

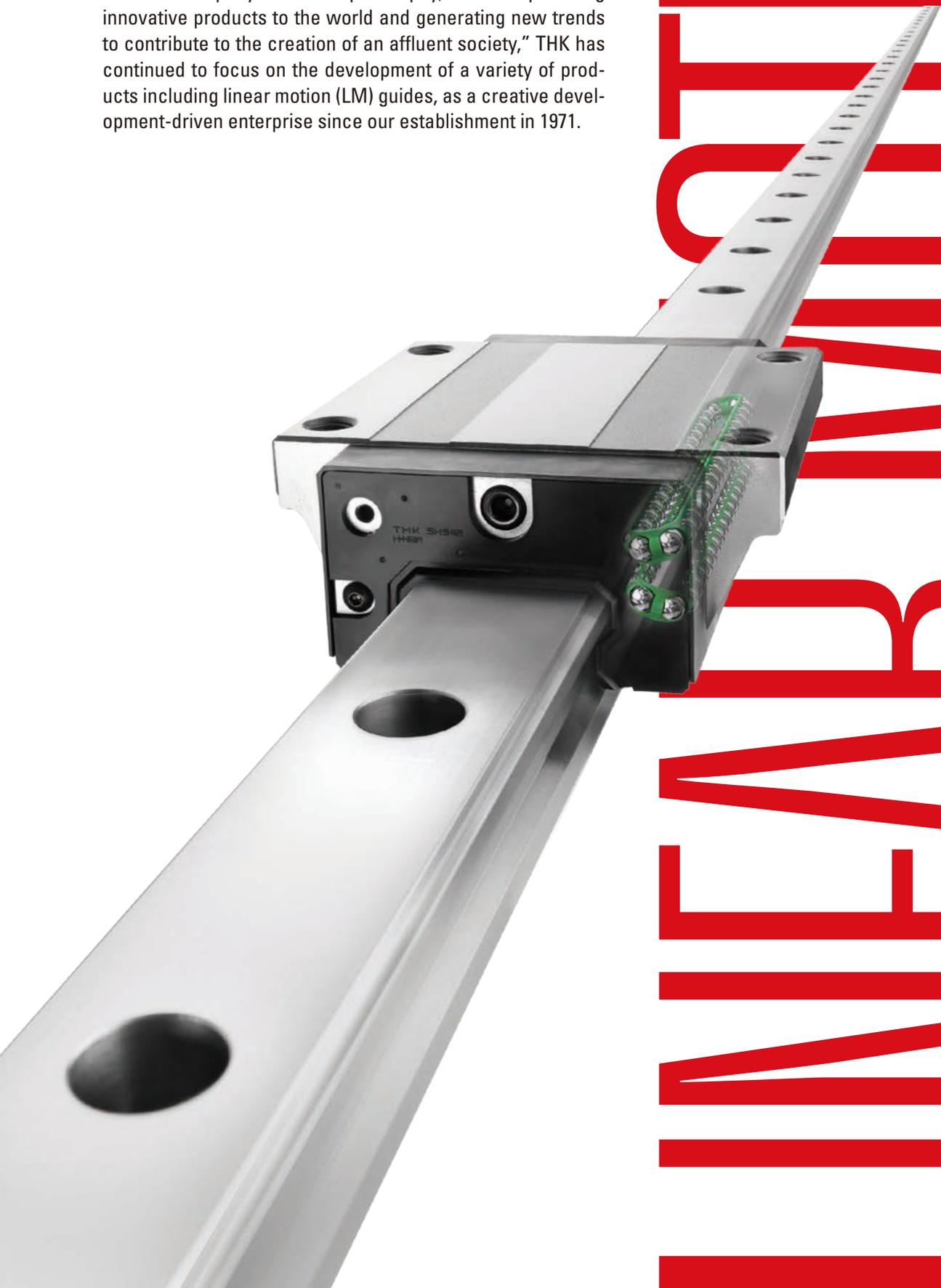
THK



Annual Report
2016

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 linear motion (LM) guides, as a creative development-driven enterprise since our establishment in 1971.



Key Characteristics

As the world's leading manufacturer in its field with a proven track record of long-standing success, THK has nurtured three key characteristics over many years. Drawing on the strengths of its corporate culture, the Company is working to further hone these key characteristics in an effort to secure long-term growth.

1. Originator of World-First Products

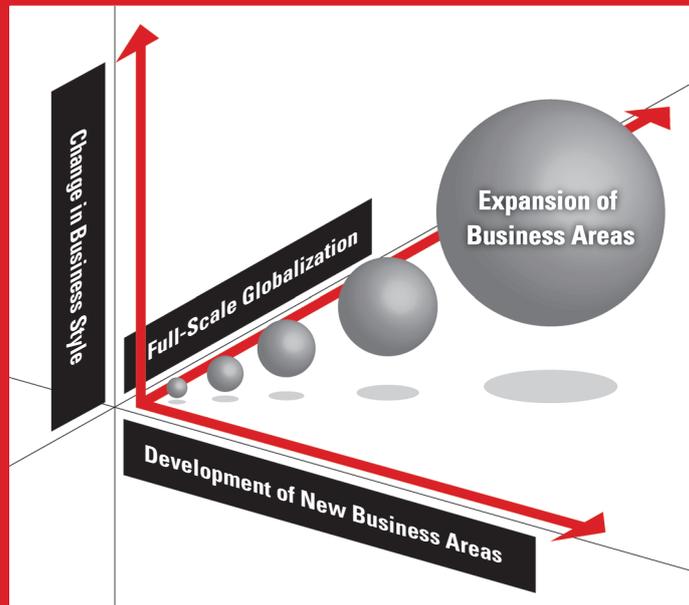
THK pioneered the development of the world's first LM guide on the back of its original concepts and innovative technologies. By providing the necessary components that help increase precision, rigidity and speed across such wide-ranging fields as machine tools and industrial robots, the Company has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

2. 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 automotive parts, seismic isolation and damping systems, medical equipment, aircraft and renewable energy-related products.

3. 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, we are directly represented in 25 countries and regions around the world. The Company is making steady progress in building a global business platform with its overseas sales ratio reaching 54% in fiscal 2015.



THK's Strategies

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 three core growth strategies of Full-Scale Globalization, the Development of New Business Areas and a Change in Business Style. While working to expand its business areas in terms of geographic regions and product applications, the Company will utilize every possible resource including IoT and AI in order to transform the way it conducts its business as well as its business framework. Moving forward, THK will then accelerate the pace of these activities.

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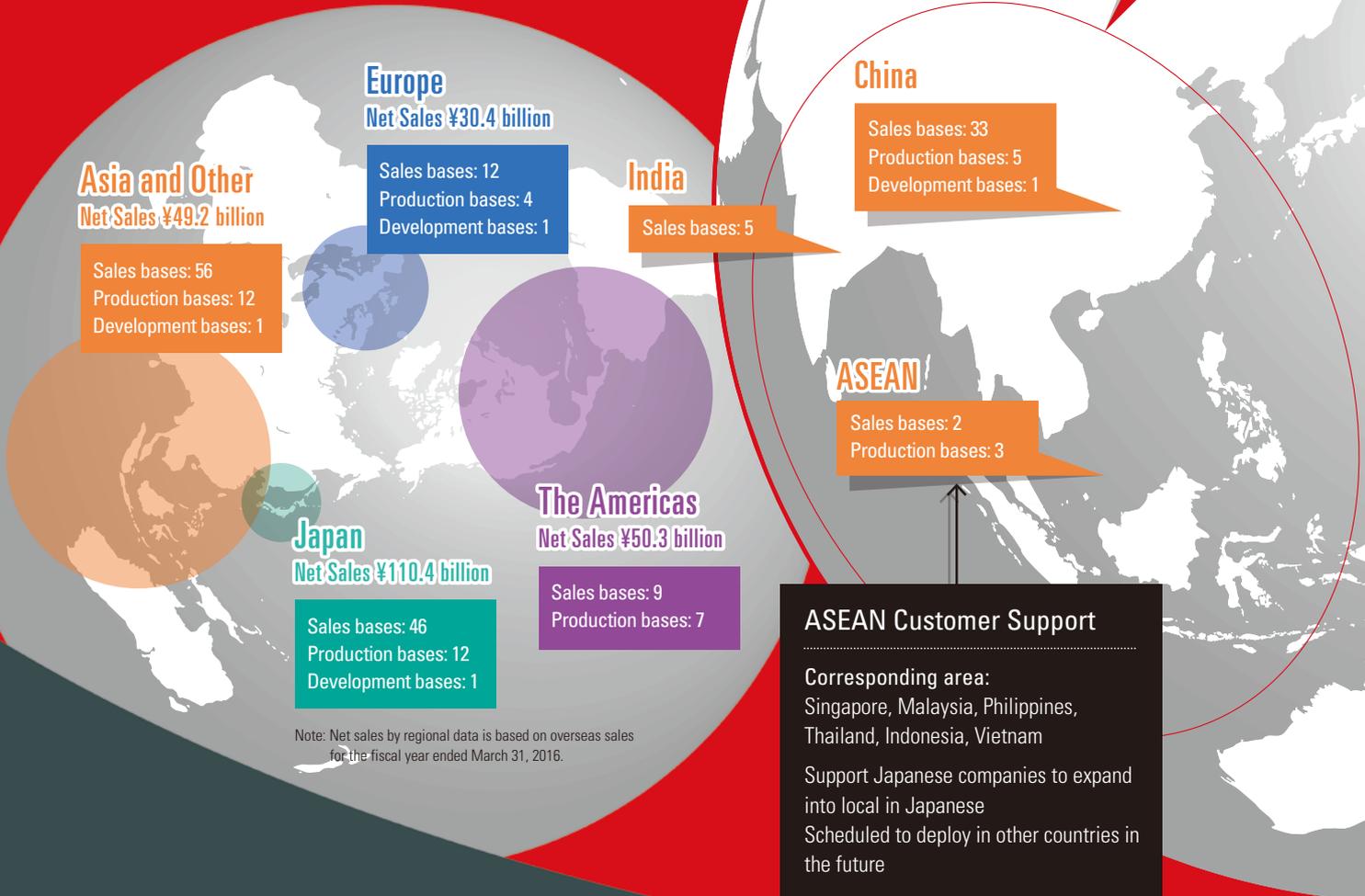
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Full-Scale Globalization

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

The most important area of enhancement of Sales Network



Note: Net sales by regional data is based on overseas sales for the fiscal year ended March 31, 2016.

Change in Business Style

To date, THK has positioned Full-Scale Globalization and the Development of New Business Areas at the heart of its strategic business development endeavors. With the continued advance of technology and the introduction of a wide range of new systems and concepts including IoT, the Company has decided to adopt an additional strategy as Change in Business Style. By thoroughly applying IoT, cloud computing, AI, and robotics, THK is transforming the way it conducts its business as well as its business framework with respect to the "what," "where," "how," and "to whom" of sales and production. In this manner, the Company is further expanding its business domain.

CHANGE

Development of New Business Areas

As a part of efforts to develop new areas, THK is ramping up its endeavors in fields that are in close proximity to the consumer goods sector including automotive parts, seismic isolation and damping systems, medical equipment, aircraft, robots, and renewable energy. Recognizing the vast potential in 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

Capital Goods

- Machine Tools
- Chip Mounting Machines
- Injection Molding Machines
- Industrial Robots
- Semiconductor Production Equipment
- FPD Production Equipment
- etc.



Consumer Goods

- Automotive Parts
- Seismic Isolation and Damping System
- Medical Equipment
- Aircraft
- Renewable Energy
- Robots
- etc.



CONSOLIDATED PERFORMANCE OVERVIEW

Years ended March 31

	2006	2007	2008	2009	2010
Net Sales*	¥ 158,412	¥ 174,710	¥ 208,708	¥ 179,269	¥ 115,330
Japan	112,244	119,513	136,321	109,566	70,295
The Americas	14,107	16,649	26,000	23,266	14,552
Europe	16,198	19,344	25,236	24,915	12,635
Asia and Other	15,861	19,203	21,150	21,520	17,846
Gross Profit	57,921	65,142	68,052	48,340	23,189
Operating Income (Loss)	27,079	31,815	26,937	8,523	(9,508)
Income (Loss) before Income Taxes	30,565	34,524	26,701	6,284	(14,510)
Net Income (Loss) Attributable to Shareholders of THK CO., LTD.	18,584	21,038	18,323	1,204	(14,300)
Total Assets	244,384	263,280	264,229	240,350	236,374
Net Assets	168,272	189,039	192,953	177,712	162,258

*Segments are based on where our customers are located.

Per Share

Net Income (Loss)—Basic	¥ 148.42	¥ 158.36	¥ 139.53	¥ 9.36	¥ (111.20)
Net Income (Loss)—Diluted	137.97	157.22	138.74	—	—
Net Assets	1,266.39	1,407.84	1,484.78	1,372.69	1,252.71
Cash Dividends	25	33	36	20	15

Number of Employees (Persons)	5,066	5,563	6,924	7,266	7,559
Overseas Sales Ratio (%)	29.1	31.6	34.7	38.9	39.0
Operating Income Margin (%)	17.1	18.2	12.9	4.8	(8.2)
Return on Equity (ROE) (%)	12.6	11.8	9.7	0.7	(8.5)
Return on Assets (ROA) (%)	11.8	12.8	10.5	3.6	(3.9)
Net Worth Ratio (%)	68.9	71.1	72.3	73.4	68.2
Asset Turnover Ratio (Times)	0.68	0.69	0.79	0.71	0.48

Notes: 1. U.S. dollar amounts represent translation of Japanese yen, for convenience only, at the rate of ¥112.69 = U.S. \$1, the approximate rate of exchange prevailing in Tokyo on March 31, 2016.

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.

4. The Accounting Standards for Business Combinations (ASBJ Statement No. 21, published on September 13, 2013) and other standards have been applied, and from fiscal 2015, "Net income" is stated as "Net Income (Loss) Attributable to shareholders of THK CO., LTD."

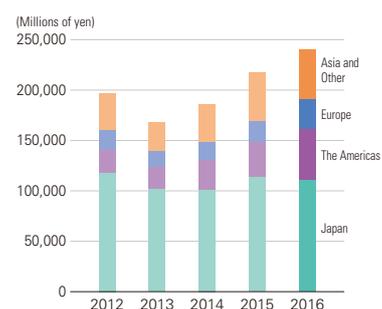
In fiscal 2015, ended March 31, 2016, net sales increased 10.5% year on year, to ¥240.4 billion.

Although the Japanese economy continued to experience a moderate recovery trend, demand for small machine tools, which had been driven by investments related to such devices as smartphones, and electronics products declined. Outside Japan, demand contracted in emerging markets including China. On a positive note, demand remained firm in such developed countries and regions as Europe and the United States. Under these circumstances, THK worked vigorously to expand sales by drawing on the results of prolonged efforts to strengthen the Company's business structure and systems. With the aim of further expanding its Automotive & Transportation Business, the European and North American linkage and suspension (L&S) business of TRW Automotive Inc. (currently a ZF Friedrichshafen AG group company) was transferred to the THK Group as of August 31, 2015. In line with this transfer, a total of four companies was included in THK's scope of consolidation as THK RHYTHM AUTOMOTIVE. In addition, the Company's results were buoyed by such factors as the year-on-year depreciation in the value of the yen. As a result, net sales increased compared with the previous fiscal year.

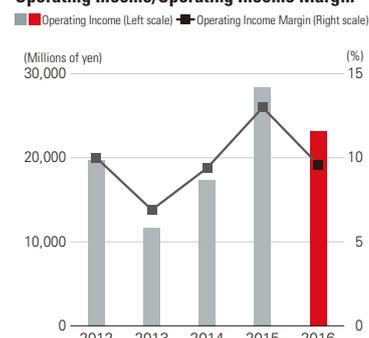
Operating income decreased 18.4% year on year, to ¥23.1 billion.

Amid an increase in net sales, THK implemented a host of cost control measures, working diligently to hold down expenses and improve the efficiency of its operations. Despite these efforts, operating income declined owing mainly to the upswing in fixed costs associated with investments geared toward promoting future growth and the incidence of acquisition-related expenses in connection with the transfer of businesses.

Net Sales



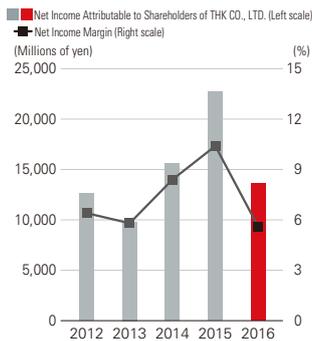
Operating Income/Operating Income Margin



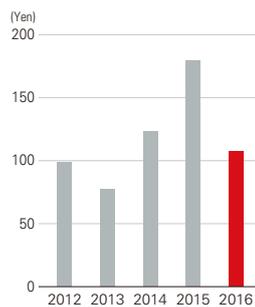
					Millions of yen	Thousands of U.S. dollars
2011	2012	2013	2014	2015	2016	2016
¥ 190,661	¥ 196,866	¥ 168,366	¥ 185,466	¥ 217,678	¥ 240,478	\$ 2,133,978
117,304	117,900	101,443	101,052	113,361	110,498	980,548
20,812	22,279	22,527	28,900	34,856	50,343	446,738
16,106	19,979	15,194	18,427	20,456	30,424	269,979
36,438	36,707	29,200	37,085	49,003	49,211	436,693
54,442	53,975	44,298	52,903	67,024	67,766	601,348
21,844	19,745	11,692	17,370	28,388	23,169	205,599
21,612	18,520	14,737	24,004	33,501	19,612	174,034
13,959	12,641	9,808	15,590	22,705	13,575	120,463
279,768	288,333	293,145	336,416	373,610	407,808	3,618,848
167,937	175,516	189,058	222,148	250,498	250,540	2,223,267

					Yen	U.S. dollars
¥ 108.55	¥ 98.31	¥ 76.96	¥ 123.16	¥ 179.36	¥ 107.24	\$ 0.95
—	—	—	—	—	—	—
1,296.52	1,352.00	1,479.41	1,736.51	1,957.48	1,953.97	17.33
16	20	18	26	50	50	0.44
8,025	8,628	8,958	9,177	9,494	11,754	
38.5	40.1	39.7	45.5	47.9	54.1	
11.5	10.0	6.9	9.4	13.0	9.6	
8.5	7.4	5.4	7.7	9.7	5.5	
8.6	7.1	4.2	5.7	8.2	6.1	
59.6	60.3	63.9	65.3	66.3	60.7	
0.74	0.69	0.58	0.59	0.61	0.62	

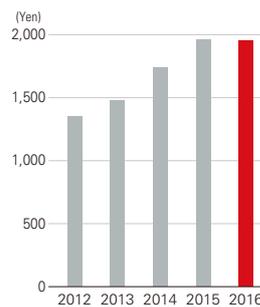
Net Income Attributable to Shareholders of THK CO., LTD./Net Income Margin



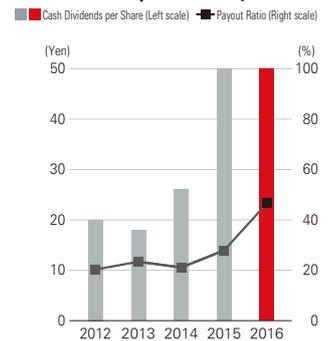
Net Income per Share



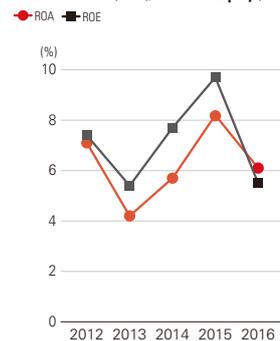
Net Assets per Share



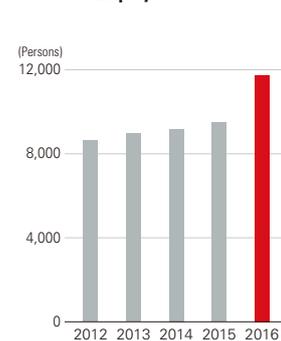
Cash Dividends per Share/Payout Ratio



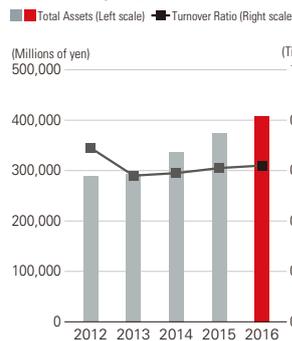
Return on Assets (ROA)/Return on Equity (ROE)



