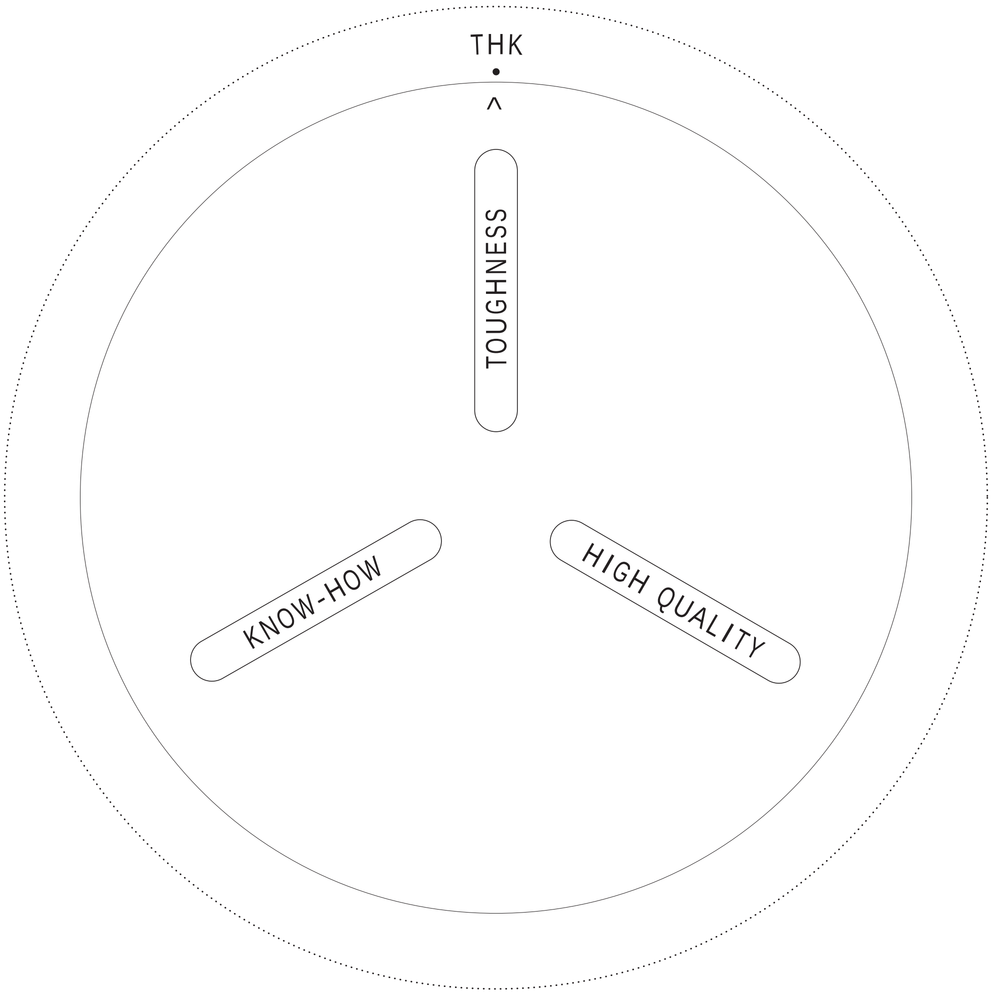


THK

ANNUAL REPORT 2002

CONTENTS

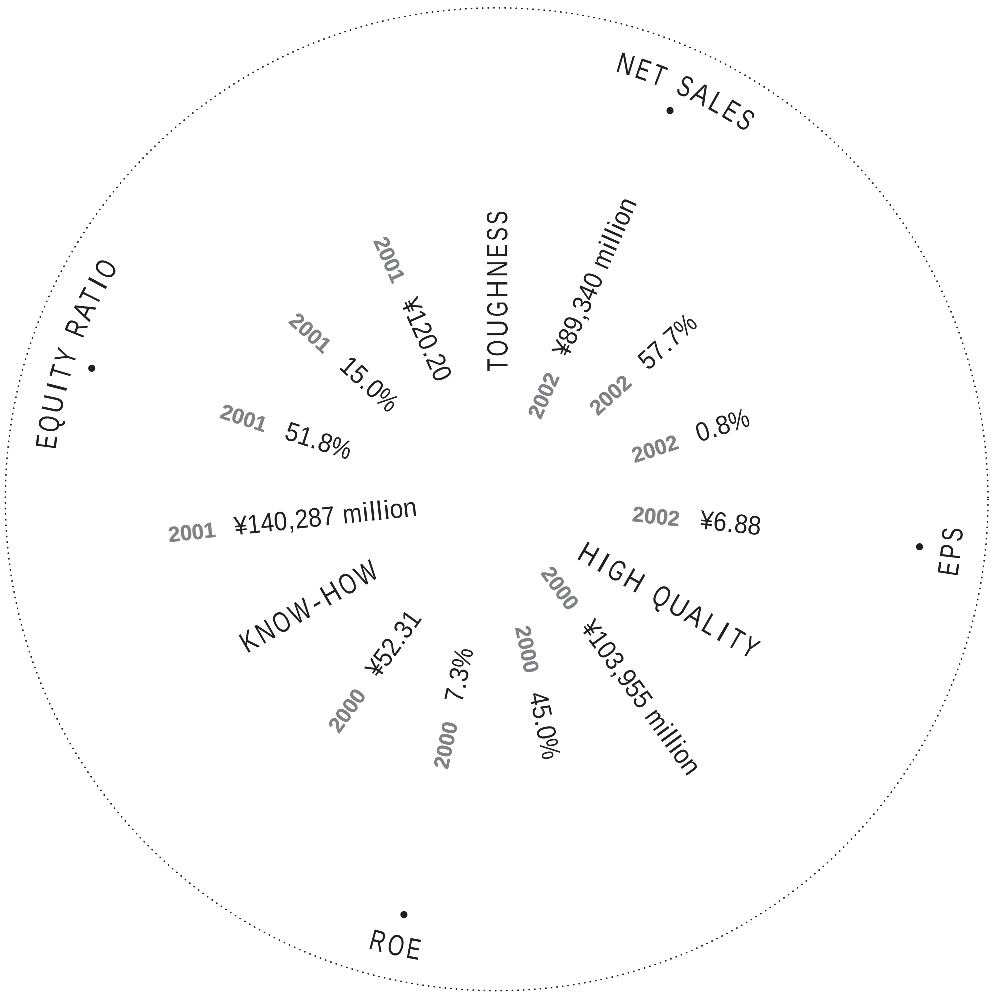
PROFILE

By 1972, THK overcame considerable technical difficulties to develop a method of linear motion (LM) with rolling contact, becoming the world's first company to commercialize LM guides. The method is considerably more efficient than sliding mechanisms, and has contributed to the rapid advancement of mechatronics equipment capabilities through more advanced functions, higher speeds and greater energy conservation. A wide range of industrial equipment requires linear motion, including machine tools, industrial robots and semiconductor production equipment. THK products are at the center of advanced mechatronics equipment. THK is the leading manufacturer of LM guides and currently holds a 70% share of the market in Japan and more than 50% worldwide (company estimate). THK is also a company focused on creation and development, holding 766 patents in Japan and 712 patents overseas (including patents pending) as of March 31, 2002.

Compared with ball bearings, LM guides are a relatively new development. The market for LM guides is growing steadily year by year, and considerable markets wait to be tapped in Japan and overseas.

As a part of its Long-Term Management Target (Fiscal 2010), THK aims to achieve consolidated net sales of ¥300 billion in fiscal 2010 with an overseas sales weighting of 50%. To this end, THK has embarked on a program of full-scale global development, and focused development in new business fields in Japanese markets, including consumer goods. THK will continue to provide high-value-added technologies and products based on its management philosophy of "providing innovative products to the world and staying abreast of new trends to contribute to the creation of an affluent society."

THK INDICES

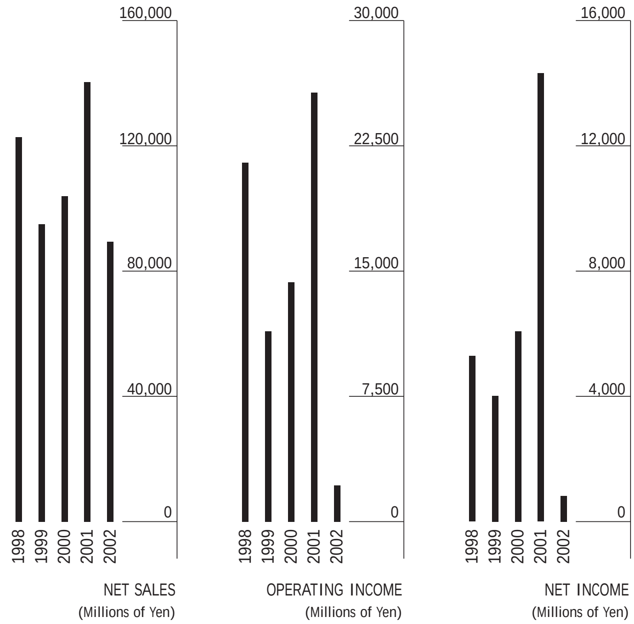


CONSOLIDATED FINANCIAL HIGHLIGHTS

	Millions of Yen			Thousands of U.S. Dollars
	2000	2001	2002	2002
Net Sales	¥103,955	¥140,287	¥ 89,340	$ 670,470
Operating Income	14,343	25,695	2,176	16,331
Net Income	6,078	14,316	820	6,160
Total Assets	195,750	198,130	179,705	1,348,634
Total Shareholders' Equity	88,061	102,612	103,748	778,604
	Yen			U.S. Dollars
Net Income per Share (EPS)	¥ 52.31	¥ 120.20	¥ 6.88	$ 0.052

Note 1: For convenience only, U.S. dollar amounts in this report have been converted from yen at the rate of ¥133.25=US$1, the approximate rate of exchange prevailing on March 31, 2002.

Note 2: Prior-period results have been restated to conform to current presentation standards for financial statements in Japan, and figures disclosed in Japanese financial statements.



Performance

Fiscal 2001, ended March 31, 2002, was one of the toughest years in recent memory for THK.

Consolidated net sales declined 36.3% to ¥89,340 million. Operating income was ¥2,176 million, a considerable decline of 91.5% from the previous fiscal year. Similarly, net income fell 94.3% to ¥820 million. The main reason behind these steep year-on-year declines was an unprecedented worsening in market conditions. In the second half of the fiscal year, however, conditions began to turn for the better. Orders and sales started to recover after bottoming in the third quarter.

Business Conditions in Fiscal 2001

During fiscal 2001, the global economy stagnated overall, as the U.S. economy entered a sharp slowdown from the collapse of the IT bubble and the terrorist incidents, while the economies of Europe and Asia weakened. The Japanese economy explored new depths, shackled by such structural problems as the disposal of non-performing debt. As a consequence, demand for THK products fell substantially across all industries, including machine tool manufacturers, robot manufacturers, and most noticeably at semiconductor production equipment and other electronics manufacturers. The operating environment in fiscal 2001 was extremely challenging, in stark contrast to favorable conditions just a year earlier.

In accordance with production adjustments in IT-related industries, the Company's net sales fell precipitously. Our efforts to increase production efficiency and reduce costs were insufficient to match changes in the operating environment, resulting in the regrettably poor performance during the fiscal year under review.

