upswing in demand for machine tools as well as the increase in electronics-related demand driven by brisk investments in such mobile devices as smartphones and tablet PCs. As a result, we were able to link the growth in demand to a steady

increase in sales. In addition, the value of the yen remained lower than a year earlier, helping to push up consolidated net sales by ¥32,212 million, or 17.4%, compared with the previous year, to ¥217,678 million.

■ Cost of Sales

From a cost perspective, the Group implemented various measures aimed at improving productivity. Those measures included the P25 Project, a cross-sectional initiative designed to reinforce the Group's earnings base, which helped to successfully streamline fixed costs and lower the variable cost ratio. As a result, the cost of sales to sales ratio improved by 2.3 percentage points compared with the previous fiscal year, to 69.2%.

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

Despite an increase in net sales, the ratio of SG&A expenses to net sales declined by 1.5 percentage points compared with the previous fiscal year, to 17.7%. This was mainly due to successful efforts to reduce various expenses and increase the efficiency of operations.

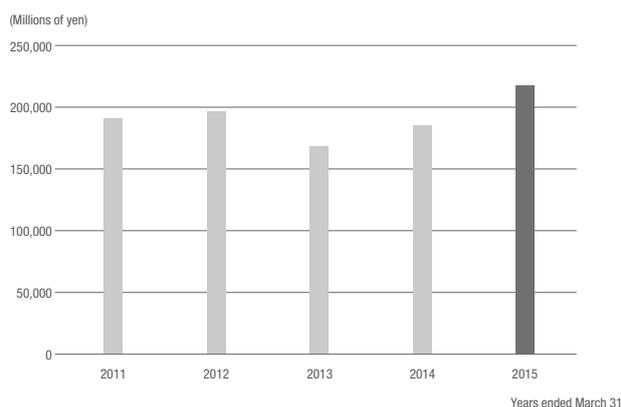
■ Operating Income

Accounting for each of the aforementioned factors, operating income increased ¥11,018 million, or 63.4%, compared with the previous fiscal year, to ¥28,388 million, and the operating margin rose 3.6 percentage points to 13.0%.

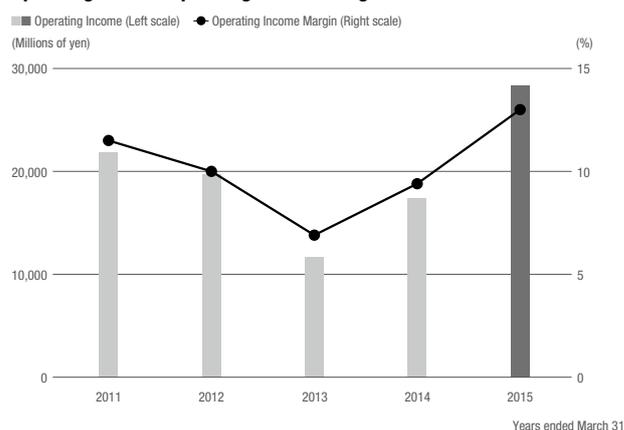
■ Non-Operating Income and Expenses

Turning to non-operating income and expenses, net non-operating income was ¥5,112 million. Major components comprised interest expenses of ¥404 million in non-operating expenses and a foreign ex-

Net Sales



Operating Income/Operating Income Margin



change gain of ¥4,089 million and equity in earnings of affiliates of ¥599 million in non-operating income.

■ Net Income

Net income for the fiscal year under review amounted to ¥22,705 million, up ¥7,114 million, or 45.6%, compared with the previous fiscal year.

Segment Information

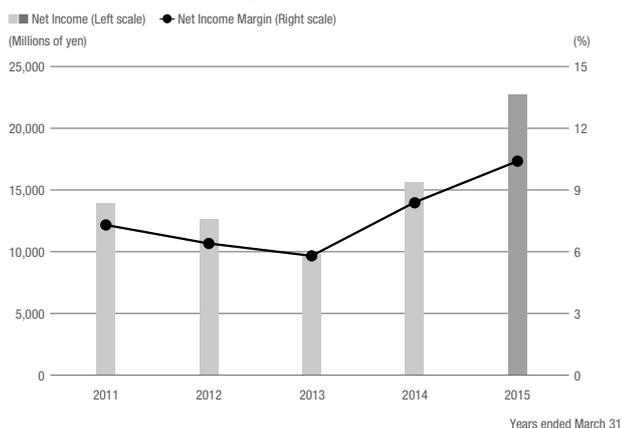
Japan

Although the Japanese economy showed signs of weakness during the first half of the fiscal year under review, due mainly to the drop in demand following the surge immediately prior to the consumption tax rate hike, a moderate recovery was seen in the second half. THK undertook aggressive sales activities to meet the increased demand for electronics products, driven by brisk investments in smartphones and tablet PCs, as well as the upswing in demand for machine tools. The Company also strove to develop new markets for seismic isolation, damping, and other systems. This resulted in an increase in net sales in such areas as machine tools, general machinery and electronics products. As a result, sales in this geographic segment came to ¥121,857 million, an increase of ¥14,421 million, or 13.4%, compared with the previous fiscal year. In addition to the effects of various cost-improvement measures such as the "P25 Project," a cross-sectional initiative aimed at reinforcing our business base, improving the efficiency of fixed expenses and lowering the ratio of variable expenses to sales, the value of the yen remained lower compared with the levels reported during the previous fiscal year. Taking these factors into consideration, operating income (segment income) rose ¥8,677 million, or 52.8%, compared with the previous fiscal year, to ¥25,111 million.

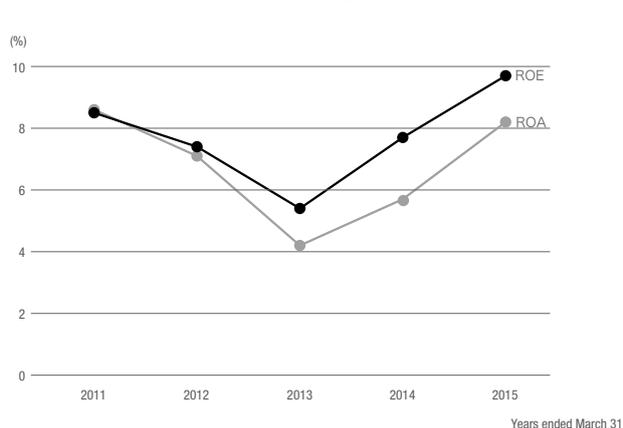
The Americas

In the Americas, where regional economies continued to expand on the back of an increase in capital investments supported by steady personal consumption, the THK Group strove to expand transactions

Net Income/Net Income Margin



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



with existing customers and to develop new business in such areas as the medical equipment, aircraft and energy-related fields by unifying production and sales. As a result of these efforts, sales in the electronics, machine tools and transportation equipment businesses increased. Coupled with the year-on-year decline in the value of the yen, sales in the Americas amounted to ¥34,642 million, an increase of ¥6,024 million, or 21.1%, compared with the previous fiscal year. Operating income (segment income) climbed ¥367 million, or 31.5%, year on year, to ¥1,534 million.

Europe

In Europe, where signs of an ongoing economic recovery were evident, the THK Group took steps to expand transactions with existing customers and to develop aggressive sales activities in a bid to explore new business opportunities in such areas as the medical equipment, aircraft and railway train-related fields by unifying production and sales. As a result, sales increased in the machine tools and general machinery businesses. Moreover, the Group's performance was buoyed by movements in the value of the yen, which continued to weaken compared with the previous fiscal year. Accounting for each of the aforementioned, sales in this geographic region were ¥20,191 million, up ¥1,899 million, or 10.4%, year on year. Operating income (segment income) grew ¥1,170 million, or 650.3%, compared with the previous fiscal year, to ¥1,350 million.

China

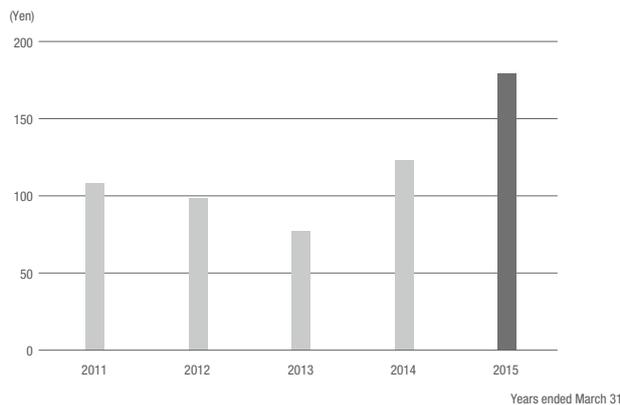
While automobile production continued to progress favorably, the rate of economic growth slowed in China compared with the high levels re-

corded in the past. Demand for the Group's products improved especially for small machine tools, driven by brisk investments in smartphones and tablet PCs. In addition, with the progress of FA in China, which has broadened the demand for THK products, energies were channeled toward engaging in aggressive sales activities while optimizing its sales network, which the Group has continued to strengthen over the past, resulting in an increase in sales across a wide range of areas including the machine tools, general machinery and transportation equipment fields. Taking into consideration these factors, sales in China came to ¥28,275 million, an increase of ¥8,417 million, or 42.4%, compared with the previous fiscal year. Operating income (segment income) rose ¥1,071 million year on year, to ¥456 million. This was mainly due to the increase in sales, which helped to secure a positive turnaround into profitability.