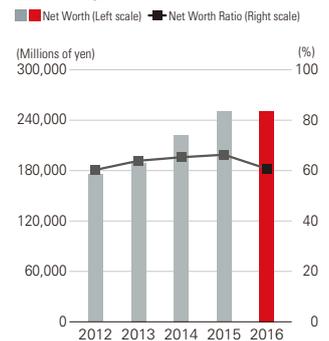
Number of Employees



Total Assets/Turnover Ratio



Net Worth/Net Worth Ratio



Targeting Further Growth under a New Growth Strategy



THK CO., LTD.
President and CEO

Akihiro Teramachi

Looking Back on Fiscal 2015

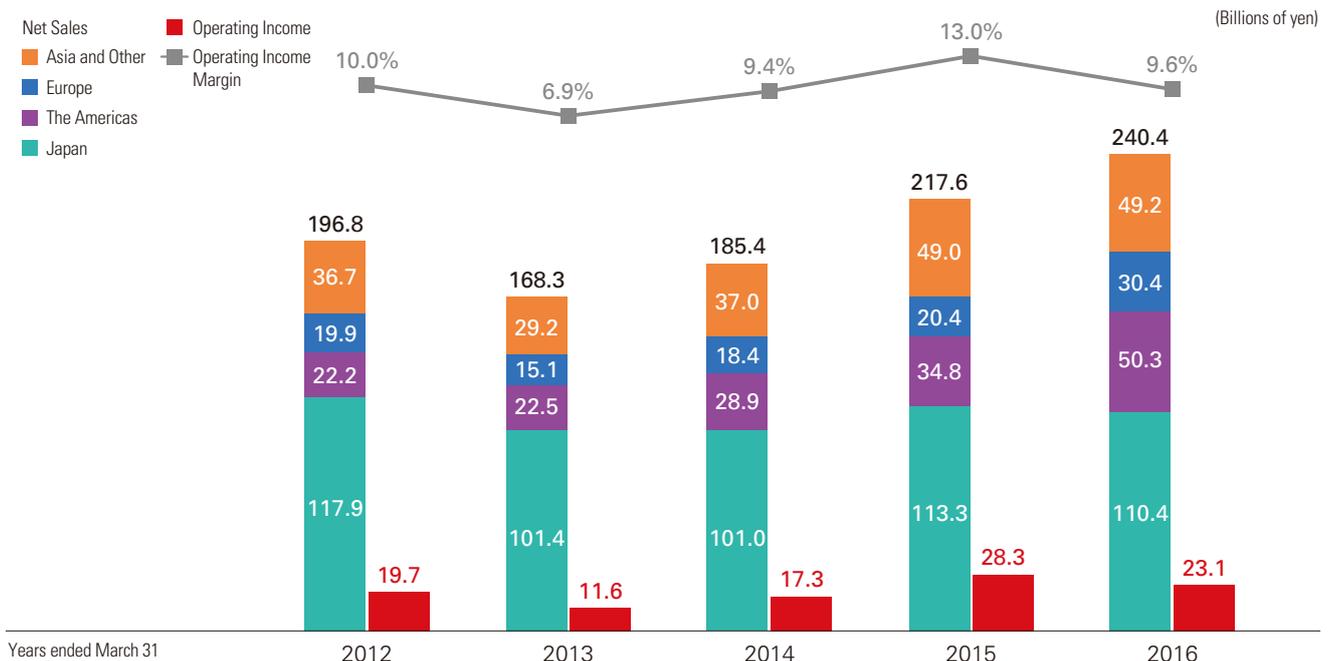
Looking at the operating environment in fiscal 2015, ended March 31, 2016, Japan experienced a moderate recovery despite the impact of a downturn in demand for small machine tools, which had been driven by smartphone-related investments, and electronic products. Outside Japan, on the other hand, demand was firm in such developed countries and regions as Europe and America. Under these circumstances, the THK Group made aggressive efforts to expand sales, harnessing its business structure, which has been reinforced to date. In a bid to bolster its Automotive & Transportation Business, the European and North American linkage and suspension (L&S) business of TRW Automotive Inc., which handles undercarriage components for automobiles, was transferred to the Company on August 31, 2015. As a result, four companies have been included in THK's scope of consolidation as THK RHYTHM AUTOMOTIVE (TRA). Furthermore, due to such factors as depreciation in the value of the yen compared with a year earlier, consolidated net sales increased 10.5% compared with the previous fiscal year, to ¥240.4 billion. Amid this increase in net sales, the Company took steps to control costs. Despite efforts to hold down a variety of expenses and to increase the efficiency of operations, fixed costs increased in line with investments geared toward future growth. THK also incurred acquisition-related expenses in connection with the transfer of businesses. As a result, operating income for the fiscal year under review decreased 18.4% year on year, to ¥23.1 billion. Meanwhile, net income attributable to shareholders of THK CO., LTD. dropped 40.2%, to ¥13.5 billion.

The THK Group has identified Full-Scale Globalization and the

Development of New Business Areas as cornerstones of its growth strategy to expand markets for the Company's products including linear motion (LM) guides. Against the backdrop of an upswing in emerging markets spurred the growing trend toward factory automation (FA), as well as user base growth in developed countries, the THK Group upgraded and expanded its sales and production structure in a bid to capture demand under its Full-Scale Globalization strategy. As a part of efforts to promote the Development of New Business Areas, particular emphasis was placed on expanding sales of both existing and newly developed products in line with an upswing in the application of the Company's products in such new business fields as automotive parts, seismic isolation and damping systems, medical equipment, aircraft, robots, and renewable energy. In addition to operating activities aimed at boosting business in each of these areas, the THK Group vigorously pushed forward a raft of improvement measures as a part of efforts to increase the efficiency of fixed costs and improve the variable expense ratio in a bid to increase profitability.

Accounting for each of these factors, net sales grew compared with the previous fiscal year buoyed mainly by the inclusion of TRA in fiscal 2015. Earnings on the other hand declined. This largely reflected the impact of fixed cost investments geared toward future growth and acquisition-related expenses in connection with the transfer of TRA on profits. However, despite the downturn in demand compared with projections at the start of the fiscal year, we are pleased with successful efforts to link the increase in sales revenue compared with revised forecasts announced in November 2015 to an

Financial Condition



TO OUR STAKEHOLDERS

upswing in operating income due mainly to the implementation of cost control measures in the short term.

In fiscal 2016, net sales is anticipated to reach ¥262.0 billion, a year-on-year increase of 8.9%. This forecast is based on our outlook of external operating conditions, the current status of orders and the expected full period 12-month contribution to sales from TRA compared with 4 months in fiscal 2015. From a profit perspective, industrial

equipment-related sales are forecast to decline. Compared with the fiscal year under review, the value of the yen is also projected to increase. Taking into consideration each of these factors, operating income is estimated to fall 9.4%, to ¥21.0 billion. Net income attributable to shareholders of THK CO., LTD. is expected to come in at ¥14.0 billion, an increase of 3.1%.

Medium-Term Management Plan

THK announced its three-year medium-term management plan in fiscal 2014. Working toward the final year of the plan, fiscal 2016, the Company has implemented a variety of measures with the aim of achieving consolidated net sales of ¥250.0 billion, operating income of ¥40.0 billion and an ROE of 10% or more. While we have made positive steps to put in place a sound platform for growth, gaps between current external operating conditions as well as internal factors and our initial assumptions in fiscal 2014 have emerged. On the internal plus side, the Group has benefited from the inclusion of TRA. However, the average rate of global economic growth has stalled at 3.2% compared with the 3.8% forecast announced by the International Monetary Fund. As of July 2016, the forecast for the rate of global economic growth in 2016 is estimated at 3.1%. Taking these factors into consideration, we are currently undertaking an internal review of our medium-term management plan. Given the uncertain nature of external operating conditions, we have decided to disclose future initiatives only.

Under these circumstances, we are conducting a review to determine where we have succeeded under our medium-term management plan, where we are yet to achieve our goals, and where we need to exert additional efforts. As far as efforts to rebuild

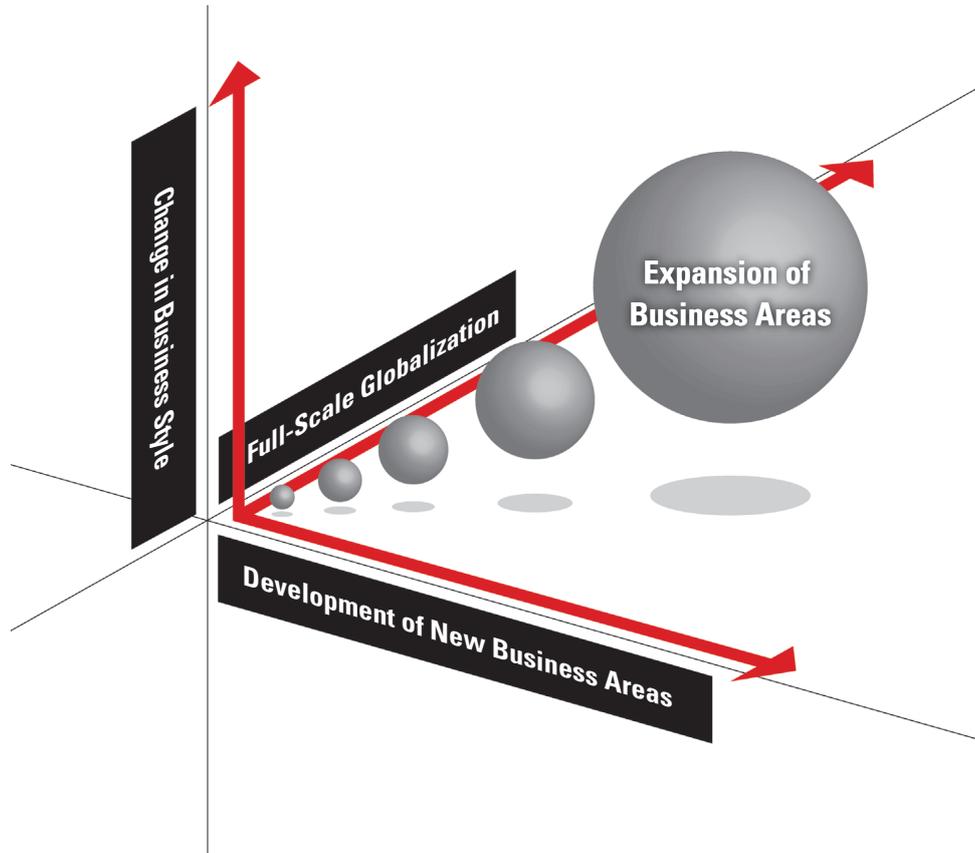
sales strategies are concerned, we continue to show steady progress. Working to upgrade and expand our sales network, the number of distributors which sell our products in China is roughly 3.5 times higher than the number on fiscal 2013, just prior to the start of the plan. While sales of volume zone products in China have been impacted by a slowdown in the rate of economic growth in fiscal 2015, the levels recorded remain well above those of fiscal 2013. Turning to efforts designed to boost the marketing function, we are pushing forward various initiatives including adopting a new system and restructuring our organization to expand future sales. As a part of efforts to develop new business areas, we have seen an increase in sales targeting the medical equipment as well as seismic isolation and damping systems fields compared with fiscal 2013. Looking ahead, we plan to strengthen sales in the aircraft and renewable energy fields. In the automotive & transportation field, we will further expand the L&S business following the inclusion of TRA. Growth is also predicated on the increased use of linear motion products such as LM guides and balls screws as an important component of automobiles.

New Growth Strategy

To date, THK has positioned Full-Scale Globalization and the Development of New Business Areas at the heart of its strategic business development endeavors. With the continued advance of technology and the introduction of a wide range of new systems and concepts including Internet of Things (IoT), the Company has decided to adopt an additional strategy and to embrace a Change in Business Style. By thoroughly applying IoT, cloud computing, AI, and robotics, THK is transforming the way it conducts its business as well as its

business framework with respect to the “what,” “where,” “how,” and “to whom” of sales and production. In this manner, the Company is further expanding its business domain. Guided by this new growth strategy, we will strive to increase our top line while strengthening the bottom line. We will focus on the industrial machinery and automotive & transportation fields in line with growth in the Automotive & Transportation Business attributable to the inclusion of TRA.

New Growth Strategy



Industrial Machinery Business Activities

In the industrial machinery field, we will maintain our focus on pursuing active and efficient sales and marketing activities, strategic sales for a wide range of customers and the continuous development of new products in a bid to expand the top line. In specific terms, we opened the THK Chubu Technical Support in our Toyota Branch in March 2016 as a part of efforts to boost sales. With this initiative, we are endeavoring to provide a one-stop service that encompasses technical support, testing and sales. Moreover, we are striving to visualize latent customers and markets by introducing and utilizing marketing tools. In doing so, we are bringing into focus a broad market that offers a wide range of opportunities. Other than the mass production machine made by equipment manufacturing customers, these opportunities include dedicated machine that manufacturers produce on an order-made basis, the in-house production facilities of customers who actually utilize machinery equipment, automation-related facilities, and service parts. Compared with mass production machines, the aforementioned opportunities offer higher profit margins. Moving forward, we will ramp up strategic sales in an effort to steadily capture a share of this broad market. From a production perspective, full-fledged operations

commenced at THK MANUFACTURING OF CHINA (CHANGZHOU) CO., LTD., the Company's sixth production base in China in July 2016. In addition to the manufacture and maintenance of THK's production base facilities in China, energies are being directed toward not only providing components to customers, but also putting forward design and manufacturing proposals as a single mechanism that includes peripheral equipment. While China has recently seen the pace of its economic growth decline, the nation's manufacturing industry is expected to become increasingly sophisticated as future business conditions recover resulting in an upswing in expenses including labor costs. Coupled with a host of initiatives, the startup of operations at this new facility is designed to capitalize on demand that is expanding in line with the growing sophistication of the industrial field.

In addition to initiatives aimed at expanding the top line, the THK Group is making every effort to strengthen its bottom line. Energies are being channeled toward improving productivity by increasingly incorporating robots into the production process and automating the production line. At the same time, the Group is endeavoring to visualize global production by employing IoT technology.

TO OUR STAKEHOLDERS

Industrial Machinery (Other) Business Activities

THK is working diligently to cultivate fields in close proximity to the consumer goods sector as a part of efforts to promote the Development of New Business Areas. In the seismic isolation and damping systems field, the Company has witnessed growing awareness toward business continuity plans in the wake of the Great East Japan Earthquake in 2011. As a result, in addition to seismic isolation systems that protect buildings from the shaking motions of earthquakes, demand for seismic isolation platforms that protect the assets of individuals and corporations including servers and works of art has increased. In the medical equipment field, use of such next-generation devices as surgical-assisted as well as assisted-gait robots is expanding. There are also clear signs of an upswing in the use of aircraft interior equipment such as reclining seats and table pullout mechanisms. In the renewable energy field, the THK Group is promoting the development and increased sales of its products as mechanical components. With the adoption of low-torque shaft units by several companies active in wind power generator operations, steps are being taken to promote mass production and sales. THK continues to push forward the development

of products for use in the manufacture of new generation robots. Work is being undertaken to upgrade and expand the SEED Solutions, which is a product line of element/components for robot technology systems. Within the SEED Solutions, THK has experienced growing interest in its smart actuator that enables the use of kits to build frameworks with ease since last year. Under these circumstances, sales of robotic hands that employ these technologies have also commenced. Building on these initiatives, the THK Group will increase the number of new business field exhibitions across various regions in Japan and overseas. On this basis, every effort is being made to sow the seeds for future growth.

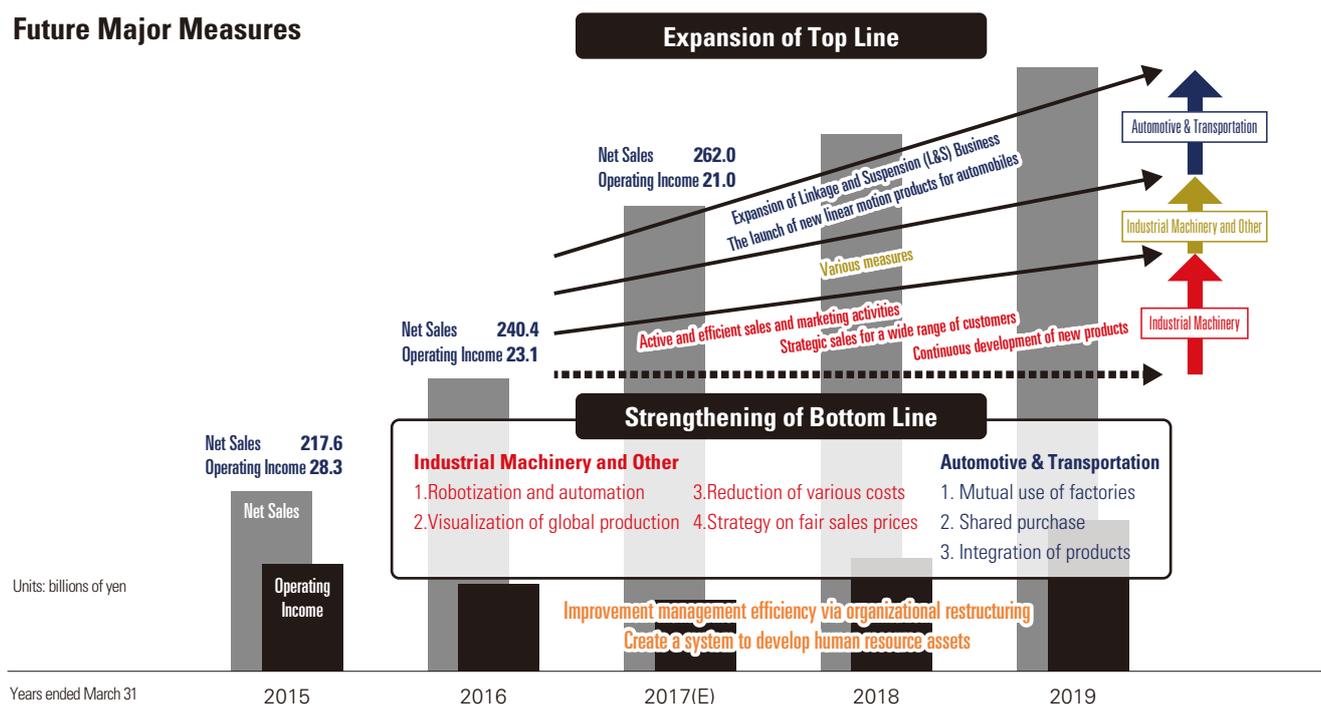
In order to draw out the vast potential of the latent demand for the Company's products in every corner of the linear motion field, which is becoming increasingly evident, the THK Group will continue to hone its accumulated LM system core technologies and know-how while aggressively engaging in promotional activities. Through these means, we will accelerate the pace of Development of New Business Areas.

Automotive & Transportation Business Activities

TRA maintains a solid production, development and sales channel network as well as strong ties with major automobile manufacturers in Europe and the United States. With the inclusion of TRA in THK's

scope of consolidation, the Company has established a robust global business platform in the automotive & transportation field. Amid ongoing efforts to further expand the L&S business, we have received

Future Major Measures



substantial inquiries and are confident of substantially bolstering our activities in this business mainly in emerging markets. In addition, taking into consideration growing concerns toward the environment, we are seeing an upswing in interest and demand in electric-powered automobiles. Against this backdrop, we will make every effort to promote the increased use of our LM products, which offer outstanding energy efficiency. In this regard, we are making steady progress in the development of products and have secured orders for use in certain vehicles. In order to meet these orders, THK will undertake capital

investments from the current fiscal year. Plans are in place for the supply of new automotive LM products to begin from 2018.

In addition to these initiatives, particular emphasis will be placed on generating synergies between THK, THK RHYTHM CO., LTD. and TRA. In this manner, we intend to strengthen both the top and bottom lines. Furthermore, from a development perspective, we will build on the addition of TRA's development base in Germany to look beyond more than just the automotive & transportation field and reinforce mutual strengths across the Group as a whole.

Toward Future Growth

As has been outlined so far, THK is confident that it will continue to enjoy substantial opportunities for future growth. We are equally confident in our ability to expand the scope and scale of our business through Full-Scale Globalization, the Development of New Business Areas and a Change in Business Style. Under these circumstances, and with the advance of globalization in the Industrial Machinery Business coupled with the inclusion of TRA in the Company's scope of consolidation, which brings the THK Group's workforce outside Japan to approximately 60%, we will dynamically reorganize our global structure in order to promote increased management efficiency and build a human resource development framework as a part of efforts to ensure further growth. Through these initiatives, we will take definitive steps toward boosting both sales and profit while at the same time increasing our corporate value and ultimately to meet the expectations of all stakeholders including shareholders.

Moving forward, the THK Group will engage in forward-looking investments with the aim of securing growth. Taking into consideration the volatile nature of demand in those markets in which the THK Group operates, the Company generally looks at a four-year cycle. Accordingly, and in the context of returning profits to shareholders, our

average dividend payout ratio has previously come in at 20% based on this four-year cycle. However, we have raised the target dividend payout ratio to 30% under the medium-term management plan and are forecasting a ratio at this level for fiscal 2016. With this in mind, we will continue to pursue a four-year average dividend payout ratio of 30% for the foreseeable future.

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

July 2016

Akihiro Teramachi

THK CO., LTD.
President and CEO **Akihiro Teramachi**





Japan

Operating Conditions and Performance Review

Sales in Japan decreased 2.5% year on year, to ¥110.4 billion.

In Japan, although a moderate recovery trend continued, partial weakness was seen in such areas as exports and production. Under these circumstances, the Company undertook aggressive sales activities and strove to develop new markets in a wide range of fields including seismic isolation and damping systems, and other systems. However, as a result of the decline in demand for small machine tools, which had been driven by smartphone-related investments, as well as electronics products, sales in this geographic segment decreased.

Year ended March 31, 2016 Operating Activities (Results)

Sales

- THK worked diligently to deepen its relationships in such existing fields as machine tools and semiconductor production equipment. At the same time, the Company took steps to cultivate new fields including seismic isolation and damping systems, medical equipment, aircraft and 3D printers.
- 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.
- THK's Marketing Division established in 2014 took preparatory steps to expand sales. In specific terms, the Division worked to visualize the broad markets in which it had pursued marketing activities and commenced steps to harvest the result of these measures.

Production

- In addition to building a production structure that is capable of flexibly addressing changes in demand, THK continued to adhere strictly to its policy of providing the highest quality, cost and delivery (QCD).
- THK worked to 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 lifted its cost competitiveness by advancing in-house operations and engaging in a wide range of activities that helped to improve the production process.

Other

- 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 aimed at strengthening its business base.