We believe that near-term business conditions have fundamentally returned to a path of recovery, although a rocky one, leaving behind one of the worst fiscal years ever. In addition, the Company's medium- and long-term business strategies are steadily producing results. THK firmly believes that nothing stands in the way of achieving improvement in its operations in the future.

THK's Business Strategy—Long-Term Management Target (Fiscal 2010 Vision) and Medium-Term Management Plan

As stated previously, performance in fiscal 2001 came up against an unavoidable, yet temporary, roadblock. The Company's products and technologies, however, have set the stage for considerable growth in the future. At the same time, however, THK's core products, such as LM guides, ball screws and other mechatronics devices, are primarily used by manufacturers of industrial equipment, including machine tools and semiconductor production equipment. For this reason, demand for THK products is swayed heavily by private capital investment and production trends at industrial equipment manufacturers. Electronics manufacturers in particular are primary customers. Demand from IT-related industry has supported exceptionally high growth until now, and a fundamental change in this demand has presented an imposing challenge to stable growth in performance at THK.

For a long time, THK has been fortunate to achieve sustained and stable growth with little influence from external factors. Confronted with this new challenge, we now realize the absolute necessity of full-scale global development in overseas markets and entering new fields and markets as a fundamental business strategy. Naturally, this is in addition to reinforcing the financial structure to improve profitability and secure profits, concentrating management resources and promoting efficiency in Group management.

With this fresh perspective, THK believes that the first step to ensuring medium- and long-term growth is the formulation of a business strategy and the clarification of a timeline to complete targets in the strategy. To this end, the Company created the Long-Term Management Target (Fiscal 2010 Vision), with its final year in fiscal 2010, and the three-year Medium-Term Management Plan, beginning in the current fiscal year.

Long-Term Management Target (Fiscal 2010 Vision)

Our Long-Term Management Target (Fiscal 2010 Vision) sets targets for consolidated net sales of ¥300 billion, with overseas net sales of ¥150 billion and an overseas sales ratio of 50% through full-scale global development. In the Japanese market, targets aim for domestic net sales of ¥150 billion through all-out expansion in the consumer-related field as a new business area.

In our global development efforts to raise the ratio of consolidated overseas sales from the current 33.2% to 50%, we believe we must expand overseas production bases to enable higher production efficiency and a swifter and more flexible response to customer needs locally, and also increase awareness of our high technological capabilities through public relations activities aimed at existing and potential local users. During the fiscal year under review, the Company completed a second plant at THK Manufacturing of America, Inc. (TMA) and a new plant at THK Manufacturing of Europe S.A.S. (TME). Both plants came on-line in July 2001 as a part of the core strategy for the Company's long-term growth. Moreover, THK is expanding production and sales in the Asia-Pacific region centering on China as another way to achieving long-term growth.

Medium-Term Management Plan (Fiscal 2002-Fiscal 2004)

In the Medium-Term Management Plan (Fiscal 2002-Fiscal 2004), five strategies are defined as steps to achieving return on equity (ROE) of 10%, operating income to net sales of 20% and a revenue and expenditure balance of ¥0. These five steps are 1) the establishment of a global structure, 2) a new record high in net sales, 3) reform in manufacturing, 4) the constant development and introduction of new products, and 5) enhancing the individual skills of employees.

In more detail, these steps entail firstly, the advancement of marketing networks and production bases in the four-region structure of Japan, North America, Europe and Asia-Pacific, while bolstering the global management structure. Next, THK will concentrate efforts on promoting its Caged Ball$_{\text{TM}}$ Technology products, independently developed products and products aimed at newly launched fields, as well as prepare a structure to carefully survey and analyze market and technological trends. Third, the Company aims to spread awareness of its technological prowess, improve quality, emphasize customer satisfaction through speedier response times, and strengthen brand power. In addition to these initiatives, THK aims to revolutionize its technologies, improve productivity and reduce costs. We also plan to enter new fields and markets, including mechatronics, housing and automobiles, and also implement measures to improve the individual abilities and technological expertise of our employees. Through these efforts, THK plans to clear the first stage by fiscal 2004, to take the first major step toward achieving the goals outlined in its Long-Term Management Target (Fiscal 2010 Vision).

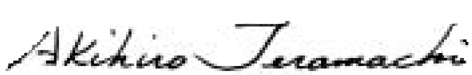
Our medium- and long-term growth strategies are a blueprint for success, based on detailed surveys of present and future market trends and technological innovation backed by the potential locked in our accumulated experience and momentum going forward. We believe that our stakeholders will see great promise in these new initiatives launched in line with the management plan for future growth.

Outlook and Management Policy

In the current fiscal year, the operating environment surrounding THK continues to present formidable uncertainty for the future.

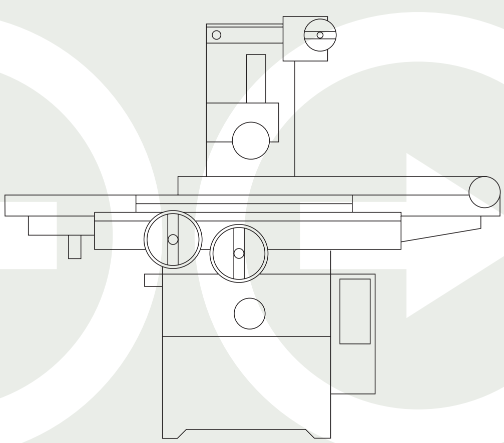
Under these circumstances, the Company aims to strengthen sales of next-generation LM guides with Caged Ball$_{\text{TM}}$ Technology to core customers while aggressively pursuing business development in line with its Medium-Term Management Plan.

Priority measures for the current fiscal year include 1) expansion of overseas sales, 2) creating a structure to handle sharp order growth, and 3) building a de facto standard as a leading manufacturer. We have made concerted efforts in marketing our technologies and products overseas. There remain an incalculable number of potential customers in promising markets around the world who have not yet heard of our quality products and impressive technological capabilities. While boosting overseas marketing during the current fiscal year, THK will make every effort to execute the measures described above to establish a position as a leading global manufacturer.



Akihiro Teramachi
President and CEO

Machine Tools



Applications for machine tools touch upon virtually all industries, and form the fastest-growing market for the Company's products.

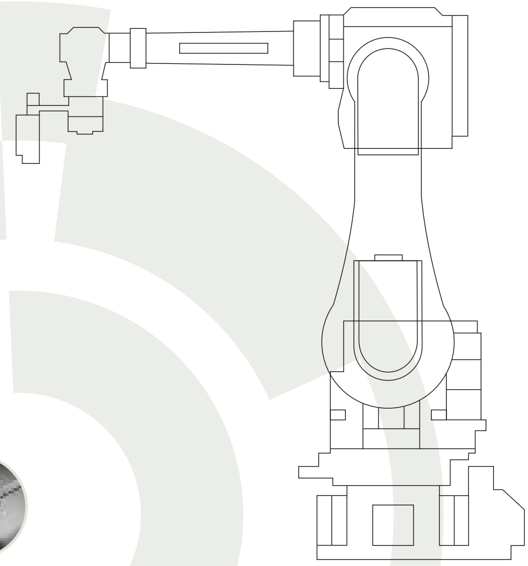
Along with technological advancements in recent years, manufacturers have striven to raise productivity and control manufacturing costs by making their production lines fully automated. As a result, the usefulness of THK products is spreading over a wider range of applications.

Amid a delayed economic recovery, however, tight restrictions were placed on private capital investment and more production was transferred overseas, thereby worsening the operating environment in fiscal 2001.

On near-term business conditions, THK does not foresee a rapid improvement in the operating environment. The Company's market share in the machine tool segment varies greatly in scale according to geographic region. Since overseas markets have much latent demand, we are urgently promoting local production while strengthening overseas sales.

In Europe in particular, which has a high weighting in the machinery industry, THK believes that opportunities to promote its products will increase in the future. Europe is a primary objective in the Company's strategy to boost overseas sales. Accordingly, TME, which started full operation in July 2001, holds the key to future facility expansion.

In our existing markets, we expect our customer base to expand as the employment of our high-value-added products, including our mainstay LM guides with Caged Ball™ Technology, increases with greater usage of linear motors due to demand for faster speeds.



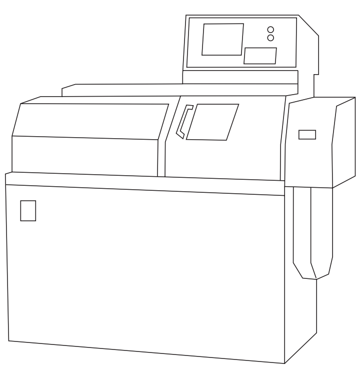
General Machinery

The general machinery segment includes industrial machinery other than machine tools, as well as industrial robots.

Although performance in this segment was favorable in the previous fiscal year, the about-face in sales in the period under review clearly demonstrates how severe the operating environment became in fiscal 2001, a trend also seen in other significant product fields. Currently, there is no prospect of a rapid improvement in the operating environment as there is in the machine tools segment and demand for machines and equipment continues to be sluggish. However, demand for assembling robots and injection molding machines is following a relatively favorable, albeit low-level, trend.

The general machinery segment offers far-reaching potential for applications, and THK continues to concentrate on developing and marketing such high-value-added products as LM guides with Caged Ball$_{TM}$ Technology.

Electronics



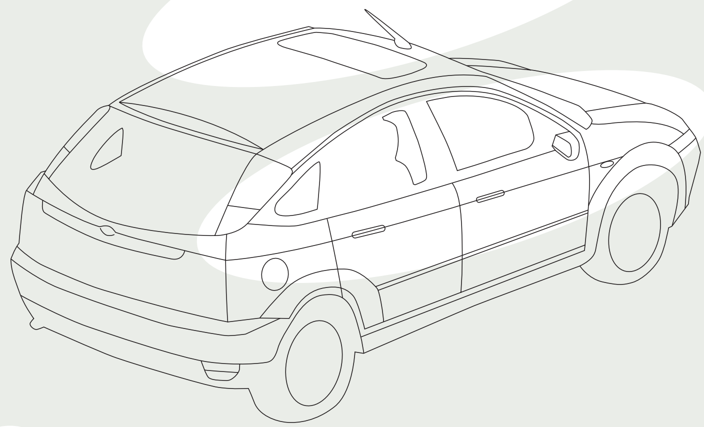
The electronics segment centers on semiconductor production equipment. Against a backdrop of sharp growth in IT-related products in accordance with the transition to an information-intensive society, the electronics segment has wielded an increasingly greater influence on the Company's performance as one of THK's largest market segments.

The electronics segment showed firm growth in the first half of the previous fiscal year. However, in fiscal 2001 semiconductor-related markets came to a sudden standstill due to the so-called IT recession. As a result, sales of the electronics segment fell sharply in comparison with the previous fiscal year, spreading considerable damage to net sales and profits at THK.

In the electronics segment lately, demand for semiconductor production equipment remains weak, while inquiries from Korean and Taiwanese manufacturers are picking up for liquid crystal display (LCD) production equipment.

The Company's showcase product, LM guides with Caged Ball$_{TM}$ Technology, feature quiet and maintenance-free operation. Our LM guides with Caged Ball$_{TM}$ Technology are increasingly used in environments that demand a high degree of cleanliness, such as in semiconductor production equipment, and in new facilities compatible with 300mm wafers. As a result, we expect demand for LM guides with Caged Ball$_{TM}$ Technology to expand over the medium and long terms.

