FINANCIAL SECTION

Analysis of Operating Results

Net sales

In fiscal 2009, the fiscal year ended March 31, 2010, economic conditions were mixed. The first half was impacted by the prolonged slump in the global real economy, which was for the most part triggered by the collapse of major U.S.-based financial institutions in 2008. Toward the middle of the fiscal year, signs of an upswing in personal consumption began to appear on the back of economic pump-priming measures initiated by various nations. Throughout the second half, capital investment trended toward a recovery with the pickup fueled largely by newly emerging countries including China and extending to developed nations with a particular focus on electronics-related industries.

Under these circumstances, THK has positioned efforts to expand its business domain as the Group's basic underlying strategy. On this basis, every effort is being made to pursue "Full-Scale Globalization" and the "Development of New Business Areas." Guided by this basic strategy, and against the backdrop of a mixed operating environment, the THK Group redoubled its efforts to develop into new business areas and to strengthen its sales and marketing structure in newly developing nations such as China, which continues to enjoy remarkable growth.

Despite these endeavors, the Group's operating results were impacted by such factors as the substantial drop in existing customer first half demand. Taking into consideration downturns in performance both in Japan and overseas, net sales fell from ¥179,269 million in fiscal 2008 to ¥115,330 million in fiscal 2009.

Cost of sales

Throughout fiscal 2009, THK maintained its focus on cost containment. Every effort was made to improve productivity by boosting material yields and shortening manufacturing lead-times. At the same time, steps were taken to overhaul facility operating hours and curtail capital investment. Despite these endeavors, the cost of sales to sales ratio climbed by 6.9 percentage points compared with the previous fiscal year to 79.9% largely reflecting the substantial fall in sales.

Selling, general and administrative (SG&A) expenses

SG&A expenses declined by ¥7,120 million year on year due mainly to lower personnel costs resulting from cuts in remuneration for directors and corporate auditors and adjustments to total working hours as well as reductions in other expenses. Taking into account the large drop in sales, however, the ratio of SG&A expenses to sales increased by 6.2 percentage points to 28.4% for fiscal 2009.

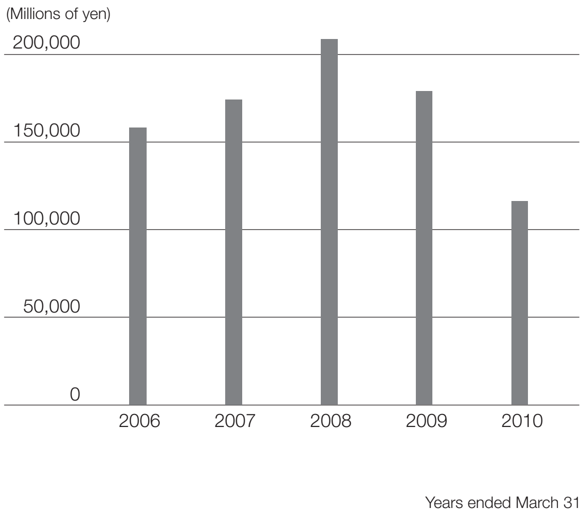
Operating income (loss)

As a result, the THK Group recorded an operating loss of ¥9,509 million compared with operating income totaling ¥8,523 million in fiscal 2008. Buoyed by the increase in sales throughout the second half, which were complemented by the Group's strict adherence to cost-cutting initiatives, THK reported a return to profitability in the fourth quarter for the first time in the five consecutive quarters.

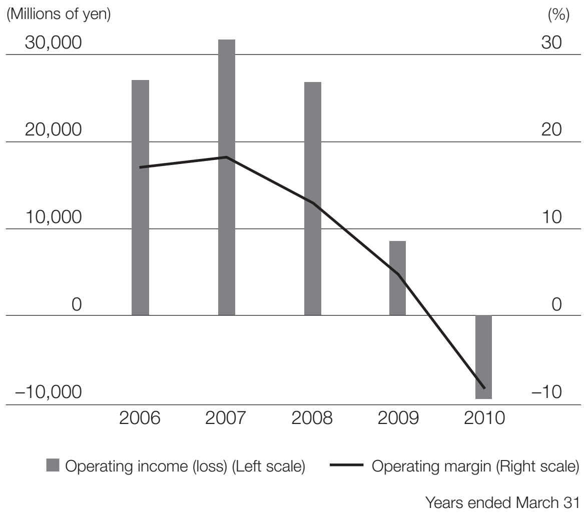
Non-operating income and expenses

Non-operating income amounted to ¥2,039 million in fiscal 2009. This was mainly attributable to the amortization of negative goodwill and equity earnings of an affiliate. Taking

Net Sales



Operating Income (Loss) and Operating Margin



into account the lump-sum amortization of goodwill totaling ¥5,404 million and other factors, non-operating expenses came to ¥7,041 million. As a result, the Company reported net non-operating expenses of ¥5,002 million in fiscal 2009.

Net income (loss)

Based on all of the aforementioned and other factors, THK recorded a net loss of ¥14,301 million in fiscal 2009. This was in comparison with net income of ¥1,204 million in fiscal 2008.

■ Business Segment Information

Industrial equipment-related business segment

In the first half of fiscal 2009, the global real economy continued to stall. Coupled with weak capital investments both in Japan and abroad, demand fell by a wide margin. In contrast, capital investments rallied during the second half both in newly developing countries such as China and developed nations focusing mainly on electronics-related industries. Taking into consideration the inordinately large drop in the first half, however, segment sales fell by ¥59,610 million compared with the previous fiscal year to ¥84,726 million. From a profit perspective, operating income decreased by ¥19,453 million year on year to ¥482 million. Despite the substantial decline in sales, THK successfully secured a profit for the full fiscal year due to comprehensive cost-cutting measures.

Transportation equipment-related business segment

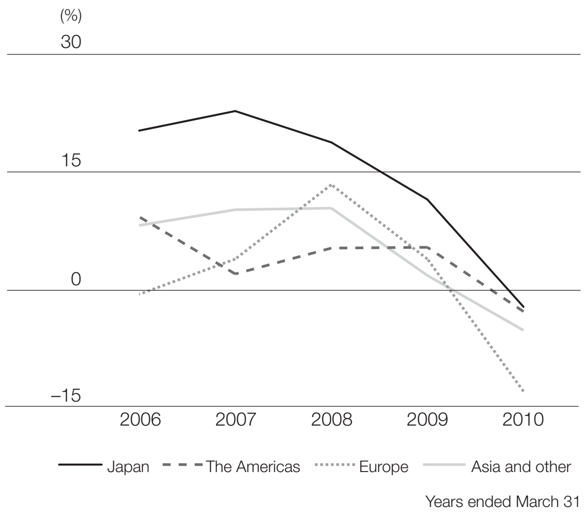
Amid a slump in vehicle production volumes throughout the first half of fiscal 2009, the THK Group responded to the challenge by continuing efforts to expand business with existing customers and developing business with new customers. From the middle of the fiscal year onward, signs of a recovery in vehicle production volumes began to emerge underpinned by incentive schemes introduced in various nations aimed at boosting automobile sales. Given the depth and scale of decline throughout the first half, however, segment sales contracted by ¥4,329 million compared with the previous fiscal year to ¥30,604 million. While every effort was made to continue the focus on cost reduction, the Group was unable to offset the decline in sales. Accounting for the amortization of goodwill and other factors, an operating loss of ¥4,310 million was recorded in the transportation equipment-related business segment in fiscal 2009.