Year ending March 31, 2017 Operating Activities (Plan)

Sales

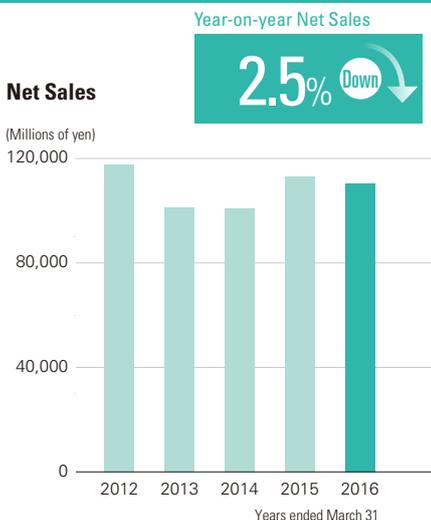
- THK will endeavor to expand sales by steadily capturing a share of the broad market through the effective use of customer and sales information as well as a variety of other tools.
- THK will push forward a variety of measures including technology interaction meetings as well as private shows in a bid to cultivate latent users. In this manner, the Company will strengthen sales marketing activities targeting a broad spectrum of customers.
- THK will accelerate the pace of efforts to develop new business areas including seismic isolation and damping systems, medical equipment, renewable energy and robots. The Company will also ramp up efforts to cultivate such new markets as the IoT and automatic automobile operating fields.

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.
- THK will look to standardize as well as optimize production by visualizing production conditions on a global basis.

Other

- 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.



Bases (As of March 31, 2016)

Japan	Sales bases	46
	Production bases	12
	Development bases	1
	Distribution centers	3

Group Companies (As of March 31, 2016)

- THK CO., LTD.
- THK INTECHS CO., LTD.
- TALK SYSTEM CORPORATION
- THK NIIGATA CO., LTD.
- THK RHYTHM CO., LTD.
- NIPPON SLIDE CO., LTD.



The Americas

Operating Conditions and Performance Review

Regional sales increased 44.4% year on year, to ¥50.3 billion

In the Americas, economic conditions continued to recover, driven by steady personal consumption. This was despite a partial weakness in such areas as exports and capital investment. The Company worked diligently to expand transactions with existing customers by unifying production and sales while developing new business areas including the medical equipment, aircraft, and energy-related fields. As a result of these efforts, sales in such businesses as general machinery and transportation equipment increased. In addition, the Company included two TRA companies in the Americas into its scope of consolidation while the value of the yen remained lower than a year earlier. As a result, sales in the Americas increased.

Year ended March 31, 2016 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 including participating in exhibitions in order to increase net sales.

Production

- The THK Group took steps to push forward a variety of improvements including efforts to improve operating skills and promoting the trend toward automation across the production process in order to enhance productivity. In this manner, worked to lift its cost competitiveness.

Year ending March 31, 2017 Operating Activities (Plan)

Sales

- The THK Group will continue to deepen relationships with existing customers while expanding its market share by taking over the competition. Furthermore, the Group will strengthen its sales and marketing activities targeting a broad spectrum of customers.
- The THK Group will expand sales in new fields by proactively participating in exhibitions and conducting advertising and promotions across a wide range of fields.

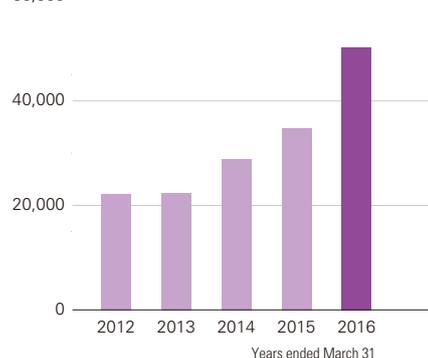
Production

- 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.
- Energies will be channeled toward pushing forward production activities that address the needs of customers. In order to lift productivity per employee, the Group will promote automation as well as enhance skills. Through these means, the Group will reinforce its cost competitiveness.

Year-on-year Net Sales

Net Sales

(Millions of yen)
60,000



44.4% Up

Bases (As of March 31, 2016)

United States	Sales bases	7
	Production bases	3
Canada	Sales bases	1
	Production bases	3
Mexico	Production bases	1
Brazil	Sales bases	1

Group Companies (As of March 31, 2016)

- 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 RHYTHM AUTOMOTIVE MICHIGAN CORPORATION
- THK RHYTHM AUTOMOTIVE CANADA LIMITED
- THK BRAZIL INDUSTRIA E COMERCIO LTDA.



Europe

Operating Conditions and Performance Review

Regional sales increased 48.7% year on year, to ¥30.4 billion.

In Europe, there were signs of a moderate economic recovery. In the fiscal year under review, we strove to expand transactions with existing customers by unifying production and sales while developing aggressive sales activities to explore new business areas encompassing, for example, the aircraft, household appliances, and space-defense-related fields. As a result, sales in Europe increased in the machine tools and other businesses. Due also to the inclusion of two TRA companies in Europe in the scope of consolidation, sales in this geographic segment increase.

Year ended March 31, 2016 Operating Activities (Results)

Sales

- In addition to further cultivating existing customers in the machine tools, general machinery, FA, robotics and related fields through PR activities including various advertising and participation in exhibitions, the THK Group placed particular weight on uncovering business opportunities in such areas as aircraft, household goods as well as space and defense.
- On top of western Europe, the THK Group upgraded and expanded its distribution and sales network as well as boosted sales in eastern Europe including Turkey and Russia where demand is projected to increase.

Production

- In addition to undertaking a variety of improvement activities across its production process, the THK Group promoted automation and the use of robotics. Through these means, the Group expanded production output and lowered manufacturing costs.

Year ending March 31, 2017 Operating Activities (Plan)

Sales

- Amid efforts to build an effective database based on major customers and estimates regarding demand, the THK Group will aggressively engage in sales and marketing activities. At the same time, the Group will continue to upgrade and expand its distribution and sales network.
- The THK Group will focus its sales and marketing activities toward new areas including robots and 3D printers where the market is expected to expand in the future.

Production

- The THK Group will promote automation and the use of robotics across its production process as well as in-house operations. Through these means, the Group will endeavor to expand production output and lower manufacturing costs.

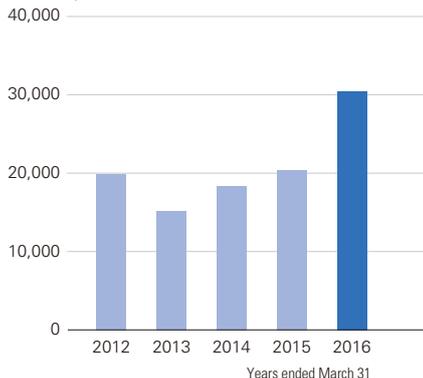
Development

- With the addition of the Germany-based R&D Division of TRA, the THK Group will collectively strengthen its integrated structure that includes the linear motion-related R&D efforts of the Company and the automobile-related activities of THK RHYTHM CO., LTD.

Year-on-year Net Sales

Net Sales

(Millions of yen)



48.7% Up

Bases (As of March 31, 2016)

Germany	Sales bases	2
	Production bases	1
	Development bases	1
United Kingdom	Sales bases	1
Ireland	Production bases	1
Italy	Sales bases	1
Sweden	Sales bases	1
Austria	Sales bases	1
Spain	Sales bases	1
France	Sales bases	1
	Production bases	1
Turkey	Sales bases	1
Czech Republic	Sales bases	1
	Production bases	1
Netherlands	Sales bases	1
Russia	Sales bases	1

Group Companies (As of March 31, 2016)

- THK Europe B.V.
- THK GmbH
- THK France S.A.S.
- THK Manufacturing of Europe S.A.S.
- THK Manufacturing of Ireland Ltd.
- THK RHYTHM AUTOMOTIVE GmbH
- THK RHYTHM AUTOMOTIVE CZECH a.s.



Asia and Other

Operating Conditions and Performance Review

Sales in Asia and other regions edged up 0.4% year on year, to ¥49.2 billion.

In addition to the overall decrease in demand attributable mainly to a slow-down in the rate of economic growth in China, demand also declined for smart-phone-related small machine tools. In those areas, where the introduction of FA progressed against the backdrop of rising wages and a shortage of labor, the range of demand for the Company's products widened. Under these circumstances, the THK Group proactively strengthened its sales and marketing activities while building on longstanding efforts to reinforce its sales network. Buoyed also by such factors as depreciation in the value of the yen compared with the previous period, the THK Group reported an increase in sales in this region.

Year ended March 31, 2016 Operating Activities (Results)

Sales

- In China, the THK Group continued to upgrade and expand its sales network while cultivating new areas and new customers. Together with its mainstay LM guides, the Group worked to also 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 mainly focusing on machine tools and to expand its indirect sales network, the THK Group worked to cultivate new fields including 3D printers and seismic isolation systems.
- In India, the THK Group took steps to newly establish sales bases in Chennai and Ahmadabad. Through these and other measures, the Group cultivates new customers while upgrading and expanding its sales structure.

Production

- The THK Group boosted productivity by improving operational skills and promoting automation.
- To respond to increases in demand over the medium-to-long-term at a global level, the THK Group completed construction on a new ball screw factory at DALIAN THK CO., LTD. in China. Covering an area four times the sizes of the previous location, with a production area three times the size. The new plant commenced operations in February 2015.

Development

- While THK (CHINA) CO., LTD.'s technical departments continued to collaborate with the Company's R&D operations in Japan, ongoing efforts were made to develop products that reflect the local needs of developing countries.

Year ending March 31, 2017 Operating Activities (Plan)

Sales

- In China, the THK Group will continue to upgrade and expand its sales network while cultivating new areas and new customers. Together with its mainstay LM guides, the Group will work to also expand its market share in ball screws through the completion of its new plant at DALIAN THK CO., LTD.
- In Taiwan, the THK Group will expand sales of unit products while cultivating new fields including 3D printers and seismic isolation systems. At the same time, the Group will strengthen sales and marketing activities targeting a broad spectrum of customers by upgrading and expanding its distribution and sales network.
- In the ASEAN region, the THK Group will work to expand the areas covered through the continued introduction of ASEAN Customer Support and cultivate new customers in India while upgrading and expanding the sales structure. Through these means, the Company will steadfastly capture demand.

Production

- The THK Group will boost productivity by improving operational skills and promoting automation. Through these means, the Group will also look to improve profitability.
- In China, operations commenced at THK MANUFACTURING OF CHINA (CHANGZHOU) CO., LTD. in July 2016. In addition to the manufacture and maintenance of THK's production base facilities in China, energies will be directed toward putting forward design and manufacturing proposals as a single mechanism that includes peripheral equipment targeting customers against the backdrop of an increasingly sophisticated manufacturing industry.

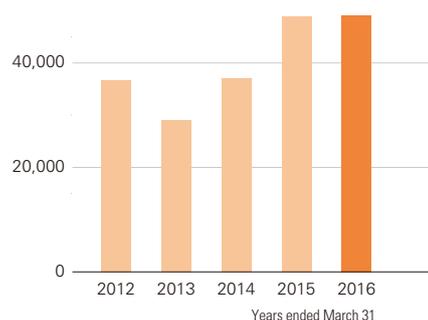
Development

- While THK (CHINA) CO., LTD.'s technical departments continue to collaborate with the Group's R&D operations in Japan, ongoing efforts will be made to develop products that reflect the local needs of developing markets.

Year-on-year Net Sales

Net Sales

(Millions of yen)
60,000



0.4% Up

Bases (As of March 31, 2016)

China	Sales bases	33
	Production bases	5
	Development bases	1
Taiwan	Sales bases	3
Singapore	Sales bases	1
India	Sales bases	5
Thailand	Sales bases	1
	Production bases	1
South Korea	Sales bases	13
	Production bases	4
Vietnam	Production bases	1
Malaysia	Production bases	1

Group Companies (As of March 31, 2016)

- 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.

Industrial Machinery Business

Overview

THK has continued to expand the scale of its business by providing products including LM guides that are essential components in the manufacture of such wide ranging industrial equipment as machine tools and semiconductor production equipment. In addition, THK is actively engaged in the manufacture and sale of electric actuators and unit products that combine many of the Company's critical machinery components. In this manner, THK is making significant contributions to increasing precision, rigidity and speed in the industrial equipment field, while at the same time addressing production line automation needs.

Business Environment and Initiatives

In its Industrial Machinery Business, THK has worked diligently to bolster its global sales structure, build a robust production platform, and strengthen its marketing capabilities as the means to secure steady topline growth. In a bid to reinforce its sales structure, the Company set up the THK Chubu Technical Support within its Toyota Branch operations in March 2016. Permanently staffed by qualified engineers, the THK Chubu Technical Support boasts a showroom with a practical display of the two-arm robot NEXTAGE® and an experimentation station

to conduct tests that match the specifications of customers' machinery equipment. Plans are in place to progressively roll out this initiative to other bases with a view to providing one-stop technical support, testing, and sales services. Working to build a robust production platform, full-fledged operations commenced at THK MANUFACTURING OF CHINA (CHANGZHOU) CO., LTD., the Company's sixth production base in China in July 2016. In addition to the manufacture and maintenance of THK's production base facilities in China, energies will be directed toward not only providing components to customers, but also putting forward design and manufacturing proposals as a single mechanism that includes peripheral equipment. With an eye toward strengthening its marketing capabilities, THK is endeavoring to visualize latent customers and markets by introducing and employing marketing tools. In doing so, the Company has identified a broad market that encompasses dedicated machine produced on order-made basis by machine tool and semiconductor production equipment manufacturers, the in-house production facilities of customers who actually utilize machinery equipment, automation-related facilities, and service parts. Compared with mass production machines, the aforementioned opportunities offer higher profit margins. the in-house production facilities of customers who actually utilize machinery equipment, automation-related facilities, and service parts. Compared with mass production machines, the aforementioned opportunities offer higher profit margins. Looking ahead, the Company will implement a variety of measures in order to capture a share of this broad market. Running parallel to these initiatives aimed at boosting the topline, the THK Group will improve productivity by increasingly incorporating robots into the production process and automating the production line while also undertaking various measures including efforts to visualize production by employing IoT technology. Through these means, every effort will be made to bolster the bottom line.

Industrial Machinery (Other) Business

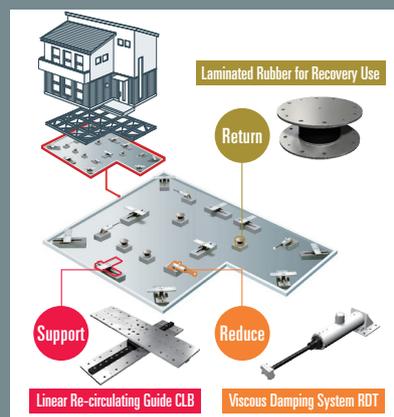
Activities in New Fields

THK is committed to cultivating opportunities in fields that are close to consumer goods as a part of efforts to promote the Development of New Business Areas. To this end, the Company will draw on the underlying strengths of accumulated linear motion system core technologies and know-how in the industrial equipment field. Use of THK's products is expanding over an increasingly broad area. The Company will aggressively ramp up its endeavors in a bid to bring to fruition this vast potential.

Seismic Isolation and Damping Systems

In the seismic isolation and damping systems field, the THK Group is supplying a broad range of products from seismic isolation and damping systems 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 employing its core linear motion system technologies. In this manner, the Group is helping to minimize the damage caused by earthquakes.

Building Seismic Isolation Systems



Seismic Isolation Platforms



Application example: Server



Seismic Isolation Module Model TGS



Application example: Works of art



Seismic Isolation Table Model TSD

Measures of Industrial Machinery Business

Expansion of Top Line

Before

Future

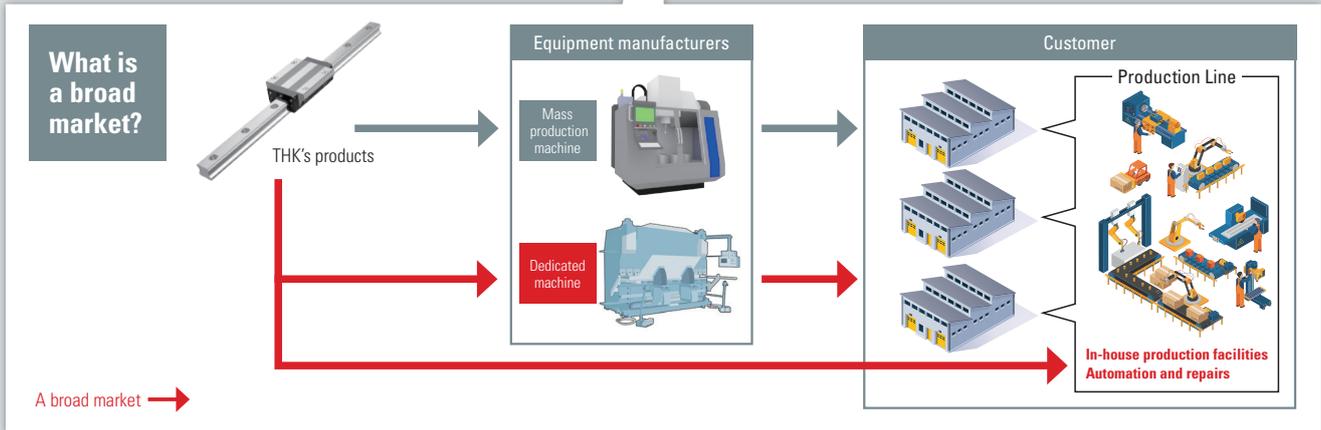
Preparations for hardware and software sides

Visualizing a broad market through marketing activities

Harvest results of various measures

- Enhancement of sales network
- Establishment of the global manufacturing structure
- Installation of marketing tool

- Active and efficient sales and marketing activities
- The utilization of marketing tools
- The creation of various sales channels
- The continuous development of new products for a wide range of customers in FA market



Strengthening of Bottom Line

1. Improve productivity by robotization and automation
2. Visualization of global production
3. Reduce various costs
4. Strategy on fair sales prices

- Reduce the labor cost ratio through improvement productivity
- Reduce of variable cost ratio by enhancement efficiency of fixed costs
- Improve of the marginal profit ratio

Medical Equipment

In the medical equipment field, LM guides, electric actuators, and related products are increasingly being used mainly in analysis and measurement equipment that require a high degree of reliability and quality. The Group's products are also expanding into next-generation medical equipment including surgical- and assisted-gait robots.



Robots

In the robot field, the THK Group is developing and marketing optimal components for use in robots across a broad range of fields. This extends from industrial robots that contribute to the automation of the production line to next-generation robots that can be expected to deliver benefits in fields that are close to the consumer.



Aircraft

In the aircraft field, the THK Group is witnessing an upswing in the use of products that require smooth movement. Focusing mainly on aircraft interiors, this includes products that are suited for control sticks, the reclining mechanisms of aircraft seats, and the sliding parts of folding tables and cockpit doors.



Renewable Energy

In the renewable energy field, the THK Group is working to develop and expand sales of products for use as mechanical components. Every effort is being made to promote the mass production and sale of low-torque shaft units for wind power generation systems. Moreover, the Group is endeavoring to establish deep ties within each region and to conduct tests for hydroelectric generators.



Automotive & Transportation Business

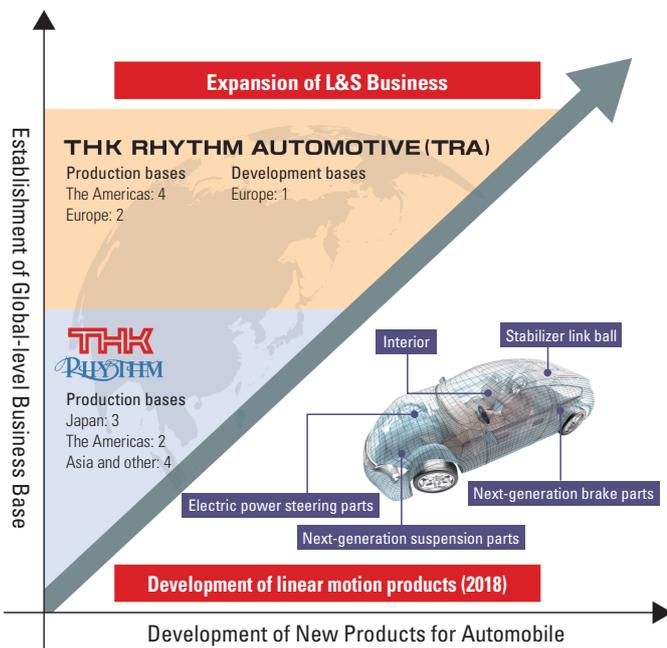
Overview

The THK Group develops and provides the automotive components that support the basic functions of automobiles as a part of its Automotive & Transportation Business activities. The Group strives to become a supplier of significant standing and presence by promptly addressing changes in the global automobile market. THK has continued to promote its mainstay link ball products since its foundation. Working to further expand its business, the Company acquired RHYTHM CORPORATION (currently THK RHYTHM CO., LTD.) in 2007. More recently, THK completed the transfer of the linkage and suspension (L&S) business, which encompasses automobile undercarriage components, from TRW Automotive Inc. in 2015. Subsequent to this business transfer, the Company established THK RHYTHM AUTOMOTIVE (TRA), which was included in its scope of consolidation. Through these means, significant strides have been made toward building a global sales, production and development business platform. In addition to this L&S business, the THK Group is working to expand the use of linear motion-related products for next-generation steering, brakes, suspensions and various other automotive mechanisms.