In the electronics segment, Manufacturers use cutting-edge technology to gain an advantage in competition, and demand is expanding mainly in Japan and North America. The development of latent markets, including Europe and Asia, is key to securing growth in the future.



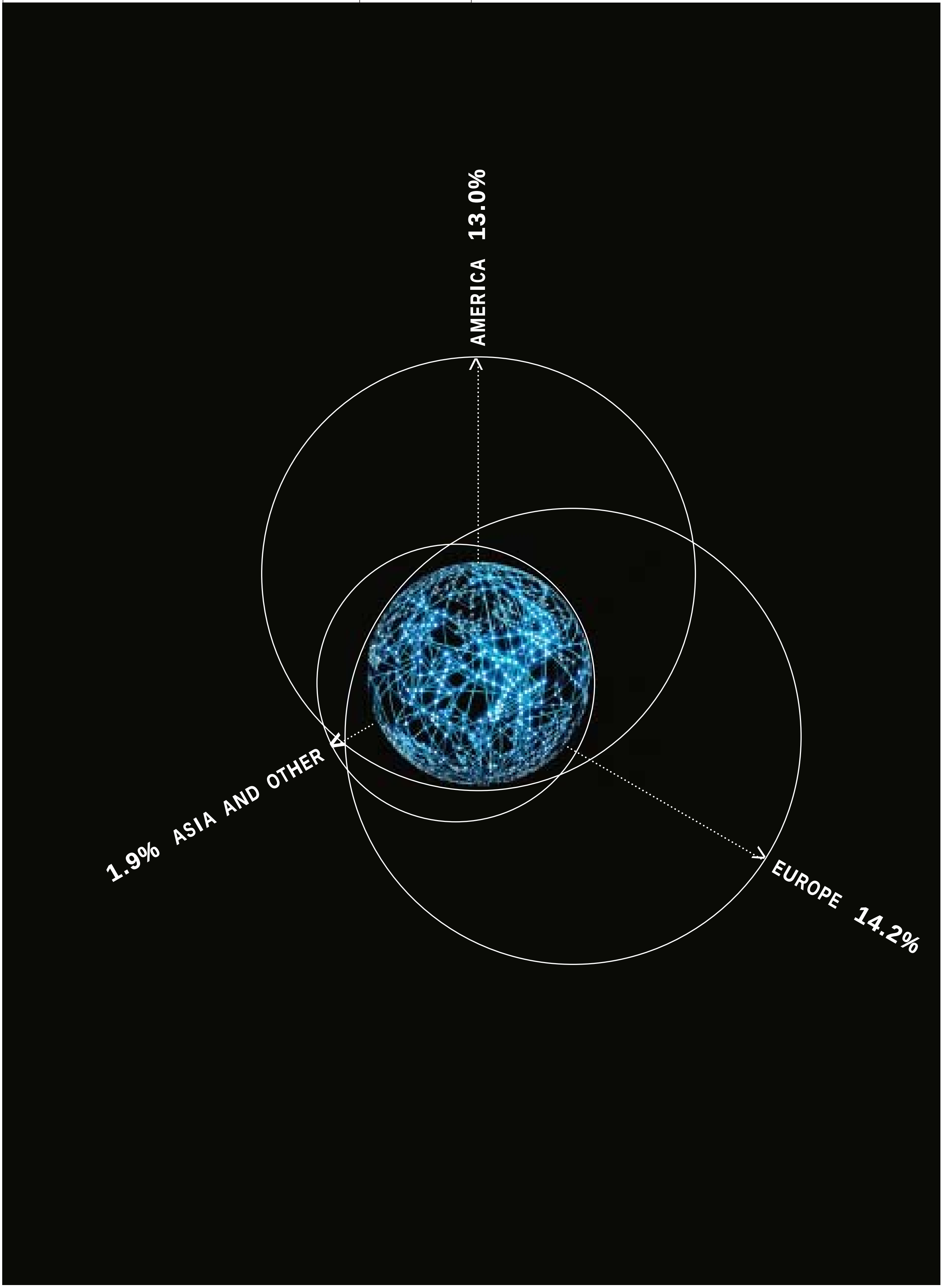
Other

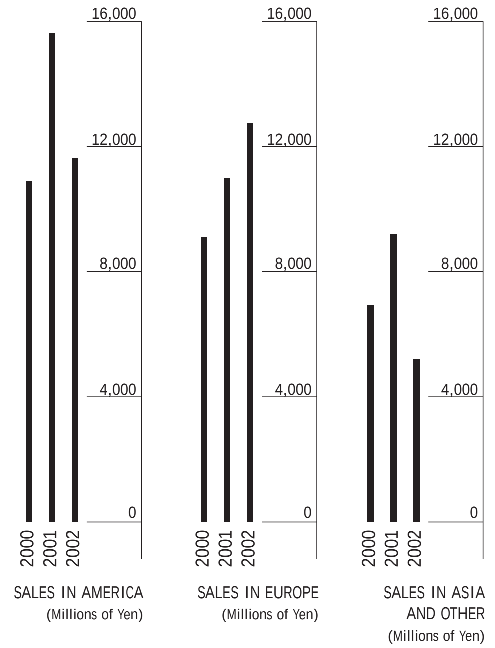
The other segment comprises transport equipment and medical equipment.

Demand was relatively strong in the automobile-related sector, and employment of the strategic link balls product is increasing at Japanese manufacturers and the Big Three finished automobile manufacturers in the United States. Consequently, THK expects demand to grow in the future. Our link balls are greatly admired by customers, as they are made of lightweight aluminum, excel in durability and provide high tensile strength. In addition to link balls, we plan to expand sales of our core LM guides to finished automobile manufacturers in the medium and long terms.

In medical equipment, the employment of LM guides is growing in magnetic resonance imaging (MRI), computed tomography (CT) scanners, and blood analysis equipment. The customer base is expanding mainly in North America, and sales are growing steadily. With the advent of an aging society in Japan, THK looks for growth in not only medical-related equipment, but also care giving-related equipment.

In addition, LM guides are gradually enlarging their range of application. Already used in rolling stock, LM guides are being used more and more in seismic vibration control technology as an earthquake countermeasure in high-rise buildings, detached houses and other structures. LM guides are increasing their presence in new fields, including consumer goods, as well.


AMERICA 13.0%
1.9% ASIA AND OTHER
EUROPE 14.2%



In fiscal 2001, ended March 31, 2002, overseas sales accounted for 33.2% of consolidated net sales at THK, up from 25.9% a year earlier. In its Long-Term Management Target (Fiscal 2010 Vision), THK has set targets for overseas sales of ¥150 billion to account for 50% of consolidated net sales by fiscal 2010. As a stepping stone to this target, the Company formulated the Three-Year Medium-Term Management Plan, which begins in fiscal 2002 and aims for consolidated net sales of ¥150 billion and overseas sales of ¥48 billion by the final year of fiscal 2004.

To attain this level of long-term growth, THK believes it is absolutely necessary to achieve overseas sales on a par with domestic sales that sustain an average annualized growth rate of 20% over the next ten years. The Company believes this is possible through full-scale global development in overseas markets in addition to entering new fields in Japanese markets.

THK's high-value-added products and breathtaking technologies, including the LM guide with Caged Ball$_{TM}$ Technology series, have earned kudos and a reputation for high reliability from all facets of industry. In overseas markets, THK sees plenty of potential to further enhance its brand recognition and extend its reach into overseas markets.

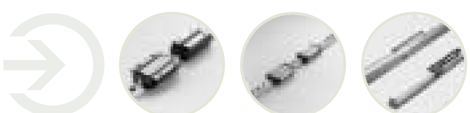
With this vision of the future, THK aims to build a marketing network, based on a four-pillar regional system connecting Japan, North America, Europe and Asia-Pacific, by increasing the number of marketing personnel and bases. At the same time, the Company will continue to put in place a global production structure in ideal locations and establish a common standard of quality throughout the world.

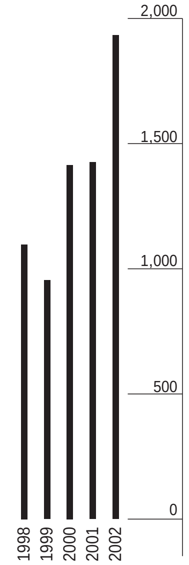
On the production front, THK has expanded bases centering on TMA and TME in France.

The Company's first production base on the European continent, TME's new plant initiated full operation in July 2001 with the production of LM guides. At TMA, their second plant began operations in July 2001 following investment in the previous fiscal year to expand production facilities for LM guides and link balls. In addition, THK completed a new plant annex at PGM Ballscrews Ireland Ltd. to expand production facilities for ballscrews.

In the future, THK will continue efforts to establish a global foundation based on a four-region structure in Japan, North America, Europe and Asia-Pacific.

RESEARCH & DEVELOPMENT





R&D Expences
(Millions of Yen)

THK forged the E^3 Concept (pronounced cubic 'E' concept) based on the phrase "Ecological-Economical-Endless" as a central theme in its research and development activities to develop new environmentally friendly products demanded by various industrial fields.

On a consolidated basis, research and development expenses totaled ¥1,932 million in fiscal 2001, an increase of 35.5% from the previous fiscal year.

New additions to THK's lineup of LM guides with Caged Ball$_{TM}$ Technology include the SNR-H series of LM guides, which are based on the global standard HSR series, and the SRN series of LM guides, which realize high rigidity in a compact package. We are pleased to report that these new products were well received by the market.

THK released to market the RDM series of rod-type linear motor actuators, a maintenance-free product able to respond to sudden acceleration and deceleration. The Company is continuing efforts to fill out its lineup of ball screws with Caged Ball$_{TM}$ Technology.

THK is focusing efforts on the continued development and introduction of new products. To this end, the Company is building a development structure, backed by the know-how and human resources able to precisely and flexibly satisfy a diverse range of sophisticated customer needs, through global development and entry into new business fields.

FIVE-YEAR CONSOLIDATED FINANCIAL SUMMARY

	Millions of Yen					Thousands of U.S. Dollars
	1998	1999	2000	2001	2002	2002
Net Sales	¥ 122,815	¥ 95,006	¥ 103,955	¥ 140,287	¥ 89,340	$ 670,470
Cost of Sales	81,207	64,443	69,817	91,447	63,294	475,000
Gross Profit	41,607	30,563	34,138	48,840	26,046	195,470
Selling, General and Administrative Expenses	20,103	19,178	19,795	23,145	23,870	179,139
Operating Income	21,504	11,385	14,343	23,695	2,176	16,331
Income before Income Taxes	12,141	7,463	11,415	24,330	833	6,253
Income Taxes	6,903	3,376	5,297	9,889	15	112
Net Income	5,288	4,016	6,078	14,316	820	6,160
	Yen					U.S. Dollars
Per Share of Common Stock:						
Net income —basic	¥ 44.93	¥ 34.51	¥ 52.31	¥ 120.20	¥ 6.88	$ 0.052
Net income —diluted	43.06	33.20	49.99	115.44	—	—
	Millions of Yen					Thousands of U.S. Dollars
Total Assets	¥ 222,258	¥ 194,385	¥ 195,750	¥ 198,130	¥ 179,705	$ 1,348,634
Total Shareholders' Equity	79,367	78,242	88,061	102,612	103,748	778,604
Capital Expenditures	4,131	4,680	3,573	13,841	6,476	48,602
Depreciation	5,480	5,450	5,272	5,191	5,503	41,298
R&D Expenses	1,096	954	1,415	1,426	1,932	14,505
Operating Income Percentage of Net Sales (%)	17.5	12.0	13.8	18.3	2.4	
Net Income Percentage of Net Sales (%)	4.3	4.2	5.8	10.2	0.9	
Return on Equity (%)	6.9	5.1	7.3	15.0	0.8	
Return on Assets (%)	10.3	5.9	7.6	13.3	1.3	
Equity Ratio (%)	35.7	40.2	45.0	51.8	57.7	
Book Value per Share (Yen)	674.36	676.98	746.67	859.82	869.20	
Debt Equity Ratio (Times)	1.3	1.1	0.8	0.5	0.5	
Interest Coverage Ratio (Times)	6.2	4.5	7.2	21.1	2.4	

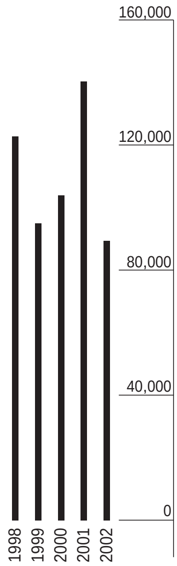
Note 1: For convenience only, U.S. dollar amounts in this report have been converted from yen at the rate of ¥133.25=US$1, the approximate rate of exchange prevailing on March 29, 2002.
Note 2: Prior-period results have been restated to conform to current presentation standards for financial statements in Japan, and figures disclosed in Japanese financial statements.
Note 3: Return on assets is the percentage of operating income and interest and dividend income to average total assets.