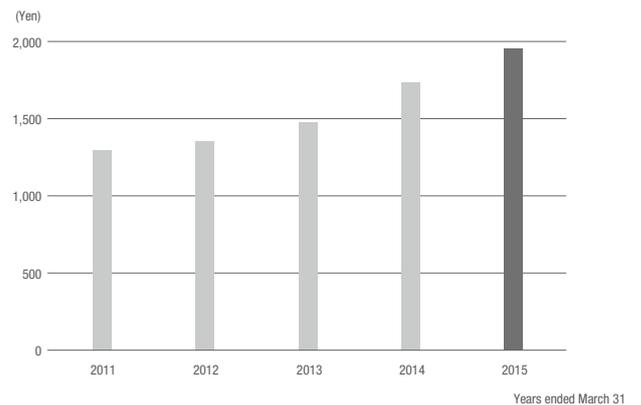
Other

In other countries and regions including Taiwan, India and the ASEAN region, demand improved mainly for small machine tools, driven by investments related to smartphones and tablet PCs. Under these circumstances, we undertook aggressive sales activities, which included setting up ASEAN Customer Support for Japanese companies that are expanding their businesses in the ASEAN region. These initiatives were aimed at expanding transactions with existing customers while cultivating new customers. Benefiting also from the year-on-year downturn in the value of the yen, sales in the other geographical segment climbed ¥1,448 million, or 12.9%, compared with the previous fiscal year, to ¥12,710 million. Operating income (segment income) advanced ¥616 million, or 91.1%, to ¥1,293 million.

Net Income per Share



Net Assets per Share



Financial Position

■ **Assets, Liabilities and Net Assets**

Assets

Total current assets stood at ¥260,414 million as of March 31, 2015, an increase of ¥32,524 million compared with the end of the previous fiscal year. Cash and cash equivalents climbed ¥16,896 million year on year, owing mainly to free cash flow and the effect of exchange differences. Reflecting higher net sales, both trade accounts and notes receivable as well as inventories grew ¥10,893 million and ¥4,208 million, respectively.

Total non-current assets stood at ¥113,196 million as of March 31, 2015, an increase of ¥4,670 million year on year. Factors contributing to the movement in non-current assets included an upswing in fixed assets, due mainly to the increase in property, plant and equipment of ¥2,893 million and growth in investments and other assets, which climbed ¥1,587 million compared with the balance as of the previous fiscal year-end. The higher balance of property, plant and equipment was attributable to capital investments of ¥9,157 million, depreciation expenses of ¥11,159 million, and exchange differences on assets denominated in foreign currencies.

Liabilities

Total liabilities came to ¥123,112 million, an increase of ¥8,844 million compared with the end of the previous fiscal year. Major movements in liabilities included an increase in trade accounts and notes payable of ¥4,142 million, reflecting the upswing in net sales, and an increase in income taxes payable of ¥1,605 million. During the fiscal year under review, THK undertook long-term borrowings of ¥10,000 million and redeemed bonds totaling ¥10,000 million. Moreover, the Company re-

classified bonds totaling ¥7,000 million, which fall due for redemption within one year, as current liabilities from long-term liabilities.

Net Assets

Total net assets stood at ¥250,498 million as of March 31, 2015, up ¥28,350 million compared with the previous fiscal year-end. In addition to net income of ¥22,705 million, this increase was largely attributable to foreign currency translation adjustments, which grew ¥10,010 million year on year.

■ **Cash Flows**

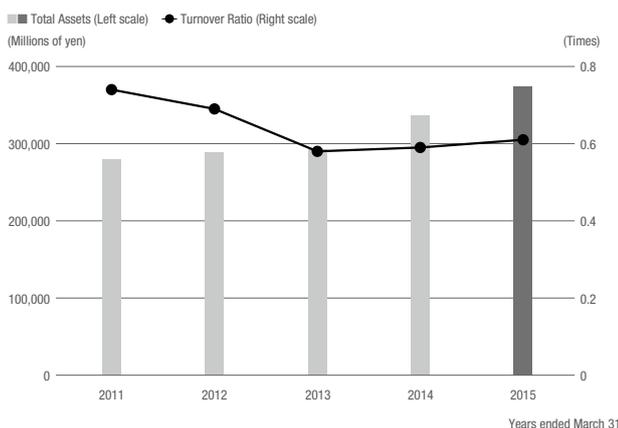
Net cash provided by operating activities came to ¥23,384 million, compared with ¥23,664 million in the previous fiscal year. Major cash outflows were the increase in accounts and notes receivable of ¥8,491 million, the increase in inventories of ¥2,430 million, and income taxes paid of ¥10,009 million. The principal cash inflows included income before income taxes and minority interests of ¥33,501 million, depreciation and amortization of ¥11,567 million, and the increase in accounts and notes payable of ¥2,643 million.

Net cash used in investing activities totaled ¥8,714 million compared with ¥9,553 million in the previous fiscal year. The primary component was purchase of property, plant and equipment.

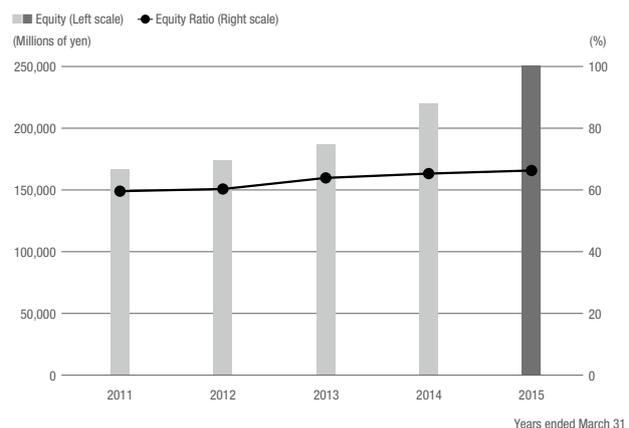
Net cash used in financing activities was ¥4,742 million compared with ¥2,790 million in the previous fiscal year. The major cash outflow was cash dividends. Meanwhile, THK undertook long-term borrowings of ¥10,000 million and redeemed bonds totaling ¥10,000 million.

Accounting for each of the aforementioned activities, cash and cash equivalents as of March 31, 2015 stood at ¥155,239 million, an increase of ¥16,896 million compared with the balance as of the end of the previous fiscal year.

Total Assets/Turnover Ratio



Equity/Equity Ratio



RISK FACTORS

Risk factors and uncertainties that could affect the THK Group's business results and financial position include, but are not limited to, the items outlined in the following discussion. Please note that information provided on this page was accurate as of June 22, 2015. Any items relating to the future are based on the best judgment of THK Group management as of this date.

Dependence on Linear Motion Systems

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

Effect of Changes in Production Trends within Specific Industries

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

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

Overseas Business Expansion

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

Exchange Rate Fluctuations

The THK Group conducts a portion of its business in foreign currencies. Accordingly, the Group attempts to hedge currency risk using forward foreign currency exchange and other instruments. Nonetheless, any significant unexpected fluctuations in foreign exchange rates have the potential to exert a negative impact on the business results and financial position of the THK Group.

Reliance on Specific Sources of Supply

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

Incidence of Defective Products

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

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

Information Security

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

Disasters, Acts of Terrorism, Infectious Diseases and Other Maladies

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

Sharp Hikes in the Prices of Raw Materials

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

CONSOLIDATED FINANCIAL STATEMENTS

THK CO., LTD. and consolidated subsidiaries

Consolidated Balance Sheets

March 31, 2015 and 2014

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2015	2014	2015
ASSETS			
Current Assets:			
Cash and cash equivalents (Note 17)	¥ 155,239	¥ 138,343	\$ 1,290,754
Receivables (Note 17):			
Trade accounts and notes receivable	61,717	51,148	513,153
—Unconsolidated subsidiaries and affiliates	1,733	1,408	14,409
Other receivables	2,163	1,098	17,984
—Unconsolidated subsidiaries and affiliates	53	683	440
	65,667	54,338	545,996
Less allowance for doubtful receivables	(145)	(131)	(1,205)
	65,522	54,206	544,790
Inventories (Note 3)	32,974	28,766	274,166
Short-term loans receivable—			
Unconsolidated subsidiaries and affiliates	—	1,000	—
Other	2	2	16
Deferred tax assets (Note 14)	3,968	3,554	32,992
Other current assets	2,707	2,017	22,507
Total current assets	260,414	227,890	2,165,244
Investments and Other:			
Investments in securities (Notes 5 and 17)	3,447	2,335	28,660
Investments in unconsolidated subsidiaries and affiliates	4,649	4,103	38,654
Net defined benefit asset (Note 7)	67	32	557
Long-term loans receivable—			
Unconsolidated subsidiaries and affiliates	—	—	—
Other	65	62	540
Deferred tax assets (Note 14)	1,171	1,367	9,736
Other investments	1,661	1,573	13,810
Total investments and other	11,062	9,474	91,976
Property, Plant and Equipment (Note 4):			
Buildings and structures	68,284	62,037	567,755
Machinery, equipment, vehicles and others	181,799	170,090	1,511,590
	250,084	232,128	2,079,354
Less accumulated depreciation	(170,212)	(157,159)	(1,415,249)
	79,871	74,968	664,097
Land	12,859	13,194	106,917
Construction in progress	5,001	6,676	41,581
Total property, plant and equipment	97,732	94,838	812,604
Intangibles:			
Goodwill	580	893	4,822
Other	3,821	3,320	31,770
Total intangibles	4,401	4,213	36,592
Total assets	¥ 373,610	¥ 336,416	\$ 3,106,427

The accompanying notes are an integral part of these statements.