■ Geographic Segment Information

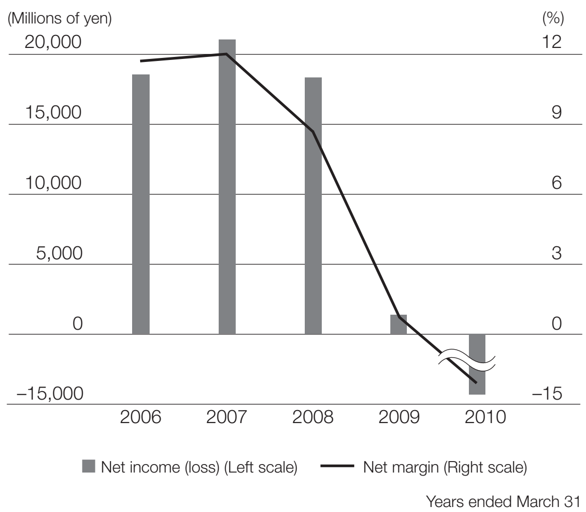
Japan

Amid the slump in capital investments, THK placed a priority on cultivating new customers during the first half of fiscal 2009. Although sales increased steadily as demand, particularly in electronics-related areas, headed toward a recovery after entering the second half, sales in Japan fell by ¥37,616 million year on year to ¥77,666 million largely reflecting the substantial decline in the first half. In addition to the efforts expended on improving productivity, the THK Group worked diligently to contain costs by implementing various initiatives including a review of operating hours. Despite these endeavors, the Group recorded an operating loss of ¥1,476 million in Japan compared with operating income totaling ¥13,653 million in fiscal 2008. On a more positive note, the THK Group reported a return to profitability at the operating income level in the third quarter of

Operating Margin by Geographic Segment



Net Income (Loss) and Net Margin



fiscal 2009 and has improved on this position through to the end of the full fiscal year.

The Americas

In the first half of fiscal 2009, amid a drop in demand, steps were taken to develop new customers in the Americas. Entering the middle of the fiscal term, sales to the automobile industry trended toward a recovery with indications of a pickup in the electronics sector throughout the second half. Regional sales, on the other hand, declined by ¥9,512 million compared with the previous fiscal year to ¥14,410 million due mainly to the large drop in sales during the first half. On the earnings front, THK reported an operating loss of ¥365 million in the Americas, down from the operating income of ¥1,352 million in fiscal 2008. Buoyed by sales growth throughout the second half of fiscal 2009, THK saw a return to profit in the fourth quarter after an absence of four quarters.

Europe

In similar fashion to the Americas, demand declined in Europe during the first half of fiscal 2009. Under these circumstances, the THK Group worked hard to cultivate new customers. Again, as in the Americas, sales to the automobile industry recovered with indications of a positive turnaround throughout the second half toward the general machinery and electronics manufacturers. In addition to the significant drop in first-half sales, appreciation in the value of the yen compared with the previous fiscal year placed a considerable downward pressure on regional sales. As a result, sales in Europe contracted by ¥12,458 million year on year to ¥12,430 million. Compared with operating income of ¥1,049 million in fiscal 2008, the THK Group recorded an operating loss of ¥1,576 million in Europe in fiscal 2009.

Asia and other

Sales in Asia and other regions were impacted by a drop in demand throughout the first half mirroring conditions in developed countries. In the second half, however, the region enjoyed a sharp and dramatic recovery with a pickup in sales to the machine tool industries of China and Taiwan. As with all other regions, the substantial drop in first-half sales caused sales for the full fiscal year to deteriorate. In fiscal 2009, sales in Asia and other regions dropped by ¥4,353 million compared with the previous fiscal year to ¥10,824 million. Over and above the decline in sales, earnings were buffeted by the year-on-year appreciation in the value of the yen. As a result, the THK Group recorded an operating loss of ¥532 million in fiscal 2009 compared with operating income of ¥321 million in fiscal 2008. However, after returning to the black at an operating income level in the third quarter of fiscal 2009, the THK Group witnessed further profit gains in the fourth quarter.

■ Financial Position

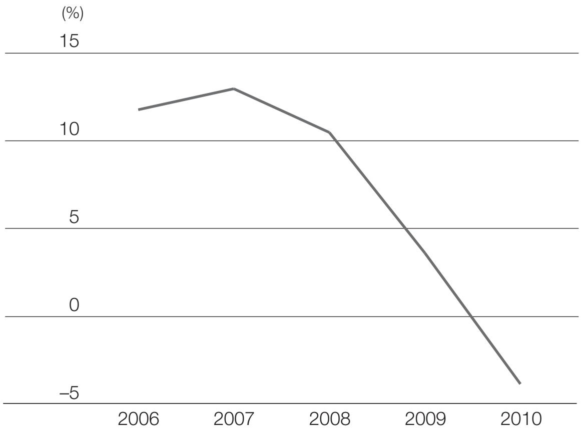
Assets, liabilities, and net assets

• Assets

Current assets stood at ¥143,460 million as of March 31, 2010, an increase of ¥8,091million yen compared with the previous fiscal year-end. Major components included cash and cash equivalents, which climbed by ¥5,137 million, trade accounts and notes receivable from customers, which rose by ¥1,204 million due mainly to the recovery in sales, and inventories, which decreased by ¥2,375 million year on year.

Non-current assets contracted by ¥12,067 million compared with the end of the previous fiscal year to ¥92,915 million. Despite undertaking capital investments of ¥4,207

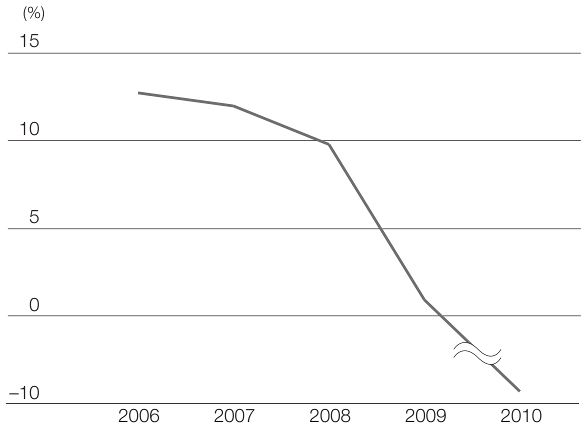
Return on Assets (ROA)



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

Years ended March 31

Return on Equity (ROE)



Years ended March 31

million, depreciation expenses amounted to ¥9,508 million. As a result, total property, plant and equipment declined by ¥5,159 million. Intangibles contracted by ¥8,147 million owing largely to the lump-sum amortization of goodwill.

*Non-current assets include investments and other, property, plant and equipment, and intangibles.

Taking the aforementioned factors into consideration, total assets as of March 31, 2010 stood at ¥236,375 million, a decrease of ¥3,976 million compared with the previous fiscal year-end.

• Liabilities

Current liabilities at the end of fiscal 2009 amounted to ¥34,375 million, increasing by ¥534 million year on year. Trade accounts and notes payable from customers rose by ¥3,849 million largely reflecting the recovery in sales. Other payables, on the other hand, decreased by ¥2,424 million due mainly to the payment of capital investments undertaken in the previous fiscal year.

Reflecting the issuance of ¥10,000 million of bonds during fiscal 2009, long-term liabilities stood at ¥39,741 million, ¥10,944 million higher than the end of the previous fiscal year.

As a result, total liabilities amounted to ¥74,116 million, an increase of ¥11,478 million year on year.

• Net assets

Net assets as of March 31, 2010 stood at ¥162,259 million, ¥15,454 million lower than the end of the previous fiscal year. The principal factor was the net loss for the period of ¥14,301 million.

Cash flows

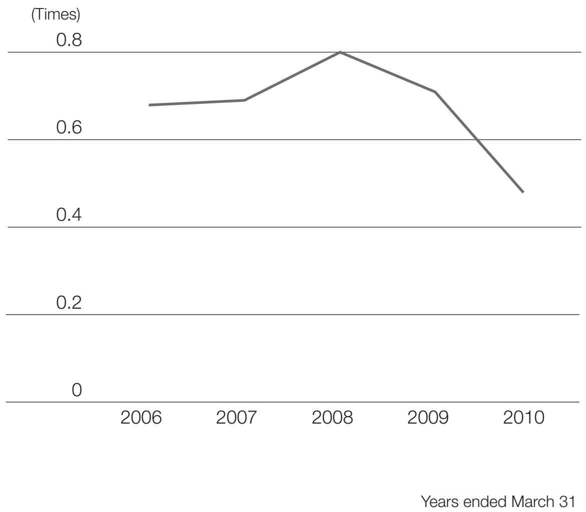
Net cash provided by operating activities amounted to ¥4,402 million compared with ¥25,193 million in the previous fiscal year. The major components were as follows: (1) loss before income taxes and minority interests totaling ¥14,511 million, (2) increase in accounts and notes receivable amounting to ¥3,490 million, (3) depreciation and amortization of ¥9,737 million, (4) amortization of goodwill and negative goodwill, net of ¥2,401 million, (5) lump-sum amortization of goodwill of ¥5,404 million, (6) decrease in inventories of ¥2,700 million, and (7) increase in accounts and notes payable of ¥3,543 million.