Treasury Stock Acquisition

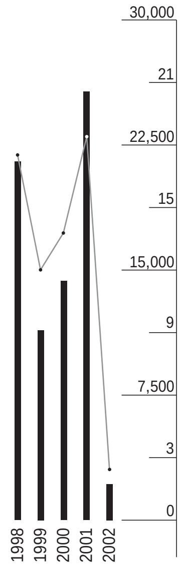
In accordance with the provisions of Article 210 of the Commercial Code of Japan, treasury stock acquisition by the company was approved in the regular general shareholders meeting (which was held on June 22, 2002) as follows:

1. Period: From the resolution to the next regular general shareholders meeting held after the fiscal year.
2. Type of shares to be acquired: Common stock of THK Co., Ltd.
3. Maximum number of shares to be acquired: 5,000,000 shares
4. Maximum amount of acquisition: ¥10,000,000,000

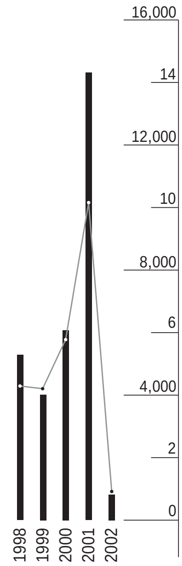
CONSOLIDATED FINANCIAL REVIEW



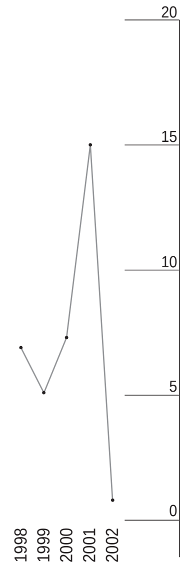
NET SALES
(Millions Yen)



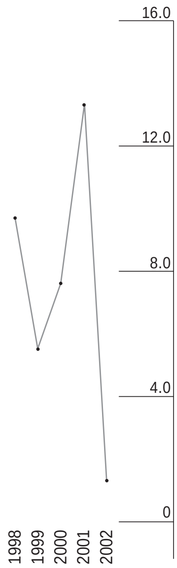
OPERATING INCOME/
PERCENTAGE OF NET SALES
(Millions of Yen/%)



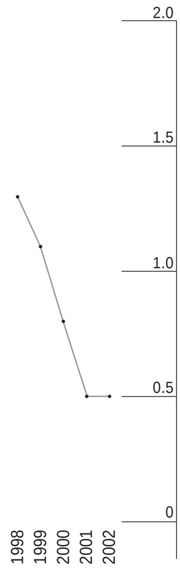
NET INCOME/
PERCENTAGE OF NET SALES
(Millions of Yen/%)



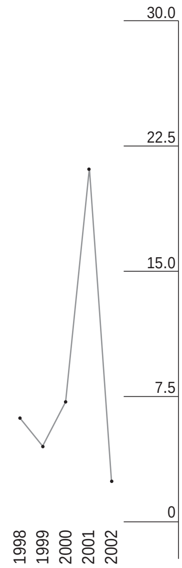
ROE
(%)



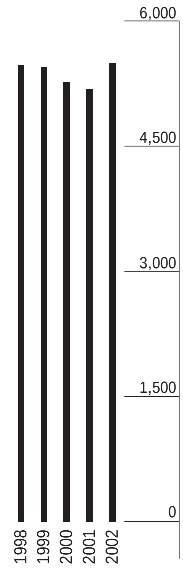
ROA
(%)



DEBT EQUITY RATIO
(Times)



INTEREST COVERAGE
RATIO
(Times)



DEPRECIATION
(Millions of Yen)

Scope of Consolidation

During fiscal 2001, ended March 31, 2002, the consolidated accounts of THK Co., Ltd. comprised 13 consolidated subsidiaries and one affiliate accounted for by the equity method. THK Neturen America, L.L.C. was newly added to the scope of consolidation, while THK International Finance (UK) Ltd. was removed, for no change in the total number of consolidated subsidiaries.

Net Sales

Consolidated net sales for the fiscal year ended March 31, 2002, declined 36.3% to ¥89,340 million. Excluding exports, domestic sales fell 42.7% to ¥59,645 million. Overseas net sales, including exports and net sales at overseas consolidated subsidiaries, decreased 18.2% to ¥29,695 million.

By geographic region, Europe was the sole region to post growth with a 13.3% increase in net sales to ¥12,863 million. Net sales in America and Asian and other regions declined from the previous fiscal year, with America down 26.0% to ¥11,629 million and Asian and other regions sliding 43.5% to ¥5,203 million. Regional sales as a percentage of consolidated net sales was 14.4% in Europe, 13.0% in America and 5.8% in Asia and other.

As a result, the weighting of overseas sales increased to 33.2% from 25.9% in the previous fiscal year.

Net Income

In accordance with the decrease in net sales, the cost of sales to net sales ratio increased to 70.8% from 65.2% a year ago, and gross profit declined 46.7% to ¥26,046 million. While promoting greater work efficiency, THK continues efforts to enlarge the business portfolio by expanding overseas production bases. Against this backdrop, selling, general and administrative (SG&A) expenses rose 3.1% to ¥23,870 million from the previous fiscal year. SG&A expenses to net sales increased 10.2 percentage points to 26.7%. As a result, operating income dropped 91.5% to ¥2,176 million, and the operating income margin declined 15.9 percentage points to 2.4%.

THK recorded a liquidation loss of unconsolidated subsidiaries of ¥466 million in the fiscal year under review, compared with a one-time provision for directors' and statutory auditors' retirement benefits for the period prior to April 1, 2000 of ¥1,309 million and a loss on devaluation of other investments of ¥389 million. Foreign exchange gain, net, declined to ¥801 million from ¥1,741 million.

As a result, income before income taxes and minority interest decreased 96.6% to ¥833 million and net income fell 94.3% to ¥820 million. The ratio of net income to net sales declined 9.3 percentage points to 0.9%.

Net income per share was ¥6.88, compared with ¥120.20 in the previous fiscal year.

Cash Flows

Net cash provided by operating activities was ¥3,272 million, compared with ¥23,003 million a year earlier. Although income before income taxes and minority interest fell considerably from the previous fiscal year, the Company's continued efforts to reduce inventories contributed to the more efficient use of working capital.

Net cash used in investing activities totaled ¥7,907 million, roughly the same as the previous fiscal year. THK maintained aggressive investment in business assets, mainly for expansion of overseas production bases. Accordingly, payments for purchase of property, plant and equipment were ¥9,225 million, compared with ¥11,076 million a year earlier.

Net cash provided by financing activities amounted to ¥6,930 million compared with net cash used in financing activities of ¥23,384 million in the previous fiscal year. The Company raised ¥15,000 million from the issuance of bonds, comprising its second unsecured bond issuance of ¥10,000 million and its third unsecured bond issuance of ¥5,000 million.

As a result of these activities, cash and cash equivalents at end of year totaled ¥55,007 million, an increase of ¥2,959 million from the beginning of the year.

Financial Position

Total current assets decreased 13.1% to ¥116,612 million. Accounts and notes receivable—trade fell substantially to ¥23,817 million from ¥44,784 million a year earlier. Investments and other, as well as property, plant and equipment, were virtually unchanged from the previous fiscal year-end at ¥16,443 million and ¥44,050 million, respectively. As a result, total assets declined 9.3% to ¥179,705 million.

Total current liabilities fell 39.3% to ¥35,980 million, owing mainly to a decline in accounts and notes payable—trade to ¥10,559 million from ¥24,382 million a year ago. The decline in current liabilities was greater than the decrease in current assets. As a consequence, net working capital increased from ¥74,827 million to ¥80,632 million and the current ratio increased from 2.26 to 3.24.

Total long-term liabilities advanced 10.4% to ¥39,610 million, owing mainly to an 11.9% increase in long-term debt to ¥36,610 million.

Total shareholders' equity was ¥103,748 million, a slight increase from ¥102,612 million a year earlier. The shareholders' equity ratio increased 5.9 percentage points to 57.7%.

Return on average assets (operating income and interest and dividend income basis) was 1.3%, compared with 13.3% in the previous fiscal year, with a return on average equity (net income basis) of 0.8%, compared with 15.0% in the previous fiscal year.

THK CO., LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

March 31, 2001 and 2002

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2001	2002	2002
ASSETS			
Current Assets:			
Cash (Note 13)	¥ 27,859	¥ 38,806	$ 291,224
Time deposits (Note 13)	12,901	4,563	34,241
Short-term investments in securities (Notes 6 and 13)	8,287	9,137	68,572
Accounts and notes receivable—			
Trade	44,784	23,817	178,742
Unconsolidated subsidiaries and affiliates	1,882	1,055	7,919
Other	334	6,024	45,211
	47,000	30,896	231,872
Less: allowance for bad debts	(388)	(470)	(3,535)
	46,612	30,426	228,337
Inventories (Note 5)	29,958	26,431	198,359
Short-term advances (Note 13)			
Unconsolidated subsidiaries and affiliates	664	215	1,611
Other	4,016	4,000	30,019
Deferred tax assets (Note 12)	3,007	2,521	18,924
Other current assets	844	513	3,851
Total current assets	134,148	116,612	875,138
Investments and Other:			
Long-term investments in securities (Notes 4 and 6)	6,084	4,766	35,767
Investments in unconsolidated subsidiaries and affiliates (Note 4)	4,854	5,753	43,171
Deferred tax assets (Note 12)	1,482	2,446	18,362
Other investments	4,632	3,478	26,101
	17,052	16,443	123,401
Property, Plant and Equipment (Notes 6 and 8):			
Buildings and structures	23,435	27,553	206,782
Machinery and equipment	62,319	67,026	503,011
	85,754	94,579	709,793
Less: accumulated depreciation	(57,512)	(61,369)	(460,560)
	28,242	33,210	249,233
Land	10,091	10,253	76,946
Construction in progress	5,329	587	4,406
	43,662	44,050	330,585
Deferred Charges and Intangibles	3,268	2,600	19,510
Total assets	¥198,130	¥179,705	$1,348,634

The accompanying notes are an integral part of these statements.