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2015	2014	2015
LIABILITIES AND NET ASSETS			
Current Liabilities:			
Current portion of long-term debt (Notes 6 and 17)	¥ 7,000	¥ 10,000	\$ 58,202
Payables (Note 17):			
Trade accounts and notes payable	29,230	25,084	243,036
—Unconsolidated subsidiaries and affiliates	323	327	2,685
Other payables	5,289	1,257	43,976
—Unconsolidated subsidiaries and affiliates	152	137	1,263
	34,995	26,807	290,970
Income taxes payable	7,413	5,808	61,636
Accrued bonuses to employees	3,225	2,957	26,814
Other accrued expenses	4,968	7,172	41,307
Lease obligations	299	279	2,486
Other current liabilities	2,268	1,464	18,857
Total current liabilities	60,171	54,490	500,299
Long-term Liabilities:			
Long-term debt (Notes 6 and 17)	53,000	50,000	440,675
Reserve for directors' and corporate auditors' retirement benefits	110	127	914
Reserve for product warranty	156	149	1,297
Long-term lease obligations	330	523	2,743
Net defined benefit liability (Note 7)	4,964	4,083	41,273
Deferred tax liabilities (Note 14)	3,347	3,861	27,829
Other liabilities	1,030	1,031	8,564
Total long-term liabilities	62,940	59,777	523,322
Commitment and Contingent Liabilities (Notes 8 and 9)			
Net Assets (Note 10):			
Shareholders' equity			
Common stock			
Authorized: 465,877,700 shares; Issued: 133,856,903 shares as of March 31, 2015 and 2014	34,606	34,606	287,735
Additional paid-in capital	44,584	44,584	370,699
Retained earnings	158,463	141,474	1,317,560
Treasury stock, at cost: 7,266,746 shares and 7,263,269 shares as of March 31, 2015 and 2014, respectively	(13,943)	(13,934)	(115,930)
Total shareholders' equity	223,711	206,731	1,860,073
Accumulated other comprehensive income:			
Net unrealized gain on available-for-sale securities	1,312	801	10,908
Foreign currency translation adjustments	22,940	12,930	190,737
Remeasurements of defined benefit plans (Note 7)	(166)	(632)	(1,380)
Total accumulated other comprehensive income	24,086	13,099	200,266
Minority interests	2,701	2,317	22,457
Total net assets	250,498	222,148	2,082,797
Total liabilities and net assets	¥373,610	¥336,416	\$3,106,427

Consolidated Statements of Income

Years ended March 31, 2015 and 2014

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2015	2014	2015
Net Sales	¥217,678	¥185,466	\$1,809,911
Cost of Sales (Note 12)	150,653	132,562	1,252,623
Gross profit	67,024	52,903	557,279
Selling, General and Administrative Expenses (Notes 11 and 12)	38,636	35,533	321,243
Operating income	28,388	17,370	236,035
Non-Operating Income (Expenses):			
Interest and dividend income	548	475	4,556
Interest expenses	(404)	(801)	(3,359)
Foreign exchange gain, net	4,089	5,193	33,998
Equity in earnings of an affiliate	599	522	4,980
Rental income	363	331	3,018
Loss on sales and disposal of property, plant and equipment, net	(97)	(205)	(806)
Impairment loss (Note 4)	(432)	—	(3,591)
Subsidy income	—	591	—
Other, net	446	525	3,708
	5,112	6,633	42,504
Income before income taxes and minority interests	33,501	24,004	278,548
Income Taxes (Note 14)			
Current	11,595	8,493	96,408
Deferred	(899)	(246)	(7,474)
Total income taxes	10,695	8,246	88,924
Net income before minority interests	22,805	15,758	189,615
Minority Interests in Net Income	99	167	823
Net income	¥ 22,705	¥ 15,590	\$ 188,783

The accompanying notes are an integral part of these statements.

Consolidated Statements of Comprehensive Income

Years ended March 31, 2015 and 2014

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2015	2014	2015
Net Income before Minority Interests	¥22,805	¥15,758	\$189,615
Other Comprehensive Income (Note 15):			
Net unrealized gain on available-for-sale securities	516	53	4,290
Foreign currency translation adjustments	10,045	19,662	83,520
Remeasurements of defined benefit plans	529	—	4,398
Share of other comprehensive income of an affiliate accounted for under the equity method	187	803	1,554
Total other comprehensive income	11,280	20,519	93,788
Comprehensive Income	34,085	36,277	283,404
Attributable to:			
Shareholders of THK CO., LTD.	33,701	35,729	280,211
Minority interests	383	548	3,184

The accompanying notes are an integral part of these statements.

Consolidated Statements of Changes in Net Assets

Years ended March 31, 2015 and 2014

	Millions of yen				
	Common stock	Additional paid-in capital	Shareholders' equity		
			Retained earnings	Treasury stock, at cost	Total shareholders' equity
Balance at April 1, 2013	¥34,606	¥44,584	¥128,416	¥(13,928)	¥193,678
Cash dividends	—	—	(2,532)	—	(2,532)
Net income	—	—	15,590	—	15,590
Purchase of treasury stock	—	—	—	(6)	(6)
Disposition of treasury stock	—	0	—	0	0
Net changes of items other than shareholders' equity	—	—	—	—	—
Balance at March 31, 2014	¥34,606	¥44,584	¥141,474	¥(13,934)	¥206,731
Cumulative effect of accounting changes	—	—	(1,285)	—	(1,285)
Balance at April 1, 2014, as restated	34,606	44,584	140,189	(13,934)	205,445
Cash dividends	—	—	(4,430)	—	(4,430)
Net income	—	—	22,705	—	22,705
Purchase of treasury stock	—	—	—	(9)	(9)
Net changes of items other than shareholders' equity	—	—	—	—	—
Balance at March 31, 2015	¥34,606	¥44,584	¥158,463	¥(13,943)	¥223,711

	Millions of yen					
	Net unrealized gain on available-for-sale securities	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Accumulated other comprehensive income		Total net assets
				Total accumulated other comprehensive income	Minority interests	
Balance at April 1, 2013	¥ 740	¥ (7,131)	¥ —	¥ (6,390)	¥1,769	¥189,058
Cash dividends	—	—	—	—	—	(2,532)
Net income	—	—	—	—	—	15,590
Purchase of treasury stock	—	—	—	—	—	(6)
Disposition of treasury stock	—	—	—	—	—	0
Net changes of items other than shareholders' equity	61	20,061	(632)	19,489	548	20,038
Balance at March 31, 2014	¥ 801	¥12,930	¥(632)	¥13,099	¥2,317	¥222,148
Cumulative effect of accounting changes	—	—	—	—	—	(1,285)
Balance at April 1, 2014, as restated	801	12,930	(632)	13,099	2,317	220,862
Cash dividends	—	—	—	—	—	(4,430)
Net income	—	—	—	—	—	22,705
Purchase of treasury stock	—	—	—	—	—	(9)
Net changes of items other than shareholders' equity	510	10,010	466	10,986	383	11,370
Balance at March 31, 2015	¥1,312	¥22,940	¥(166)	¥24,086	¥2,701	¥250,498

	Thousands of U.S. dollars (Note 1)				
	Common stock	Additional paid-in capital	Shareholders' equity		
			Retained earnings	Treasury stock, at cost	Total shareholders' equity
Balance at March 31, 2014	\$287,735	\$370,699	\$1,176,303	\$(115,855)	\$1,718,890
Cumulative effect of accounting changes	—	—	(10,684)	—	(10,684)
Balance at April 1, 2014, as restated	287,735	370,699	1,165,619	(115,855)	1,708,198
Cash dividends	—	—	(36,833)	—	(36,833)
Net income	—	—	188,783	—	188,783
Purchase of treasury stock	—	—	—	(74)	(74)
Net changes of items other than shareholders' equity	—	—	—	—	—
Balance at March 31, 2015	\$287,735	\$370,699	\$1,317,560	\$(115,930)	\$1,860,073

	Thousands of U.S. dollars (Note 1)					
	Net unrealized gain on available-for-sale securities	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Accumulated other comprehensive income		Total net assets
				Total accumulated other comprehensive income	Minority interests	
Balance at March 31, 2014	\$ 6,660	\$107,508	\$(5,254)	\$108,913	\$19,264	\$1,847,077
Cumulative effect of accounting changes	—	—	—	—	—	(10,684)
Balance at April 1, 2014, as restated	6,660	107,508	(5,254)	108,913	19,264	1,836,384
Cash dividends	—	—	—	—	—	(36,833)
Net income	—	—	—	—	—	188,783
Purchase of treasury stock	—	—	—	—	—	(74)
Net changes of items other than shareholders' equity	4,240	83,229	3,874	91,344	3,184	94,537
Balance at March 31, 2015	\$10,908	\$190,737	\$(1,380)	\$200,266	\$22,457	\$2,082,797

The accompanying notes are an integral part of these statements.

Consolidated Statements of Cash Flows

Years ended March 31, 2015 and 2014

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2015	2014	2015
Cash Flows from Operating Activities:			
Income before income taxes and minority interests	¥ 33,501	¥ 24,004	\$ 278,548
Adjustments:			
Depreciation and amortization	11,567	11,101	96,175
Impairment loss	432	—	3,591
Amortization of goodwill	360	355	2,993
Interest and dividend income	(548)	(475)	(4,556)
Interest expenses	404	801	3,359
Foreign exchange gain, net	(4,460)	(4,744)	(37,083)
Equity in earnings of an affiliate	(599)	(522)	(4,980)
Loss on sales and disposal of property, plant and equipment, net	104	205	864
Changes in assets and liabilities:			
Increase in accounts and notes receivable	(8,491)	(3,810)	(70,599)
Increase in inventories	(2,430)	(1,478)	(20,204)
Increase in accounts and notes payable	2,643	1,975	21,975
Increase in provisions	242	345	2,012
Increase in net defined benefit liability	99	38	823
Other, net	491	859	4,082
Subtotal	33,317	28,656	277,018
Interest and dividend received	524	626	4,356
Interest paid	(447)	(765)	(3,716)
Income taxes paid	(10,009)	(4,852)	(83,221)
Net cash provided by operating activities	23,384	23,664	194,429
Cash Flows from Investing Activities:			
Purchase of property, plant and equipment and intangibles	(9,445)	(10,797)	(78,531)
Proceeds from sales of property, plant and equipment	198	260	1,646
Increase in investments in securities, unconsolidated subsidiaries and affiliates	(427)	(16)	(3,550)
Increase in loans receivable	(7)	(7)	(58)
Collection on loans receivable	1,026	1,007	8,530
Other, net	(58)	0	(482)
Net cash used in investing activities	(8,714)	(9,553)	(72,453)
Cash Flows from Financing Activities:			
Repayment of long-term debt	(10,000)	(20,000)	(83,146)
Proceeds from long-term debt	10,000	20,000	83,146
Cash dividends	(4,425)	(2,525)	(36,792)
Cash dividends to minority shareholders	(24)	(3)	(199)
Purchase of treasury stock	(9)	(6)	(74)
Proceeds from sales of treasury stock	—	0	—
Repayment of lease obligations	(283)	(254)	(2,353)
Net cash used in financing activities	(4,742)	(2,790)	(39,427)
Foreign Currency Translation Adjustments on Cash and Cash Equivalents	6,968	11,054	57,936
Net Increase in Cash and Cash Equivalents	16,896	22,375	140,483
Cash and Cash Equivalents at Beginning of Year	138,343	115,967	1,150,270
Cash and Cash Equivalents at End of Year	¥155,239	¥138,343	\$1,290,754