Net cash used in investing activities was ¥7,323 million compared with ¥19,078 million in the previous fiscal year. This largely reflected payments relating to the purchase of property, plant and equipment in the second half of the previous fiscal year through to the fiscal year under review.

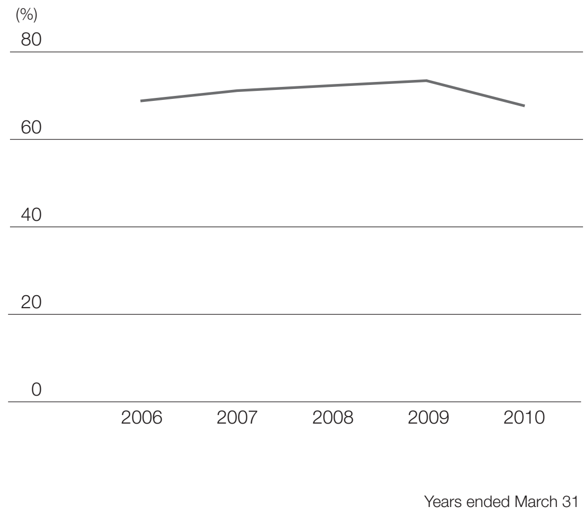
Net cash provided by financing activities totaled ¥7,932 million compared with ¥11,031 million in the previous fiscal year. The principal cash inflow was proceeds from long-term debt of ¥10,000 million owing to the issuance of bonds. The major cash outflow was cash dividends, which amounted to ¥1,990 million.

Taking the aforementioned activities into consideration, cash and cash equivalents as of March 31, 2010 stood at ¥69,267 million, an increase of ¥5,137 million compared with the end of the previous fiscal year.

Asset Turnover Ratio



Equity Ratio



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 21, 2010. Any items relating to the future are based on the best judgment of THK Group management as of this date.

Dependence on linear motion systems

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

Effect of changes in production trends within specific industries

The THK Group manufactures and sells LM guides, ball screws and other machinery components as well as link balls, suspension ball joints and other transportation equipment components. The principal users of these products are companies that make industrial machinery and equipment including machine tools, general machinery and semiconductor production equipment as well as manufacturers of transportation equipment. While the THK Group is striving through full-scale globalization and development of new business areas to realize expansions in the user base in both quantitative and qualitative terms, the performance of the THK Group is influenced by production trends within industrial sectors such as machine tool, general machinery, semiconductor production equipment, and other transportation equipment that form the core customer base.

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

Overseas business expansion

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

Exchange rate fluctuations

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

Reliance on specific sources of supply

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

Incidence of defective products

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

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

Information security

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

Disasters, acts of terrorism, infectious disease and other maladies

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

Sharp hikes in the prices of raw materials

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

THK CO., LTD. AND CONSOLIDATED SUBSIDIARIES

Consolidated Balance Sheets

as of March 31, 2009 and 2010

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2009	2010	2010
ASSETS			
Current Assets:			
Cash and cash equivalents (Note 5)	¥ 64,130	**¥ 69,267**	**$ 744,484**
Receivables (Note 5):			
Trade accounts and notes receivable	36,350	**37,554**	**403,632**
—Unconsolidated subsidiaries and affiliates	458	**2,912**	**31,301**
Other receivables	1,845	**2,443**	**26,257**
—Unconsolidated subsidiaries and affiliates	4	**187**	**2,011**
	38,657	**43,096**	**463,201**
Less allowance for doubtful receivables	(233)	**(243)**	**(2,609)**
	38,424	**42,853**	**460,592**
Inventories (Note 8)	27,137	**24,762**	**266,140**
Short-term loans receivable–			
Unconsolidated subsidiaries and affiliates	2,047	**2,000**	**21,496**
Other	2	**1**	**9**
Deferred tax assets (Note 16)	2,739	**3,507**	**37,696**
Other current assets	890	**1,070**	**11,502**
Total current assets	135,369	**143,460**	**1,541,919**
Investments and Other:			
Long-term investments in securities (Notes 5 and 6)	1,549	**2,027**	**21,786**
Investments in unconsolidated subsidiaries and affiliates	2,731	**3,199**	**34,383**
Deferred tax assets (Note 16)	1,636	**1,721**	**18,493**
Other investments	4,654	**4,862**	**52,264**
Total investments and other	10,570	**11,809**	**126,926**
Property, Plant and Equipment (Notes 4 and 12):			
Buildings and structures	51,032	**51,904**	**557,866**
Machinery and equipment	130,958	**135,128**	**1,452,362**
	181,990	**187,032**	**2,010,228**
Less accumulated depreciation	(113,925)	**(122,028)**	**(1,311,569)**
	68,065	**65,004**	**698,659**
Land	12,962	**12,978**	**139,492**
Construction in progress	3,974	**1,860**	**19,992**
Total property, plant and equipment	85,001	**79,842**	**858,143**
Intangibles:			
Goodwill	8,270	**140**	**1,508**
Other	1,141	**1,124**	**12,076**
Total intangibles	9,411	**1,264**	**13,584**
Total assets	¥240,351	**¥236,375**	**$2,540,572**

The accompanying notes are an integral part of these statements.

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2009	2010	2010
LIABILITIES AND NET ASSETS			
Current Liabilities:			
Payables (Note 5):			
Trade accounts and notes payable	¥ 19,793	**¥ 23,642**	**$ 254,104**
—Unconsolidated subsidiaries and affiliates	630	**585**	**6,288**
Other payables	3,787	**1,363**	**14,649**
—Unconsolidated subsidiaries and affiliates	0	**0**	**4**
	24,210	**25,590**	**275,045**
Income taxes payable	364	**291**	**3,127**
Accrued bonuses to employees	1,716	**1,836**	**19,730**
Other accrued expenses	6,245	**5,905**	**63,469**
Lease obligations	53	**49**	**524**
Other current liabilities	1,253	**704**	**7,566**
Total current liabilities	33,841	**34,375**	**369,461**
Long-term Liabilities:			
Long-term debt (Notes 5 and 9)	20,000	**30,000**	**322,442**
Reserve for employees' retirement benefits (Note 15)	4,322	**4,796**	**51,550**
Reserve for directors' and statutory auditors' retirement benefits	126	**141**	**1,519**
Reserve for product warranty	118	**95**	**1,021**
Negative goodwill	324	**—**	**—**
Long-term lease obligations	116	**81**	**870**
Deferred tax liabilities (Note 16)	2,810	**3,690**	**39,664**
Other liabilities	981	**938**	**10,077**
Total long-term liabilities	28,797	**39,741**	**427,143**
Net Assets:			
Common stock			
Authorized: 465,877,700 shares;			
Issued: 133,856,903 shares			
as of March 31, 2009 and 2010	34,606	**34,606**	**371,950**
Additional paid-in capital	44,343	**44,343**	**476,598**
Retained earnings	114,998	**98,704**	**1,060,877**
Treasury stock, at cost: 5,252,712 shares and 5,255,442 shares			
as of March 31, 2009 and 2010, respectively	(11,352)	**(11,356)**	**(122,057)**
Net unrealized gain on other securities	144	**543**	**5,832**
Foreign currency translation adjustments	(6,205)	**(5,739)**	**(61,681)**
Minority interests	1,179	**1,158**	**12,449**
Total net assets	177,713	**162,259**	**1,743,968**
Contingent Liabilities (Note 11)			
Total liabilities and net assets	¥240,351	**¥236,375**	**$2,540,572**