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2001	2002	2002
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current Liabilities:			
Short-term bank loans (Note 6)	¥ 7,616	¥ 6,551	$ 49,167
Current portion of long-term debt (Note 6)	5,914	12,168	91,320
Accounts and notes payable—			
Trade	24,382	10,559	79,240
Unconsolidated subsidiaries and affiliates	3,122	1,306	9,802
Other	1,005	395	2,963
	28,509	12,260	92,005
Income taxes payable	8,835	108	817
Accrued expenses	4,116	3,640	27,320
Other current liabilities	4,331	1,253	9,392
Total current liabilities	59,321	35,980	270,021
Long-Term Liabilities:			
Long-term debt (Note 6)	32,706	36,610	274,747
Reserve for employees' retirement benefits (Note 11)	1,333	1,346	10,101
Reserve for directors' and statutory auditors' retirement benefits	1,424	1,512	11,348
Other liabilities (Note 12)	430	142	1,063
Total long-term liabilities	35,893	39,610	297,259
Minority Interest	304	367	2,750
Shareholders' Equity:			
Common stock, ¥50 par value for 2001, no par value for 2002:			
Authorized: 465,877,700 shares and			
465,877,700 shares for 2001 and 2002, respectively			
Issued: 119,340,568 shares and			
119,363,018 shares for 2001 and 2002, respectively	23,076	23,106	173,405
Additional paid-in capital	30,932	30,962	232,361
Retained earnings	49,614	48,585	364,619
Net unrealized gain on other securities	268	45	339
Foreign currency translation adjustments	(1,278)	1,053	7,908
Treasury stock, at cost: 972 shares and 1,800 shares			
for 2001 and 2002, respectively	(0)	(3)	(28)
Total shareholders' equity	102,612	103,748	778,604
Contingent Liabilities (Note 7)			
Total liabilities and shareholders' equity	¥198,130	¥179,705	$1,348,634

CONSOLIDATED STATEMENTS OF INCOME

For the years ended March 31, 2001 and 2002

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2001	2002	2002
Net Sales	¥ 140,287	¥ 89,340	$670,470
Cost of Sales	91,447	63,294	475,000
Gross profit	48,840	26,046	195,470
Selling, General and Administrative Expenses (Note 10)	23,145	23,870	179,139
Operating income	25,695	2,176	16,331
Non-Operating Income/(Expenses):			
Interest and dividend income	550	356	2,669
Interest expenses	(1,139)	(1,021)	(7,659)
Loss on sales of long-term investments in securities	(219)	—	—
Amortization of bond discount	(114)	(21)	(156)
Loss on sales/disposal of property and equipment	(471)	(153)	(1,146)
Foreign exchange gain, net	1,741	801	6,015
Equity earnings of unconsolidated subsidiaries and affiliates	330	8	62
One-time provision for directors' and statutory auditors' retirement benefits for the period prior to April 1, 2000 (Note 3)	(1,309)	—	—
Loss on write-down of long-term investments in securities	(6)	(875)	(6,571)
Loss on write-down of other investments	(389)	—	—
Liquidation loss of unconsolidated subsidiaries	—	(466)	(3,503)
Other, net	(339)	28	211
	(1,365)	(1,343)	(10,078)
Income before income taxes and minority interest	24,330	833	6,253
Income Taxes (Note 12)	9,889	15	112
Income before minority interest	14,441	818	6,141
Minority interest in (income)/loss of consolidated subsidiaries	(125)	2	19
Net income	¥ 14,316	¥ 820	$ 6,160

	Yen		U.S. Dollars (Note 1)
Per Share Data:			
Net income—basic	¥ 120.20	¥ 6.88	$ 0.052
—diluted	¥ 115.44	¥ —	$ —
Weighted average number of shares of common stock (in thousands)	119,104	119,355	119,355

The accompanying notes are an integral part of these statements.

THK CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

For the years ended March 31, 2001 and 2002

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2001	2002	2002
Common Stock			
At beginning of the year	¥ 21,733	¥ 23,076	$173,176
Conversion of convertible bonds to common stock	34	30	229
Exercise of stock warrants to common stock	1,309	—	—
At end of the year	¥ 23,076	¥ 23,106	$173,405
Additional Paid-In Capital			
At beginning of the year	¥ 29,220	¥ 30,932	$232,132
Conversion of convertible bonds to common stock	34	30	229
Exercise of stock warrants to common stock	1,678	—	—
At end of the year	¥ 30,932	¥ 30,962	$232,361
Retained Earnings			
At beginning of the year	¥ 37,109	¥ 49,614	$372,347
Net income	14,316	820	6,160
Cash dividends	(1,781)	(1,789)	(13,435)
Directors' bonuses	(30)	(60)	(453)
At end of the year	¥ 49,614	¥ 48,585	$364,619
Net Unrealized Gains on Other Securities			
At beginning of the year	¥ —	¥ 268	$ 2,162
Change in the year	268	(223)	(1,823)
At end of the year	¥ 268	¥ 45	$ 339
Foreign Currency Translation Adjustments			
At beginning of the year	¥ —	¥ (1,278)	$ (10,318)
Change in the year	(1,278)	2,331	18,226
At end of the year	¥ (1,278)	¥ 1,053	$ 7,908
Treasury Stock, at cost			
At beginning of the year	¥ (1)	¥ (0)	$ (1)
Purchase of treasury stock	(49)	(6)	(49)
Sales of treasury stock	50	3	22
At end of the year	¥ (0)	¥ (3)	$ (28)
Total Shareholders' Equity at end of the year	¥ 102,612	¥ 103,748	$778,604

The accompanying notes are an integral part of these statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended March 31, 2001 and 2002

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2001	2002	2002
Cash Flows from Operating Activities:			
Income before income taxes and minority interest	¥24,330	¥ 833	$ 6,253
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	5,813	6,164	46,264
Increase/(decrease) in provisions	2,352	(128)	(968)
Loss on sale/disposal of property and equipment	471	152	1,146
Interest and dividend income	(550)	(355)	(2,669)
Interest expenses	1,139	1,041	7,815
Foreign exchange gain, net	(380)	(135)	(1,019)
Equity earnings of unconsolidated subsidiaries and affiliates	(330)	(8)	(62)
Loss on write-down of long-term investments in securities	6	875	6,571
Liquidation loss of unconsolidated subsidiaries	—	466	3,503
Changes in assets and liabilities:			
(Increase)/decrease in accounts and notes receivable	(9,831)	22,138	166,142
Decrease in inventories	5,557	4,697	35,253
Increase/(decrease) in accounts and notes payable	1,649	(15,976)	(119,895)
Other, net	392	(1,149)	(8,630)
Subtotal	30,618	18,615	139,704
Interest and dividend income received	586	374	2,809
Interest expenses paid	(1,261)	(1,003)	(7,532)
Income taxes paid	(6,940)	(14,714)	(110,425)
Net cash provided by operating activities	23,003	3,272	24,556
Cash Flows from Investing Activities:			
Increase in time deposits due over three months	—	(498)	(3,738)
Payments for purchase of short-term investments in securities	(1,549)	(1,999)	(15,003)
Proceeds from sales of short-term investments in securities	4,287	2,063	15,486
Payments for purchase of property, plant and equipment	(11,076)	(9,225)	(69,235)
Proceeds from sales of property, plant and equipment	1,286	194	1,459
Payments for purchase of long-term investments in securities/ investments in unconsolidated subsidiaries and affiliates	(250)	(486)	(3,652)
Proceeds from sales of long-term investments in securities/ investments in unconsolidated subsidiaries and affiliates	132	888	6,669
Payments of short-term advances	(689)	(663)	(4,982)
Collections of short-term advances	537	1,819	13,651
Net cash used in investing activities	(7,322)	(7,907)	(59,345)
Cash Flows from Financing Activities:			
Decrease in short-term bank loans	(5,178)	(1,512)	(11,347)
Borrowings of long-term debt	900	1,210	9,081
Repayments of long-term debt	(5,173)	(6,038)	(45,313)
Proceeds from issuance of bonds	—	15,000	112,570
Redemption of bonds	(14,855)	—	—
Exercise of stock warrants to common stock	2,705	—	—
Cash dividends	(1,784)	(1,790)	(13,435)
Other, net	1	60	454
Net cash provided by (used in) financing activities	(23,384)	6,930	52,010
Effect of Exchange Rate Changes on Cash and Cash Equivalents	885	664	4,990
Net Increase/(Decrease) in Cash and Cash Equivalents	(6,818)	2,959	22,211
Cash and Cash Equivalents at Beginning of Year (Note 13)	58,866	52,048	390,604
Cash and Cash Equivalents at End of Year (Note 13)	¥52,048	¥55,007	$412,815

The accompanying notes are an integral part of these statements.

1. Basis of Consolidated Financial Statements

The accompanying consolidated financial statements have been prepared based on the accounts maintained by THK CO., LTD. (the "Company") and its subsidiaries in accordance with the provisions set forth in the Commercial Code of Japan and the Securities and Exchange Law of Japan, and in conformity with accounting principles and practices generally accepted in Japan, which are different in certain respects from the application and disclosure requirements of International Accounting Standards.

Certain items presented in the consolidated financial statements submitted to the Director of Kanto Financial Bureau in Japan have been reclassified in these financial statements for the convenience of readers outside Japan.

The accompanying consolidated financial statements are not intended to present the consolidated financial position, results of operations and cash flows in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than Japan.

Amounts in U.S. dollars are included solely for the convenience of readers outside Japan. The rate of ¥133.25=U.S.$1, the rate of exchange on March 29, 2002 has been used in translation. The inclusion of such amounts is not intended to imply that Japanese yen have been or could be readily converted, realized or settled in U.S. dollars at this or any other rate.

2. Basis of Consolidation

(a) Scope of Consolidation

The Company had 22 subsidiaries ("controlling companies"—companies whose decision making is controlled) as at March 31, 2002 (22 as at March 31, 2001). The consolidated financial statements include the accounts of the Company and 13 (13 for 2001) of its subsidiaries. The 13 major subsidiaries, which have been consolidated with the Company, are listed below (the Company and these consolidated subsidiaries are together, referred to as the "Companies"):

Name of subsidiary	Percentage owned by the Company (directly or indirectly)	Fiscal year ended
THK Holdings of America, L.L.C. (USA)	100%	Dec. 31, 2001
THK America, Inc. (USA)	100	Dec. 31, 2001
THK Manufacturing of America, Inc. (USA)	100	Dec. 31, 2001
THK Neturen America L.L.C. (USA)	50	Dec. 31, 2001
THK Europe B.V. (the Netherlands)	100	Dec. 31, 2001
THK G.m.b.H. (Germany)	100	Dec. 31, 2001
PGM Ballscrews Ltd. (UK)	100	Dec. 31, 2001
PGM Ballscrews Ireland Ltd. (Ireland)	98.97	Dec. 31, 2001
THK Manufacturing of Europe, S.A.S. (France)	100	Dec. 31, 2001
THK TAIWAN Co., Ltd. (Taiwan)	94.99	Dec. 31, 2001
THK Yasuda Co., Ltd. (Japan)	70	Mar. 31, 2002
Talk System Co., Ltd. (Japan)	98.90	Mar. 31, 2002
Beldex Corporation (Japan)	94.73	Mar. 31, 2002

The accounts of the remaining 9 (9 for 2001) subsidiaries are insignificant, meaning that these accounts have not been consolidated with the Company since combined assets, net sales, net income and retained earnings of these companies, in the aggregate, are not significant in relation to those of the Companies.