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 ¥120.27 to U.S.\$ 1, the approximate rate of exchange prevailing in Tokyo on March 31, 2015, have been used for the translation of the accompanying consolidated financial statements as of March 31, 2015 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 33 subsidiaries as of March 31, 2015 and 36 subsidiaries as of March 31, 2014. The consolidated financial statements for the years ended March 31, 2015 and 2014 include the accounts of the Company and its 30 (33 in 2014) consolidated subsidiaries (collectively, "the Group"). Investments in the remaining three subsidiaries including THK Brasil LTDA are not consolidated and stated at cost, because these companies are small in size and if these companies had been consolidated, the effect on the consolidated financial statements would not have been significant.

(Changes in the scope of consolidation)

For the year ended March 31, 2015

Changes in the scope of consolidation

for the year ended March 31, 2015 were as follows:

THK RHYTHM KYUSHU CO., LTD. and THK RHYTHM MEXICANA ENGINEERING, S.A. DE C.V. were absorbed into THK RHYTHM CO., LTD. and THK RHYTHM MEXICANA, S.A. DE C.V., respectively, and Beldex Korea Corporation was liquidated during the year ended March 31, 2015, and accordingly, these three companies were deconsolidated as of March 31, 2015, although the accompanying consolidated statements of income and consolidated statements of cash flows include the operating results and cash flow activities through the date of termination.

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

The fiscal year closing date of 23 overseas consolidated subsidiaries, excluding THK India Pvt. Ltd., is December 31. In consolidating these accounts, financial statements as of and for the year ended December 31 are used after making necessary adjustments for consolidation to the significant intercompany transactions during the period between January 1 and March 31. The fiscal year closing date of other consolidated subsidiaries is March 31.

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

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

The Company had three affiliates and three unconsolidated subsidiaries as of March 31, 2015 and 2014. 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, 2015 and 2014, the Company has applied the equity method to investment in SAMICK THK CO., LTD. Investments in the remaining affiliates and unconsolidated subsidiaries (THK Brasil LTDA, etc.) are stated at cost. If the equity method had been applied to the investments in those companies, the effect on the consolidated financial statements would not have been significant.

(b) Translation of Foreign Currency Financial Statements

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

(c) Inventories

Inventories, except for work in process, are stated at cost determined principally by the gross average method. Work in process for ordered products is stated at cost determined principally by the

specific identified cost method. If acquisition cost of an inventory exceeds its net selling value, the carrying amount of such inventory is written down to its net selling value and the difference is charged to income.

(d) Financial Instruments

Securities

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

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

Derivatives

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

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

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

(e) Property, Plant and Equipment

Property, plant and equipment of the Company and its domestic consolidated subsidiaries are depreciated mainly using the declin-

ing-balance method, whereas the straight-line method or accelerated methods are mainly applied to those of foreign subsidiaries. However, buildings, except for building attachments, acquired by the Company and its domestic consolidated subsidiaries on or after April 1, 1998 are depreciated using the straight-line method.

The range of useful lives is principally from 5 to 50 years for buildings and structures and from 4 to 12 years for machinery, 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) Allowance for Doubtful Receivables

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

(h) Accrued Bonuses to Employees

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

(i) Reserve for Directors' and

Corporate Auditors' Retirement Benefits

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

(j) Reserve for Product Warranty

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

(k) Lease

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

(l) Accounting for Employees' Retirement Benefits

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 (Mainly 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) Asset Retirement Obligations

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

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

(n) Foreign Currency Translation

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

(o) Consumption Taxes

Japanese consumption taxes are levied at the flat rate of eight percent and five percent for the years ended March 31, 2015 and 2014, respectively, on all domestic consumption of goods and services, with certain exemptions. The consumption taxes received by the Company and domestic subsidiaries on sales are excluded from net sales but are recorded as a liability. The consumption taxes paid by the Company and domestic subsidiaries on purchases of goods and services are excluded from costs or expenses but are recorded as an asset. The net balance of liability after offsetting against assets is included in "Other current liabilities" in the consolidated balance sheets.

(p) Income Taxes

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

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

(q) Cash and Cash Equivalents

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

(r) Per Share Information

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

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

Diluted net income per share reflects the potential dilution that could occur if securities were exercised or converted into common stock. Diluted net income per share of common stock assumes full

conversion of the outstanding convertible notes and bonds at the beginning of the year (or at the time of issuance) with an applicable adjustment for related interest expense, net of tax, and full exercise of outstanding warrants.

(s) Accounting Changes

Effective March 31, 2015, the Company applied the provisions stated in the main clause of Paragraph 35 of the Accounting Standard for Retirement Benefits (ASBJ Statement No. 26 issued on May 17, 2012) and the main clause of Paragraph 67 of Guidance on Accounting Standard for Retirement Benefits (ASBJ Guidance No. 25, revised on March 26, 2015). Accordingly, the Company has reviewed calculation methods for retirement benefit obligations and service costs, changed the method of attributing projected benefit obligations to periods from a straight-line basis to a benefit formula basis and changed the determination method of the discount rate from the method of using the discount rate based on the periods approximate to the employees' average remaining service years to the method of using a single weighted average discount rate that reflects the estimated period and amount of benefit payments in each period.

In applying Accounting Standard for Retirement Benefits, the Company followed the transitional treatment prescribed in Paragraph 37 of Accounting Standard for Retirement Benefits and the effects of the changes in the calculation methods for retirement benefit obligations and service costs were reflected in retained earnings at April 1, 2014.

As a result, net defined benefit liability increased by ¥1,663 million (\$13,827 thousand) and retained earnings decreased by ¥1,285 million (\$10,684 thousand) at April 1, 2014. The effects on operating income and income before income taxes and minority interests for the year ended March 31, 2015 were immaterial.

The effects of this change on per share information were immaterial.

(t) New Accounting Standard in Issue Not Yet Adopted **Accounting Standard for Retirement Benefits**

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

These accounting standards were revised principally concerning "Treatment for changes in parent's ownership interest in a subsidiary that do not result in a loss of control in the additional

acquisitions of shares in a subsidiary,” “Accounting for acquisition related costs,” “Transitional accounting treatments,” and “Presentation of net income and change from minority interest to non-controlling interest.”

The Company expects to apply these standards and guidance

from April 1, 2015, except for provisional accounting treatments, which are expected to be applied to business combinations to be implemented on or after April 1, 2015.

The Company is currently in the process of measuring the effects of applying these revised accounting standards and guidance.

3. Inventories

Inventories as of March 31, 2015 and 2014 comprised of the following:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Merchandise and finished goods	¥13,738	¥12,019	\$114,226
Work in process	6,184	5,185	51,417
Raw materials and supplies	13,051	11,561	108,514
Total	¥32,974	¥28,766	\$274,166

4. Long-lived Assets

The Group recognized an impairment loss on the following asset group:

Location	Use	Type	Millions of yen	Thousands of U.S. dollars
Adachi-ku, Tokyo	Assets planned to be disposed of	Land, buildings and structures	¥215	\$1,787
Ikoma, Nara	Assets planned to be disposed of	Land	216	1,795

In assessing whether there is an impairment of long-lived assets, assets are grouped basically based on managerial accounting units. Among rental properties, idle assets, those properties which the Board of Directors made a decision to dispose of and significant assets planned to be disposed of treated as an individual grouping by item.

For the asset group planned to be disposed of, the Company wrote down the book value to the recoverable amount and such

amount was recognized as an impairment loss. The breakdown of the impairment loss was ¥394 million (\$3,275 thousand) of land and ¥38 million (\$315 thousand) of buildings and structures. The recoverable amount of the asset group is measured at net selling value and assessed by the estimated sales value.

No impairment loss was recognized for the year ended March 31, 2014.

5. Investments in Securities

As of March 31, 2015 and 2014, available-for-sale securities with available fair value were as follows:

	Millions of yen		
	2015		
	Carrying amount	Acquisition cost	Net unrealized gain (loss)
Carrying amount (fair value) exceeds acquisition cost: Equity securities	¥2,861	¥1,003	¥1,858
Carrying amount (fair value) does not exceed acquisition cost: Equity securities	412	421	(9)
Total	¥3,273	¥1,424	¥1,848

	Millions of yen		
	2014		
	Carrying amount	Acquisition cost	Net unrealized gain (loss)
Carrying amount (fair value) exceeds acquisition cost: Equity securities	¥2,158	¥993	¥1,165
Carrying amount (fair value) does not exceed acquisition cost: Equity securities	2	3	(0)
Total	¥2,161	¥997	¥1,164

Thousands of U.S. dollars

	2015		
	Carrying amount	Acquisition cost	Net unrealized gain (loss)
Carrying amount (fair value) exceeds acquisition cost: Equity securities	\$23,788	\$8,339	\$15,448
Carrying amount (fair value) does not exceed acquisition cost: Equity securities	3,425	3,500	(74)
Total	\$27,213	\$11,840	\$15,365

As of March 31, 2015 and 2014, available-for-sale securities whose fair value is not reliably determinable were as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Available-for-sale securities			
Unlisted equity securities	¥173	¥173	\$1,438

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

"Acquisition cost" in the above table refers to the cost after deducting impairment losses. No impairment losses on available-for-sale securities value were recognized during the years ended March 31, 2015 and 2014.