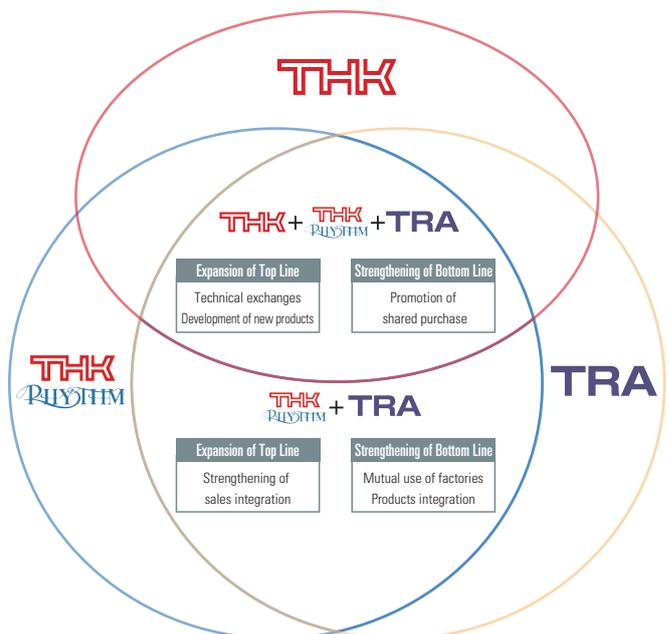
Business Environment and Initiatives

The THK Group will continue to expand its L&S business while promoting the increased use of linear motion-related products in the structure of automobiles in the Automotive & Transportation Business. Energies will also be channeled toward generating synergies in the sales and marketing area of THK and THK RHYTHM CO., LTD., which operates mainly in Japan and Asia together with TRA, which is active in Europe and North America. Drawing on these synergies, the Group will further expand its L&S business. Taking into consideration growing concerns toward the environment, the advance of electrical motorization of vehicles and the demand for automotive components that deliver higher levels of energy efficiency, THK will place considerable weight on developing and proposing new products that employ the Company's core linear-motion technologies. THK will place considerable weight on developing and proposing new products that employ the Company's core linear-motion technologies. Through these means, the THK Group will continue to leverage the synergies generated through THK and THK RHYTHM CO., LTD., and TRA to boost the topline. Moving forward, the Group will at the same time work diligently to uncover synergies that strengthen the bottom line. This includes promoting the coordinated use of each company's manufacturing facilities, the integration of products and steps to reinforce joint purchasing by region. In addition, from a development perspective, every effort will also be made to reap the benefits of TRA's R&D base in Germany following its inclusion within the Group. This access to additional research and development encompassing materials and manufacturing methods will be extended beyond more than just transportation equipment and across the Group as a whole, thereby further enhancing THK's collective competitive advantage.

Measures of Automotive & Transportation Business



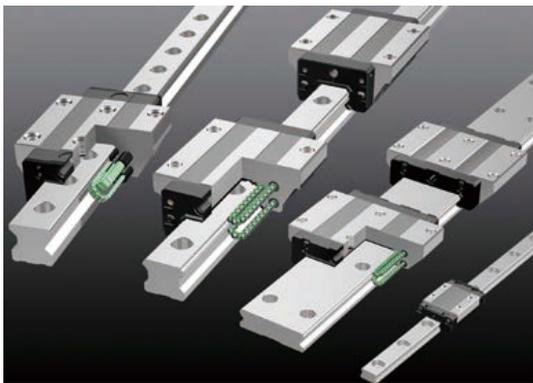
Future Synergy of Automotive & Transportation Business



Innovative Products

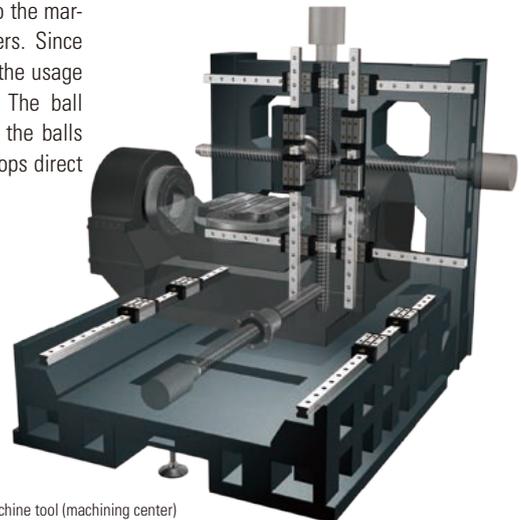
As a global pioneer, THK developed the linear motion (LM) guide, which is based on an original concept and innovative technology. Within the mechatronics sector, LM guides are used as a vital machinery component and have varied industrial applications. THK also develops, produces and supplies to the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



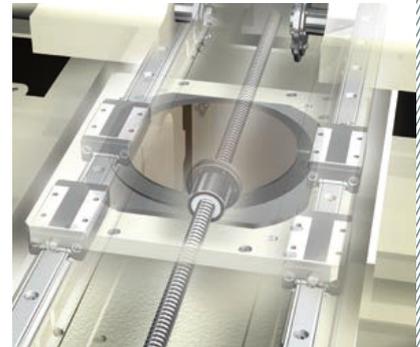
An example of use as a machine tool (machining center)

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 adopted 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. These 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.



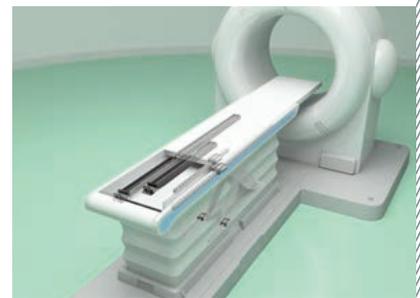
An example of use as a semiconductor production (Dicing saw)

Electric Actuators



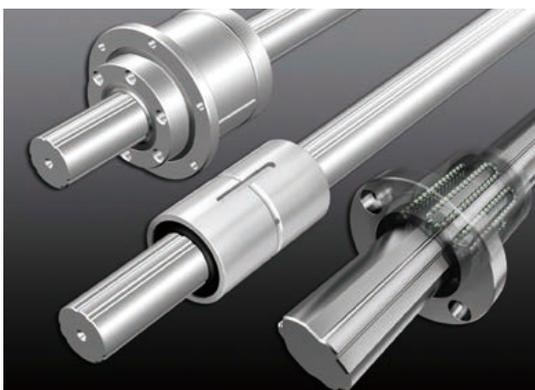
Electric actuators are hybrid products combining a guide component such as an LM guide with a ball screw, linear motor or other drive component. In industries such as electronics, there is an increasing need to shorten development and manufacturing lead-times. Modularization allows electric actuators 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.



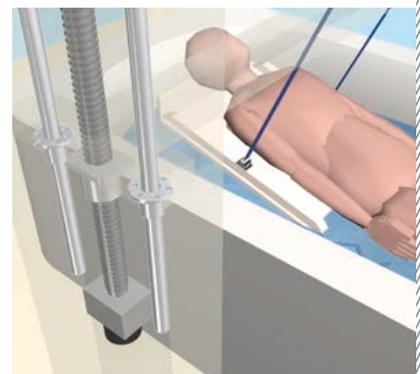
Electric actuators are used in medical equipment such as CT scanners

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.



Used in bathing assistance equipment

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 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. Other applications include medical equipment and semiconductor production equipment.



Usage in industrial robots

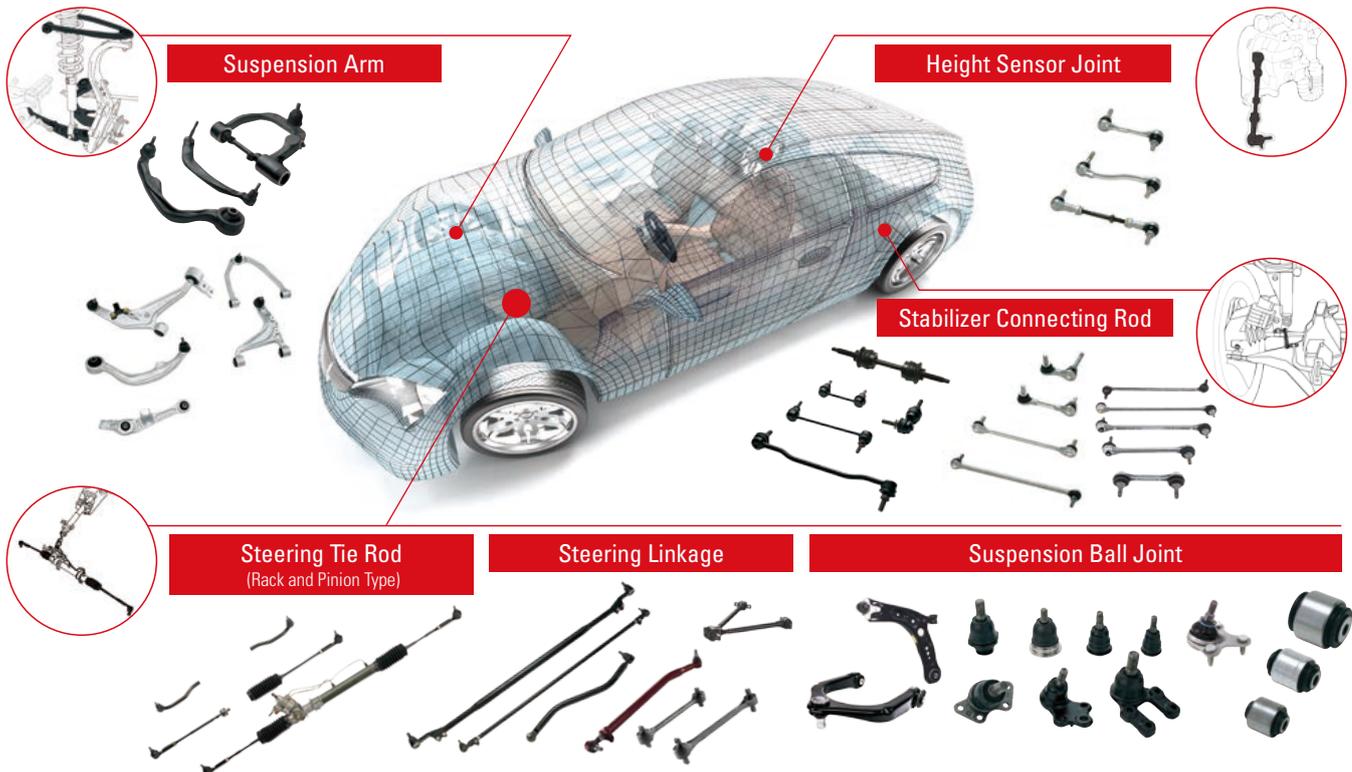
Transportation Equipment-Related Products

Since the time of its foundation, THK has continued to upgrade and expand its lineup of transportation equipment-related products including the link ball, a spherical slide bearing with a ball stud. Made from aluminum, THK's link balls are highly resistant to corrosion and wear due to abrasion. They

are also considerably lighter than the steel parts traditionally used. The Company's lineup of link balls has been widely adopted for use in a number of undercarriage mechanisms, such as the joint sections connecting stabilizers to the suspension and height sensor joint.

Furthermore, Group companies THK RHYTHM and THK RHYTHM AUTOMOTIVE are actively engaged in transportation equipment-related product operations including steering and suspension components.

In addition to its mainstay cold-forged ball joints, THK RHYTHM is 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 meet the highest standards of quality and performance and help to enhance the safety and comfort of automobiles.



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.

A Global R&D System for the Next Generation

The major task force of the Group’s R&D activities, primarily at the Technology Center (Tokyo) established as the R&D base for new products, is actively engaged in the research and development of products for use in the mechatronics, consumer goods, transportation equipment, and core LM systems markets. Drawing on its core linear motion system technologies and know-how, THK is ramping up its product development activities in fields that are close to consumer goods including seismic isolation and damping systems, medical equipment, aircraft, renewable energy, and robotics in a bid to expand into new fields.

Turning to activities outside Japan, THK established its first overseas R&D facility in China in 2010. Later, the Company opened a designated R&D Center in 2012. Together with the R&D Division of Germany-based THK RHYTHM AUTOMOTIVE, a subsidiary newly included in THK’s scope of consolidation in 2015, the THK Group is working to develop products that are tailored to increasingly diverse global needs.

Product Development in fiscal 2015: Realizing the “cubic E” Concept

Leveraging its creative ideas and proprietary technologies, THK is currently engaged in R&D activities that focus mainly on an E³ (Cubic E) Concept theme. Guided by this theme, which embraces the three keywords “Ecological,” “Economical” and “Endless,” we continued to speed up development with the aim of extending the range of

applications for our technologies and to pursue highly original and attractive products for launch 5-10 years in the future throughout fiscal 2015.

Major achievements in fiscal 2015 included the development of products for a number of original applications. In the industrial machinery field, beginning with LM guides and electric actuators, we developed a variety of new products that contribute to the automation of customers’ production lines. THK also focused its attention on product development aimed at increasing sales and entering new markets including seismic isolation and damping systems, renewable energy, aircraft, medical equipment, and robotics.

Policies and Initiatives for fiscal 2016

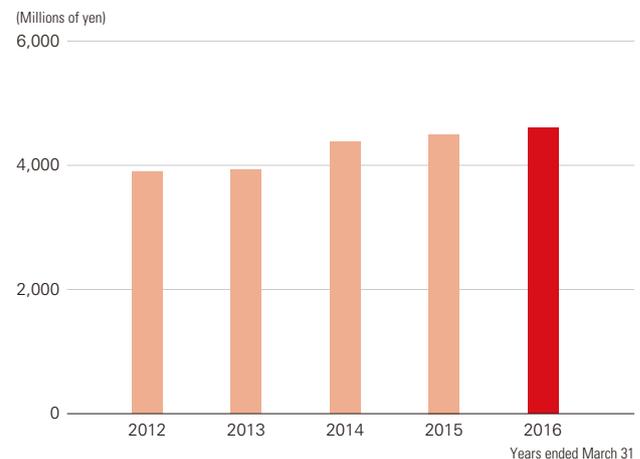
We plan to continuously focus our efforts in fiscal 2016 on the efficient development of new products with the aim of expanding applications for THK technology further. Specifically, we will pursue themes such as customer convenience while promoting designs that incorporate the potential for enhanced 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 while strengthening our global development capabilities, 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.



Technology Center (Tokyo)

R&D Expenses

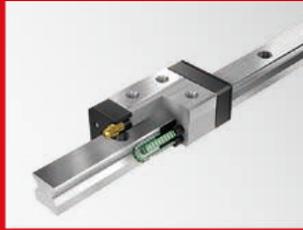


MAJOR NEW PRODUCTS



Caged Ball LM Guide
Model SPR/SPS 15LR and 20LR

THK upgraded and expanded its lineup of compact-type model SPR/SPS, which achieve ultra-high rigidity and super-low waving. It helps to reduce total costs by allowing the replacement of the more expensive air slider and other static pressure guides.



Caged Roller LM Guide
Model SRG 12

Model SRG 12 is the world's smallest caged roller LM Guide and also features ultra-super-high rigidity. The use of small diameter rollers helps achieve high precision and low waving.



Caged Ball Screw
Model SDA-V

Model SDA-V is a caged ball screw that complies with DIN specifications, an industry standard in Germany. This model is spearheading the Group's efforts to secure a firm foothold in Europe and such emerging markets as China. With the addition of a large-lead type product to the lineup, positive steps are being taken to realize higher speeds.



Compact Ball Spline
Model LT-X(XL)/LF-X(XL)

Model LT-X(XL)/LF-X(XL) is a compact nut dimension ball spline. It helps reduce size while increasing the speed of equipment.



Electric Actuator
Compact Series KSF

The KSF offers high-speed, high acceleration/deceleration features. By providing a large variation of sizes from compact to large, these steps to expand the product lineup are helping to better address a broad spectrum of market needs.



Electric Actuator
Clean Series CKSF

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



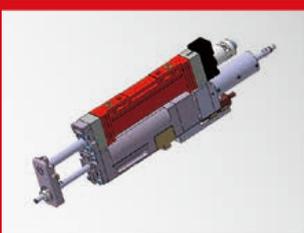
Electric Actuator
Economy Series EG

The EG is a gripper-type electric actuator that comes in three sizes. This particular model facilitates the continuous gripping of work even when the power source has been switched off.



Electric Actuator
Economy Series ET

The ET is a rotating table-type electric actuator. This particular model allows users to select rotating angle and reduction speed while maintaining high rigidity at any direction.



Electric Actuator
Linear Motor Series
CCM/CCR

The CCM/CCR is ideal for the pick-and-place of electronic components. As an addition, this particular model features an integrated braking mechanism making it easier to use.



Driver/Controller
TNU, TLC/THC, XD/MD

THK has developed a number of drivers and controllers that are easier to use by incorporating software with new function to each model number.



Element/Components for Robot Technology Systems
SEED Solutions

The SEED Solutions is a smart actuator that enables the use of kits to build frameworks with ease. Amid ongoing steps to upgrade and expand the lineup, positive steps are being taken to commercialize and commence sales of robotic hands that employ these technologies. Looking ahead, every effort will be made to develop products and put forward proposals that can be used in fields that are close to consumers.

Based on its management philosophy of “providing innovative products to the world and generating new trends to contribute to the creation of an affluent society,” THK is rolling out its business while pursuing growth as a company, cognizant of the importance of addressing environmental, social and governance (ESG) concerns.

Harmony with the Environment



Environmental Management Systems

THK is working to acquire ISO 14001 certification for environmental management systems at its production sites in Japan and overseas. At each production site, every effort is being made to continuously upgrade the level of environmental management systems by implementing a Plan-Do-Check-Act (PDCA) management cycle. Because environmental management is an endeavor extending throughout the THK Group, the Risk Management Division’s Environmental Management Department, located at THK Headquarters, coordinates efforts by THK plants, offices, and distribution divisions to reduce environmental burdens. The department monitors the progress of THK’s environmental efforts and helps ensure that effective measures are put in place across the entire organization.

With regard to the previously cited environmental targets, the Group did not achieve its target for energy conservation and global warming prevention (CO₂ basic unit emissions for a year-on-year reduction target of 1%) in fiscal 2015. The Group did, however, achieve its targets for material conservation and zero emissions (zero emissions rate against reduction target of less than 0.50%) as well as environmental risk substances (3% year on year decrease in the amount of PRTR-designated substances handled).

Green Distribution

Working through its Distribution Division, which spearheads the Group’s distribution operations, THK continues to practice green distribution in an effort to reduce its environmental impact throughout the distribution process. The Company has positioned efforts to reduce transport-related CO₂ emissions and to increase transportation efficiency as key components of its basic green logistics policy. In addition to a modal shift, THK is also undertaking a variety of activities. This includes steps to increase the efficiency of the trucks used for transportation.

In fiscal 2015, THK integrated distribution for both purchases and sales. As a result, positive steps were taken to improve the load ratio. By adopting a mixed transportation policy, the Company has successfully improved the load ratio and increased transportation efficiency even when each of the volumes of purchases and sales are less than one large-sized truck.

ISO 14001 Certified Business Locations

Business Location	Date of Certification	Certifying Body
YAMAGATA Plant	December 17, 2010 (Registration renewal date)	JQA
KOFU Plant		
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 CO., LTD. KYUSHU Plant	December 20, 2002	JIA
THK Manufacturing of America, Inc. (USA)	July 14, 2003	SAI GLOBAL
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
THK INTECHS CO., LTD. MISHIMA/SENDAI Plants	March 21, 2013	ClassNK
TRA MICHIGAN (USA)	October 24, 2014	DQS
TRA CANADA (Tiltsongburg) (Canada)	February 8, 2015	DQS
TRA CANADA (St. Catharines) (Canada)	February 10, 2015	DQS
THK RHYTHM CHANGZHOU CO., LTD. (China)	March 17, 2015	BUREAU VERITAS
TRA CZECH (Czech)	April 16, 2015	DQS
TRA GmbH (Germany)	December 17, 2015	DQS



Mixed transportation using trucks



Involvement in Society

Quality Assurance Activities

THK engages in activities that allow it to deliver safe and reliable products to all customers. As the Company applies increasingly demanding quality controls, some tailored to specific industries, this is reflected in the acquisition of official certifications.

1. All production sites: ISO 9001 certification for quality management systems
2. The automobile industry: ISO/TS 16949 certification for automobile industry quality management systems
3. The aerospace industry: JIS Q 9100 certification for aerospace industry quality management systems

In addition, THK has renewed its product-quality information system and established a global information network through which customer feedback is commonly shared. This has enabled the Company to collect and analyze information on product quality in a timely manner from customers around the world. The system and network also allows THK to promptly address customer complaints and to provide whatever service is needed. In the future, every effort will be made to meet the needs of customers by continuing to focus on customer satisfaction. At the same time, THK will work to incorporate customers' viewpoints into its quality assurance system.

Together with Suppliers

To continue to provide products that satisfy its customers' needs, THK has established a basic policy on procurement. The Company is committed to building sound relationships with its suppliers in an effort to ensure harmonious coexistence while strictly observing social norms and taking into consideration the environment.

Fair and Equitable Trade

THK selects its partner businesses based on annual evaluations on product quality and timely delivery as well as safety and environmental factors. Consideration is also given to honoring social responsibilities in order to exclude antisocial forces from the entire supply chain and to promoting green purchasing practices. To support fair and equitable dealings with all parties covered by the laws governing subcontracting, all personnel involved in orders and responsible for procurement endeavor to gain accurate knowledge of legal requirements and compliance. To this end, personnel participate in study sessions conducted by the Fair Trade Committee.

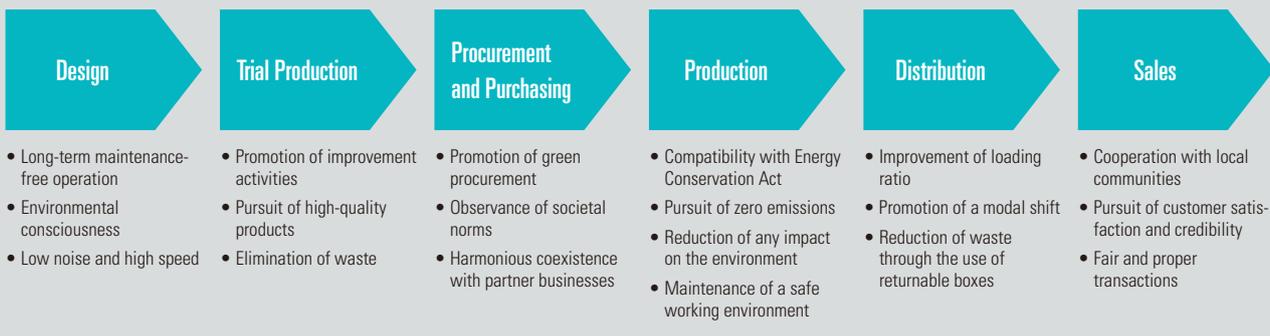
THK's Basic Policy on Procurement

To continue to provide products that satisfy its customers' needs, THK is building healthy and positive partnerships in an effort to ensure harmonious coexistence with its suppliers.