(b) Elimination and Combination

For the purposes of preparing the consolidated financial statements of the Companies, all significant inter-company transactions, account balances and unrealized profits among the Companies have been entirely eliminated.

(c) Accounting for Investments in Unconsolidated Subsidiaries and Affiliates

The Company had 4 (4 for 2001) affiliates ("influencing companies"--companies whose financial and operating or business decision making can be influenced by the Companies in material degree, and are not subsidiaries) at March 31, 2002. The equity method is applied only to the investments in Daito Seiki Co., Ltd., since the investments in the unconsolidated subsidiaries and the remaining affiliates do not have material effects on consolidated net income and retained earnings in the consolidated financial statements, had they been accounted for using the equity method. Thus the investments in the unconsolidated subsidiaries and affiliates are carried at cost or less.

(d) Translation of Foreign Currency Financial Statements (Accounts of Overseas Subsidiaries)

Effective from the year ended March 31, 2001, the Company and its subsidiaries adopted the new Japanese accounting standard for foreign currency translation, which is effective for periods beginning on or after April 1, 2000. Under the new standard, assets and liabilities of the foreign subsidiaries and affiliates are translated into Japanese yen at the exchange rates prevailing at the balance sheet date. The shareholders' equity at beginning of the year is translated into Japanese yen at the historical rates. Profit and loss accounts for the year are translated into Japanese yen using the average exchange rate during the year. Differences in yen amounts arising from the use of different rates are presented as "Foreign currency translation adjustments" in the shareholders' equity.

3. Summary of Significant Accounting Policies

(a) Inventories

Inventories held by the Company, THK Yasuda Co., Ltd. and Talk System Co., Ltd. are valued at cost, cost being determined using the annual average cost method. Inventories held by THK America, Inc., THK Manufacturing of America, Inc., PGM Ballscrews Ltd. and PGM Ballscrews Ireland Ltd. are valued at the lower of cost or market value, cost being determined using the first-in first-out method. Inventories held by THK Europe B.V., THK G.m.b.H. and THK TAIWAN Co., Ltd. are valued at the lower of cost or market value, cost being determined using the moving-average method. Inventories held by Beldex Corporation are valued at cost, cost being determined using identified cost method.

(b) Financial Instruments

Effective from the year ended March 31, 2001, the Company and its subsidiaries adopted the new Japanese accounting standard for financial instruments, which is effective for periods beginning on or after April 1, 2000. As a result of adoption of the new standard, income before income taxes and minority interest for the year ended March 31, 2001 has decreased by ¥1,189 million, compared to the amount which would have been reported if the previous standard had been applied consistently.

(i) Derivatives

Under the new standard adopted in the year ended March 31, 2001, all derivatives are stated at fair value, with changes in fair values included in net profit or loss for the period in which they arise.

(ii) Securities

Securities held by the Company and its subsidiaries are, under the new standard adopted in the year ended March 31, 2001, classified into the following four categories;

Investments of the Company in equity securities issued by unconsolidated subsidiaries and affiliates are accounted for by the equity method. Exceptionally, investments in certain unconsolidated subsidiaries and affiliates are stated at cost because the effect of applying of the equity method would be immaterial.

Other securities, for which market quotations are available, are stated at fair value. Net unrealized gains or losses on these securities are reported as a separate item in the shareholders' equity at a net-of-tax amount.

Other securities, for which market quotations are not available, are stated at cost, except as stated in the paragraph below.

In cases where the fair value of equity securities issued by unconsolidated subsidiaries and affiliates, or other securities has declined significantly and such impairment of the value is not deemed temporary, those securities are written down to the fair value and the resulting losses are included in net profit or loss for the period.

Under the standard, 'other securities' such as bonds that mature within one year or less and those categorized as cash equivalents in the cash flow statements are presented as "current" and the other securities excluding the above are presented as "non-current". The securities held by the Company and its subsidiaries have been reclassified as of April 1, 2000 (the beginning of year). As a result of such reclassification, at March 31, 2001, the securities in the current portfolio have decreased by ¥399 million and the securities in the non-current portfolio have increased by the same amount.

(c) Property, Plant and Equipment

For the Company and its domestic subsidiaries, depreciation is computed using the declining-balance method at the rates based on the estimated useful lives of assets. For its overseas subsidiaries, depreciation is computed using the straight-line and accelerated methods in accordance with their local accounting standards and regulations. The range of useful lives is principally from 5 to 50 years for buildings and structures and from 4 to 10 years for machinery and equipment.

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

(d) Amortization

Amortization of intangible assets (included in "Deferred Charges and Intangibles" account) is computed using the straight-line method over 8 to 15 years.

Software costs for internal use are amortized over their estimated useful lives (less than 5 years) on a straight-line basis.

Research and development costs and debt security issue costs are charged to income as incurred. Premiums or discounts on debt securities are amortized over the period that bonds remain outstanding.

(e) Allowance for Bad Debts

An allowance for bad debts is recorded, in amounts considered to be appropriate, based primarily upon the Companies' past credit loss experience and an evaluation of potential losses in the receivables outstanding.

(f) Reserve for Employees' Retirement Benefits

Effective from the year ended March 31, 2001, the Company and its domestic subsidiaries adopted the new Japanese accounting standard for employees' retirement benefits, which is effective for periods beginning on or after April 1, 2000. In accordance with the new standard, the reserve for employees' retirement benefits represents the estimated present value of projected benefit obligations in excess of the fair value of the plan assets except for the unrecognized actuarial differences which are amortized on a straight-line basis over the period of 10 years from the next year in which they arise. As permitted under the new standard, the transition liability arising from adopting the new standards at April 1, 2000 was charged to income.

As a result of adopting the new standard, the effect of this change in accounting method on the accompanying consolidated financial statements was not material.

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

Effective from the year ended March 31, 2001, the Company has changed its accounting policy to record a reserve for directors' and statutory auditors' retirement benefits equivalent to the liability the Company would have to pay if all eligible directors and statutory auditors resigned at the balance sheet date.

The change was made in line with the revision of the internal regulations for directors' and statutory auditors' retirement benefits and the general prevalence of such accounting practices in Japan. The change was made for the purpose of appropriate matching of revenue and related costs by allocating the cost of reserve for directors' and statutory auditors' retirement benefits to each term in office.

As a result of the change, for the year ended March 31, 2001, selling, general and administrative expenses and non-operating losses increased by ¥115 million and ¥1,309 million, respectively, and income before income taxes and minority interest decreased by ¥1,424 million, compared with the previous basis. Also, the effect of the change to segment information has been described in Note 14.

(h) Lease

Leases that transfer substantially all the risks and rewards of ownership of the assets are accounted for as capital leases, except that leases that do not transfer ownership of the assets at the end of the lease term are accounted for as operating leases, in accordance with accounting principles and practices generally accepted in Japan.

(i) Foreign Currency Translation

Effective from the year ended March 31, 2001, the Company and its subsidiaries adopted the new Japanese accounting standard for foreign currency translation, which is effective for periods beginning on or after April 1, 2000. Under the new standard, all monetary assets and liabilities denominated in foreign currencies, whether long-term or short-term, are translated into Japanese yen at the exchange rates prevailing at the balance sheet date. Resulting gains and losses are included in net profit or loss for the period. The adoption of the new method had no impact on the accompanying consolidated financial statements.

(j) Accounting for the Consumption Tax

Consumption tax is levied at the flat rate of 5% on all domestic consumption of goods and services (with certain exemptions). The consumption tax withheld upon sale is not included in the amount of "net sales" in the accompanying consolidated statements of income but is recorded as a liability. The consumption tax paid by the Company and domestic subsidiaries on the purchases of goods and services is not included either in the amounts of costs or expenses in the consolidated statements of income, but is recorded as an asset and the net balance of liability less asset is included in "other current liabilities" in the consolidated balance sheets.

(k) Income Taxes

Income taxes of the Company and its domestic subsidiaries consist of corporate income taxes, local inhabitants' taxes and enterprise taxes.

The provision for income taxes is computed based on the pretax income included in the consolidated statements of income. Deferred income taxes were determined using the asset and liability approach, whereby deferred tax assets and liabilities were recognized in respect of temporary differences between the tax basis of assets and liabilities and those as reported in the financial statements.

(l) Cash and Cash Equivalents

Cash and cash equivalents in the consolidated statements of cash flows 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 represent a minor risk of fluctuations in value.

(m) Net Income per Share

Net income per share is computed based upon the weighted average number of shares of common stock outstanding during each year, and adjusted for dilution (assuming conversion of convertible notes and exercise of stock warrants of the Company).

4. Long-term investments in securities and Investments in unconsolidated subsidiaries and affiliates

At March 31, 2001 and 2002, "other securities" with available market value were as follows:

	Millions of yen		
	2001		
	Cost	Carrying amount	Net unrealized gain (loss)
Carrying amounts in excess of acquisition cost:			
Equity securities	¥ 344	¥ 761	¥ 417
Other	636	674	38
Subtotal	980	1,435	455
Carrying amounts not in excess of acquisition cost:			
Equity securities	3,564	3,013	(551)
Total	¥4,544	¥4,448	¥ (96)

	Millions of yen		
	2002		
	Cost	Carrying amount	Net unrealized gain (loss)
Carrying amounts in excess of acquisition cost:			
Equity securities	¥ 366	¥ 542	¥ 176
Other	20	28	8
Subtotal	386	570	184
Carrying amounts not in excess of acquisition cost:			
Equity securities	2,739	2,233	(506)
Total	¥3,125	¥2,803	¥(322)

	Thousands of U.S. dollars		
	2002		
	Cost	Carrying amount	Net unrealized gain (loss)
Carrying amounts in excess of acquisition cost:			
Equity securities	$ 2,752	$ 4,073	$ 1,321
Other	148	211	63
Subtotal	2,900	4,284	1,384
Carrying amounts not in excess of acquisition cost:			
Equity securities	20,554	16,754	(3,800)
Total	$23,454	$21,038	$ (2,416)

Proceeds and net realized gain (loss) from the sales of "other securities" for the years ended March 31, 2001 and 2002 were immaterial.

5. Inventories

Inventories at March 31, 2001 and 2002 comprised of the following:

	Millions of yen		Thousands of U.S. dollars
	2001	2002	2002
Finished goods	¥17,163	¥15,437	$115,855
Work in process	6,464	4,978	37,356
Raw materials and supplies	6,331	6,016	45,148
Total	¥29,958	¥26,431	$198,359

6. Short-term bank loans and Long-term debt

The annual average interest rates applicable to short-term bank loans at March 31, 2001 and 2002 were 2.26% and 1.21%, respectively.