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, 2015 and 2014.

6. Long-term Debt

Long-term debt as of March 31, 2015 and 2014 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Bank loans 0.519% due in 2019	¥10,000	¥ —	\$ 83,146
Corporate bonds issued by the Company:			
1.350% Unsecured straight bonds due in 2014	—	10,000	—
0.461% Unsecured straight bonds due in 2015	7,000	7,000	58,202
0.715% Unsecured straight bonds due in 2017	13,000	13,000	108,090
0.850% Unsecured straight bonds due in 2018	10,000	10,000	83,146
0.430% Unsecured straight bonds due in 2018	10,000	10,000	83,146
0.660% Unsecured straight bonds due in 2020	10,000	10,000	83,146
Total	¥60,000	¥60,000	\$498,877

Annual maturities of long-term debt as of March 31, 2015 are as follows:

	Millions of yen					
	2015					
	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	¥7,000	¥ —	¥13,000	¥20,000	¥ —	¥10,000
Bank loans	—	—	—	—	10,000	—
Total	¥7,000	¥ —	¥13,000	¥20,000	¥10,000	¥10,000

	Thousands of U.S. dollars					
	2015					
	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	\$58,202	\$ —	\$108,090	\$166,292	\$ —	\$83,146
Bank loans	—	—	—	—	83,146	—
Total	\$58,202	\$ —	\$108,090	\$166,292	\$83,146	\$83,146

7. 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.

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

2. Defined Benefit Plans

(1) The changes in projected benefit obligations for the years ended March 31, 2015 and 2014, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Beginning balance of projected benefit obligation	¥12,883	¥12,163	\$107,117
Cumulative effect of accounting changes	1,663	—	13,827
Restated beginning balance	14,546	12,163	120,944
Service cost	839	736	6,975
Interest cost	188	235	1,563
Actuarial differences	128	22	1,064
Retirement benefits paid	(365)	(291)	(3,034)
Other	—	17	—
Ending balance of projected benefit obligations	¥15,336	¥12,883	\$127,513

(2) The changes in plan assets for the years ended March 31, 2015 and 2014, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Beginning balance of plan assets	¥ 8,832	¥7,548	\$73,434
Expected return on plan assets	246	132	2,045
Actuarial differences	873	628	7,258
Contribution from the employer	733	727	6,094
Retirement benefits paid	(247)	(204)	(2,053)
Ending balance of plan assets	¥10,438	¥8,832	\$86,788

(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
	2015	2014	2015
Contributory defined benefit obligations	¥ 14,392	¥12,036	\$119,664
Plan assets	(10,438)	(8,832)	(86,788)
	3,953	3,204	32,867
Non-contributory defined benefit obligations	944	846	7,849
Net liability recorded in the consolidated balance sheet	¥ 4,897	¥ 4,050	\$ 40,716
Net defined benefit liability	4,964	4,083	41,273
Net defined benefit asset	(67)	(32)	(557)
Net liability recorded in the consolidated balance sheet	¥ 4,897	¥ 4,050	\$ 40,716

(4) The components of retirement benefit expenses for the years ended March 31, 2015 and 2014, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Service cost	¥ 859	¥ 736	\$ 7,142
Interest cost	188	235	1,563
Expected return on plan assets	(217)	(132)	(1,804)
Amortization of actuarial differences	(4)	50	(33)
Amortization of prior service costs	138	138	1,147
Retirement benefit expenses on defined benefit plans	¥ 965	¥1,027	\$ 8,023

(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
	2015	2014	2015
Prior service costs	¥138	¥—	\$ 1,147
Actuarial differences	750	—	6,235
Total	889	—	7,391

(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
	2015	2014	2015
Unrecognized prior service costs	¥ 1,592	¥1,730	\$ 13,236
Unrecognized actuarial differences	(1,501)	(751)	(12,480)
Total	¥ 90	¥ 979	\$ 748

(7) Plan assets

a. Components of plan assets

Plan assets consisted of the following:

	2015	2014
Debt securities	22%	22%
Equity securities	43%	40%
General account	32%	36%
Other	3%	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, 2015 and 2014, were set forth as follows:

	2015	2014
Discount rate	1.4%	2.0%
Long-term expected rate of return	2.5%	1.5%

3. Defined Contribution Plans

The amounts of the required contribution to the defined contribution plans of the Company and its consolidated subsidiaries were ¥425 million (\$3,533 thousand) and ¥405 million for the years ended March 31, 2015 and 2014, respectively.

4. Multi-Employer Plans

The amounts of the required contribution to the Welfare Pension Fund Plans of multi-employer plans which are accounted for in the same manner as defined contribution plans were ¥45 million (\$374 thousand) and ¥51 million for the years ended March 31, 2015 and 2014, respectively.

(1) Latest funding status of multi-employer plans as of March 31, 2015 and 2014

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Plan assets	¥ 45,775	¥ 43,895	\$ 380,601
Total amount of benefit obligations on pension financing calculation and minimum policy reserve	58,060	54,935	482,747
Net	¥(12,285)	¥(11,040)	\$(102,145)

(2) The Company's share of contribution to the multi-employer plans for the years ended March 31, 2015 and 2014 was 3.70% and 3.64%, respectively.

thousand) and ¥5,388 million as of March 31, 2015 and 2014, respectively, and deficit brought forward in the amounts of ¥6,497 million (\$54,020 thousand) and ¥5,651 million as of March 31, 2015 and 2014, respectively. Past service costs under the multi-employer plans are amortized on a straight-line basis over a period of 20 years. The share shown in the above note (2) does not agree with the actual Group's share of the funding status.

(3) Supplementary explanation

The amounts of "Net" shown in the above table (1) consisted of the outstanding balance of past service costs for pension financing calculation purpose in the amounts of ¥5,787 million (\$48,116

8. Committed Line of Credit

As of March 31, 2015, the Group had committed lines of credit amounting to ¥15,000 million (\$124,719 thousand). None of the committed lines of credit were used.

9. Contingent Liabilities

As of March 31, 2015, the Group had no material contingent liabilities.

10. 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, 2015 and 2014 were as follows:

The changes in the number of issued shares of common stock and treasury stock during the years ended March 31, 2015 and 2014 were as follows:

	Number of shares			
	April 1, 2014	Increase	Decrease	March 31, 2015
Outstanding shares issued: Common stock	133,856,903	—	—	133,856,903
Treasury stock: Common stock	7,263,269	3,477	—	7,266,746

An increase in treasury stock is due to acquisition of 3,477 shares of less than one share unit.

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

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

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

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

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

Year ended March 31, 2015

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

General shareholders' meeting held on June 21, 2014:

	Total amount Millions of yen (Thousands of U.S. dollars)	Per share amount Yen (U.S. dollar)	Dividend record date	Effective date
Common stock	¥1,898 million (\$15,781 thousand)	¥15.00 (\$0.12)	Mar. 31, 2014	Jun. 23, 2014

Board of Directors meeting held on November 6, 2014:

	Total amount Millions of yen (Thousands of U.S. dollars)	Per share amount Yen (U.S. dollar)	Dividend record date	Effective date
Common stock	¥2,531 million (\$21,044 thousand)	¥ 20.00 (\$0.16)	Sep. 30, 2014	Dec. 8, 2014

Year ended March 31, 2014

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

General shareholders' meeting held on June 15, 2013:

	Total amount Millions of yen	Per share amount Yen	Dividend record date	Effective date
Common stock	¥1,139 million	¥9.00	Mar. 31, 2013	Jun. 17, 2013

Board of Directors meeting held on November 7, 2013:

	Total amount Millions of yen	Per share amount Yen	Dividend record date	Effective date
Common stock	¥1,392 million	¥ 11.00	Sep. 30, 2013	Dec. 9, 2013

11. Amortization of Goodwill

Amortization of goodwill included in selling, general and administrative expenses for the years ended March 31, 2015 and 2014 were ¥360 million (\$2,993 thousand) and ¥355 million, respectively.

12. Research and Development

Research and development expenses included in cost of sales or selling, general and administrative expenses for the years ended March 31, 2015 and 2014 were ¥4,908 million (\$40,808 thousand) and ¥4,784 million, respectively.

13. Lease

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

Lease commitments under non-cancelable operating leases as of March 31, 2015 and 2014 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Due within one year	¥451	¥412	\$3,749
Due after one year	477	338	3,966
Total	¥929	¥751	\$7,724

14. Income Taxes

The Company and its domestic subsidiaries are subject to Japanese national and local income taxes which, in the aggregate, resulted in normal effective statutory tax rate of approximately 35.6% and 38.0 % for the years ended March 31, 2015 and 2014, respectively.

