

>>> Management's Discussion and Analysis

Performance Review

Sales

In fiscal 2002, ended March 31, 2003, THK Co., Ltd., faced a generally difficult operating environment. Against the backdrop of worldwide deflationary trends and the worsening situation in Iraq, stock markets and personal consumption stagnated, while capital investments remained subdued. Despite the challenges, THK posted consolidated net sales of ¥94,600 million, up 5.9% from the previous fiscal year. Domestic sales grew 9.4%, to ¥65,280 million, thanks to an increase in demand mainly for spot purchases with the advancement of inventory adjustments among our major customers in such sectors as industrial robotics and electronics-related machines and tools, etc. Overseas sales remained largely unchanged, at ¥29,320 million, and accounted for 31.0% of net sales. Despite increased sales to makers LCDs and other flat-panel display-related devices in Asia, sales in the U.S. and Europe declined.

Cost of Sales, SG & A Expenses

Cost of sales rose 5.3%, to ¥66,647 million, and represented 70.5% of net sales, down slightly from 70.8%. Gross profit grew 7.3%, to ¥27,953 million, and the gross profit ratio was 29.5%.

Selling, general, and administrative expenses declined 3.4%, to ¥23,060 million. The ratio of selling, general and administrative expenses to net sales declined to 24.3%, from 26.8%.

Operating Income, Net Income

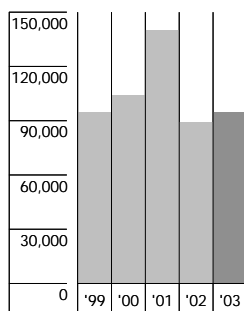
Operating income jumped 124.8%, to ¥4,893 million. Despite incurring considerable strategic expenses in the form of upgrading overseas production capacity and reinforcing its overseas sales systems, the increase in domestic sales enabled the Company to raise operating efficiency and productivity, which led to lower costs and increased earnings. The ratio of operating income to net sales rose to 5.2%, from 2.4%.

Other income, including interest income and exchange profit, amounted to ¥835 million, and other expenses, such as interest expenses, write-down of long-term investments in securities, a loss on sales/disposal of property and equipment and other, totaled ¥2,131 million. As a result, income before income taxes and minority interest soared 331.6%, to ¥3,597 million.

Net income climbed 130.5%, to ¥1,892 million. As a result, return on sales rose to 2.0%, from 0.9%. Net income per share increased to ¥15.65, from ¥6.88.

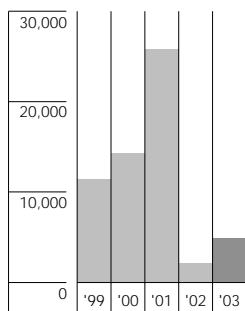
Net Sales

(Millions of Yen)



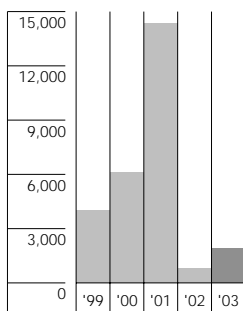
Operating Income

(Millions of Yen/%)



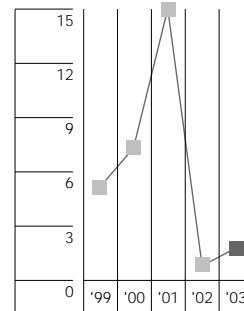
Net Income

(Millions of Yen/%)



ROE

(%)



Financial Position

Assets

As of March 31, 2003, THK had total assets of ¥193,197 million, up 7.5% from a year earlier.

Current assets increased 16.3%, to ¥135,613 million, owing mainly to a rise in cash and time deposits, as well as notes and accounts receivable. The current ratio slipped to 282%, from 324%. Tangible fixed assets declined 3.8%, to ¥42,391 million, due largely to declines in buildings and structures, as well as machinery, equipment, and vehicles. Deferred charges and intangible fixed assets dropped 21.4%, to ¥2,043 million, while investments and other assets fell 20.0%, to ¥13,150 million, stemming partly from a decline in long-term investments in securities.

Liabilities and Shareholders' Equity

Total liabilities increased 19.6%, to ¥90,409 million.

Current liabilities jumped 33.8%, to ¥48,149 million. Despite declines in short-term bank loans and current portion of long-term debt, current liabilities were pushed up by increases in notes and accounts payable, as well as current portion of convertible bonds. Long-term liabilities grew 6.7%, to ¥42,260 million, due to an increase in bonds with new share subscription rights.

Total shareholders' equity slipped 1.2%, to ¥102,478 million, due mainly to a decline in foreign-currency translation adjustments and a valuation adjustment for marketable securities. The equity ratio declined to 53.0%, from 57.7%. Book value per share slipped ¥8.40, to ¥860.80.

Cash Flows

Net cash provided by operating activities amounted to ¥16,012 million, up ¥12,740 million from the previous year. Major factors in this gain include a ¥2,763 million increase in income before income taxes and minority interests, a ¥2,502 million increase decrease in inventories, a ¥5,221 million increase in trade payables, and a ¥5,524 million refund of interim taxes paid in the previous fiscal year.

Net cash used in investing activities totaled ¥3,910 million, down ¥3,998 million from the previous year. Primary items included ¥1,199 million in payments for purchases short-term investments in securities and ¥4,760 million for purchases of property, plant, and equipment, mainly in the form of ongoing investments in business assets.

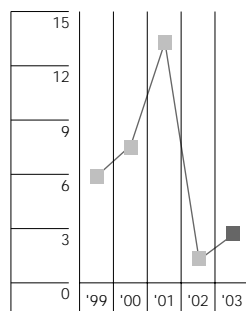
Net cash provided by financing activities was ¥5,424 million, down ¥1,507 million. Despite a ¥2,887 million decrease in short-term bank loans, ¥4,787 million in repayments of long-term debt, and ¥8,000 million in redemption of bonds, the Company raised ¥22,905 million in issues of bonds with new share subscription rights.

As a consequence, cash and cash equivalents at year-end stood at ¥72,534 million, up ¥17,526 million from a year earlier.

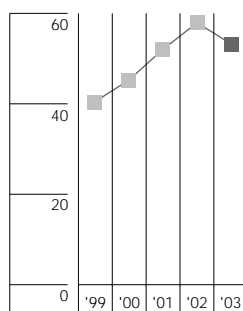
Forward-Looking Statements

This annual report contains forward-looking statements that reflect the Company's business plans, performance projections, and strategic forecasts. Such statements are based on information currently available to the Company. However, changes in the operating environment may cause actual results and achievements to differ from those anticipated in this report.

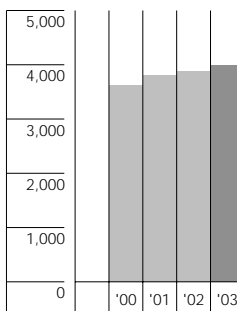
ROA
(%)



Equity Ratio
(%)



Employees
(Individuals)



Depreciation
(Millions of Yen)