Activities

1. Procurement practices emphasizing clear communication with suppliers/ Evaluation and selection of partner businesses guided by thorough consideration for quality, cost, delivery, the environment, and safety (QCDES).
2. Fair and equitable dealings in compliance with all pertinent law, regulations, and societal norms.
3. Continuing effort to minimize costs/Encouragement of the active pursuit of cost-saving projects and value-analysis initiatives.
4. Pursuit of global purchasing.
5. Implementation of business continuity plans.
6. Demonstration of environmental consciousness through green purchasing.

Supply Chain



Corporate Governance



Basic Stance on Corporate Governance

Based on its management philosophy of “providing innovative products to the world and generating new trends to contribute to the creation of an affluent society,” THK’s basic stance toward corporate governance is to improve corporate value over the medium to long term. From the perspective of “corporate value maximization,” this entails raising management transparency to all stakeholders including shareholders while at the same time conducting appropriate and efficient management.

Transition to a Company with an Audit and Supervisory Committee

Following the 46th General Meeting of Shareholders, which was held on June 18, 2016, in addition to transitioning from a company with an audit and supervisory board to a company with an audit and supervisory committee, THK set up a non-mandatory Nomination Advisory Committee and a Remuneration Advisory Committee to act as advisory bodies to the Board of Directors. An executive officer system had been introduced with effect from June 21, 2014.

Following the transition to a company with an audit and supervisory committee, the directors who make up the Audit and Supervisory Committee, which is responsible for the auditing and supervisory functions, will be able to exercise voting rights at Board of Directors’ meetings. With this ability and the setting up of the non-mandatory Nomination Advisory Committee and Remuneration Advisory Committee, the Company is now better placed to increase transparency and objectivity in relation to management, strengthen the oversight function of the Board of Directors, and enhance the speed and efficiency of decision making and business execution relating to management.

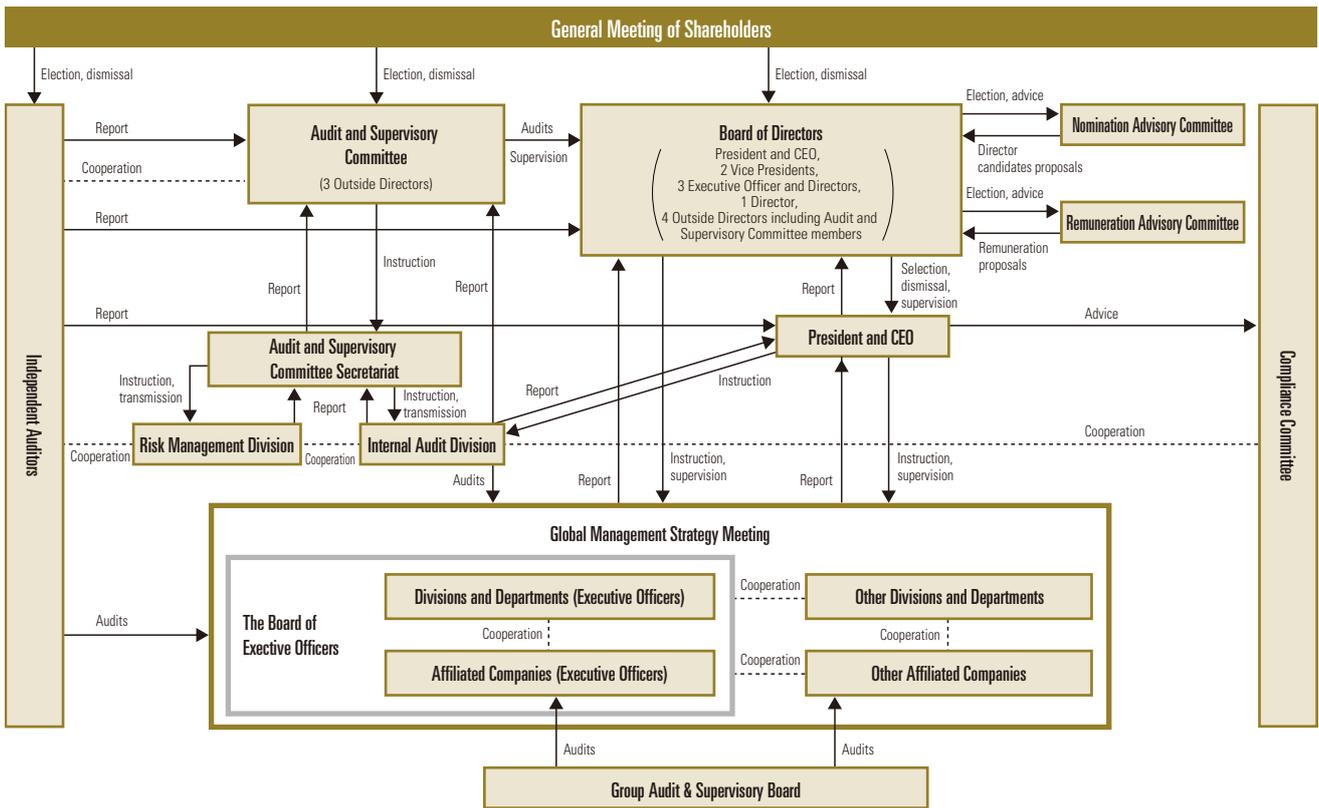
Corporate Governance Framework

Comprising a total of eight directors, including one outside director (excluding directors who are Audit and Supervisory Committee members) and three outside directors who are Audit and Supervisory Committee members, THK’s Board of Directors make decisions on important matters of management in general, and carry out the oversight of directors and executive officers in the execution of their duties. In addition, the number of outside directors, whose independence meets the evaluation criteria stipulated by the Tokyo Stock Exchange and THK, has been increased from the previous two to four. Increasing the number of outside directors that possess specialist professional knowledge and qualifications relating to corporate accounting or management in general will further enhance management neutrality, legality, and validity while improving the management oversight function.

Comprising three outside directors who are Audit and Supervisory Committee members, the Audit and Supervisory Committee utilizes the internal control system and audits as well as supervises directors and executive officers with regard to the current status of the execution of their duties. The effectiveness of the audits is also enhanced by collaboration between the Audit and Supervisory Committee and independent auditors. In addition, an Audit and Supervisory Committee secretariat comprising three full-time staff members has been established to support the Audit and Supervisory Committee members and the Audit and Supervisory Committee. The Audit and Supervisory Committee secretariat follows the instructions of the Audit and Supervisory Committee, carries out adjustments to each department, conveys instructions to the Risk Management Division that is responsible for the maintenance and operation of internal controls and the Internal Audit Division.

Both the non-mandatory Nomination Advisory Committee and Remuneration Advisory Committee are comprised of four directors including two outside directors, with outside directors to make up half or more of the members as stipulated under the rules. Both committees review and deliberate director candidates and remuneration proposals as advisory bodies to the Board of Directors and propose the content and outcomes of those deliberations to the Board of Directors. The Board of Directors conducts its own deliberations of the content before deciding on a resolution.

Following the introduction of the executive officer system, in addition to the Board of Directors working to improve the management oversight function and the clarification of roles and responsibilities relating to business execution, THK worked to accelerate decision making and operational execution. Through the Board of Executive Officers, which is attended by directors and executive officers, and the putting into practice of the Global Management Strategy Meeting, which is attended by members of the Board of Executive Officers in addition to those responsible at each division and department as well as affiliate companies, ways were devised to share information throughout the Group and improve corporate governance by collaboration between the management team, such as the directors and executive officers. To clarify the roles and responsibilities of executive officers relating to business execution, an executive officer’s term in office is deemed to be one year.



General Meeting of Shareholders

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.

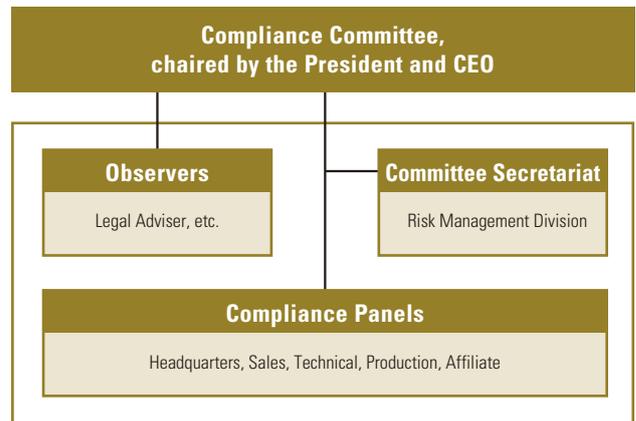
With a view to open meetings, THK has held its General Meeting of Shareholders on a Saturday in mid-June every year since 1998, thereby avoiding the period when many shareholder meetings are clustered. At the General Meeting of Shareholders, the Company provides seating for stakeholders, including business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



Promotion of Framework of Compliance

THK established the Compliance Committee in 2005 as a permanent body chaired by the President and CEO. As well as 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 as an 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, including the holding of voluntary study workshops on compliance, while fulfilling an advisory function.



BOARD OF DIRECTORS

As of June 18, 2016

Directors



Akihiro Teramachi

President and CEO



Toshihiro Teramachi

Director and Executive Vice President



Hiroshi Imano

Director and Executive Vice President



Nobuyuki Maki

Director and Senior Managing Executive Officer
Senior General Manager of
Automotive & Transportation Company



Takashi Teramachi

Director and Senior Managing Executive Officer
Senior General Manager of
Industrial Machinery Company
Representative Director and President of
THK INTECHS CO., LTD.



Junji Shimomaki

Director and Managing Executive Officer
General Manager of
Industrial Machinery Company
Senior General Manager of Sales Division,
Industrial Machinery Company



Junichi Sakai

Director
(Quality Assurance,
Risk Management and Production Engineering)



Masaaki Kainosho

Outside Director

Directors



Masakatsu Hioki

Outside Director
Audit and Supervisory Committee Member



Tomitoshi Omura

Outside Director
Audit and Supervisory Committee Member



Yoshiki Ueda

Outside Director
Audit and Supervisory Committee Member

Executive Officers

Managing Executive Officer Takashi Okubo

Executive Vice Chairman of THK (CHINA) CO., LTD.

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 Masato Sawada

General Manager of Automotive & Transportation Company
Director and Executive Vice Chairman of THK RHYTHM CO., LTD.

Managing Executive Officer Takanobu Hoshino

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

Managing Executive Officer Akihiko Kambe

Senior General Manager of Industrial Machinery Company, Production Division
General Manager of Sales Support Division

Managing Executive Officer Kaoru Hoshide

Senior General Manager of Industrial Machinery Company, 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

Dputy General Manager of Corporate Strategy Headquarters
General Manager of Corporate Strategy Headquarters, Business Strategy Division

Executive Officer Junichi Kuwabara

General Manager of Industrial Machinery Company, ACE Division

Executive Officer Yukio Yamada

General Manager of Industrial Machinery Company, Sales Division
General Manager of Industrial Machinery Company, Sales Division, International Sales Department

Executive Officer Yasutoshi Hoshino

Deputy General Manager of Corporate Strategy Headquarters
(In charge of Appointive Global Human Resources Strategy)

Executive Officer Hitoshi Muramoto

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

FINANCIAL SECTION



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Analysis of Operating Results

■ Net Sales

In fiscal 2015, ended March 31, 2016, a moderate recovery continued in the global economy, led by Europe and the United States and other developed countries despite a slowdown in the economic growth of China and other emerging countries. Concerning the Japanese economy, although a modest recovery trend continued, partial weakness was seen in such areas as exports and production.

The THK Group has identified “Full-Scale Globalization,” the “Development of New Business Areas,” and a “Change in Business Style” as cornerstones of its growth strategy to expand markets for the Company’s products including LM guides. Under its “Full-Scale Globalization” strategy, the Group is striving to expand its sales networks globally to capture demand from the growing markets in China and other emerging countries where factory automation (FA) is under way, among other developments, and in developed countries where the user base is expanding. Under the “Development of New Business Areas” strategy, the Group is working to increase sales revenue from not only existing products, but also newly developed products, buoyed by growing use of the Company’s products in such new fields as automotive parts, seismic isolation and damping systems, medical equipment, aircraft, robots, and renewable energy. In addition, every effort is being made to transform the way the Group promotes its business as well as associated frameworks and to further expand business areas by ensuring the thoroughgoing use of IoT,

cloud computing, AI, and robotics from both the manufacturing and sales perspectives.

During the fiscal year under review, the THK Group made aggressive efforts to expand sales on a global scale, harnessing its business structure, which has been reinforced to date. In addition, to further expand the Group’s Automotive & Transportation Business, the European and North American linkage and suspension (L&S) business was transferred from TRW Automotive Inc. (currently a group company of ZF Friedrichshafen AG) to the Group as of August 31, 2015. Consequently, the four companies have been included in THK’s scope of consolidation, as THK RHYTHM AUTOMOTIVE (TRA). Furthermore, due to such reasons as the yen depreciation compared with a year earlier, consolidated sales revenue increased ¥22,799 million, or 10.5%, compared with the previous fiscal year, to ¥240,478 million.

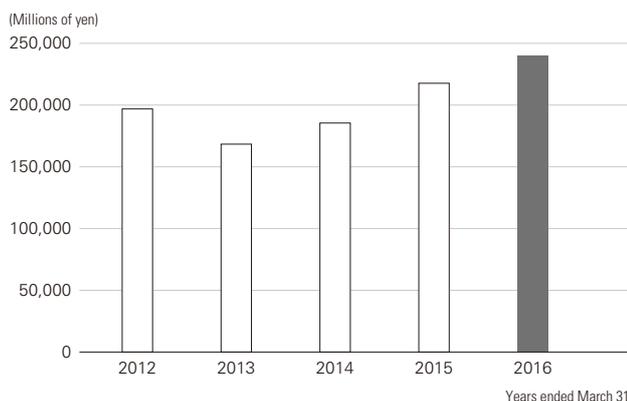
■ Cost of Sales

From a cost perspective, due to an increase in fixed expenses associated with investments toward future growth of the Group, the cost of sales to sales ratio increased 2.6 percentage points compared with the previous fiscal year, to 71.8%.

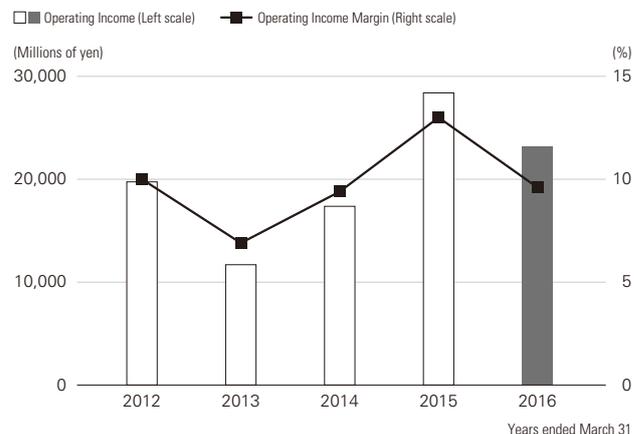
■ Selling, General and Administrative (SG&A) Expenses

In terms of SG&A expenses, despite our efforts to reduce various expenses and streamline operations while increasing sales revenue, business transfer-related expenses of ¥1,487 million and other factors resulted in a rise in the ratio of SG&A expenses to net sales of 0.8 of a percentage point compared with the previous fiscal year, to 18.5%.

Net Sales



Operating Income/Operating Income Margin



MANAGEMENT'S DISCUSSION & ANALYSIS

■ Operating Income

As a result, operating income decreased ¥5,218 million, or 18.4%, compared with the previous fiscal year, to ¥23,169 million, and the operating margin declined 3.4 percentage points to 9.6%.

■ Non-Operating Income and Expenses

Non-operating income was ¥2,766 million. This largely comprised ¥644 million of equity in earnings of affiliates and interest received of ¥407 million. Non-operating expenses were ¥6,795 million due mainly to a foreign exchange loss of ¥5,716 million, resulting from the yen's appreciation at the end of the term, and interest expenses of ¥426 million.

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

As a result, net income attributable to shareholders of THK CO., LTD. fell to ¥13,575 million, which was a decrease of ¥9,130 million, or 40.2%, compared with the previous fiscal year.

Segment Information

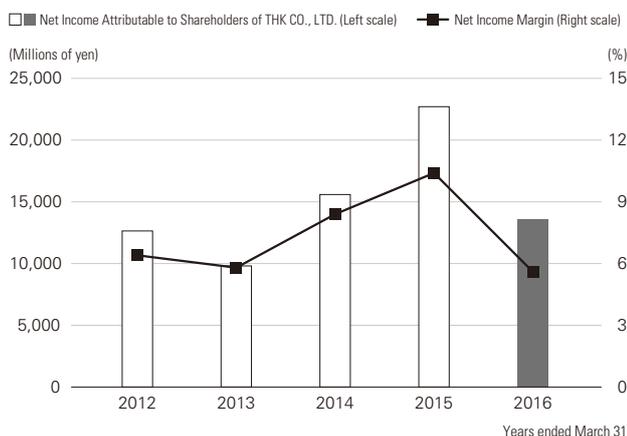
Japan

In Japan, although a moderate recovery trend continued, partial weakness was seen in such areas as exports and production. Under these circumstances, the Company undertook aggressive sales activities and strove to develop new markets in a wide range of fields including seismic isolation and damping systems, and other areas. However, as a result of the decline in demand for small machine tools, which had been driven by smartphone-related investments, as well as electronics products and other factor, sales in this geographic segment decreased ¥3,006 million, or 2.5%, compared with the previous fiscal year, to ¥118,851 million. From a profit perspective, operating income (segment income) decreased ¥5,391 million, or 21.5%, year on year, to ¥19,719 million. This was mainly due to the increase in various expenses for measures aimed at promoting future growth and the decrease in segment sales.

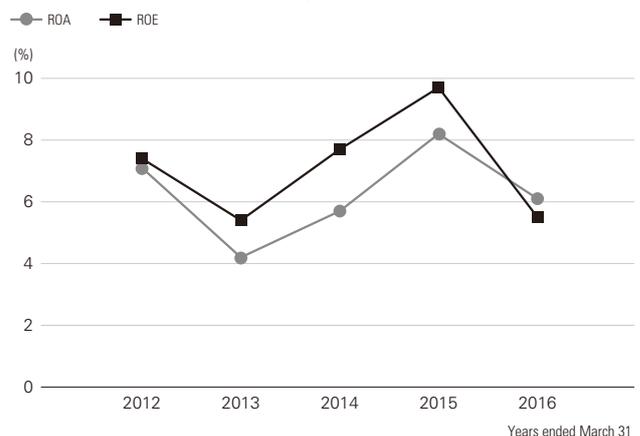
The Americas

In the Americas, economic conditions continued to recover, driven by steady personal consumption. This was despite a partial weakness in such areas as exports and capital investment. The Company worked diligently to expand transactions with existing customers by unifying production and sales while developing new business areas including the medical equipment, aircraft, and energy-related fields. As a result of these efforts, sales in such businesses as general machinery

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



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



and transportation equipment increased. In addition, the Company included two TRA companies in the Americas into its scope of consolidation while the value of the yen remained lower than a year earlier. As a result, sales in the Americas came to ¥49,491 million, up ¥14,848 million, or 42.9%, compared with the previous fiscal year. Operating income (segment income) rose ¥562 million, or 36.7%, year on year, to ¥2,096 million.

Europe

In Europe, there were signs of a moderate economic recovery. In the fiscal year under review, THK strove to expand transactions with existing customers by unifying production and sales while developing aggressive sales activities to explore new business areas encompassing, for example, the aircraft, household appliances, and space-defense-related fields. As a result, sales in Europe increased in the machine tools and other businesses. Due also to the inclusion of two TRA companies in Europe in the scope of consolidation, sales in this geographic segment increased ¥11,031 million, or 54.6%, compared with the previous fiscal year, to ¥31,223 million. Meanwhile, operating income (segment income) decreased ¥718 million, or 53.2%, year on year, to ¥632 million due to our aggressive measures toward future growth and other factors.

China

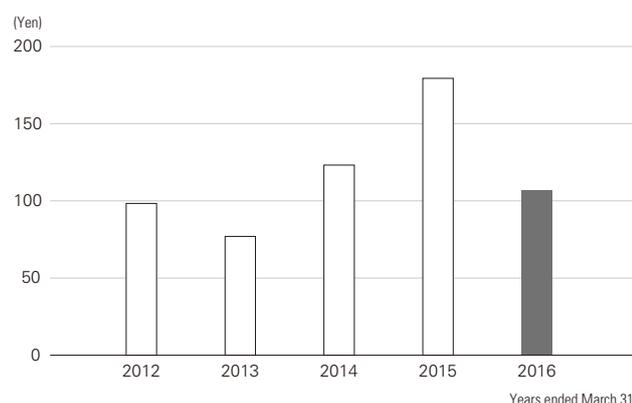
In China, where FA progressed against the backdrop of rising wages and a shortage of labor, which in turn has broadened demand for the Company's products, the Group undertook aggressive sales

activities optimizing its sales networks that the Group had continued to strengthen to date. However, despite continued depreciation of the yen from a year earlier, the decline in overall demand affected by the slowdown of economic growth of China, coupled with the decline in demand for smartphone-related small machine tools resulted in a downturn in sales in China of ¥102 million, or 0.4%, compared with the previous fiscal year, to ¥28,173 million. Earnings fell ¥1,801 million year on year, owing mainly to our aggressive investments toward future growth and other factors. Taking these factors into consideration, the THK Group incurred an operating loss (segment loss) of ¥1,344 million for the fiscal year under review.