As of March 31, 2015 and 2014, significant components of deferred tax assets and liabilities were as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Deferred tax assets:			
Valuation loss of investments in affiliates	¥ 7,380	¥ 8,141	\$ 61,361
Net defined benefit liability	1,456	1,344	12,106
Unrealized gain on intercompany sales of inventories	1,259	830	10,468
Loss on devaluation of inventories	1,024	885	8,514
Tax loss carried forward	1,008	846	8,381
Accrued bonuses to employees	996	984	8,281
Unrealized gain on intercompany sales of property, plant and equipment	602	507	5,005
Enterprise tax payable	542	442	4,506
Impairment loss	361	290	3,001
Retirement benefits payable to directors and corporate auditors	274	316	2,278
Accrued expenses	224	279	1,862
Accumulated depreciation	206	198	1,712
Loss on devaluation of investments in securities	60	66	498
Allowance for doubtful receivables	32	18	266
Other	428	422	3,558
Total	15,857	15,575	131,845
Less: valuation allowance	(9,555)	(9,684)	(79,446)
Total deferred tax assets	6,301	5,890	52,390
Deferred tax liabilities:			
Unrealized gains on available-for-sale securities	(1,791)	(2,166)	(14,891)
Unrealized gains on land revaluation	(1,215)	(1,298)	(10,102)
Depreciation	(1,335)	(1,180)	(11,100)
Special depreciation reserve for tax purpose	(28)	(42)	(232)
Other	(160)	(157)	(1,330)
Total deferred tax liabilities	(4,531)	(4,845)	(37,673)
Net deferred tax assets	¥ 1,770	¥ 1,044	\$ 14,716

A reconciliation between the normal effective statutory tax rate and the actual effective tax rate reflected in the accompanying consolidated statements of income for the years ended March 31, 2015 and 2014 was as follows:

	2015	2014
Normal effective statutory tax rate	35.6 %	38.0 %
Non-deductible items such as entertainment expenses	0.6	0.7
Non-taxable items such as dividends received	(2.6)	(3.7)
Amortization of goodwill	0.1	0.2
Equity in earnings of affiliates	(0.6)	(0.8)
Inhabitant per capita tax	0.2	0.3
Statutory tax rate difference between parent and subsidiaries	(1.2)	(1.7)
Difference of applicable effective tax rate	0.2	(1.1)
Tax credit for research and development	(1.2)	(2.0)
Special tax incentives	(1.2)	—
Valuation allowance	1.0	2.3
Investments in consolidated subsidiaries	0.8	1.9
Adjustment of the amounts of deferred tax assets due to tax rate change	0.3	0.6
Other	(0.1)	(0.3)
Actual effective tax rate	31.9 %	34.4 %

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

A new tax reform act enacted on March 31, 2015 changed the statutory tax rate to be used for the calculation of deferred tax assets and deferred tax liabilities from 35.6% to 33.1% for temporary differences to be settled from April 1, 2015 until March 31, 2016 and to 32.3% for those to be settled on or after April 1, 2016. As a result,

deferred tax assets, net of deferred tax liabilities, decreased by ¥53 million (\$440 thousand) and income taxes—deferred and net unrealized gain on available-for-sale securities increased by ¥111 million (\$922 thousand) and ¥55 million (\$457 thousand), respectively. In addition, remeasurements of defined benefit plans on accumulated other comprehensive income decreased by ¥2 million (\$16 thousand) as of March 31, 2015.

15. Other Comprehensive Income

The components of other comprehensive income for the years ended March 31, 2015 and 2014 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Net unrealized gain on available-for-sale securities:			
Gain recognized during the year	¥ 683	¥ 80	\$ 5,678
Reclassification adjustment to net income	—	—	—
Amount before tax effect	683	80	5,678
Tax effect	(167)	(26)	(1,388)
Net unrealized gain on available-for-sale securities	516	53	4,290
Foreign currency translation adjustments:			
Gain recognized during the year	10,017	19,662	83,287
Reclassification adjustment to net income	28	—	232
Amount before tax effect	10,045	19,662	83,520
Tax effect	—	—	—
Foreign currency translation adjustments	10,045	19,662	83,520
Remeasurements of defined benefit plans			
Gain recognized during the year	755	—	6,277
Reclassification adjustment to net income	134	—	1,114
Amount before tax effect	889	—	7,391
Tax effect	(359)	—	(2,984)
Remeasurements of defined benefit plans	529	—	4,398
Share of other comprehensive income of an affiliate accounted for under the equity method:			
Income recognized during the year	187	801	1,554
Reclassification adjustment to net income	—	2	—
Share of other comprehensive income of an affiliate accounted for under the equity method	187	803	1,554
Total other comprehensive income	¥11,280	¥20,519	\$93,788

16. Per Share Information

Per share information as of and for the years ended March 31, 2015 and 2014 is as follows:

	Yen		U.S. dollars
	2015	2014	2015
Net income—basic	¥ 179.36	¥ 123.16	\$ 1.49
Net assets	1,957.48	1,736.51	16.27

Diluted net income per share for the years ended March 31, 2015 and 2014 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 currency exchange risks. The Group controls these risks by utilizing forward foreign currency exchange contracts applicable to net amounts of receivables and payables denominated in foreign currencies.

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

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

Bonds and bank loans are financed for working capital or capital investment use for which the maximum redemption/repayment period is six years and one month. The Group controls interest rate risks by utilizing interest rate swap contracts.

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

(3) Risk management

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

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

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

(4) Other information

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

Financial instruments whose fair value is readily determinable as of March 31, 2015 and 2014 are as follows:

	Millions of yen		
	2015		
	Carrying amount	Fair value	Difference
Assets:			
(1) Cash and cash equivalents	¥155,239	¥155,239	¥ —
(2) Trade accounts and notes receivable	63,450	63,450	—
(3) Investments in securities			
Available-for-sale securities	3,273	3,273	—
Total	¥221,964	¥221,964	¥ —
Liabilities:			
(4) Trade accounts and notes payable	¥ 29,553	¥ 29,553	¥ —
(5) Long-term debt—Bonds	60,000	60,596	596
Total	¥ 89,553	¥ 90,150	¥596
Derivatives	¥ —	¥ —	¥ —

Notes to Consolidated Financial Statements

Millions of yen			
2014			
	Carrying amount	Fair value	Difference
Assets:			
(1) Cash and cash equivalents	¥138,343	¥138,343	¥ —
(2) Trade accounts and notes receivable	52,557	52,557	—
(3) Investments in securities			
Available-for-sale securities	2,161	2,161	—
Total	¥193,061	¥193,061	¥ —
Liabilities:			
(4) Trade accounts and notes payable	¥ 25,411	¥ 25,411	¥ —
(5) Long-term debt—Bonds	60,000	60,589	589
Total	¥ 85,411	¥ 86,000	¥589
Derivatives	¥ —	¥ —	¥ —

Thousands of U.S. dollars			
2015			
	Carrying amount	Fair value	Difference
Assets:			
(1) Cash and cash equivalents	\$1,290,754	\$1,290,754	\$ —
(2) Trade accounts and notes receivable	527,562	527,562	—
(3) Investments in securities			
Available-for-sale securities	27,213	27,213	—
Total	\$1,845,547	\$1,845,547	\$ —
Liabilities:			
(4) Trade accounts and notes payable	\$ 245,722	\$ 245,722	\$ —
(5) Long-term debt—Bonds	498,877	503,833	4,955
Total	\$ 744,599	\$ 749,563	\$4,955
Derivatives	\$ —	\$ —	\$ —

Notes:

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

(3)—Fair value of equity securities is stated at quoted market price. Fair value information of investment securities is discussed in Note 5.

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

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

Derivatives—Details and information are discussed in Note 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, 2015 and 2014 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Unlisted equity securities	¥173	¥173	\$1,438

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

Maturity analysis for financial assets as of March 31, 2015 is as follows:

	Millions of yen		Thousands of U.S. dollars	
	2015		2015	
	Due within one year	Due after one year	Due within one year	Due after one year
(1) Cash and cash equivalents	¥155,239	—	\$1,290,754	—
(2) Trade accounts and notes receivable	63,450	—	527,562	—
Total	¥218,690	—	\$1,818,316	—

Maturities of long-term debts as of March 31, 2015 are disclosed in Note 6.

18. Derivatives and Hedging Activities

The Group utilizes interest rate swap agreements to hedge interest rate risks associated with its bank loans. The Group's interest rate swaps qualify for hedge accounting and meet specific matching cri-

teria under Japanese GAAP and are not remeasured at market value but the differential paid or received under the swap agreements are recognized and included in interest expenses or income.

Fair value information of such derivatives as of March 31, 2015 and 2014 is as follows:

Millions of yen			
2015			
	Contract Amount		Fair value of derivative instruments
	Within one year	Over one year	
Interest rate swaps (fixed rate payment, floating rate receipt)	¥10,000	¥10,000	¥(63)

Thousands of U.S. dollars			
2015			
	Contract Amount		Fair value of derivative instruments
	Within one year	Over one year	
Interest rate swaps (fixed rate payment, floating rate receipt)	\$83,146	\$83,146	\$(523)

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

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

19. Segment Information

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

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

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

Segment income is computed based on operating income. The reportable segment information is prepared under the same accounting policies as discussed in Note 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.