Consolidated Statements of Operations

for the years ended March 31, 2008, 2009, and 2010

	Millions of yen			Thousands of U.S. dollars (Note 2)
	2008	2009	2010	2010
Net Sales	¥208,709	¥179,269	**¥115,330**	**$1,239,577**
Cost of Sales (Note 14)	140,656	130,928	**92,141**	**990,339**
Gross profit	68,053	48,341	**23,189**	**249,238**
Selling, General and Administrative Expenses (Notes 13 and 14)	41,115	39,818	**32,698**	**351,439**
Operating income (loss)	26,938	8,523	**(9,509)**	**(102,201)**
Non-Operating Income (Expenses):				
Interest and dividend income	933	559	**220**	**2,361**
Interest expenses	(185)	(119)	**(489)**	**(5,256)**
Foreign exchange gain (loss), net	(2,287)	(2,432)	**3**	**28**
Gain (loss) on sales of long-term investments in securities, net	—	(21)	**1**	**12**
Equity earnings (losses) of an affiliate	197	(46)	**221**	**2,380**
Rental income	241	254	**275**	**2,955**
Insurance premium refunded on cancellation	62	—	**—**	**—**
Amortization of negative goodwill	648	1,063	**324**	**3,483**
Commission expenses	(66)	(41)	**—**	**—**
Loss on sales and disposal of property, plant and equipment, net	(184)	(165)	**(152)**	**(1,639)**
Loss on write-down of long-term investments in securities	(10)	(758)	**(203)**	**(2,185)**
Impairment losses (Note 4)	(137)	(934)	**—**	**—**
Subsidies for employment adjustment	—	—	**422**	**4,532**
Lump-sum amortization of goodwill (Note 3.(f))	—	—	**(5,404)**	**(58,087)**
Lay-off costs	—	—	**(371)**	**(3,991)**
Other, net	551	401	**151**	**1,648**
	(237)	(2,239)	**(5,002)**	**(53,759)**
Income (loss) before income taxes and minority interests	26,701	6,284	**(14,511)**	**(155,960)**
Income Taxes (Note 16)				
Current	7,637	3,805	**360**	**3,870**
Refunded	—	—	**(380)**	**(4,087)**
Deferred	552	1,123	**(153)**	**(1,637)**
Total income taxes	8,189	4,928	**(173)**	**(1,854)**
Minority Interests in Net Income (Loss)	189	152	**(37)**	**(398)**
Net income (loss)	¥ 18,323	¥ 1,204	**¥ (14,301)**	**$ (153,708)**

The accompanying notes are an integral part of these statements.

Consolidated Statements of Changes in Net Assets

for the years ended March 31, 2008, 2009, and 2010

	Millions of yen			Thousands of U.S. dollars (Note 2)
	2008	2009	2010	2010
Common Stock				
At beginning of year	¥ 33,916	¥ 34,606	**¥ 34,606**	**$ 371,950**
Conversion of convertible bonds to common stock (Note 17)	690	—	**—**	**—**
At end of year	¥ 34,606	¥ 34,606	**¥ 34,606**	**$ 371,950**
Additional Paid-In Capital				
At beginning of year	¥ 43,653	¥ 44,343	**¥ 44,343**	**$ 476,598**
Conversion of convertible bonds to common stock (Note 17)	690	—	**—**	**—**
Gain (loss) from sale of treasury stock	0	(0)	**—**	**—**
At end of year	¥ 44,343	¥ 44,343	**¥ 44,343**	**$ 476,598**
Retained Earnings				
At beginning of year	¥104,276	¥117,579	**¥114,998**	**$1,236,010**
Adjustment due to accounting change in consolidation of foreign subsidiaries (Note 3 (a))	—	73	**—**	**—**
Net income (loss)	18,323	1,204	**(14,301)**	**(153,708)**
Cash dividends	(5,020)	(3,858)	**(1,993)**	**(21,425)**
At end of year	¥117,579	¥114,998	**¥ 98,704**	**$1,060,877**
Treasury Stock, at cost				
At beginning of year	¥ (63)	¥ (11,347)	**¥ (11,352)**	**$ (122,010)**
Purchase of treasury stock	(11,279)	(7)	**(4)**	**(47)**
Sale of treasury stock	1	2	**—**	**—**
Net change in treasury stock held by an affiliate	(6)	—	**—**	**—**
At end of year	¥ (11,347)	¥ (11,352)	**¥ (11,356)**	**$ (122,057)**
Net Unrealized Gain on Other Securities				
At beginning of year	¥ 1,037	¥ 470	**¥ 144**	**$ 1,550**
Net change in the year	(567)	(326)	**399**	**4,282**
At end of year	¥ 470	¥ 144	**¥ 543**	**$ 5,832**
Foreign Currency Translation Adjustments				
At beginning of year	¥ 4,404	¥ 5,302	**¥ (6,205)**	**$ (66,702)**
Net change in the year	898	(11,507)	**466**	**5,021**
At end of year	¥ 5,302	¥ (6,205)	**¥ (5,739)**	**$ (61,681)**
Minority Interests				
At beginning of year	¥ 1,817	¥ 2,000	**¥ 1,179**	**$ 12,674**
Net change in the year	183	(821)	**(21)**	**(225)**
At end of year	¥ 2,000	¥ 1,179	**¥ 1,158**	**$ 12,449**
Total Net Assets at End of Year	¥192,953	¥177,713	**¥162,259**	**$1,743,968**

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

Cash dividends in the year ended March 31, 2010 were as follows:

At the general shareholders' meeting held on June 20, 2009, cash dividends to shareholders of common stock in the aggregate amount of ¥1,029 million ($11,058 thousand), or ¥8 ($0.09) per share, were approved and commenced its payment on June 22, 2009.

At the board of directors' meeting held on November 12, 2009, cash dividends to shareholders of common stock in the aggregate amount of ¥965 million ($10,367 thousand), or ¥7.5 ($0.08) per share, were approved and commenced its payment on December 7, 2009.

The following appropriation of retained earnings of the Company, which has not been reflected in the accompanying consolidated financial statements for the year ended March 31, 2010, was approved at the shareholders' meeting held on June 19, 2010 and commenced its payment on June 21, 2010:

	Millions of yen	Thousands of U.S. dollars (Note 2)
Cash dividends, ¥7.5 ($0.08) per share	¥965	$10,367

The accompanying notes are an integral part of these statements.

Consolidated Statements of Cash Flows

for the years ended March 31, 2008, 2009, and 2010

	Millions of yen			Thousands of U.S. dollars (Note 2)
	2008	2009	2010	2010
Cash Flows from Operating Activities:				
Income (loss) before income taxes and minority interests	¥ 26,701	¥ 6,284	**¥ (14,511)**	**$(155,960)**
Adjustments:				
Depreciation and amortization	10,138	10,637	**9,737**	**104,654**
Amortization of goodwill and negative goodwill, net	2,107	1,665	**2,401**	**25,805**
Interest and dividend income	(933)	(559)	**(220)**	**(2,361)**
Interest expenses	185	119	**489**	**5,256**
Foreign exchange (gain) loss, net	(588)	(391)	**10**	**103**
Equity (earnings) losses of an affiliate	(197)	46	**(221)**	**(2,380)**
Loss on sales and disposal of property, plant and equipment, net	184	165	**152**	**1,639**
Loss on write-down of long-term investments in securities	10	758	**203**	**2,185**
(Gain) loss on sales of long-term investments in securities, net	—	21	**(1)**	**(12)**
Impairment losses	137	934	**—**	**—**
Lump-sum amortization of goodwill	—	—	**5,404**	**58,087**
Changes in assets and liabilities:				
(Increase) decrease in accounts and notes receivable	486	26,170	**(3,490)**	**(37,513)**
(Increase) decrease in inventories	(1,566)	(836)	**2,700**	**29,016**
Increase (decrease) in accounts and notes payable	(2,403)	(13,389)	**3,543**	**38,076**
Increase (decrease) in provisions	606	(610)	**559**	**6,003**
Other, net	(2,129)	(2,153)	**(1,292)**	**(13,893)**
Subtotal	32,738	28,861	**5,463**	**58,705**
Interest and dividend received	1,028	594	**258**	**2,777**
Interest paid	(188)	(136)	**(467)**	**(5,014)**
Income taxes paid	(14,196)	(4,126)	**(852)**	**(9,156)**
Net cash provided by operating activities	19,382	25,193	**4,402**	**47,312**
Cash Flows from Investing Activities:				
Purchase of property, plant and equipment, and intangibles	(19,618)	(16,505)	**(7,230)**	**(77,709)**
Proceeds from sales of property, plant and equipment	79	91	**9**	**100**
Increase in investments in securities, unconsolidated subsidiaries and affiliates	(637)	(1,077)	**(156)**	**(1,680)**
Proceeds from sales of investments in securities, unconsolidated subsidiaries and affiliates	19	27	**2**	**16**
Increase in loans receivable	(106)	(2,007)	**(6)**	**(68)**
Collections on loans receivable	77	682	**77**	**830**
Acquisition of a newly consolidated subsidiary, net of cash acquired (Note 17)	(12,130)	—	**—**	**—**
Other, net	(38)	(289)	**(19)**	**(196)**
Net cash used in investing activities	(32,354)	(19,078)	**(7,323)**	**(78,707)**
Cash Flows from Financing Activities:				
Repayments of short-term debt	(500)	—	**—**	**—**
Repayments of long-term debt	(13,142)	(5,000)	**—**	**—**
Proceeds from long-term debt	—	20,000	**10,000**	**107,481**
Cash dividends	(5,014)	(3,857)	**(1,990)**	**(21,386)**
Cash dividends to minority shareholders	(41)	(31)	**(29)**	**(308)**
Purchase of treasury stock	(11,279)	(7)	**(4)**	**(47)**
Proceeds from sale of treasury stock	1	2	**—**	**—**
Repayments of lease obligations	—	(76)	**(45)**	**(485)**
Other, net	(1)	—	**—**	**—**
Net cash provided by (used in) financing activities	(29,976)	11,031	**7,932**	**85,255**
Foreign Currency Translation Adjustments on Cash and Cash Equivalents	805	(2,826)	**126**	**1,350**
Net Increase (decrease) in Cash and Cash Equivalents	(42,143)	14,320	**5,137**	**55,210**
Cash and Cash Equivalents at Beginning of Year	91,953	49,810	**64,130**	**689,274**
Cash and Cash Equivalents at End of Year (Note 17)	¥ 49,810	¥ 64,130	**¥ 69,267**	**$ 744,484**