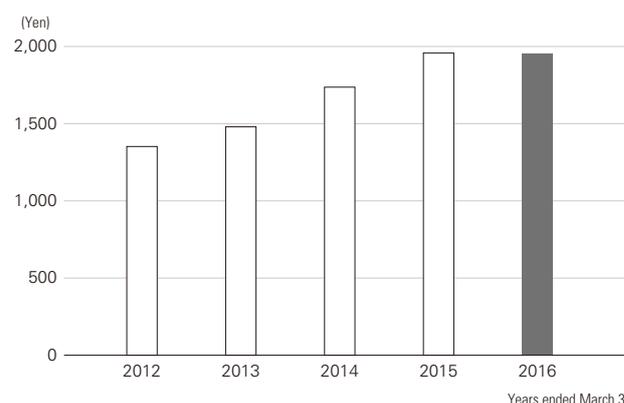
Other

In other areas, the THK Group set up a customer support center in the ASEAN region and expanded its sales network by establishing new sales bases in India. At the same time, the Group undertook aggressive sales activities to expand transactions with existing customers and acquire new customers. However, owing mainly to the impact of the slowdown of economic growth in China on certain regions, while sales in this segment increased ¥28 million, or 0.2%, compared with the previous fiscal year, to ¥12,738 million, operating income (segment income) decreased ¥25 million, or 2.0%, year on year, to ¥1,267 million.

Net Income per Share



Net Assets per Share



MANAGEMENT'S DISCUSSION & ANALYSIS

Financial Position

■ Assets, Liabilities and Net Assets

Assets

Total current assets stood at ¥248,858 million as of March 31, 2016, a decrease of ¥11,555 million compared with the end of the previous fiscal year. Trade accounts and notes receivable climbed ¥8,050 million and inventories increased ¥6,267 million in line with the upswing in net sales. Cash and cash equivalents, on the other hand, decreased ¥28,275 million. This largely reflected payment relating to the transfer of businesses.

Total non-current assets stood at ¥158,950 million as of March 31, 2016, an increase of ¥45,753 million compared with the previous fiscal year-end. In addition to the increase in property, plant and equipment of ¥11,695 million owing mainly to capital investment, intangibles climbed ¥32,066 million mainly on the back of the transfer of businesses.

Liabilities

Total liabilities came to ¥157,268 million, up ¥34,156 million compared with March 31, 2015. Major movement in liabilities included increases in long-term debt of ¥20,280 million and trade accounts and notes payable of ¥7,119 million.

Net Assets

Total net assets stood at ¥250,540 million as of March 31, 2016, an increase of ¥41 million compared with the end of the previous fiscal year. While net income attributable to shareholders of THK CO., LTD. came to ¥13,575 million, THK undertook payments for cash dividends of ¥6,953 million. At the same time, foreign currency translation adjustments declined ¥5,181 million compared with the previous fiscal year-end.

■ Cash Flows

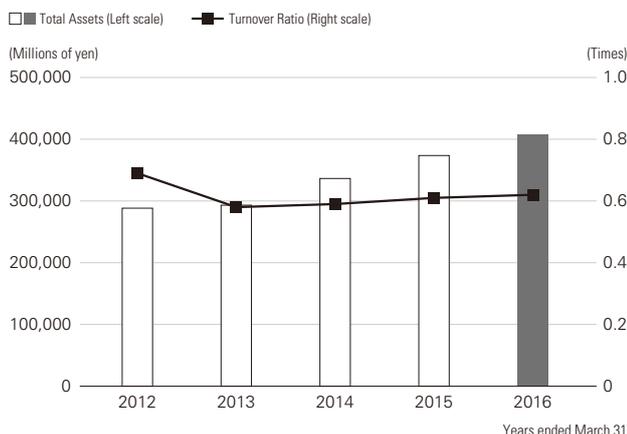
Net cash provided by operating activities came to ¥19,753 million. The major cash inflows were income before income taxes of ¥19,612 million and depreciation and amortization of ¥13,643 million. The principal cash outflows included increase in inventories of ¥3,386 million and income taxes paid of ¥13,117 million.

Net cash used in investing activities totaled ¥62,685 million. The primary components were payments for the transfer of businesses and the purchase of fixed assets.

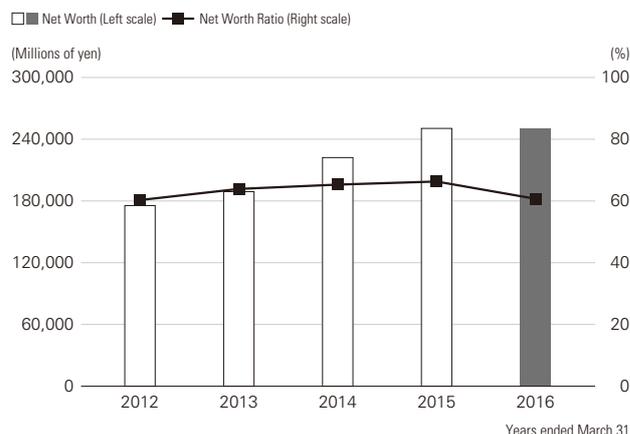
Net cash provided by financing activities was ¥19,252 million. The major cash inflows came from proceeds from long-term debt and the issuance of bonds.

In addition to each of the aforementioned activities, accounting for the effect of exchange differences, cash and cash equivalents as of March 31, 2016 stood at ¥126,964 million, a decrease of ¥28,275 million compared with the end of the previous fiscal year.

Total Assets/Turnover Ratio



Net Worth/Net Worth Ratio



RISK FACTORS

Risk factors and uncertainties that could affect the THK Group's business results and financial position include, but are not limited to, the items outlined in the following discussion. Please note that information provided on this page was accurate as of June 20, 2016. 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, Development of New Business Areas, and Change in Business Style to realize expansions in its business domains, the performance of the THK Group is influenced by production trends within industrial sectors such as machine tools, general machinery and semiconductor production equipment as well as 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, and Asia. 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, 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, 2016 and 2015

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2016	2015	2016
ASSETS			
Current Assets:			
Cash and cash equivalents (Note 17)	¥ 126,964	¥ 155,239	\$ 1,126,666
Receivables (Note 17):			
Trade accounts and notes receivable	70,034	61,717	621,474
—Unconsolidated subsidiaries and affiliates	1,466	1,733	13,009
Other receivables	2,620	2,163	23,249
—Unconsolidated subsidiaries and affiliates	944	53	8,376
	75,066	65,667	666,128
Less allowance for doubtful receivables	(162)	(145)	(1,437)
	74,904	65,522	664,690
Inventories (Note 3)	39,242	32,974	348,229
Short-term loans receivable	4	2	35
Deferred tax assets (Note 14)	2,573	3,968	22,832
Other current assets	5,170	2,707	45,878
Total current assets	248,858	260,414	2,208,341
Investments and Other:			
Investments in securities (Notes 5 and 17)	2,573	3,447	22,832
Investments in unconsolidated subsidiaries and affiliates	4,479	4,649	39,746
Net defined benefit asset (Note 7)	1,493	67	13,248
Long-term loans receivable	63	65	559
Deferred tax assets (Note 14)	2,060	1,171	18,280
Other investments	2,381	1,661	21,128
Total investments and other	13,052	11,062	115,822
Property, Plant and Equipment (Note 4):			
Buildings and structures	70,389	68,284	624,625
Machinery, equipment, vehicles and others	194,384	181,799	1,724,944
	264,773	250,084	2,349,569
Less accumulated depreciation	(178,198)	(170,212)	(1,581,311)
	86,575	79,871	768,258
Land	13,998	12,859	124,216
Construction in progress	8,854	5,001	78,569
Total property, plant and equipment	109,428	97,732	971,053
Intangibles:			
Goodwill	12,780	580	113,408
Other	23,688	3,821	210,204
Total intangibles	36,468	4,401	323,613
Total assets	¥ 407,808	¥ 373,610	\$ 3,618,848

The accompanying notes are an integral part of these statements.

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2016	2015	2016
LIABILITIES AND NET ASSETS			
Current Liabilities:			
Current portion of long-term debt (Notes 6 and 17)	¥ 2,253	¥ 7,000	\$ 19,992
Payables (Note 17):			
Trade accounts and notes payable	35,750	29,230	317,241
—Unconsolidated subsidiaries and affiliates	923	323	8,190
Other payables	7,930	5,289	70,370
—Unconsolidated subsidiaries and affiliates	145	152	1,286
	44,750	34,995	397,107
Income taxes payable	806	7,413	7,152
Accrued bonuses to employees	3,193	3,225	28,334
Other accrued expenses	6,678	4,968	59,259
Lease obligations	190	299	1,686
Other current liabilities	1,699	2,268	15,076
Total current liabilities	59,572	60,171	528,636
Long-term Liabilities:			
Long-term debt (Notes 6 and 17)	83,280	53,000	739,018
Reserve for directors' and corporate auditors' retirement benefits	129	110	1,144
Reserve for product warranty	142	156	1,260
Long-term lease obligations	234	330	2,076
Net defined benefit liability (Note 7)	7,195	4,964	63,847
Deferred tax liabilities (Note 14)	5,488	3,347	48,699
Other liabilities	1,224	1,030	10,861
Total long-term liabilities	97,695	62,940	866,935
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, 2016 and 2015	34,606	34,606	307,090
Additional paid-in capital	44,584	44,584	395,634
Retained earnings	165,076	158,463	1,464,868
Treasury stock, at cost: 7,269,394 shares and 7,266,746 shares as of March 31, 2016 and 2015, respectively	(13,950)	(13,943)	(123,790)
Total shareholders' equity	230,317	223,711	2,043,810
Accumulated other comprehensive income:			
Net unrealized gain on available-for-sale securities	665	1,312	5,901
Foreign currency translation adjustments	17,759	22,940	157,591
Remeasurements of defined benefit plans (Note 7)	(1,394)	(166)	(12,370)
Total accumulated other comprehensive income	17,030	24,086	151,122
Non-controlling interests	3,192	2,701	28,325
Total net assets	250,540	250,498	2,223,267
Total liabilities and net assets	¥ 407,808	¥ 373,610	\$ 3,618,848

CONSOLIDATED FINANCIAL STATEMENTS

Consolidated Statements of Income

Years ended March 31, 2016 and 2015

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2016	2015	2016
Net Sales	¥ 240,478	¥ 217,678	\$ 2,133,978
Cost of Sales (Note 12)	172,711	150,653	1,532,620
Gross profit	67,766	67,024	601,348
Selling, General and Administrative Expenses (Notes 11 and 12)	44,597	38,636	395,749
Operating income	23,169	28,388	205,599
Non-Operating Income (Expenses):			
Interest and dividend income	485	548	4,303
Interest expenses	(426)	(404)	(3,780)
Foreign exchange (loss) gain, net	(5,716)	4,089	(50,723)
Equity in earnings of an affiliate	644	599	5,714
Rental income	387	363	3,434
Gain (loss) on sales and disposal of property, plant and equipment, net	472	(97)	4,188
Impairment loss (Note 4)	—	(432)	—
Other, net	595	446	5,279
	(3,557)	5,112	(31,564)
Income before income taxes	19,612	33,501	174,034
Income Taxes (Note 14)			
Current	5,289	11,595	46,934
Deferred	1,073	(899)	9,521
Total income taxes	6,363	10,695	56,464
Net income	13,249	22,805	117,570
Net (loss) Income attributable to non-controlling interests	(325)	99	(2,884)
Net income attributable to shareholders of THK CO., LTD.	¥ 13,575	¥ 22,705	\$ 120,463

The accompanying notes are an integral part of these statements.

Consolidated Statements of Comprehensive Income

Years ended March 31, 2016 and 2015

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2016	2015	2016
Net Income	¥ 13,249	¥ 22,805	\$ 117,570
Other Comprehensive Income (Note 15):			
Net unrealized (loss) gain on available-for-sale securities	(643)	516	(5,705)
Foreign currency translation adjustments	(4,818)	10,045	(42,754)
Remeasurements of defined benefit plans	(1,223)	529	(10,852)
Share of other comprehensive (loss) income of an affiliate accounted for under the equity method	(565)	187	(5,013)
Total other comprehensive (loss) income	(7,250)	11,280	(64,335)
Comprehensive Income	5,999	34,085	53,234
Attributable to:			
Shareholders of THK CO., LTD.	6,519	33,701	57,848
Non-controlling interests	¥ (520)	¥ 383	\$ (4,614)

The accompanying notes are an integral part of these statements.

Consolidated Statements of Changes in Net Assets

Years ended March 31, 2016 and 2015

	Millions of yen				
	Shareholders' equity				
	Common stock	Additional paid-in capital	Retained earnings	Treasury stock, at cost	Total 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 attributable to shareholders of THK CO., LTD.	—	—	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
Cash dividends	—	—	(6,962)	—	(6,962)
Net income attributable to shareholders of THK CO., LTD.	—	—	13,575	—	13,575
Purchase of treasury stock	—	—	—	(6)	(6)
Disposal of treasury stock	—	—	—	0	0
Net changes of items other than shareholders' equity	—	—	—	—	—
Balance at March 31, 2016	¥ 34,606	¥ 44,584	¥ 165,076	¥ (13,950)	¥ 230,317

	Millions of yen					
	Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Net unrealized gain on available-for-sale securities	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
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 attributable to shareholders of THK CO., LTD.	—	—	—	—	—	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
Cash dividends	—	—	—	—	—	(6,962)
Net income attributable to shareholders of THK CO., LTD.	—	—	—	—	—	13,575
Purchase of treasury stock	—	—	—	—	—	(6)
Disposal of treasury stock	—	—	—	—	—	0
Net changes of items other than shareholders' equity	(646)	(5,181)	(1,227)	(7,055)	490	(6,565)
Balance at March 31, 2016	¥ 665	¥ 17,759	¥ (1,394)	¥ 17,030	¥ 3,192	¥ 250,540

	Thousands of U.S. dollars (Note 1)				
	Shareholders' equity				
	Common stock	Additional paid-in capital	Retained earnings	Treasury stock, at cost	Total shareholders' equity
Balance at March 31, 2015	\$ 307,090	\$ 395,634	\$ 1,406,185	\$ (123,728)	\$ 1,985,189
Cash dividends	—	—	(61,780)	—	(61,780)
Net income attributable to shareholders of THK CO., LTD.	—	—	120,463	—	120,463
Purchase of treasury stock	—	—	—	(53)	(53)
Disposal of treasury stock	—	—	—	0	0
Net changes of items other than shareholders' equity	—	—	—	—	—
Balance at March 31, 2016	\$ 307,090	\$ 395,634	\$ 1,464,868	\$ (123,790)	\$ 2,043,810

	Thousands of U.S. dollars (Note 1)					
	Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Net unrealized gain on available-for-sale securities	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at March 31, 2015	\$ 11,642	\$ 203,567	\$ (1,473)	\$ 213,756	\$ 23,968	\$ 2,222,894
Cash dividends	—	—	—	—	—	(61,780)
Net income attributable to shareholders of THK CO., LTD.	—	—	—	—	—	120,463
Purchase of treasury stock	—	—	—	—	—	(53)
Disposal of treasury stock	—	—	—	—	—	0
Net changes of items other than shareholders' equity	(5,732)	(45,975)	(10,888)	(62,605)	4,348	(58,257)
Balance at March 31, 2016	\$ 5,901	\$ 157,591	\$ (12,370)	\$ 151,122	\$ 28,325	\$ 2,223,267

The accompanying notes are an integral part of these statements.

CONSOLIDATED FINANCIAL STATEMENTS

Consolidated Statements of Cash Flows

Years ended March 31, 2016 and 2015

	Millions of yen	Thousands of U.S. dollars (Note 1)
	2016	2015
Cash Flows from Operating Activities:		
Income before income taxes	¥ 19,612	¥ 33,501
Adjustments:		
Depreciation and amortization	13,643	11,567
Impairment loss	—	432
Amortization of goodwill	664	360
Interest and dividend income	(485)	(548)
Interest expenses	426	404
Foreign exchange loss (gain), net	2,659	(4,460)
Equity in earnings of an affiliate	(644)	(599)
(Gain) loss on sales and disposal of property, plant and equipment, net	(472)	104
Changes in assets and liabilities:		
Increase in accounts and notes receivable	(1,318)	(8,491)
Increase in inventories	(3,386)	(2,430)
Increase in accounts and notes payable	1,094	2,643
Increase in provisions	13	242
Increase in net defined benefit liability	75	99
Other, net	992	491
Subtotal	32,875	33,317
Interest and dividend received	504	524
Interest paid	(508)	(447)
Income taxes paid	(13,117)	(10,009)
Net cash provided by operating activities	19,753	23,384
Cash Flows from Investing Activities:		
Purchase of property, plant and equipment and intangibles	(15,522)	(9,445)
Proceeds from sales of property, plant and equipment	1,743	198
Increase in investments in securities, unconsolidated subsidiaries and affiliates	(67)	(427)
Increase in loans receivable	(11)	(7)
Collection on loans receivable	—	1,026
Payment for acquisition of subsidiaries' shares resulting in change in scope of consolidation	(24,379)	—
Payment for transfer of business	(24,161)	—
Payment for insurance fund	(671)	—
Other, net	385	(58)
Net cash used in investing activities	(62,685)	(8,714)
Cash Flows from Financing Activities:		
Proceeds from long-term debt	22,534	10,000
Repayment of long-term debt	(7,000)	(10,000)
Proceeds from issuance of corporate bonds	10,000	—
Cash dividends	(6,953)	(4,425)
Proceeds from payment from non-controlling shareholders	1,011	—
Cash dividends to non-controlling shareholders	—	(24)
Purchase of treasury stock	(6)	(9)
Proceeds from sales of treasury stock	0	—
Repayment of lease obligations	(321)	(283)
Payment for acquisition of subsidiaries' shares not resulting in change in scope of consolidation	(10)	—
Net cash provided by (used in) financing activities	19,252	(4,742)
Foreign Currency Translation Adjustments on Cash and Cash Equivalents	(4,596)	6,968
Net (Decrease) Increase in Cash and Cash Equivalents	(28,275)	16,896
Cash and Cash Equivalents at Beginning of Year	155,239	138,343
Cash and Cash Equivalents at End of Year	¥ 126,964	¥ 155,239
		\$ 1,126,666

The accompanying notes are an integral part of these statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

THK CO., LTD. and consolidated subsidiaries

1. Basis of Presenting Consolidated Financial Statements

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

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

U.S. dollar amounts presented in the consolidated financial statements are included solely for the convenience of the readers. These translations should not be construed as presentations that the yen amounts actually represent or could be converted into U.S. dollars at that or any other rate. For this purpose, the rate of ¥112.69 to U.S.\$ 1, the approximate rate of exchange prevailing in Tokyo on March 31, 2016, have been used for the translation of the accompanying consolidated financial statements as of March 31, 2016 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 36 subsidiaries as of March 31, 2016 and 33 subsidiaries as of March 31, 2015. The consolidated financial statements for the years ended March 31, 2016 and 2015 include the accounts of the Company and its 33 (30 in 2015) consolidated subsidiaries (collectively, "the Group"). Investments in the remaining three subsidiaries including THK BRAZIL INDUSTRIA E COMERCIO LTDA are not consolidated and stated at cost, because these companies are small in size and if these companies had been consolidated, the effect on the consolidated financial statements would not have been significant.

(Changes in the scope of consolidation)

Changes in the scope of consolidation for the year ended March 31, 2016 were as follows:

L Trading Co., Ltd., which had been a consolidated subsidiary in the prior fiscal years, was deconsolidated due to completion of liquidation procedures. THK RHYTHM AUTOMOTIVE MICHIGAN CORPORATION and THK RHYTHM AUTOMOTIVE CANADA LIMITED, which were newly established during the year ended March 31, 2016, were included in the scope of consolidation. In addition, THK RHTM AUTOMOTIVE GmbH

and THK RHYTHM AUTOMOTIVE CZECH a.s., whose shares were newly acquired during the year ended March 31, 2016, were included in the scope of consolidation.

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

The fiscal year closing date of 27 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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

properties and incorporation of the cost model accounting; 5) exclusion of non-controlling interests from net income, if contained.

The Company had three affiliates and three unconsolidated subsidiaries as of March 31, 2016 and 2015. 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, 2016 and 2015, the Company has applied the equity method to investment in SAMICK THK CO., LTD. Investments in the remaining affiliates and unconsolidated subsidiaries (THK BRAZIL INDUSTRIA E COMERCIO LTDA, etc.) are stated at cost. If the equity method had been applied to the investments in those companies, the effect on the consolidated financial statements would not have been significant.

(b) Translation of Foreign Currency Financial Statements

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

(c) Inventories

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

(d) Financial Instruments

Securities

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

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

For other than temporary declines in fair value, investments in

securities are written down to the net realizable value and the difference is charged to income.

Derivatives and Hedging Accounting

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

Hedge accounting method

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

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

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

Hedging instruments and hedged items are as follows

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

Hedging policy

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

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

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

Assessment of hedge effectiveness

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

flow fluctuations continuously on and after the beginning of the hedge.

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

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

(e) Property, Plant and Equipment

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

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

(o) Consumption Taxes

Japanese consumption taxes are levied at the flat rate of eight percent on all domestic consumption of goods and services, with certain

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Accounting Standards for Business Combinations, etc.