Segment information of the Group as of March 31, 2015 and 2014 and for the years then ended is as follows:

Reportable segments

Millions of yen								
2015								
	Japan	The Americas	Europe	China	Other	Total	Adjustments	Consolidated
Sales to customers	¥121,857	¥34,642	¥20,191	¥28,275	¥12,710	¥217,678	¥ —	¥217,678
Inter-segment	46,249	30	33	4,248	1,153	51,714	(51,714)	—
Total	168,106	34,673	20,225	32,523	13,864	269,393	(51,714)	217,678
Segment profit	¥ 25,111	¥ 1,534	¥ 1,350	¥ 456	¥ 1,293	¥ 29,747	¥ (1,358)	¥28,388
Assets	¥325,681	¥60,018	¥25,929	¥73,389	¥20,160	¥505,178	¥(131,567)	¥373,610
Other items								
Depreciation and amortization	¥ 5,274	¥ 1,381	¥ 499	¥ 3,820	¥387	¥ 11,362	¥ 205	¥ 11,567
Amortization of goodwill	61	—	—	—	298	360	—	360
Investment in an affiliate accounted for under the equity method	4,442	—	—	—	—	4,442	—	4,442
Increase in property, plant and equipment and intangibles	3,695	1,639	144	4,047	630	10,157	(302)	9,855

Notes to Consolidated Financial Statements

Millions of yen

2014								
	Japan	The Americas	Europe	China	Other	Total	Adjustments	Consolidated
Sales to customers	¥107,436	¥28,618	¥18,292	¥19,857	¥11,261	¥185,466	¥ —	¥185,466
Inter-segment	39,628	13	40	3,791	709	44,182	(44,182)	—
Total	147,064	28,631	18,332	23,649	11,971	229,648	(44,182)	185,466
Segment profit (loss)	¥ 16,434	¥ 1,166	¥ 180	¥ (614)	¥ 676	¥ 17,843	¥ (472)	¥ 17,370
Assets	¥300,545	¥44,939	¥25,072	¥62,266	¥18,246	¥451,070	¥(114,653)	¥336,416
Other items								
Depreciation and amortization	¥ 5,663	¥ 1,152	¥ 469	¥ 3,366	¥ 304	¥ 10,956	¥ 144	¥ 11,101
Amortization of goodwill	61	—	—	—	294	355	—	355
Investment in an affiliate accounted for under the equity method	3,896	—	—	—	—	3,896	—	3,896
Increase in property, plant and equipment and intangibles	3,102	1,950	256	4,957	825	11,092	(642)	10,449

Thousands of U.S. dollars

2015								
	Japan	The Americas	Europe	China	Other	Total	Adjustments	Consolidated
Sales to customers	\$1,013,195	\$288,035	\$167,880	\$235,096	\$105,678	\$1,809,911	\$ —	\$1,809,911
Inter-segment	384,543	249	274	35,320	9,586	429,982	(429,982)	—
Total	1,397,738	288,293	168,163	270,416	115,273	2,239,901	(429,982)	1,809,911
Segment profit	\$ 208,788	\$ 12,754	\$ 11,224	\$ 3,791	\$ 10,750	\$ 247,335	\$ (11,291)	\$ 236,035
Assets	\$2,707,915	\$499,027	\$215,589	\$610,202	\$167,622	\$4,200,365	\$(1,093,930)	\$3,106,427
Other items								
Depreciation and amortization	\$ 43,851	\$11,482	\$ 4,148	\$ 31,761	\$ 3,217	\$ 94,470	\$ 1,704	\$ 96,175
Amortization of goodwill	507	—	—	—	2,477	2,993	—	2,993
Investment in an affiliate accounted for under the equity method	36,933	—	—	—	—	36,933	—	36,933
Increase in property, plant and equipment and intangibles	30,722	13,627	1,197	33,649	5,238	84,451	(2,511)	81,940

Sales by business

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Industrial Equipment-Related Business	¥164,722	¥135,200	\$1,369,601
Transportation Equipment-Related Business	52,956	50,265	440,309
Total	¥217,678	¥185,466	\$1,809,911

Sales by geographical area

Millions of yen						
2015						
	Japan	The Americas	Europe	China	Other	Total
Sales to customers	¥113,361	¥34,856	¥20,456	¥28,302	¥20,700	¥217,678

Millions of yen						
2014						
	Japan	The Americas	Europe	China	Other	Total
Sales to customers	¥101,052	¥28,900	¥18,427	¥19,351	¥17,734	¥185,466

Thousands of U.S. dollars						
2015						
	Japan	The Americas	Europe	China	Other	Total
Sales to customers	\$942,554	\$289,814	\$170,083	\$235,320	\$172,112	\$1,809,911

20. Subsequent Events

Appropriation of retained earnings

The following appropriation of retained earnings as of March 31, 2015 was approved at the Company's shareholders' meeting held on June 20, 2015:

	Total amount Millions of yen (Thousands of U.S. dollars)	Per share amount Yen (U.S. dollar)	Dividend record date	Effective date
Common stock	¥3,797 million (\$31,570 thousand)	¥30.00 (\$0.24)	Mar. 31, 2015	Jun. 22, 2015

Acquisition of the businesses and shares

The company resolved at the Board of Directors meeting held on April 21, 2015, and reached an agreement on the same date, to acquire the linkage and suspension business of TRW Automotive Inc. in Europe and North America and 100% shares of a TRW subsidiary.

1. Reasons of the Acquisition

The Company acquires the businesses and the shares in order to expand the functions of development, production and sales in Europe and North America regions and accordingly, to establish the global platform in addition to Asia Pacific region.

2. Sellers of business and their locations

Seller	Location
TRW Automotive U.S. L.L.C.	Portland, Michigan, U.S.A.
TRW Canada Ltd.	St. Catharines, Ontario, Canada Tillsonburg, Ontario, Canada
TRW Automotive GmbH	Gellep-Krefeld, Germany Dusseldorf, Germany

3. Name of the company to be acquired, its size, number of shares to be acquired and ownership ratio after acquisition

Name of the company to be acquired	TRW-DAS. a.s.
Location	Decice, Czech Republic
Capital	CZK 335 million
Number of shares to be acquired	335,479 shares
Ownership ratio after acquisition	100%

4. Amounts of assets and liabilities to be transferred

They have not been fixed at this moment.

5. Price of the business acquisition

Total amount is estimated to be approximately \$400 million. This includes the consideration for the shares to be acquired as noted in above

3. "Name of the company to be acquired, its size, number of shares to be acquired and ownership ratio after acquisition."

6. Timing of the business transfer and acquisition of shares

Within four months after the date of the contract

7. Financing for the payment and payment method

The payments will be financed from internal and external resources.

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying consolidated financial statements of THK CO., LTD. and its consolidated subsidiaries, which comprise the consolidated balance sheet as at March 31, 2015, and the consolidated statements of operations, comprehensive income, changes in net assets, and cash flows for the year then ended, all expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of THK CO., LTD. and its consolidated subsidiaries as at March 31, 2015, and their consolidated financial performance and their cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Emphasis of matter

We draw attention to Note 20 to the consolidated financial statements, the Company resolved at the Board of Directors meeting held on April 21, 2015, and reached an agreement on the same date, to acquire the linkage and suspension business of TRW Automotive Inc. in Europe and North America and 100% shares of a TRW subsidiary. Our opinion is not qualified in respect of this matter.

Convenience Translation

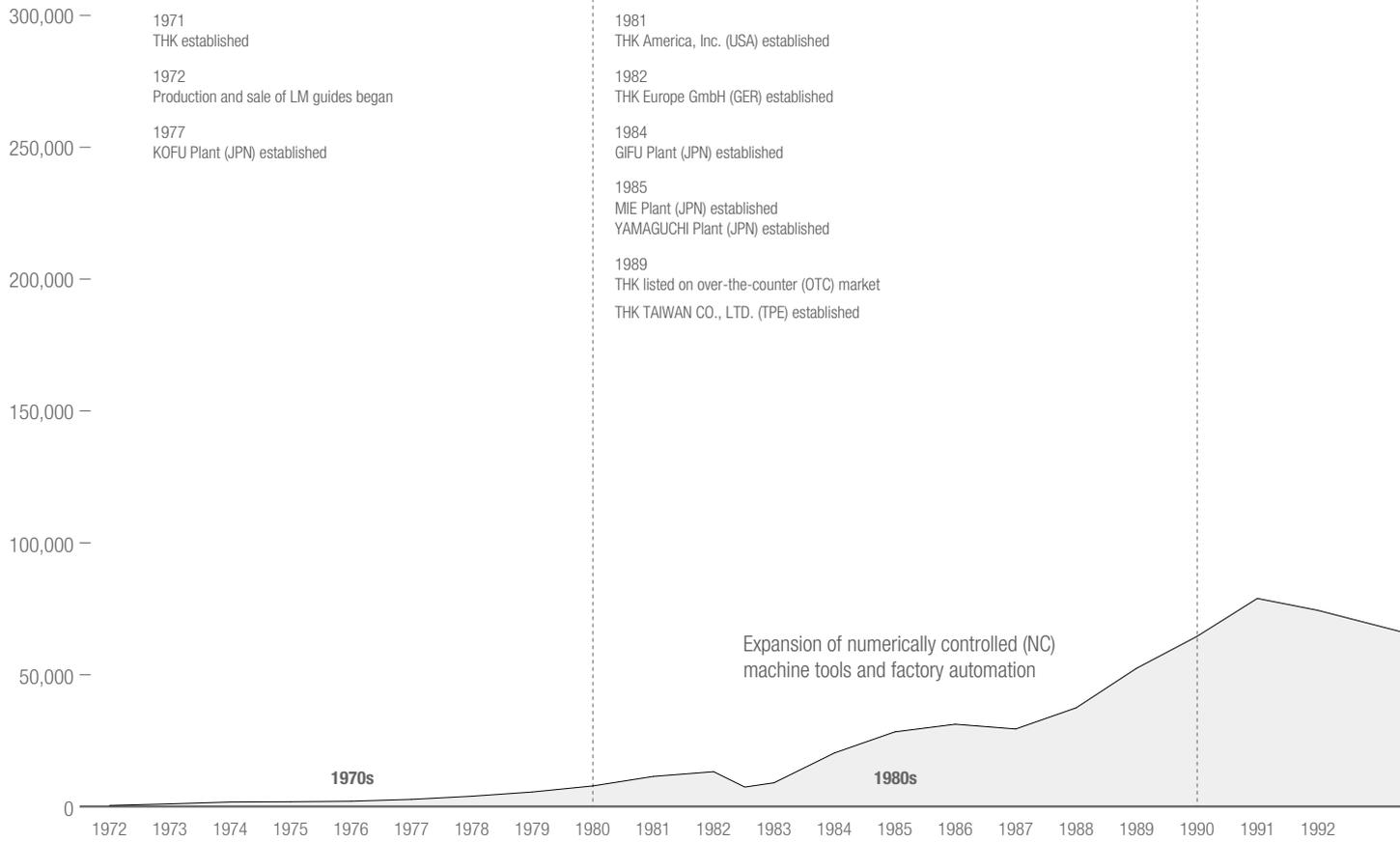
The United States dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2015 are presented solely for the convenience. Our audit also included the translation of Japanese yen amounts into United States dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.