Long-term debt at March 31, 2001 and 2002 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2001	2002	2002
0.3%. Convertible bonds 2003, currently convertible at ¥2,717 ($22)	¥13,966	¥13,905	$104,353
1.95%. Straight bonds 2003	1,000	1,000	7,505
1.95%. Straight bonds 2003	1,000	1,000	7,505
2.25%. Straight bonds 2003	1,000	1,000	7,505
2.6%. Straight bonds 2003	5,000	5,000	37,523
0.52%. Euro yen straight bonds 2003	3,000	3,000	22,514
0.91%. Straight bonds 2006	—	10,000	75,047
1.370%. Straight bonds 2006	—	5,000	37,523
Floating rate Industrial development revenue bonds 2011, (6.20% for 2001, 5.15% for 2002) of a consolidated subsidiary	425	488	3,664
Loans from banks:			
Collateralized	10,579	6,339	47,571
Non-collateralized	2,650	2,046	15,357
	38,620	48,778	366,067
Less—current portion	5,914	12,168	91,320
	¥32,706	¥36,610	$274,747

At March 31, 2002, the Company and THK America, Inc. had unused committed lines of credit amounting to ¥15,278 million ($114,657 thousand).

At March 31,2002, the following assets were pledged for collateralized long-term loans.

	Millions of yen	Thousands of U.S. dollars
	2002	2002
Short-term investments in securities	¥ 1,000	$ 7,503
Long-term investments in securities	845	6,344
Property, plant and equipment	3,518	26,401
Industrial factory foundation	12,611	94,638

The aggregate annual maturities of the non-current portion of long-term debt at March 31, 2002, were as follows:

	Millions of yen	Thousands of U.S. dollars
Year ended March 31	2002	2002
2004	¥19,866	$149,089
2005	906	6,798
2006	250	1,875
2007 and thereafter	15,588	116,985
	¥36,610	$274,747

7. Contingent liabilities

Contingent liabilities at March 31, 2002 with respect to notes discounted and endorsed in the ordinary course of business and loans guaranteed (for non-consolidated subsidiaries and affiliates), amounted to ¥1,435 million and ¥401 million ($3,011 thousand), respectively.

8. Leases

The Companies lease certain machinery and equipment and other assets. Total lease payments under these leases were ¥637 million and ¥697 million ($5,232 thousand) for the years ended March 31, 2001 and 2002, respectively. Pro forma information of leased property such as acquisition costs, accumulated depreciation, future minimum lease payments under finance leases that do not transfer ownership of the leased property to the lessee on an "as if capitalized" basis as of March 31, 2001 and 2002 were as follows:

	Millions of yen		
	2001		
	Machinery and equipment	Other	Total
Acquisition costs	¥3,093	¥ 40	¥3,133
Accumulated depreciation	1,042	5	1,047
Net leased property	¥2,051	¥ 35	¥2,086

	Millions of yen		
	2002		
	Machinery and equipment	Other	Total
Acquisition costs	¥3,209	¥ 71	¥3,280
Accumulated depreciation	1,456	19	1,475
Net leased property	¥1,753	¥ 52	¥1,805

	Thousands of U.S. dollars		
	2002		
	Machinery and equipment	Other	Total
Acquisition costs	$24,090	$538	$24,628
Accumulated depreciation	10,934	144	11,078
Net leased property	$13,156	$394	$13,550

Future minimum lease payments under finance leases as of March 31, 2001 and 2002 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2001	2002	2002
Due within one year	¥ 653	¥ 645	$ 4,841
Due after one year	1,433	1,160	8,709
Total	¥2,086	¥1,805	$13,550

The amounts of acquisition costs and future minimum lease payments under finance leases include the imputed interest expense portion.

Depreciation of the leased property, which is not reflected in the accompanying consolidated statements of income, computed by using the straight-line method, would be ¥637 million and ¥697 million ($5,232 thousand) for the years ended March 31, 2001 and 2002, respectively.

Obligations under non-cancellable operating leases as of March 31, 2001 and 2002 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2001	2002	2002
Due within one year	¥ 416	¥ 653	$ 4,899
Due after one year	1,778	2,343	17,590
Total	¥2,194	¥2,996	$22,489

9. Derivatives and Hedging Activities

Derivative financial instruments are utilized by the Company principally to reduce interest rate and foreign exchange rate risks. The Company has established a control environment, which includes policies and procedures for risk assessments and for the approval, and reporting and monitoring of transactions involving derivative financial instruments. The Company does not hold or issue derivative financial instruments for trading purposes.

At March 31, 2001, the currency swap agreements outstanding were as follows:

	Millions of yen	
	2001	
	Contract amount	Unrealized loss
Currency swap agreements:		
Payment by U.S dollars receipt by yen	¥2,219	¥(125)

The above amounts of currency swap agreements act to hedge the related interest and principal on outstanding inter-company loans payable which are denominated in foreign currencies.

At March 31, 2001, the interest rate swap agreements outstanding were as follows:

	Millions of yen	
	2001	
	Contract amount	Unrealized loss
Interest-rate swap agreements:		
Floating-rate into fixed-rate obligation	¥10,000	¥(132)

The above amounts excluded swap agreements in order to hedge the related interest on outstanding debt denominated in foreign currencies, which have been translated into Japanese yen reflecting at the corresponding swap rates in the accompanying consolidated balance sheet at March 31, 2001.

For the year ended March 31, 2002, the Company utilized certain interest rate swap and currency swap agreements. Market value information for such swaps held by the Company at March 31, 2002 has been omitted as such swap agreements qualified the conditions for hedge accounting under the related Japanese accounting standard introduced in the fiscal 2001, and the effects of such swap agreements have been reflected on the accompanying consolidated financial statements.

10. Research and Development

Research and development expenses for the years ended March 31, 2001 and 2002 were ¥1,426 million and ¥1,932 million ($14,505 thousand), respectively, and were included in "Selling, General and Administrative Expenses".

11. Reserve for employees' retirement benefits

The Company, its domestic subsidiaries and certain overseas subsidiaries have both retirement lump-sum payment programs and defined benefit pension plans. Occasionally, when certain qualified employees retire, additional retirement benefits will be paid. Except for the above overseas subsidiaries, other overseas subsidiaries have mainly defined contribution plans.

The reserve for employees' retirement benefits as of March 31, 2001 and 2002 was analyzed as follows:

	Millions of yen		Thousands of U.S. dollars
	2001	2002	2002
Projected benefit obligations	¥3,262	¥3,802	$28,533
Plan assets	(1,677)	(1,801)	(13,519)
	1,585	2,001	15,014
Unrecognized actuarial differences	(252)	(655)	(4,913)
Reserve for employees' retirement benefits	¥1,333	¥1,346	$10,101

Net periodic pension and severance costs for the years ended March 31, 2001 and 2002 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2001	2002	2002
Service cost	¥262	¥303	$2,272
Interest cost	81	91	686
Expected return on plan assets	(48)	(49)	(369)
Amortization of transition amount	82	—	—
Recognized actuarial differences	—	25	189
Net periodic pension and severance costs	¥377	¥370	$2,778

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

	As of March 31	
	2001	2002
Method of attributing the projected benefits to periods of services	Straight line basis	Straight line basis
Discount rate	3.0%	2.5%
Expected rate of return on plan assets	3.0%	3.0%
Amortization of unrecognized actuarial differences	10 years	10 years

12. Income Taxes

The statutory tax rate used for calculating deferred tax assets and deferred tax liabilities for the Company and its subsidiaries for the years ended March 31, 2001 and 2002 was 42.1%.

At March 31, 2001 and 2002, significant components of deferred tax assets and liabilities were as follows:

	Millions of yen		Thousands of U.S. dollars
	2001	2002	2002
Deferred tax assets:			
Net operating loss carried forward	¥ 223	¥1,223	$9,176
Elimination of intercompany profit (inventories)	1,133	842	6,320
Software	284	796	5,975
Loss on devaluation of inventories	845	745	5,593
Reserve for directors' and statutory auditors' retirement benefits	599	636	4,772
Allowance for bad debts	437	581	4,364
Reserve for employees' retirement benefits	381	366	2,745
Loss on devaluation of investment securities	23	365	2,740
Accrued bonuses to employees	234	271	2,035
Other	1,445	961	7,209
Gross deferred tax assets	5,604	6,786	50,929
Less: valuation allowance	(549)	(837)	(6,283)
Total deferred tax assets	5,055	5,949	44,646
Deferred tax liabilities:			
Enterprise tax refundable	—	(459)	(3,447)
Special depreciation reserve	(379)	(327)	(2,458)
Other	(187)	(222)	(1,659)
Total deferred tax liabilities	(566)	(1,008)	(7,564)
Net deferred tax assets	¥4,489	¥4,941	$37,082

Net deferred tax assets are included in the consolidated balance sheets as follows:

	Millions of yen		Thousands of U.S. dollars
	2001	2002	2002
Current assets—Deferred tax assets	¥3,007	¥2,521	$18,924
Investments and other—Deferred tax assets	1,482	2,446	18,362
Long-term liabilities—Other current liabilities	—	(26)	(204)
Net deferred tax assets	¥4,489	¥4,941	$37,082

For the year ended March 31, 2001, the difference between the statutory tax rate and the effective tax rate was insignificant.

For the year ended March 31, 2002, the reconciliation of the statutory tax rate to the effective tax rate was as follows:

Statutory tax rate	42.1 %
Increase (reduction) in taxes resulting from:	
Permanent differences	3.1
Net operating losses of consolidated subsidiaries for which valuation allowances were fully provided	50.2
Changes in tax consequences related to devaluation of investments in consolidated subsidiaries and affiliates	(110.6)
Equalization inhabitant taxes	7.0
Tax rate differences between domestic and overseas	9.3
Others	1.7
Effective income tax rate	2.8 %

13. Reconciliation of cash and cash equivalents per consolidated cash flow statements with account balances on consolidated balance sheets

Cash and cash equivalents at March 31, 2001 and 2002 consisted of:

	Millions of yen		Thousands of U.S. dollars
	2001	2002	2002
Cash and bank deposits	¥40,760	¥43,368	$325,465
Short-term investments in securities	8,287	9,137	68,572
Short-term advances	4,680	4,215	31,630
Time deposit due over three months	—	(498)	(3,738)
Short-term investments in securities excluding M.M.F. and others	(999)	(1,000)	(7,503)
Short-term advances excluding repurchase agreement	(680)	(215)	(1,611)
	¥52,048	¥55,007	$412,815

14. Segment Information

(1) Industry Segment Information

As the sales, operating income and assets of the machinery parts segment are over 90% of total sales, total operating income and total assets of the Company and consolidated subsidiaries, industry segment information is not required to be disclosed. The Company and consolidated subsidiaries are operating in one industry segment: production and sales of linear motion systems.

(2) Geographical Segment Information

Net sales of the Companies for the years ended March 31, 2001 and 2002, classified by geographic segments were summarized as follows:

	Millions of yen						
	2001						
	Japan	America	Europe	Asia and other	Total	Eliminations and corporate assets	Consolidated
I. Net sales and operating income—							
Net sales:							
Customers	¥111,641	¥15,610	¥10,994	¥2,042	¥140,287	¥ —	¥140,287
Inter-segment	18,985	404	129	—	19,518	(19,518)	—
Total	130,626	16,014	11,123	2,042	159,805	(19,518)	140,287
Operating expenses	107,771	14,144	10,459	2,039	134,413	(19,821)	114,592
Operating income	¥ 22,855	¥ 1,870	¥ 664	¥ 3	¥ 25,392	¥ 303	¥ 25,695
II. Assets—							
Assets	¥167,859	¥19,575	¥12,157	¥1,867	¥201,458	¥ (3,328)	¥198,130

As discussed in Note 3(g), the Company, during the year ended March 31 2001, changed its accounting policy to record a reserve for directors' and statutory auditors' retirement benefits, in an amount equal to the liability the Company would have to pay if all eligible directors and statutory auditors resigned at the balance sheet date.