The Company applied "Revised Accounting Standard for Business Combinations" (ASBJ Statement No.21, September 13, 2013 (hereinafter, "Statement No.21")), "Revised Accounting Standard for Consolidated Financial Statements" (ASBJ Statement No.22, September 13, 2013 (hereinafter, "Statement No.22")), "Revised Accounting Standard for Business Divestitures" (ASBJ Statement No.7, September 13, 2013 (hereinafter, "Statement No.7")) (together, the "Business Combination Accounting Standards") and other related guidance from the current fiscal year. As a result, the Company changed its accounting policies to recognize in capital surplus the differences arising from the changes in the Company's ownership interest of subsidiaries over which the Company continues to maintain control and to

record acquisition related costs as expenses in the fiscal year in which the costs are incurred. In addition, the Company changed its accounting policy for the reallocation of acquisition costs due to the completion following provisional accounting to reflect such reallocation in the consolidated financial statements for the fiscal year in which the business combination took place. The Company also changed the presentation of net income and the term "non-controlling interests" is used instead of "minority interests." Certain amounts in the prior year comparative information were reclassified to conform to such changes in the current year presentation.

With regard to the application of the Accounting Standards for Business Combinations, etc., the Company followed the transitional treatments in paragraph 58-2 (4) of Statement No.21, paragraph 44-5 (4) of Statement No.22 and paragraph 57-4 (4) of Statement No.7 with application from the beginning of the current fiscal year prospectively.

As a result, operating income and income before tax for the current fiscal year decreased by ¥1,487 million (\$13,195 thousand), respectively. There was no effect on capital surplus as of March 31, 2016.

In the consolidated statement of cash flows for the year ended March 31, 2016, cash flows from acquisition or disposal of shares of subsidiaries with no changes in the scope of consolidation are included in "Cash flows from financing activities" and cash flows from acquisition related costs for shares of subsidiaries with changes in the scope of consolidation or costs related to acquisition or disposal of shares of subsidiaries with no changes in the scope of consolidation are included in "Cash flows from operating activities."

The effects on per share information are explained in Note 16 "Per Share Information."

(t) New Accounting Standard in Issue Not Yet Adopted
Implementation Guidance on Recoverability of Deferred Tax Assets
On March 28, 2016, the ASBJ issued ASBJ Guidance No. 26, "Implementation Guidance on Recoverability of Deferred Tax Assets."

Following the framework in Auditing Committee Report No. 66, "Audit Treatment regarding the Judgment of Recoverability of Deferred Tax Assets," which prescribes estimation of deferred tax assets according to the classification of the entity by one of five types, the following treatments were changed as necessary:

1. Treatment for an entity that does not meet any of the criteria in types 1 to 5;
2. Criteria for types 2 and 3
3. Treatment for deductible temporary differences which an entity classified as type 2 is unable to schedule;
4. Treatment for the period which an entity classified as type 3 is able to reasonably estimate with respect to future taxable income before consideration of taxable or deductible temporary differences that exist at the end of the current fiscal year, and
5. Treatment when an entity classified as type 4 also meets the criteria for types 2 or 3.

The Company plans to apply this implementation guidance from April 1, 2016 and the impact is under assessment at the time of preparation of the current consolidated financial statements.

3. Inventories

Inventories as of March 31, 2016 and 2015 comprised of the following:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Merchandise and finished goods	¥ 16,619	¥ 13,738	\$ 147,475
Work in process	7,352	6,184	65,240
Raw materials and supplies	15,270	13,051	135,504
Total	¥ 39,242	¥ 32,974	\$ 348,229

4. Long-lived Assets

No impairment loss was recognized for the year ended March 31, 2016.

The Group recognized an impairment loss on the following asset group for the year ended March 31, 2015:

Location	Use	Type	Millions of yen
Adachi-ku, Tokyo	Assets planned to be disposed of	Land, buildings and structures	¥ 215
Ikoma, Nara	Assets planned to be disposed of	Land	216

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 of land and ¥38 million of buildings and structures. The recoverable amount of the asset group is measured at net selling value and assessed by the estimated sales value.

5. Investments in Securities

As of March 31, 2016 and 2015, available-for-sale securities with available fair value were as follows:

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

	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

	Thousands of U.S. dollars		
	2016		
	Carrying amount	Acquisition cost	Net unrealized gain (loss)
Carrying amount (fair value) exceeds acquisition cost: Equity securities	\$ 18,599	\$ 8,927	\$ 9,663
Carrying amount (fair value) does not exceed acquisition cost: Equity securities	2,289	3,860	(1,561)
Total	\$ 20,889	\$ 12,796	\$ 8,092

As of March 31, 2016 and 2015, available-for-sale securities whose fair value is not reliably determinable were as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Available-for-sale securities			
Unlisted equity securities	¥ 173	¥ 173	\$ 1,535
Investments in investment business limited partnerships	45	—	399

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

"Acquisition cost" in the above table refers to the cost after deducting impairment losses. No impairment losses on available-for-sale securities value were recognized during the years ended March 31, 2016 and 2015.

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, 2016 and 2015.

6. Long-term Debt

Long-term debt as of March 31, 2016 and 2015 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Bank loans 0.537% due in 2026	¥ 32,533	¥ 10,000	\$ 288,694
Corporate bonds issued by the Company:			
0.461% Unsecured straight bonds due in 2015	—	7,000	—
0.715% Unsecured straight bonds due in 2017	13,000	13,000	115,360
0.850% Unsecured straight bonds due in 2018	10,000	10,000	88,739
0.430% Unsecured straight bonds due in 2018	10,000	10,000	88,739
0.660% Unsecured straight bonds due in 2020	10,000	10,000	88,739
0.296% Unsecured straight bonds due in 2020	10,000	-	88,739
	¥ 85,533	¥ 60,000	\$ 759,011
Current portion	(2,253)	(7,000)	(19,992)
Long-term debt, less current portion	¥ 83,280	¥ 53,000	\$ 739,018

Annual maturities of long-term debt as of March 31, 2016 are as follows:

	Millions of yen					
	2016					
	Due within 1 year	Due after 1 to 2 years	Due after 2 to 3 years	Due after 3 to 4 years	Due after 4 to 5 years	Due after 5 years
Bonds	¥ —	¥ 13,000	¥ 20,000	¥ —	¥ 20,000	¥ —
Bank loans	2,253	2,253	2,253	12,253	2,253	11,267
Total	¥ 2,253	¥ 15,253	¥ 22,253	¥ 12,253	¥ 22,253	¥ 11,267

	Thousands of U.S. dollars					
	2016					
	Due within 1 year	Due after 1 to 2 years	Due after 2 to 3 years	Due after 3 to 4 years	Due after 4 to 5 years	Due after 5 years
Bonds	\$ —	\$ 115,360	\$ 177,478	\$ —	\$ 177,478	\$ —
Bank loans	19,992	19,992	19,992	108,731	19,992	99,982
Total	\$ 19,992	\$ 135,353	\$ 197,470	\$ 108,731	\$ 197,470	\$ 99,982

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, 2016 and 2015, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Beginning balance of projected benefit obligation	¥ 15,336	¥ 12,883	\$ 136,090
Cumulative effect of accounting changes	—	1,663	—
Restated beginning balance	15,336	14,546	136,090
Service cost	791	839	7,019
Interest cost	280	188	2,484
Actuarial differences	1,673	128	14,846
Retirement benefits paid	(354)	(365)	(3,141)
Increase due to business combinations	6,305	—	55,949
Other	(307)	—	(2,724)
Ending balance of projected benefit obligations	¥ 23,725	¥ 15,336	\$ 210,533

(2) The changes in plan assets for the years ended March 31, 2016 and 2015, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Beginning balance of plan assets	¥ 10,438	¥ 8,832	\$ 92,625
Expected return on plan assets	361	246	3,203
Actuarial differences	(291)	873	(2,582)
Contribution from the employer	791	733	7,019
Retirement benefits paid	(267)	(247)	(2,369)
Increase due to business combinations	7,368	—	65,382
Impact from foreign exchanges	(378)	—	(3,354)
Ending balance of plan assets	¥ 18,023	¥ 10,438	\$ 159,934

(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
	2016	2015	2016
Contributory defined benefit obligations	¥ 22,626	¥ 14,392	\$ 200,780
Plan assets	(18,023)	(10,438)	(159,934)
	4,603	3,953	40,846
Non-contributory defined benefit obligations	1,098	944	9,743
Net liability recorded in the consolidated balance sheet	¥ 5,701	¥ 4,897	\$ 50,590
Net defined benefit liability	7,195	4,964	63,847
Net defined benefit asset	(1,493)	(67)	(13,248)
Net liability recorded in the consolidated balance sheet	¥ 5,701	¥ 4,897	\$ 50,590

(4) The components of retirement benefit expenses for the years ended March 31, 2016 and 2015, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Service cost	¥ 791	¥ 859	\$ 7,019
Interest cost	280	188	2,484
Expected return on plan assets	(361)	(217)	(3,203)
Amortization of actuarial differences	(88)	(4)	(780)
Amortization of prior service costs	138	138	1,224
Retirement benefit expenses on defined benefit plans	¥ 760	¥ 965	\$ 6,744

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(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
	2016	2015	2016
Prior service costs	¥ 138	¥ 138	\$ 1,224
Actuarial differences	(2,227)	750	(19,762)
Total	¥ (2,089)	¥ 889	\$ (18,537)

(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
	2016	2015	2016
Unrecognized prior service costs	¥ 1,453	¥ 1,592	\$ 12,893
Unrecognized actuarial differences	579	(1,501)	5,137
Total	¥ 2,033	¥ 90	\$ 18,040

(7) Plan assets

a. Components of plan assets

Plan assets consisted of the following:

	2016	2015
Debt securities	35%	22%
Equity securities	43%	43%
General account	20%	32%
Other	2%	3%
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, 2016 and 2015, were set forth as follows:

	2016	2015
Discount rate	0.5%	1.4%
Long-term expected rate of return	2.5%	2.5%

3. Defined Contribution Plans

The amounts of the required contribution to the defined contribution plans of the Company and its consolidated subsidiaries were ¥478 million (\$4,241 thousand) and ¥425 million for the years ended March 31, 2016 and 2015, respectively.

4. Multi-Employer Plans

For the year ended March 31, 2015

The amounts of the required contribution to the Welfare Pension Fund Plans of multi-employer plans which were accounted for in the same manner as defined contribution plans were ¥45 million for the year ended March 31, 2015.

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

	Millions of yen
	2015
Plan assets	¥ 45,775
Total amount of benefit obligations on pension financing calculation and minimum policy reserve	58,060
Net	¥ (12,285)

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

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 as of March 31, 2015 and deficit brought forward in the amounts of ¥6,497 million as of March 31, 2015. Past service costs under the multi-employer plans are amortized on a straight-line basis over a period of 20

(Dissolution of welfare pension fund)

Shizuoka-ken Tobu Machine Industry Welfare Pension Fund which certain consolidated subsidiaries had participated in is currently under liquidation process approved by the Minister of Welfare and Labor on November 20, 2015. Accordingly, description of information concerning funding status of the whole pension plan, the Company's share of contribution and supplementary explanation for the year ended March 31, 2016 is omitted.

8. Committed Line of Credit

As of March 31, 2016 and 2015, the Group had committed lines of credit amounting to ¥15,000 million (\$133,108 thousand). None of the committed lines of credit were used.

9. Contingent Liabilities

As of March 31, 2016 and 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, 2016 and 2015 were as follows:

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

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

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

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

	Number of shares			March 31, 2015
	April 1, 2014	Increase	Decrease	
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.

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Year ended March 31, 2016

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

General 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 (\$ 33,694 thousand)	¥ 30.00 (\$ 0.26)	Mar. 31, 2015	Jun. 22, 2015

Board of Directors meeting held on November 12, 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	¥ 3,164 million (\$ 28,077 thousand)	¥ 25.00 (\$ 0.22)	Sep. 30, 2015	Dec. 7, 2015

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	Per share amount Yen	Dividend record date	Effective date
Common stock	¥ 1,898 million	¥ 15.00	Mar. 31, 2014	Jun. 23, 2014

Board of Directors meeting held on November 6, 2014:

	Total amount Millions of yen	Per share amount Yen	Dividend record date	Effective date
Common stock	¥ 2,531 million	¥ 20.00	Sep. 30, 2014	Dec. 8, 2014

11. Amortization of Goodwill

Amortization of goodwill included in selling, general and administrative expenses for the years ended March 31, 2016 and 2015 were ¥664 million (\$5,892 thousand) and ¥360 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, 2016 and 2015 were ¥5,074 million (\$45,026 thousand) and ¥4,908 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, 2016 and 2015 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Due within one year	¥ 535	¥ 451	\$ 4,747
Due after one year	510	477	4,525
Total	¥ 1,046	¥ 929	\$ 9,282

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 33.1% and 35.6 % for the years ended March 31, 2016 and 2015, respectively.

As of March 31, 2016 and 2015, significant components of deferred tax assets and liabilities were as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Deferred tax assets:			
Valuation loss of investments in affiliates	¥ 6,987	¥ 7,380	\$ 62,001
Net defined benefit liability	2,078	1,456	18,439
Tax loss carried forward	1,275	1,008	11,314
Accrued bonuses to employees	945	996	8,385
Loss on devaluation of inventories	890	1,024	7,897
Unrealized gain on intercompany sales of inventories	870	1,259	7,720
Unrealized gain on intercompany sales of property, plant and equipment	681	602	6,043
Accumulated depreciation	299	206	2,653
Retirement benefits payable to directors and corporate auditors	266	274	2,360
Accrued expenses	252	224	2,236
Impairment loss	95	361	843
Loss on devaluation of investments in securities	59	60	523
Enterprise tax payable	57	542	505
Allowance for doubtful receivables	42	32	372
Other	623	428	5,528
Total	15,425	15,857	136,879
Less: valuation allowance	(9,430)	(9,555)	(83,680)
Total deferred tax assets	5,995	6,301	53,199
Deferred tax liabilities:			
Adjustment to book value of a subsidiary due to fair value measurement at the inception of consolidation	(2,366)	—	(20,995)
Unrealized gains on available-for-sale securities	(1,486)	(1,791)	(13,186)
Depreciation	(1,409)	(1,335)	(12,503)
Unrealized gains on land revaluation	(1,175)	(1,215)	(10,426)
Special depreciation reserve for tax purpose	(34)	(28)	(301)
Other	(393)	(160)	(3,487)
Total deferred tax liabilities	(6,865)	(4,531)	(60,919)
Net deferred tax (liabilities) assets	¥ (870)	¥ 1,770	\$ (7,720)

A reconciliation between the normal effective statutory tax rate and the actual effective tax rate reflected in the accompanying consolidated statements of income for the year ended March 31, 2015 was as follows (For the year ended March 31, 2016, it is omitted because the difference between the normal effective statutory tax rate and the actual effective tax rate is less than 5 % of the normal effective statutory tax rate):

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

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

“Partial amendments to Income Tax Act, etc.” (Act No. 15, 2016) and “Partial amendments to Local Tax Act, etc.” (Act No.13, 2016) were enacted at the Diet on March 29, 2016, and the statutory tax rate to be used for the calculation of deferred tax assets and deferred tax liabilities was changed from 32.3% to 30.9% for temporary differences to be settled from April 1,

2016 until March 31, 2018 and to 30.6% for those to be settled on or after April 1, 2018. As a result, deferred tax assets, net of deferred tax liabilities, decreased by ¥56 million (\$496 thousand) and income taxes - deferred and net unrealized gain on available-for-sale securities increased by ¥86 million (\$763 thousand) and ¥14 million (\$124 thousand), respectively. In addition, remeasurements of defined benefit plans on accumulated other comprehensive income decreased by ¥15 million (\$133 thousand) as of March 31, 2016.

15. Other Comprehensive Income

The components of other comprehensive income for the years ended March 31, 2016 and 2015 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Net unrealized gain on available-for-sale securities:			
(Loss) gain recognized during the year	¥ (936)	¥ 683	\$ (8,305)
Reclassification adjustment to net income	0	—	0
Amount before tax effect	(936)	683	(8,305)
Tax effect	292	(167)	2,591
Net unrealized (loss) gain on available-for-sale securities	(643)	516	(5,705)
Foreign currency translation adjustments:			
(Loss) gain recognized during the year	(4,818)	10,017	(42,754)
Reclassification adjustment to net income	—	28	—
Amount before tax effect	(4,818)	10,045	(42,754)
Tax effect	—	—	—
Foreign currency translation adjustments	(4,818)	10,045	(42,754)
Remeasurements of defined benefit plans			
(Loss) gain recognized during the year	(1,993)	755	(17,685)
Reclassification adjustment to net income	50	134	443
Amount before tax effect	(1,942)	889	(17,233)
Tax effect	719	(359)	6,380
Remeasurements of defined benefit plans	(1,223)	529	(10,852)
Share of other comprehensive income of an affiliate accounted for under the equity method:			
(Loss) income recognized during the year	(565)	187	(5,013)
Reclassification adjustment to net income	—	—	—
Share of other comprehensive (loss) income of an affiliate accounted for under the equity method	(565)	187	(5,013)
Total other comprehensive (loss) income	¥ (7,250)	¥ 11,280	\$ (64,335)

16. Supplementary Information to Consolidated statements of Cash Flows

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

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

	Millions of yen	Thousands of U.S. dollars
Current assets	¥ 5,205	\$ 46,188
Noncurrent assets	16,561	146,960
Goodwill	9,883	87,700
Current liabilities	(3,689)	(32,735)
Noncurrent liabilities	(2,702)	(23,977)
Acquisition value of shares	25,257	224,128
Cash and cash equivalents	(877)	(7,782)
Net payment for acquisition	¥ 24,379	\$ 216,336

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

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

	Millions of yen	Thousands of U.S. dollars
Current assets	¥ 7,438	\$ 66,004
Noncurrent assets	18,426	163,510
Goodwill	3,351	29,736
Current liabilities	(5,144)	(45,647)
Noncurrent liabilities	(0)	(0)
Acquisition value of shares	24,073	213,621
Cash and cash equivalents	—	—
Foreign exchange translation differences	88	780
Net payment for acquisition	¥ 24,161	\$ 214,402

17. Per Share Information

Per share information as of and for the years ended March 31, 2016 and 2015 is as follows:

	yen		U.S. dollars
	2016	2015	2016
Net income – basic	¥ 107.24	¥ 179.36	\$ 0.95
Net assets	1,953.97	1,957.48	17.33

Diluted net income per share for the years ended March 31, 2016 and 2015 is not presented since the Company did not have any kind of securities with potential dilutive effect in the fiscal years.

As noted in Note 2(s), the Company adopted accounting standards for business combinations, etc. As a result, net income per share for the year ended March 31, 2016 decreased by ¥11.75 (\$0.10).

18. Financial Instruments and Related Disclosures

(1) Policy for financial instruments

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

(2) Nature and risks of financial instruments

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

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

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

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

The Group utilizes forward foreign exchange contracts to manage foreign exchange fluctuation risk associated with foreign currency

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

(3) Risk management

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

(b) Market risks—The Company utilizes forward foreign exchange contracts to manage foreign exchange fluctuation risk identified by currency associated with foreign currency denominated trade receivables and payables. The Company also utilizes interest rate swap contracts to manage interest rate risks associated with bank loans and interest rate and currency swap contracts to manage foreign exchange fluctuation risk and interest rate

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

fluctuation risk associated with foreign currency denominated bank loans. As to investments in securities, fair value and financial condition of investees are periodically reviewed. Derivative transactions are executed and controlled by the Corporate Strategy Division. 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, 2016 and 2015 are as follows:

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

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 and bank loans, including current portion	60,000	60,596	596
Total	¥ 89,553	¥ 90,150	¥ 596
Derivatives	¥ —	¥ —	¥ —

Thousands of U.S. dollars

	2016		
	Carrying amount	Fair value	Difference
Assets:			
(1) Cash and cash equivalents	\$ 1,126,666	\$ 1,126,666	\$ —
(2) Trade accounts and notes receivable	634,483	634,483	—
(3) Investments in securities			
Available-for-sale securities	20,889	20,889	—
Total	\$ 1,782,056	\$ 1,782,056	\$ —
Liabilities:			
(4) Trade accounts and notes payable	\$ 325,432	\$ 325,432	\$ —
(5) Long-term debt—Bonds and bank loans, including current portion	759,020	767,388	8,368
Total	\$ 1,084,452	\$ 1,092,829	\$ 8,368
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, 2016 and 2015 are as follows:

	Millions of yen		Thousands of U.S dollars
	2016	2015	2016
Unlisted equity securities	¥ 173	¥ 173	\$ 1,535
Investments in investment business limited partnerships	45	—	399

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

Maturity analysis for financial assets as of March 31, 2016 is as follows:

	Millions of yen		Thousands of U.S dollars	
	2016		2016	
	Due within one year	Due after one year	Due within one year	Due after one year
(1) Cash and cash equivalents	¥ 126,964	—	\$ 1,126,666	—
(2) Trade accounts and notes receivable	71,500	—	634,483	—
Total	¥ 198,465	—	\$ 1,761,158	—

Maturities of long-term debt as of March 31, 2016 are disclosed in Note 6.

19. Derivatives and Hedging Activities

Derivatives to which hedge accounting is applied:

The Group utilizes interest rate swap agreements to hedge interest rate risks associated with its bank loans and interest rate and currency swap contracts to hedge foreign exchange risk and interest rate risks associated with its foreign currency denominated bank loans. The Group's interest rate swaps and interest rate and currency swap contracts qualify for hedge accounting and meet specific matching criteria

under Japanese GAAP and are not remeasured at market value but the differential paid or received under the swap agreements are recognized and included in interest expenses or income and the foreign currency assets and liabilities hedged by interest rate and currency swap contracts are translated at the contract rates and no gains or losses are recognized.