The accompanying notes are an integral part of these statements.

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

2. United States Dollar Amounts

U.S. dollar amounts presented in the consolidated financial statements are included solely for the convenience of the readers. These translations should not be construed as presentations that the yen amounts actually represent or could be converted into U.S. dollars at that or any other rate. For this purpose, the rate of ¥93.04 to U.S.$ 1, the approximate rate of exchange prevailing in Tokyo on March 31, 2010, have been used for the translation of the accompanying consolidated financial statements as of and for the year ended March 31, 2010.

3. Summary of Significant Accounting Policies

(a) Consolidation

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

The Company had 35 (34 in 2009) subsidiaries as of March 31, 2010. The consolidated financial statements for the year ended March 31, 2010 include the accounts of the Company and 29 (29 for 2009) of its consolidated subsidiaries (collectively, "the Group"). The consolidated subsidiaries as of March 31, 2010 are listed below:

Name of consolidated subsidiary	Holding ratio of the Company (directly and indirectly)	Fiscal year end
THK Holdings of America, L.L.C. (USA)	100%	Dec. 31, 2009
THK America, Inc. (USA)	100	Dec. 31, 2009
THK Manufacturing of America, Inc. (USA)	100	Dec. 31, 2009
Rhythm North America Corporation (USA)	100	Dec. 31, 2009
THK Europe B.V. (the Netherlands)	100	Dec. 31, 2009
THK GmbH (Germany)	100	Dec. 31, 2009
THK France S.A.S. (France)	100	Dec. 31, 2009
PGM Ballscrews Ireland Ltd. (Ireland)	98.97	Dec. 31, 2009
THK Manufacturing of Europe S.A.S. (France)	100	Dec. 31, 2009
THK TAIWAN CO., LTD. (Taiwan)	100	Dec. 31, 2009
Beldex KOREA Corporation (Korea)	100	Dec. 31, 2009
THK (CHINA) CO., LTD. (China)	100	Dec. 31, 2009
THK (SHANGHAI) CO., LTD. (China)	100	Dec. 31, 2009
DALIAN THK CO., LTD. (China)	70.00	Dec. 31, 2009
THK MANUFACTURING OF CHINA (WUXI) CO., LTD. (China)	100	Dec. 31, 2009
THK MANUFACTURING OF CHINA (LIAONING) CO., LTD. (China)	100	Dec. 31, 2009
THK LM SYSTEM Pte. Ltd. (Singapore)	100	Dec. 31, 2009
RHYTHM GUANGZHOU CORPORATION (China)	100	Dec. 31, 2009
THK RHYTHM (THAILAND) CO., LTD. (Thailand)	100	Dec. 31, 2009
THK INTECHS CO., LTD. (formerly DAITO SEIKI CO., LTD.) (Japan)	100	Mar. 31, 2010
THK NIIGATA CO., LTD. (Japan)	100	Mar. 31, 2010
TALK SYSTEM Co., Ltd. (Japan)	99.00	Mar. 31, 2010
Beldex Corporation (Japan)	100	Mar. 31, 2010
RHYTHM CORPORATION (Japan)	100	Mar. 31, 2010
Rhythm Kyusyu Co., Ltd. (Japan)	100	Mar. 31, 2010
Rhythm L Co., Ltd. (Japan)	100	Mar. 31, 2010
L Tool Co., Ltd. (Japan)	100	Mar. 31, 2010
L Trading Co., Ltd. (Japan)	100	Mar. 31, 2010
L Engineering Co., Ltd. (Japan)	100	Mar. 31, 2010

There were no changes in the scope of consolidation for the year ended March 31, 2010.

The Company had three (three in 2009) affiliates and six (five in 2009) unconsolidated subsidiaries as of March 31, 2010. 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, 2009 and 2010, the Company has applied the equity method to investment in SAMICK THK CO., LTD. Investments in the remaining affiliates and unconsolidated subsidiaries are stated at cost. If the equity method had been applied to the investments in those companies, the effect on the consolidated financial statements would not have been significant.

Prior to April 1, 2008, under Japanese GAAP, a company could use the financial statements of its foreign subsidiaries which had been prepared in accordance with generally accepted accounting principles in their respective jurisdictions for its consolidation process unless they were clearly unreasonable. On May 17, 2006, the Accounting Standards Board of Japan (“ASBJ”) issued ASBJ Practical Issues Task Force (“PITF”) No.18, “Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements”. PITF No.18 prescribes: (1) the accounting policies and procedures applied to a parent company and its subsidiaries for similar transactions and events under similar circumstances should in principle be unified for the preparation of the consolidated financial statements, (2) financial statements prepared by foreign subsidiaries in accordance with either International Financial Reporting Standards or the generally accepted accounting principles in the United States of America tentatively may be used for the consolidation process, (3) however, the following items should be adjusted in the consolidation process so that net income is accounted for in accordance with Japanese GAAP unless they are immaterial; 1) amortization of goodwill; 2) scheduled amortization of actuarial gain or loss of pensions that has been directly recorded in net assets; 3) expensing capitalized development costs of research and development; 4) cancellation of the fair value model accounting for property, plant, and equipment and investment properties and incorporation of the cost model accounting; 5) recording the prior years' effects of changes in accounting policies in the income statement where retrospective adjustments to financial statements have been incorporated; and 6) exclusion of minority interests from net income, if contained.

PITF No.18 is effective for fiscal years beginning on or after April 1, 2008 with early adoption permitted. The Company adopted the new accounting standard effective April 1, 2008.

(b) Translation of Foreign Currency Financial Statements

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

(c) Inventories

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

Prior to April 1, 2008, inventories had been stated at cost or the lower of cost or market, determined principally by the average method. On July 5, 2006, the ASBJ issued ASBJ Statement No. 9, "Accounting Standard for Measurement of Inventories", which is effective for fiscal years beginning on or after April 1, 2008 with early adoption permitted. This standard requires that inventories held for sale in the ordinary course of business be measured at the lower of cost or net selling value, which is defined as the selling price less additional estimated manufacturing costs and estimated direct selling expenses.

The Company adopted the new accounting standard for measurement of inventories as of April 1, 2008.

(d) Financial Instruments

Securities

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

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

Derivatives

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

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

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

(e) Property, Plant and Equipment

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

Prior to the year ended March 31, 2009, the useful lives of machineries were mainly 10 years. During the year ended March 31, 2010, the Group completed reviewing useful lives of machineries and updating accounting system. As a result, the useful lives on machineries have been changed to a range from nine years to 12 years. The effect of changing the useful lives of machineries was to increase operating loss and loss before income taxes and minority interests for the year ended March 31, 2010 by ¥481 million ($5,170 thousand).

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

(f) Amortization

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

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

Goodwill represents the excess of costs of an acquisition over fair value of the underlying net equity of a business or a subsidiary and is being amortized by the straight-line method over an estimated period from five to 10 years. If the fair value of such acquisition exceeds the acquisition cost, such differences are recognized as negative goodwill and amortized using the straight-line method over five years.