As a result of the change, operating expenses in Japan in the above table increased by ¥115 million and operating income in Japan decreased by the same amount compared with the previous basis.

As described in Note 3(b), effective from the year ended March 31, 2001, the Company and its subsidiaries adopted the new Japanese accounting standard for financial instruments, which is effective for periods beginning on or after April 1, 2000. As a result of adoption of the new standard, operating expense in Japan for the year ended March 31, 2001 has increased by ¥438 million and operating income in Japan has decreased by the same amounts as compared with the amount which would have been reported if the previous standard had been applied consistently.

	Millions of yen						
	2002						
	Japan	America	Europe	Asia and other	Total	Eliminations and corporate assets	Consolidated
I. Net sales and operating income—							
Net sales:							
Customers	¥ 63,316	¥11,632	¥12,726	¥1,666	¥ 89,340	¥ —	¥ 89,340
Inter-segment	11,396	190	130	—	11,716	(11,716)	—
Total	74,712	11,822	12,856	1,666	101,056	(11,716)	89,340
Operating expenses	72,059	11,876	13,641	1,673	99,249	(12,085)	87,164
Operating income/(loss)	¥ 2,653	¥ (54)	¥ (785)	¥ (7)	¥ 1,807	¥ 369	¥ 2,176
II. Assets—							
Assets	¥154,625	¥16,219	¥13,530	¥1,242	¥185,616	¥ (5,911)	¥179,705

	Thousands of U.S. dollars						
	2002						
	Japan	America	Europe	Asia and other	Total	Eliminations and corporate assets	Consolidated
I. Net sales and operating income—							
Net sales:							
Customers	$ 475,166	$ 87,297	$ 95,507	$12,500	$ 670,470	$ —	$ 670,470
Inter-segment	85,524	1,428	974	—	87,926	(87,926)	—
Total	560,690	88,725	96,481	12,500	758,396	(87,926)	670,470
Operating expenses	540,780	89,131	102,373	12,549	744,833	(90,694)	654,139
Operating income/(loss)	$ 19,910	$ (406)	$ (5,892)	$ (49)	$ 13,563	$ 2,768	$ 16,331
II. Assets—							
Assets	$ 1,160,413	$ 121,718	$ 101,543	$ 9,320	$ 1,392,994	$ (44,360)	$1,348,634

(3) Export sales and sales by overseas subsidiaries

Overseas sales of the Companies (referring to the amounts of exports made by the Company plus the sales by the overseas consolidated subsidiaries) for the years ended March 31, 2001 and 2002 were summarized as follows:

	Millions of yen			
	2001			
	America	Europe	Asia and other	Total
Overseas sales	¥15,725	¥11,354	¥9,205	¥ 36,284
Consolidated net sales				¥140,287
Overseas sales as a percentage of consolidated net sales	11.2%	8.1%	6.6%	25.9%

	Millions of yen /Thousands of U.S. dollars			
	2002			
	America	Europe	Asia and other	Total
Overseas sales	¥ 11,629	¥ 12,863	¥ 5,203	¥ 29,695
	($87,274)	($96,536)	($39,048)	($222,858)
Consolidated net sales				¥ 89,340
				($670,470)
Overseas sales as a percentage of consolidated net sales	13.0%	14.4%	5.8%	33.2%

REPORT OF INDEPENDENT ACCOUNTANTS

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

We have audited the accompanying consolidated balance sheets of THK CO., LTD. and its subsidiaries as of March 31, 2001 and 2002, and the related consolidated statements of income, shareholders' equity and cash flows for the years then ended, all expressed in Japanese yen. Our audits were made in accordance with auditing standards, procedures and practices generally accepted and applied in Japan and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the consolidated financial statements referred to above present fairly the financial position of THK CO., LTD. and its subsidiaries as of March 31, 2001 and 2002, and the results of their operations and their cash flows for the years then ended in conformity with accounting principles and practices generally accepted in Japan (see Note 1) applied on a consistent basis, except for the change, with which we concur, in the method of accounting for the reserve for directors' and statutory auditors' retirement benefits as discussed in Note 3.

As discussed in Notes 2 and 3, THK CO., LTD. and its subsidiaries have adopted the new Japanese accounting standards for financial instruments, employees' retirement benefits and foreign currency translation effective from the year ended March 31, 2001.

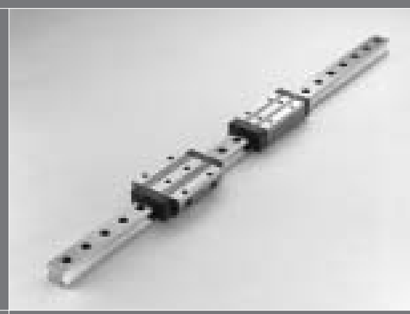
The amounts expressed in U.S. dollars, which are provided solely for the convenience of the reader, have been translated on the basis set forth in Note 1 to the accompanying consolidated financial statements.

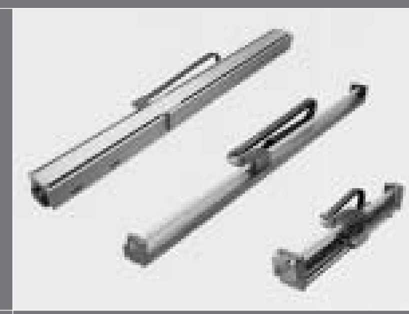
ChuoAoyama Audit Corporation

ChuoAoyama Audit Corporation
Tokyo, Japan
June 22, 2002

MAJOR PRODUCTS

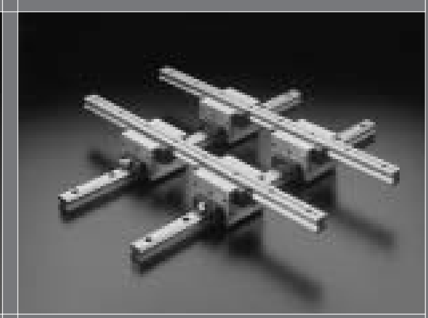

TYPE SNR-H CAGED BALL LM GUIDE

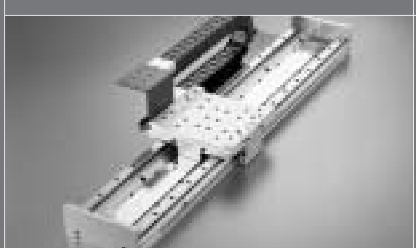

TYPE SRN CAGED ROLLER GUIDE


TYPE RDM ROD TYPE LINEAR MOTOR ACTUATOR

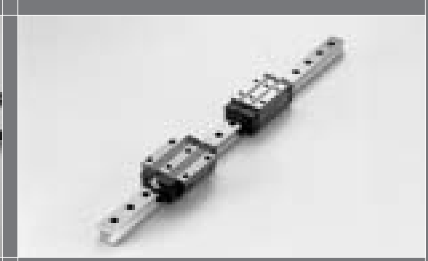

LINK BALL SERIES


TYPE HCR R GUIDE


TYPE CSR CROSS LM GUIDE

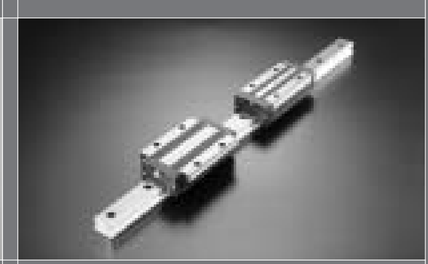

TYPE GLM LINEAR MOTOR ACTUATOR


PETIT-SERVO


TYPE SRG CAGED ROLLER GUIDE

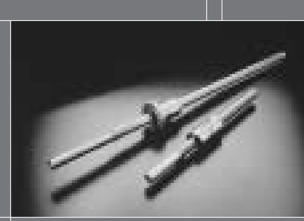

TYPE SSR CAGED ROLLER GUIDE


TYPE SRS CAGED BALL LM GUIDE


TYPE SHS CAGED BALL LM GUIDE


TYPE RB CROSS ROLLER RING


TYPE KR LM GUIDE ACTUATOR


TYPE LBF AND LBS BALL SPLINE


TYPE SBN CAGED BALL SCREW

CORPORATE DATA

THK CO., LTD. (As of March 31, 2002)

Head Office:	3-11-6 Nishi-Gotanda, Shinagawa-ku, Tokyo 141-8503, Japan
Tel.:	+81-3-5434-0300
Established:	April 1971
Number of Employees:	2,762
Common Stock:	Authorized 465,877,700 Issued 119,363,018
Number of Shareholders:	30,628 (Unit Shareholders: 29,276)
Transfer Agent:	The Mitsubishi Trust & Banking Corporation
Stock Exchange Listings:	Tokyo Stock Exchange

MAJOR SUBSIDIARIES AND AFFILIATES

Overseas

(As of March 31, 2002)

Company	Capital (Local Currency in Thousands)	Employees	Operations
THK Holdings of America, L.L.C.	US$45,976	—	Holding company for THK Group marketing and manufacturing companies in America
THK America, Inc.	US$20,100	213	Import and sale of LM guides in North America
THK Manufacturing of America, Inc.	US$24,000	151	Manufacture of LM guides
THK Europe B.V.	Eur38.153	271	Import of LM guides, distribution center and holding company for THK Group European marketing companies
THK G.m.b.H.	Eur102	163	Import and sale of LM guides for the German and U.K. markets
PGM Ballscrews Ltd.	£5,233	98	Manufacture of precision ball screws for Europe and the United States
PGM Ballscrews Ireland Ltd.	IR£975	21	Manufacture of rolled ball screws for Europe and the United States
THK Manufacturing of Europe S.A.S.	Eur8,840	86	Manufacture of LM guides
THK TAIWAN Co., Ltd.	NT$62,000	24	Import and sale of LM guides for the Taiwanese market

Domestic

(As of March 31, 2002)

Company	Capital (Millions of Yen)	Employees	Operations
THK Yasuda Co., Ltd.	100	116	Manufacture of splines for THK
Talk System Co., Ltd.	400	109	Bearings, electric conductive devices, and other (computer-aided design [CAD]); also computer-aided manufacturing (CAM) and Internet provider
Beldex Corporation	195	56	Manufacture of three-dimensional measurement instruments, sale of glass-cutting machines
Daito Seiki Co., Ltd.	4,255	280	Manufacture of sock-knitting and production machinery; purchase and sale of LM guides

DIRECTORS AND AUDITORS (As of March 31, 2002)

PRESIDENT AND CEO
Akihiro Teramachi

SENIOR MANAGING DIRECTOR
Mikio Hayashi

MANAGING DIRECTOR
Katsuhito Imai

MANAGING DIRECTOR
Yoshimi Sato

DIRECTOR
Shigeharu Mabuchi

DIRECTOR
Takeki Shirai

DIRECTOR
Mikio Matsui

DIRECTOR
Masamichi Ishii

DIRECTOR
Katsuyoshi Muto

DIRECTOR
Toshio Tonegawa

DIRECTOR
Toshihiro Teramachi

DIRECTOR
Hiroshi Funahashi

DIRECTOR
Shigeru Wako

DIRECTOR
Isamu Hatanaka

STANDING AUDITOR
Akira Sugi

STANDING AUDITOR
Yoshito Nagafuchi

AUDITOR
Kihachiro Yucho

AUDITOR
Shoji Namiki

THK
The Mark of Linear Motion

Printed in Japan