June 22, 2015
Tokyo, Japan

CORPORATE HISTORY

Net Sales
(Millions of yen)



The 1970s: Inauguration and Initial Period of Set Up

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

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

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



Ball Splines

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

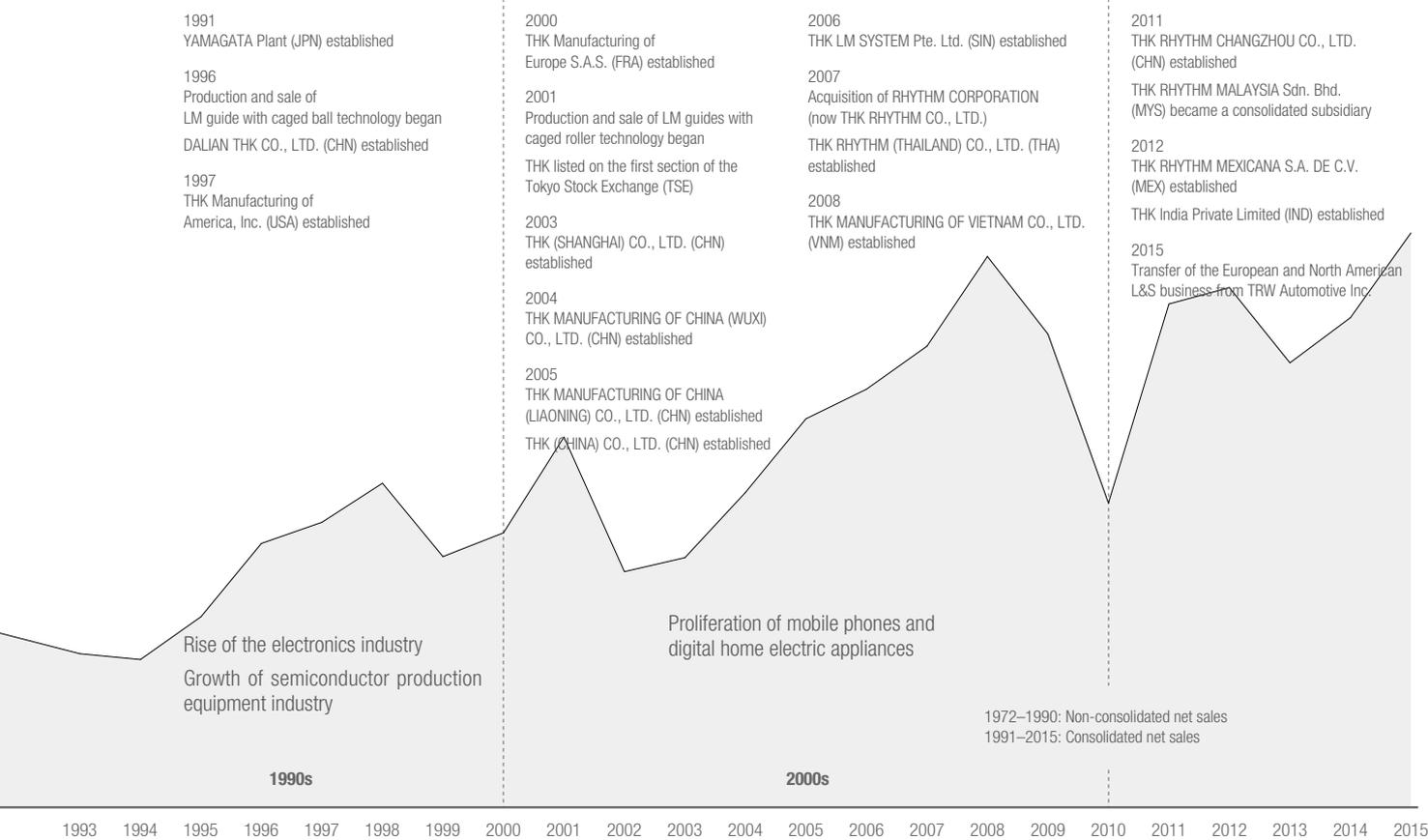
The 1980s: Significant Developments in Factory Automation (FA)

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



LM Guides

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



Years ended March 31

The 1990s:

The Rise of the Electronics Industry

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



LM Guides with Caged Ball Technology

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

Future Growth:

Expanding Business Domains by Pursuing Full-Scale Globalization and the Development of New Business Areas

In 2001, THK identified ¥300 billion in consolidated net sales, an operating margin of 20% and a return on assets (ROA) of 15% as its long-term performance targets. In order to achieve these targets, the Company is pursuing Full-Scale Globalization and the Development of New Business Areas while working to expand its business domains.

In order to promote Full-Scale Globalization, THK is building an integrated production and sales structure with facilities and operations closer to centers of demand to produce and sell locally in four areas: Japan, the Americas, Europe and Asia. The Company is continuing its trend, particularly over recent years, of upgrading and expanding its sales network while bolstering its production capabilities across newly emerging markets including China, which is projected to enjoy demand growth over the medium-to-long-term. In developed countries, THK is also working to expand its sales network in a bid to steadily capture demand amid expansion in its user base.

As a part of efforts to promote the Development of New Business Areas, THK has set up three specialist divisions: the ACE Division, which handles seismic isolation and damping systems; the FAI Division, which is responsible for activities in transportation equipment-related fields; and the IMT Division, which handles such products as electric actuators and next-generation robot-related products. At the same time, the Company is working diligently to cultivate fields in close proximity to the consumer goods sector. Moreover, use of THK's products is expanding across a variety of fields including medical equipment, aircraft, and renewable energy. Recognizing the vast potential that also exists in other areas within the consumer goods sector, the Company is honing its accumulated know-how and core linear motion system technologies nurtured over a long period and is accelerating the pace at which it develops new business fields.

SUBSIDIARIES & AFFILIATE

As of March 31, 2015

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

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

CORPORATE DATA

As of March 31, 2015

Company Profile

Head Office	3-11-6 Nishi-Gotanda, Shinagawa-ku, Tokyo 141-8503, Japan
Telephone	+81-3-5434-0351
Established	April 1971
Number of Employees	9,494 (consolidated); 3,353 (parent company)
Month of Ordinary General Meeting of Shareholders	June
URL	http://www.thk.com/
Independent Auditors	Grant Thornton Taiyo LLC.

Stock Information

Common Stock: Authorized	465,877,700 shares
Issued	133,856,903 shares
Stock Exchange Listing	Tokyo Stock Exchange (1st Section)
Stock Transfer Agent	Mitsubishi UFJ Trust and Banking Corporation
Number of Shareholders	17,223

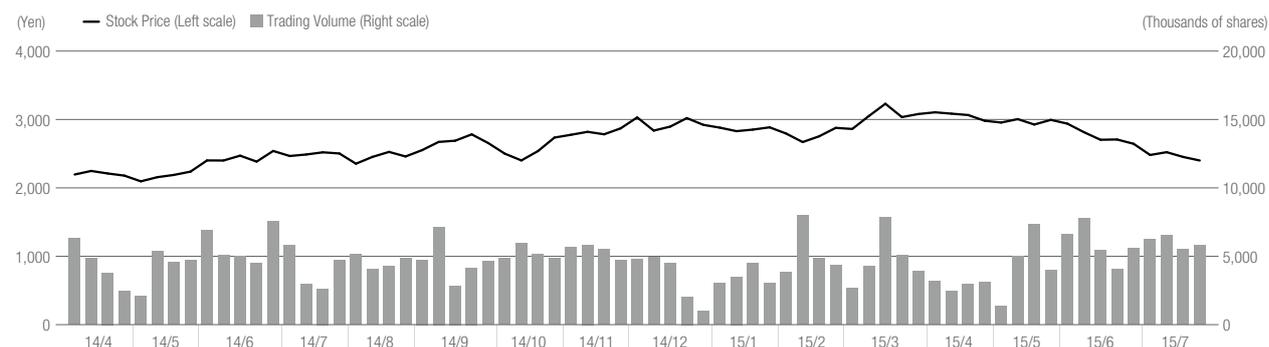
Major Shareholders

Shareholders	Number of Issued Shares Held	Shareholding Ratio (%)
Japan Trustee Services Bank, Ltd. (Trust Account)	10,486,000	7.83
THK CO., LTD.	7,263,364	5.42
The Master Trust Bank of Japan, Ltd. (Trust Account)	6,095,500	4.55
Akihiro Teramachi	3,646,610	2.72
MELLON BANK, N.A. AS AGENT FOR ITS CLIENT MELLON OMNIBUS US PENSION	3,373,389	2.52
JP MORGAN CHASE BANK 385632	2,847,772	2.12
FTC CO., LTD.	2,774,000	2.07
THE BANK OF NEW YORK 132812	2,168,100	1.61
JPMCB USA RESIDENTS PENSION JASDEC LEND 385051	1,897,400	1.41
RBC IST 15 PCT LENDING ACCOUNT—CLIENT ACCOUNT	1,651,155	1.23

Shareholder Composition

Shareholder Type	Number of Shareholders	Number of Issued Shares Held	Shareholding Ratio (%)
Financial Institutions	66	35,074,700	26.20
Securities Companies	43	2,954,362	2.21
Other Corporations	254	5,140,116	3.84
Overseas Institutions	467	67,131,634	50.15
Individuals and Others	16,392	16,292,727	12.17
Treasury Stock	1	7,263,364	5.43

Stock Price and Trading Volume





THK CO., LTD.

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