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Fair value information of such derivatives as of March 31, 2016 and 2015 is as follows:

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

Thousands of U.S. dollars			
2016			
	Contract Amount		Fair value of derivative instruments
	Within one year	Over one year	
Interest rate and currency swaps (fixed rate payment in JPY, floating rate receipt in USD)	\$ 99,964	\$ 89,963	\$ (1,242)

Millions of yen			
2016			
	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	¥ (137)

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			
2016			
	Contract Amount		Fair value of derivative instruments
	Within one year	Over one year	
Interest rate swaps (fixed rate payment, floating rate receipt)	\$ 88,739	\$ 88,739	\$ (1,215)

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

20. Business Combination

Business combination by acquisition

(1) Overview of business combination

a. Name of acquired company and its business outline

Name of the acquired company: TRW-DAS.a.s.

Name of the company from which the Company acquired the business: TRW Automotive Inc.

Business outline: L&S (Linkage and Suspension) business

b. Major reason for the business

To establish business base on a global basis expanding development, manufacturing and sales functions in Europe and North America in addition to Asia Pacific

c. Date of business combination

August 31, 2015

d. Legal form of business combination

Share acquisition and business transfer in consideration for cash

e. Name of the company after the combination

THK RHYTHM AUTOMOTIVE MICHIGAN CORPORATION

THK RHYTHM AUTOMOTIVE CANADA LIMITED

THK RHYTHM AUTOMOTIVE GmbH

THK RHYTHM AUTOMOTIVE CZECH a.s.

f. Ratio of voting rights acquired

THK RHYTHM AUTOMOTIVE CZECH a.s. 100%

g. Basis for determining the acquirer

Because of share acquisition and business transfer in consideration for cash

(2) The period for which the operations of the acquired company are included in the consolidated financial statements

From September 1, 2015 to December 31, 2015

(3) Acquisition cost of the acquired company, acquisition cost of the business and details of each class of consideration

		Millions of yen	Thousands of U.S. dollars
Consideration for acquisition	Cash and cash equivalents	¥ 49,330	\$ 437,749
Acquisition cost		¥ 49,330	\$ 437,749

(4) Major acquisition-related costs

Advisory fees, etc. ¥1,487 million (\$13,195 thousand)

(5) Amount of goodwill incurred, reason for the goodwill incurred, and the method and period of amortization

a. Amount of goodwill incurred

¥13,235 million (\$117,446 thousand)

b. Reason for the goodwill incurred

Goodwill is incurred from expected excess earnings power in the future arising from the further business development

c. Method and period of amortization

The goodwill is amortized on a straight-line basis over 15 years.

(6) The assets acquired and the liabilities assumed at the acquisition date are as follows:

		Millions of yen	Thousands of U.S. dollars
Current assets		¥ 12,644	\$ 112,201
Noncurrent assets		34,988	310,480
Total assets		¥ 47,632	\$ 422,681
Current liabilities		¥ 8,833	\$ 78,383
Noncurrent liabilities		2,702	23,977
Total liabilities		¥ 11,536	\$ 102,369

(7) Amounts allocated to intangible fixed assets except for goodwill and major details of each class of and weighted-average amortization period by major class

Major details of each class and amortization period		Millions of yen	Thousands of U.S. dollars
Customer related assets:	13 years	¥ 20,097	\$ 178,338
Technology related assets:	10 years	683	6,060

(8) Pro forma information

If this business combination had been completed as of April 1, 2015, the beginning of the current fiscal year, the estimated effects on the consolidated statements of income for the year ended March 31, 2016, would be as follows:

		Millions of yen	Thousands of U.S. dollars
Sales		¥ 40,749	\$ 361,602
Operating income		2,180	19,345

Calculation method of the estimated effects:

The estimated effects are determined using the difference between sales and profit information calculated as if the business combination had been completed as of April 1, 2015 and the related information reported in the consolidated statement of income of the acquired company and business. Adjustment of amortization is made as if the goodwill recognized at the time of the business combination had been incurred on April 1, 2015.

Note that the information about the estimated effects has never been audited by an independent auditor.

21. Segment Information

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

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

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

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

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Segment information of the Group as of March 31, 2016 and 2015 and for the years then ended is as follows:

Reportable segments

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

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 (loss)	¥ 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

Thousands of U.S. dollars								
2016								
	Japan	The Americas	Europe	China	Other	Total	Adjustments	Consolidated
Sales to customers	\$ 1,054,672	\$ 439,178	\$ 277,069	\$ 250,004	\$ 113,035	\$ 2,133,978	\$ —	\$ 2,133,978
Inter-segment	366,376	150	230	51,743	11,997	430,526	(430,526)	—
Total	1,421,048	439,338	277,300	301,757	125,042	2,564,504	(430,526)	2,133,978
Segment profit (loss)	\$ 174,984	\$ 18,599	\$ 5,608	\$ (11,926)	\$ 11,243	\$ 198,526	\$ 7,072	\$ 205,599
Assets	\$ 3,089,058	\$ 786,990	\$ 577,220	\$ 583,432	\$ 128,689	\$ 5,165,409	\$ (1,546,552)	\$ 3,618,848
Other items								
Depreciation and amortization	\$ 50,084	\$ 20,161	\$ 9,042	\$ 39,373	\$ 3,966	\$ 122,646	\$ (1,570)	\$ 121,066
Amortization of goodwill	541	514	2,049	—	2,768	5,892	—	5,892
Investment in an affiliate accounted for under the equity method	38,264	—	—	—	—	38,264	—	38,264
Increase in property, plant and equipment and intangibles	94,826	163,128	47,200	29,035	4,401	338,601	4,632	343,242

Notes:

- Segmentation by country or area is determined based on geographical proximity.
- Main countries or area which belongs to the reportable segments other than Japan China are as follows:
 - "The Americas": The United States of America and others
 - "Europe": Germany, France and others
 - "Other": Taiwan, Singapore and others
- "Adjustments" are as follows:
 - Adjustments of "Segment profit (loss)" in an amount of ¥797 million (\$7,072 thousand) for the year ended March 31, 2016 include elimination of inter-segment transactions in an amount of ¥2,285 million (\$20,276 thousand) and corporate expenses not allocated to each reportable segment in an amount of ¥ (1,487) million (\$ (13,195) thousand). Corporate expenses represent mainly general and administrative expenses not attributed to reportable segments. Adjustments of "Segment profit" in an amount of ¥1,358 million for the year ended March 31, 2015 are all elimination of inter-segment transactions.
 - Adjustments of "Segment assets" in an amount of ¥174,281 million (\$1,546,552 thousand) and ¥131,567 million for the years ended March 31, 2016 and 2015, respectively, are all elimination of inter-segment transactions.
 - Adjustments of "Depreciation and amortization" in an amount of ¥177 million (\$1,570 thousand) and ¥205 million for the years ended March 31, 2016 and 2015, respectively, are all elimination of inter-segment transactions.
 - Adjustments of "Increase in property, plant and equipment and intangibles" in an amount of ¥522 million (\$4,632 thousand) and ¥302 million for the years ended March 31, 2016 and 2015, respectively, are all elimination of inter-segment transactions.
- "Segment profit (loss)" is reconciled with operating income in the consolidated statements of income.

Sales by business

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Industrial Equipment-Related Business	¥ 163,363	¥ 164,722	\$ 1,449,667
Transportation Equipment-Related Business	77,114	52,956	684,302
Total	¥ 240,478	¥ 217,678	\$ 2,133,978

Sales by geographical area

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

	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

	Thousands of U.S. dollars					
	2016					
	Japan	The Americas	Europe	China	Other	Total
Sales to customers	\$ 980,548	\$ 446,738	\$ 269,979	\$ 248,176	\$ 188,508	\$ 2,133,978

Tangible fixed assets by geographical area

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

	Millions of yen					
	2015					
	Japan	The Americas	Europe	China	Other	Total
Tangible fixed assets	¥ 39,934	¥ 10,988	¥ 6,025	¥ 37,145	¥ 3,638	¥ 97,732

	Thousands of U.S. dollars					
	2016					
	Japan	The Americas	Europe	China	Other	Total
Tangible fixed assets	\$ 385,038	\$ 145,088	\$ 114,686	\$ 297,213	\$ 29,008	\$ 971,053

22. Subsequent Events

Appropriation of retained earnings

The following appropriation of retained earnings as of March 31, 2016 was approved at the Company's shareholders' meeting held on June 18, 2016:

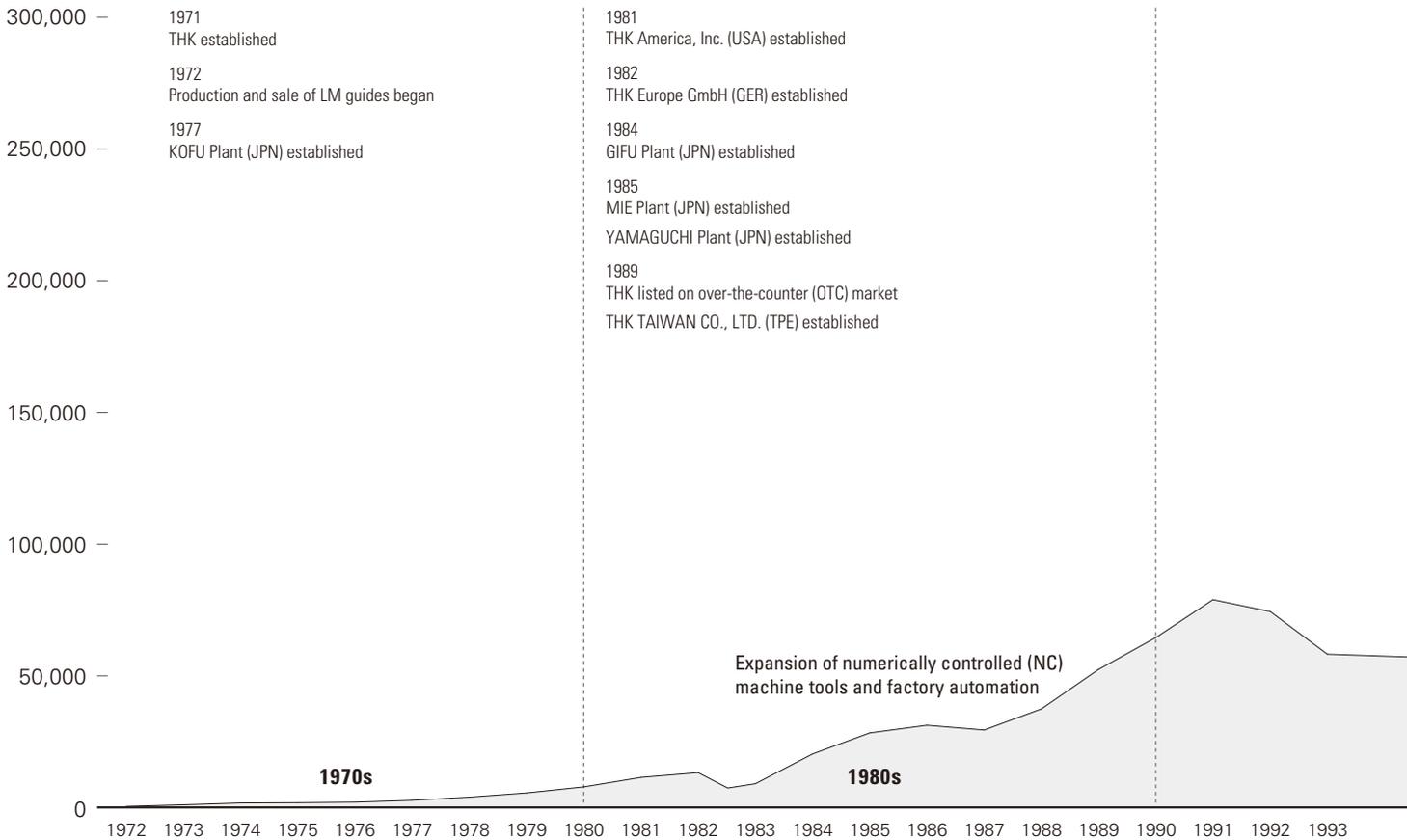
	Total amount Millions of yen (Thousands of U.S. dollars)	Per share amount Yen (U.S. dollar)	Dividend record date	Effective date
Common stock	¥ 3,164 million (\$ 28,077 thousand)	¥ 25.00 (\$ 0.22)	Mar. 31, 2016	Jun. 20, 2016

The payments will be financed from internal and external resources.

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 bust the load that the device can tolerate and permits the transmission of torque.

The 1980s:

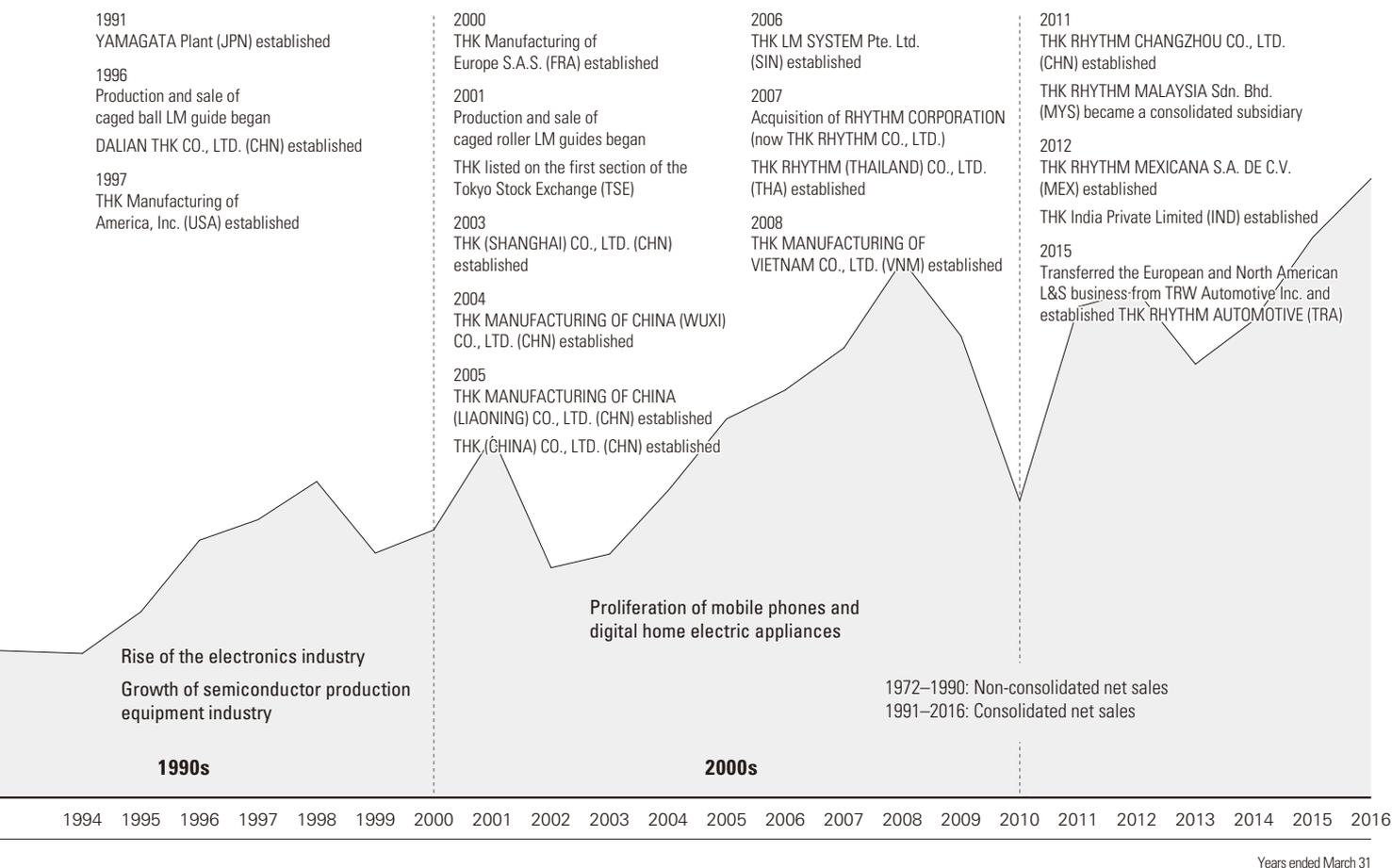
Significant Developments in Factory Automation (FA)

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

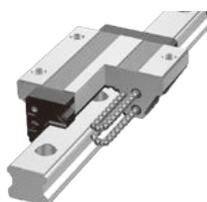
Developed utilizing the structure and mechanism of ball splines, LM guides today represent THK's flagship product range. Benefiting from the use of the Company's LM guides by a major U.S.-based machine tool manufacturer of its day, the application of THK's products in machine tools has seen significant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



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 caged ball LM guides increased. In tune with the relentless advance of manufacturing globalization, THK accelerated its business development globally.



Caged Ball LM Guides

Caged ball LM guides 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 Implementing Three Growth Strategies

Driven by its Full-Scale Globalization, Development of New Business Areas, and Change of Business Style growth strategies, THK is working to expand its business domains.

As a part of our Full-Scale Globalization endeavors, we are building an integrated production and sales structure that encompasses Japan, the Americas, Europe and Asia in a bid to better address local demand. In addition to upgrading and expanding our sales network while strengthening our production capabilities in such emerging markets as China, we are also bolstering sales channels in developed countries where the expectations of users continues to expand.

With an eye on the Development of New Business Areas, the THK Group is witnessing an increase in the use of its products in fields that are close to consumer goods including transportation equipment, seismic isolation and damping systems, aircraft, medical equipment, renewable energy and robots. Moreover, we are further honing our accumulated linear motion system core technologies and know-how to better realize the vast potential other consumer goods fields. In this manner, we are accelerating the pace new business area development.

In addition to promoting these strategies, we are making full use of IoT, cloud computing, AI and robots from a variety of perspectives thereby expanding our business domains by realizing a Change in Business Style.

SUBSIDIARIES & AFFILIATE

As of March 31, 2016

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
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 RHYTHM AUTOMOTIVE MICHIGAN CORPORATION	Transportation equipment-related business	Michigan, U.S.A.	100.00
THK RHYTHM AUTOMOTIVE CANADA LIMITED	Transportation equipment-related business	Ontario, Canada	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 RHYTHM AUTOMOTIVE GmbH	Transportation equipment-related business	Krefeld, Germany	100.00
THK RHYTHM AUTOMOTIVE CZECH a.s.	Transportation equipment-related business	Dacice, Czech	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, 2016

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	11,754 (consolidated); 3,386 (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	20,154

Major Shareholders

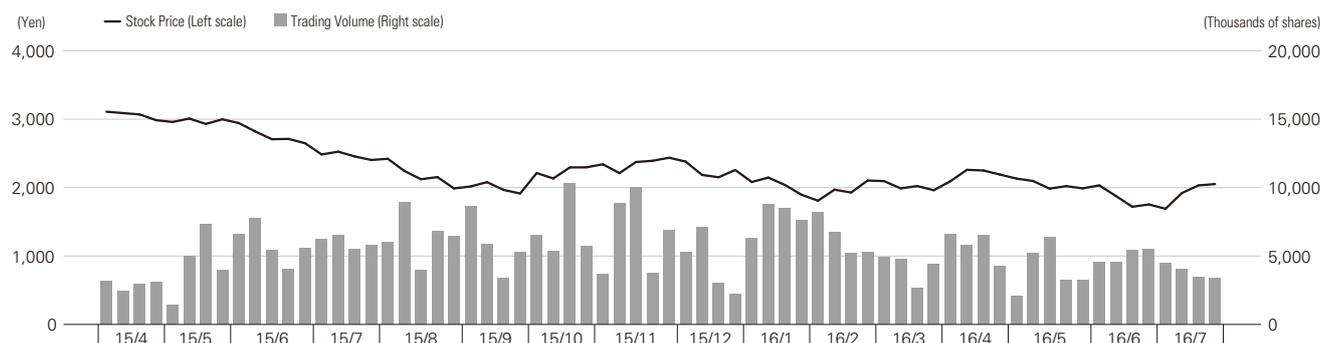
Shareholders	Number of Issued Shares Held	Shareholding Ratio (%)
Japan Trustee Services Bank, Ltd. (Trust Account)	6,385,700	4.77
JP MORGAN CHASE BANK 385632	4,009,039	2.99
MELLON BANK, N.A. AS AGENT FOR ITS CLIENT MELLON OMNIBUS US PENSION	3,941,187	2.94
The Master Trust Bank of Japan, Ltd. (Trust Account)	3,901,400	2.91
NORTHERN TRUST CO. (AVFC) RE THE KILTEARN GLOBAL EQUITY FUND	3,854,400	2.87
Akihiro Teramachi	3,647,110	2.72
FTC CO., LTD.	2,774,000	2.07
NORTHERN TRUST CO. (AVFC) RE—SSD00	2,397,400	1.79
BBH BOSTON CUSTODIAN FOR JAPAN VALUE EQUITY CONCENTRATED FUND A SERIES OF 620135	2,115,600	1.58
THE BANK OF NEW YORK 132812	2,063,000	1.54

*In addition to the aforementioned, there are 7,266,012 shares (5.42%) of treasury stock held by the Company.

Shareholder Composition

Shareholder Type	Number of Shareholders	Number of Issued Shares Held	Shareholding Ratio (%)
Financial Institutions	63	30,359,200	22.68
Securities Companies	35	1,563,761	1.17
Other Corporations	282	4,955,266	3.70
Overseas Institutions	454	71,167,161	53.17
Individuals and Others	19,319	18,545,503	13.85
Treasury Stock	1	7,266,012	5.43

Stock Price and Trading Volume



THK CO., LTD.

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