Lump-sum amortization of goodwill in non-operating expenses is recognized in accordance with Article 32 in statement No. 7, "Guideline for Consolidation Procedures", issued by the Accounting System Committee at the Japanese Institute of Certified

Public Accountants. The Company recognized ¥5,404 million ($58,087 thousand) as lump-sum amortization of goodwill for the year ended March 31, 2010 in relation to the goodwill of RHYTHM CORPORATION, a consolidated subsidiary.

(g) Allowance for Doubtful Receivables

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

(h) Accrued Bonuses to Employees

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

(i) Accrued Bonuses to Directors and Statutory Auditors

Bonuses to directors and statutory auditors are accrued at the year end and to be paid in the following year when such bonuses are attributable.

(j) Reserve for Employees' Retirement Benefits

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

(k) Reserve for Directors' and Statutory Auditors' Retirement Benefits

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

(l) Reserve for Product Warranty

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

(m) Lease

In March 2007, the ASBJ issued ASBJ Statement No. 13, "Accounting Standard for Lease Transactions", which revised the previous accounting standard for lease transactions issued in June 1993. The revised accounting standard for lease transactions is effective for fiscal years beginning on or after April 1, 2008 with early adoption permitted.

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

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

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

(n) Foreign Currency Translation

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

(o) Consumption Tax

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

(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 operations. The asset and liability approach is used to recognize deferred tax assets and liabilities for expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Deferred taxes are determined by applying currently enacted tax laws to the temporary differences.

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

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

4. Impairment Losses

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

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

The impairment losses for the years ended March 31, 2008 and 2009 are summarized below:

Year ended March 31	Location	Assets	Amount
2008	Shizuoka and Miyagi, Japan	Land, buildings and other	¥137 million
2009	Jiangsu, China	Buildings, machinery and other	¥934 million

No impairment loss was recognized for the year ended March 31, 2010.

5. Financial Instruments and Related Disclosures

On March 10, 2008, the ASBJ revised ASBJ Statement No. 10 “Accounting Standard for Financial Instruments” and issued ASBJ Guidance No. 19 “Guidance on Accounting Standard for Financial Instruments and Related Disclosures”. This accounting standard and the guidance are applicable to financial instruments and related disclosures at the end of the fiscal years ending on or after March 31, 2010 with early adoption permitted. The Group applied the revised accounting standard and the new guidance effective March 31, 2010.

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

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

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

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

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

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

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

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

(4) Other information

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

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

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

	Thousands of U.S. dollars		
	Carrying amount	Fair value	Difference
Assets:			
(1) Cash and cash equivalents	$ 744,484	$ 744,484	$ —
(2) Trade accounts and notes receivable	434,933	434,933	—
(3) Long-term investments in securities	19,479	19,479	—
Total	$1,198,896	$1,198,896	$ —
Liabilities:			
(4) Trade accounts and notes payable	$ 260,392	$ 260,392	$ —
(5) Long-term debt—Bonds	107,481	108,781	1,300
(6) Long-term debt—Bank loans	214,961	214,961	—
Total	$ 582,834	$ 584,134	$1,300
(7) Derivatives	$ —	$ —	$ —

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

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

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

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

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

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

	Millions of yen	Thousands of U.S. Dollars
Long-term investments in securities	¥ 215	$ 2,307

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

Maturity analysis for financial assets as of March 31, 2010 is as follows:

	Millions of yen	
	Due within one year	Due after year
(1) Cash and cash equivalents	¥ 69,267	¥ —
(2) Trade accounts and notes receivable	40,466	—
Total	¥ 109,733	¥ —

	Thousands of U.S. dollars	
	Due within one year	Due after year
(1) Cash and cash equivalents	$ 744,484	$ —
(2) Trade accounts and notes receivable	434,933	—
Total	$1,179,417	$ —

Maturities of long-term debts as of March 31, 2010 are discussed in Note 9.

6. Investments in Securities

As of March 31, 2009 and 2010, other securities with available fair value were as follows:

	Millions of yen		
	2009		
	Cost	Fair value	Net unrealized gain (loss)
Fair value exceeds acquisition cost:			
Equity securities	¥455	¥ 719	¥264
Other	1	1	0
Subtotal	456	720	264
Fair value does not exceed acquisition cost:			
Equity securities	489	450	(39)
Other	—	—	—
Subtotal	489	450	(39)
Total	¥945	¥1,170	¥225

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

	Thousands of U.S. dollars		
	2010		
	Cost	Fair value	Net unrealized gain (loss)
Fair value exceeds acquisition cost:			
Equity securities	**$ 9,066**	**$18,468**	**$9,402**
Fair value does not exceed acquisition cost:			
Equity securities	**1,195**	**1,011**	**(184)**
Total	**$10,261**	**$19,479**	**$9,218**

As of March 31, 2009 and 2010, other securities whose fair value is not reliably determinable were as follows:

	Millions of yen		Thousands of U.S. dollars
	2009	**2010**	**2010**
Other securities			
Unlisted equity securities	¥379	**¥215**	**$2,307**

7. Derivatives and Hedging Activities

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

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

	Thousands of U.S. dollars		
	2010		
	Contract Amount		Fair value of derivative instruments
	Within one year	Over one year	
Interest rate swaps (fixed rate payment, floating rate receipt)	**$—**	**$214,961**	**$(5,457)**

Fair value of derivative instruments in the table above is stated at amount obtained from financial institutions, the counter parties of the contracts. No balance of other derivative instruments accounted for under hedge accounting remained as of March 31, 2010.

Prior to April 1, 2009, fair value information of derivative financial instruments which qualify for the requirement of hedge accounting under Japanese GAAP is not required to be disclosed.
Since all of the derivative financial instruments as of March 31, 2009 qualify the requirement, such information as of March 31, 2009 is not presented.

8. Inventories

Inventories as of March 31, 2009 and 2010 comprised of the following:

	Millions of yen		Thousands of U.S. dollars
	2009	2010	2010
Merchandise and finished goods	¥12,511	**¥ 9,674**	**$103,971**
Work in process	4,422	**5,475**	**58,850**
Raw materials and supplies	10,204	**9,613**	**103,319**
Total	¥27,137	**¥24,762**	**$266,140**

9. Long-term Debt

Long-term debt as of March 31, 2009 and 2010 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2009	2010	2010
1.94% Unsecured syndicated loan payable to banks, due in 2014	¥20,000	**¥20,000**	**$214,961**
1.35% Unsecured straight bonds due in 2014	—	**10,000**	**107,481**
	20,000	**30,000**	**322,442**
Less current portion	—	**—**	**—**
	¥20,000	**¥30,000**	**$322,442**

10. Committed Line of Credit

As of March 31, 2010, the Group had committed lines of credit amounting to ¥15,000 million ($161,221 thousand). None of the committed lines of credit were used.

11. Contingent Liabilities

The Company guarantees trade accounts payable of NIPPON SLIDE CO., LTD., an unconsolidated subsidiary of the Company. The amount of guaranty as of March 31, 2010 was ¥81 million ($867 thousand).

12. Lease

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

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

Pro forma information of leased property such as acquisition costs, accumulated depreciation, future minimum lease payments under finance leases on an "as if capitalized" basis as of March 31, 2009 and 2010 were as follows:

	Millions of yen		
	2009		
	Machinery and equipment	Other	Total
Acquisition costs	¥3,794	¥105	¥3,899
Accumulated depreciation	3,190	67	3,257
Net leased property	¥ 604	¥ 38	¥ 642

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

	Thousands of U.S. dollars		
	2010		
	Machinery and equipment	Other	Total
Acquisition costs	**$12,548**	**$790**	**$13,338**
Accumulated depreciation	**10,557**	**550**	**11,107**
Net leased property	**$ 1,991**	**$240**	**$ 2,231**

Future minimum lease payments under finance leases as of March 31, 2009 and 2010 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2009	2010	2010
Due within one year	¥431	**¥105**	**$1,122**
Due after one year	211	**103**	**1,109**
Total	¥642	**¥208**	**$2,231**

Total lease payments under these leases were ¥731 million, ¥673 million, and ¥216 million ($2,320 thousand) for the years ended March 31, 2008, 2009, and 2010, respectively.

The amounts of acquisition costs and future minimum lease payments under finance leases include the imputed interest expense. Depreciation expenses, which are not reflected in the accompanying consolidated statements of operations, computed using the straight-line method, were ¥731 million, ¥673 million, and ¥216 million ($2,320 thousand) for the years ended March 31, 2008, 2009, and 2010, respectively.

Obligations under non-cancelable operating leases as of March 31, 2009 and 2010 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2009	2010	2010
Due within one year	¥ 535	**¥ 465**	**$ 4,990**
Due after one year	1,099	**891**	**9,580**
Total	¥1,634	**¥1,356**	**$14,570**

13. Amortization of Goodwill

Amortization of goodwill included in selling, general and administrative expenses for the years ended March 31, 2008, 2009, and 2010 were ¥2,755 million, ¥2,728 million, and ¥2,725 million ($29,288 thousand), respectively.

14. Research and Development

Research and development expenses included in cost of sales or selling, general and administrative expenses for the years ended March 31, 2008, 2009, and 2010 were ¥3,550 million, ¥3,643 million, and ¥3,940 million ($42,344 thousand), respectively.

15. Reserve for Employees' Retirement Benefits

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

Reserve for employees' retirement benefits as of March 31, 2009 and 2010 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2009	2010	2010
Projected benefit obligations	¥ 9,690	**¥10,492**	**$112,772**
Fair value of plan assets	(3,649)	**(4,395)**	**(47,243)**
	6,041	**6,097**	**65,529**
Unrecognized actuarial differences	(1,719)	**(1,301)**	**(13,979)**
Reserve for employees' retirement benefits	¥ 4,322	**¥ 4,796**	**$ 51,550**

Net periodic pension and severance costs for the years ended March, 2008, 2009, and 2010 were as follows:

	Millions of yen			Thousands of U.S. dollars
	2008	2009	2010	2010
Service cost	¥ 821	¥ 889	**¥ 809**	**$ 8,690**
Interest cost	156	168	**182**	**1,955**
Expected return on plan assets	(59)	(57)	**(51)**	**(550)**
Recognized prior service cost	—	—	**17**	**181**
Recognized actuarial differences	96	154	**247**	**2,660**
Net periodic pension and severance costs	¥1,014	¥1,154	**¥1,204**	**$12,936**

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

	2008	2009	2010
Discount rate	2.0%	2.0%	**2.0%**
Expected rate of return on plan assets	1.0%–1.5%	1.5%	**1.5%**
Amortization of unrecognized actuarial differences	5–18 years	5–18 years	**5–18 years**

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

16. Income Taxes

The Company and its domestic subsidiaries are subject to Japanese national and local income taxes which, in the aggregate, resulted in normal effective statutory tax rate of approximately 40.7% for the years ended March 31, 2008, 2009, and 2010.

As of March 31, 2009 and 2010, significant components of deferred tax assets and liabilities were as follows:

	Millions of yen		Thousands of U.S. dollars
	2009	2010	2010
Deferred tax assets:			
Reserve for employees' retirement benefits	¥ 1,696	**¥ 1,860**	**$ 19,988**
Loss on devaluation of inventories	1,247	**1,038**	**11,159**
Tax loss carried forward	1,034	**3,928**	**42,218**
Valuation loss of investments in subsidiaries	954	**6,342**	**68,159**
Accrued bonuses to employees	689	**735**	**7,900**
Unrealized gain on intercompany sales of property, plant and equipment	476	**401**	**4,307**
Retirement benefits payable to directors and statutory auditors	418	**408**	**4,381**
Impairment losses	368	**357**	**3,833**
Other	2,007	**1,536**	**16,521**
Total	8,889	**16,605**	**178,466**
Less: valuation allowance	(2,447)	**(9,781)**	**(105,123)**
Total deferred tax assets	6,442	**6,824**	**73,343**
Deferred tax liabilities:			
Unrealized gains of marketable equity securities	(2,022)	**(2,270)**	**(24,400)**
Unrealized gains on land revaluation	(1,422)	**(1,422)**	**(15,285)**
Depreciation	—	**(725)**	**(7,791)**
Insurance premium	(518)	**(587)**	**(6,310)**
Special depreciation reserve for tax purpose	(193)	**(157)**	**(1,688)**
Other	(722)	**(126)**	**(1,354)**
Total deferred tax liabilities	(4,877)	**(5,287)**	**(56,828)**
Net deferred tax assets	¥ 1,565	**¥ 1,537**	**$ 16,515**

Reconciliation between the normal effective statutory tax rate and the actual effective tax rate reflected in the accompanying consolidated statement of operations for the years ended March 31, 2008 and 2009 was as follows:

	2008	2009
Normal effective statutory tax rate	40.7%	40.7%
Permanent differences	(3.1)	0.8
Net operating losses of consolidated subsidiaries	0.9	18.3
Amortization of goodwill	4.2	17.5
Amortization of negative goodwill	(1.0)	(6.9)
Lower tax rates applicable to foreign subsidiaries	(1.6)	(7.7)
Exemption for research and development	(0.9)	(3.8)
Valuation allowance	(0.4)	17.8
Changes in tax consequences on devaluation of investments in consolidated subsidiaries	(6.1)	0.7
Other	(2.0)	1.0
Actual Effective tax rate	30.7%	78.4%

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

17. Supplemental Cash Flow Information

1) Cash and cash equivalents on the consolidated statements of cash flows consisted of:

	Millions of yen			Thousands of U.S. dollars
	2008	2009	**2010**	**2010**
Cash and bank deposits	¥48,162	¥64,130	**¥69,267**	**$744,484**
Short-term investments in securities	1,648	—	**—**	**—**
Cash and cash equivalents	¥49,810	¥64,130	**¥69,267**	**$744,484**

2) Significant acquisition

The following table summarizes the acquisition of Rhythm Corporation in 2008:

	Millions of yen
Current assets	¥ (9,707)
Non-current assets	(14,028)
Goodwill	(13,511)
Current liabilities	7,455
Long-term liabilities	16,708
Acquisition cost	(13,083)
Cash and cash equivalents held by Rhythm Corporation and their seven subsidiaries	953
Acquisition of a newly consolidated subsidiary, net of cash acquired	¥(12,130)

No significant acquisition occurred in the years ended March 31, 2009 and 2010.

3) Significant non-cash transactions

In the year ended March 31, 2008, a portion of convertible bonds were converted into the Company's common stock, resulting in increases in the Company's common stock and additional paid-in capital. The following table summarizes the effect of the conversion:

	Millions of yen
	2008
Common stock increased	¥ 690
Additional paid-in capital increased	690
Convertible bonds decreased	¥1,380

All of the convertible bonds had been redeemed as of March 31, 2008 and no balance remained thereafter.

18. Per Share Information

Per share information for the years and as of ended March 31, 2008, 2009, and 2010 are as follows:

	Yen			U.S. dollars
	2008	2009	2010	2010
Net income (loss) – basic	¥ 139.53	¥ 9.36	**¥ (111.20)**	**$ (1.20)**
– diluted	¥ 138.74	¥ —	**¥ —**	**$ —**
Net assets	¥1,484.78	¥1,372.69	**¥1,252.71**	**$13.46**

Diluted net income (loss) per share for the years ended March 31, 2009 and 2010 is not presented since the Company did not have any kind of securities with potential dilutive effect in 2009 and 2010.

19. Segment Information

1) Business Segment Information

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

Major products in each business segment are as follows:

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

Business segment information for the years ended March 31, 2008, 2009, and 2010 is summarized as follows:

	Millions of yen				
	2008				
	Industrial Equipment-Related Business	Transportation Equipment-Related Business	Total	Eliminations and corporate	Consolidated
I. Net sales and operating income–					
Net sales:					
Customers	¥168,287	¥40,422	¥208,709	¥ —	¥208,709
Inter-segment	—	—	—	—	—
Total	168,287	40,422	208,709	—	208,709
Operating expenses	132,004	42,642	174,646	7,125	181,771
Operating income (loss)	¥ 36,283	¥ (2,220)	¥ 34,063	¥ (7,125)	¥ 26,938
II. Assets, depreciation and amortization, impairment losses and capital expenditure–					
Assets	¥177,478	¥42,229	¥219,707	¥44,522	¥264,229
Depreciation and amortization	¥ 7,805	¥ 2,272	¥ 10,077	¥ 61	¥ 10,138
Impairment losses	¥ 1	¥ 136	¥ 137	¥ —	¥ 137
Capital expenditure	¥ 14,511	¥ 3,363	¥ 17,874	¥ 127	¥ 18,001

	Millions of yen				
	2009				
	Industrial Equipment-Related Business	Transportation Equipment-Related Business	Total	Eliminations and corporate	Consolidated
I. Net sales and operating income–					
Net sales:					
Customers	¥ 144,336	¥ 34,933	¥179,269	¥ —	¥ 179,269
Inter-segment	—	—	—	—	—
Total	144,336	34,933	179,269	—	179,269
Operating expenses	124,401	39,459	163,860	6,886	170,746
Operating income (loss)	¥ 19,935	¥ (4,526)	¥ 15,409	¥ (6,886)	¥ 8,523
II. Assets, depreciation and amortization, impairment losses and capital expenditure–					
Assets	¥ 145,418	¥ 31,599	¥ 177,017	¥ 63,334	¥ 240,351
Depreciation and amortization	¥ 8,152	¥ 2,415	¥ 10,567	¥ 70	¥ 10,637
Impairment losses	¥ 934	¥ —	¥ 934	¥ —	¥ 934
Capital expenditure	¥ 12,321	¥ 3,561	¥ 15,882	¥ 98	¥ 15,980

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

	Thousands of U.S. dollars				
	2010				
	Industrial Equipment-Related Business	Transportation Equipment-Related Business	Total	Eliminations and corporate	Consolidated
I. Net sales and operating income (loss)–					
Net sales:					
Customers	$ 910,642	$ 328,935	$1,239,577	$ —	$1,239,577
Inter-segment	—	—	—	—	—
Total	910,642	328,935	1,239,577	—	1,239,577
Operating expenses	905,464	375,256	1,280,720	61,058	1,341,778
Operating income (loss)	$ 5,178	$ (46,321)	$ (41,143)	$ (61,058)	$ (102,201)
II. Assets, depreciation and amortization, impairment losses and capital expenditure–					
Assets	$1,501,539	$ 284,585	$1,786,124	$754,448	$2,540,572
Depreciation and amortization	$ 78,945	$ 25,023	$ 103,968	$ 686	$ 104,654
Capital expenditure	$ 36,946	$ 10,199	$ 47,145	$ 652	$ 47,797

Operating expenses incurred mainly in administrative departments are included in "Eliminations and corporate" since they cannot be allocated into specific segments. The aggregate amounts of such operating expenses for the years ended March 31, 2008, 2009, and 2010 were ¥7,125 million, ¥6,886 million, and ¥5,681 million ($61,059 thousand), respectively.

Corporate assets which cannot be allocated into specific segments are included in "Eliminations and corporate". Such corporate assets primarily consist of term deposits, investment securities, deferred tax assets and land. As of March 31, 2008, 2009, and 2010, the aggregate amounts of such assets were ¥44,522 million, ¥63,334 million, and ¥70,194 million ($754,448 thousand), respectively.

The effect of changing the useful lives of machineries as discussed in Note 3 (e) was to increase operating income in Industrial Equipment-Related Business by ¥495 million ($5,317 thousand) and operating loss in Transportation Equipment-Related Business by ¥14 million ($147 thousand), respectively.

2) Geographical Segment Information

Principal countries and jurisdictions in each segment are as follows:

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

Geographical segment information for the years ended March 31, 2008, 2009, and 2010 is summarized as follows:

	Millions of yen						
	2008						
	Japan	The Americas	Europe	Asia and other	Total	Eliminations and corporate	Consolidated
I. Net sales and operating income–							
Net sales:							
Customers	¥145,745	¥25,473	¥25,427	¥12,064	¥208,709	¥ —	¥208,709
Inter-segment	34,577	59	97	2,494	37,227	(37,227)	—
Total	180,322	25,532	25,524	14,558	245,936	(37,227)	208,709
Operating expenses	152,412	24,093	22,032	13,262	211,799	(30,028)	181,771
Operating income	¥ 27,910	¥ 1,439	¥ 3,492	¥ 1,296	¥ 34,137	¥ (7,199)	¥ 26,938
II. Assets	¥211,029	¥21,044	¥19,314	¥31,378	¥282,765	¥(18,536)	¥264,229

	Millions of yen						
	2009						
	Japan	The Americas	Europe	Asia and other	Total	Eliminations and corporate	Consolidated
I. Net sales and operating income–							
Net sales:							
Customers	¥115,282	¥23,922	¥24,888	¥15,177	¥179,269	¥ —	¥179,269
Inter-segment	45,946	55	74	5,178	51,253	(51,253)	—
Total	161,228	23,977	24,962	20,355	230,522	(51,253)	179,269
Operating expenses	147,575	22,625	23,913	20,034	214,147	(43,401)	170,746
Operating income	¥ 13,653	¥ 1,352	¥ 1,049	¥ 321	¥ 16,375	¥ (7,852)	¥ 8,523
II. Assets	¥117,888	¥11,568	¥11,462	¥25,410	¥166,328	¥74,023	¥240,351

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

	Thousands of U.S. dollars						
	2010						
	Japan	The Americas	Europe	Asia and other	Total	Eliminations and corporate	Consolidated
I. Net sales and operating income (loss)–							
Net sales:							
Customers	$ 834,761	$154,886	$133,594	$116,336	$1,239,577	$ —	$1,239,577
Inter-segment	209,781	493	222	17,025	227,521	(227,521)	—
Total	1,044,542	155,379	133,816	133,361	1,467,098	(227,521)	1,239,577
Operating expenses	1,060,409	159,302	150,758	139,077	1,509,546	(167,768)	1,341,778
Operating income (loss)	$ (15,867)	$ (3,923)	$(16,942)	$ (5,716)	$ (42,448)	$ (59,753)	$ (102,201)
II. Assets	$1,833,694	$112,180	$130,387	$293,021	$2,369,282	$171,290	$2,540,572

Prior to April 1, 2007, all of operating expenses incurred in the Company have been included in the Japan segment. Effective April 1, 2007, expenses incurred in the administrative departments of the Company have been reclassified into “Eliminations and corporate” in order to reflect actual operating performances of each segment more accurately. This change was made because the Company’s control functions over its subsidiaries were strengthened by reorganizing its group-level administrative systems through developing its internal controls. The aggregate amounts of such operating expenses for the years ended March 31, 2008, 2009, and 2010 were ¥7,125 million, ¥6,886 million, and ¥5,681 million ($61,059 thousand), respectively.

Corporate assets which cannot be allocated into specific segments are included in “Eliminations and corporate”. Such corporate assets primarily consist of term deposits, investment securities, deferred tax assets and land. As of March 31, 2008, 2009, and 2010, the aggregate amounts of such assets were ¥44,522 million, ¥63,334 million, and ¥70,194 million ($754,448 thousand), respectively.

The effect of changing the useful lives of machineries as discussed in Note 3 (e) was to decrease operating loss in Japan segment by ¥481 million ($5,170 thousand) for the year ended March 31, 2010.

3) Sales to foreign customers

Sales to foreign customers for the years ended March 31, 2008, 2009, and 2010 were summarized as follows:

	Millions of yen			
	2008			
	The Americas	Europe	Asia and other	Total
Sales to foreign customers	¥26,000	¥25,237	¥21,150	¥ 72,387
Consolidated net sales				¥208,709
Ratio to consolidated net sales	12.5%	12.1%	10.1%	34.7%

	Millions of yen			
	2009			
	The Americas	Europe	Asia and other	Total
Sales to foreign customers	¥23,266	¥24,916	¥21,521	¥ 69,703
Consolidated net sales				¥179,269
Ratio to consolidated net sales	13.0%	13.9%	12.0%	38.9%

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

	Thousands of U.S. dollars			
	2010			
	The Americas	Europe	Asia and other	Total
Sales to foreign customers	**$156,411**	**$135,810**	**$191,812**	**$ 484,033**
Consolidated net sales				**$1,239,577**

Grant Thornton

Grant Thornton Taiyo ASG

Report of Independent Auditors

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

We have audited the accompanying consolidated balance sheets of THK Co., Ltd. and its subsidiaries as of March 31, 2009 and 2010, and the related consolidated statements of operations, changes in net assets, and cash flows for each of the three years in the period ended March 31, 2010, all expressed in Japanese yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of THK Co., Ltd. and its subsidiaries as of March 31, 2009 and 2010, and the consolidated results of their operations and their cash flows for each of the three years in the period ended March 31, 2010, in conformity with accounting principles generally accepted in Japan.

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

Grant Thornton Taiyo ASG

Tokyo, Japan
June 21, 2010