FINANCIAL STATEMENTS

33 Five Year Consolidated Financial Summary

34 Management's Discussion & Analysis

38 Consolidated Financial Statements

43 Notes to Consolidated Financial Statements

57 Report of Independent Auditors

FIVE YEAR CONSOLIDATED FINANCIAL SUMMARY

Years ended March 31

	Millions of yen					Thousands of U.S. dollars (Note 1)
	2000	2001	2002	2003	**2004**	**2004**
Net Sales	¥ 103,955	¥ 140,287	¥ 89,340	¥ 94,600	**¥ 119,254**	**$ 1,128,977**
Cost of Sales	69,817	91,447	63,294	66,647	**77,932**	**737,786**
Gross Profit	34,138	48,840	26,046	27,953	**41,322**	**391,191**
Selling, General and Administrative Expenses	19,795	23,145	23,870	23,060	**25,090**	**237,527**
Operating Income	14,343	25,695	2,176	4,893	**16,232**	**153,664**
Income before Income Taxes and Minority Interest	11,415	24,330	833	3,597	**15,521**	**146,935**
Income Taxes	5,297	9,889	15	1,773	**6,926**	**65,572**
Net Income	6,078	14,316	820	1,892	**8,584**	**81,263**

	Yen					U.S. dollars (Note 1)
Per Share of Data:	2000	2001	2002	2003	**2004**	**2004**
Net Income - basic	¥ 52.31	¥ 120.20	¥ 6.88	¥ 15.65	**¥ 72.27**	**$ 0.684**
Net Income - diluted	49.99	115.44	—	15.12	**63.69**	**0.603**
Shareholders' Equity per Share (Yen)	746.67	859.82	869.20	860.80	**923.35**	**8.74**

	Millions of yen					Thousands of U.S. dollars (Note 1)
	2000	2001	2002	2003	**2004**	**2004**
Total Assets	¥ 195,750	¥ 198,130	¥ 179,705	¥ 193,197	**¥ 191,105**	**$ 1,809,193**
Total Shareholders' Equity	88,061	102,612	103,748	102,478	**109,182**	**1,033,624**
Capital Expenditures	3,573	13,841	6,476	4,611	**6,307**	**59,708**
Depreciation	5,272	5,191	5,503	5,529	**5,005**	**47,389**
R&D Expenses	1,415	1,426	1,932	2,104	**2,520**	**23,858**

	2000	2001	2002	2003	**2004**
Operating Margin (%)	13.8	18.3	2.4	5.2	**13.6**
Net Income Percentage of Net Sales (%)	5.8	10.2	0.9	2.0	**7.2**
Return on Equity (%)	7.3	15.0	0.8	1.8	**8.1**
Return on Assets (%) (Note 2)	7.6	13.3	1.3	2.7	**8.5**
Equity Ratio (%)	45.0	51.8	57.7	53.0	**57.1**
Debt Equity Ratio (Times)	0.8	0.5	0.5	0.6	**0.4**
Inerest Coverage Ratio (Times)	7.2	21.1	2.3	5.8	**33.2**

Note 1: Throughout this report, U.S. dollars amounts represent translation of Japanese yen, for convenience only, at the rate of ¥105.63=U.S.$1, the rate prevailing on March 31, 2004.
Note 2: Return on assets is the percentage of operating income and interest and dividened income to annual average balance of total assets.

Performance Review

(1) Sales

Overview:

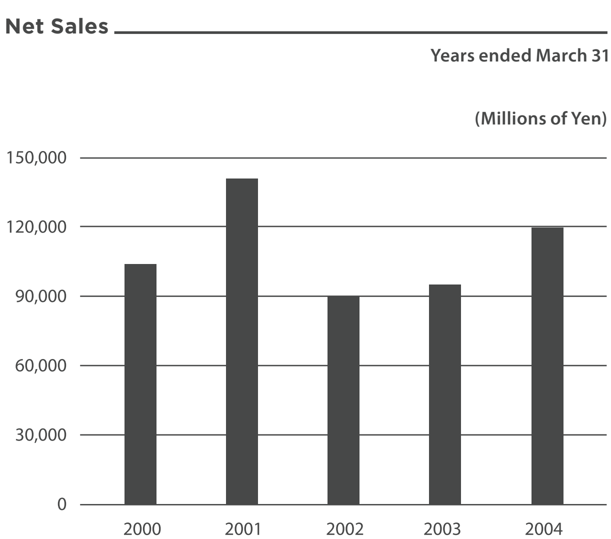
THK looked to an increase in overseas sales as a primary goal for the fiscal year under consideration, and stepped up efforts to achieve this target. We strengthened our overseas sales activities by conducting training programs under TAP (THK Advantage Program)-1 activities for sales personnel in the United States and Europe, the primary purpose of which is to improve sales skills. This follows the provision of training under the TAP activities for staff in Japan. Coupled with the improvement in the business environment, consolidated sales for the current financial year increased 26.1% to ¥119,254 million.

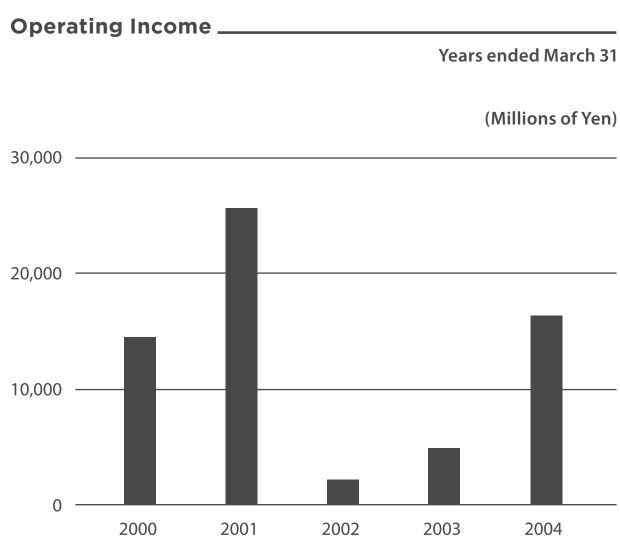
Domestic and Overseas Sales:

Japan: Shipment of our products continued favorably from the beginning of the current financial year to the general machinery industry for use in industrial robots and chip-mounting machines, to the machine tool industry and to the electronics industry for use in liquid crystal panel and flat-panel display manufacturing equipment. During the second half of the year, shipment of our products to the semiconductor production equipment industry showed a remarkable recovery. Our three major customers, the machine tool industry, the general machinery industry and the electronics industry, started to recover together. Therefore, sales increased 30.7% to ¥85,344 million.

North America: Sales to the industrial machinery industry made a strong showing. From the second half of the year, sales to the electronics-related industry also staged a recovery. As a result, overall sales increased slightly in dollar terms. However, due to the appreciation of the yen against the dollar, sales in yen terms declined 3.1% from the previous term to ¥10,436 million.

Europe: Demand from our main customers such as the machine tool industry remained sluggish. In a difficult environment, we made efforts to increase the adoption of our products by local companies and attract new customers. As a result, we achieved an





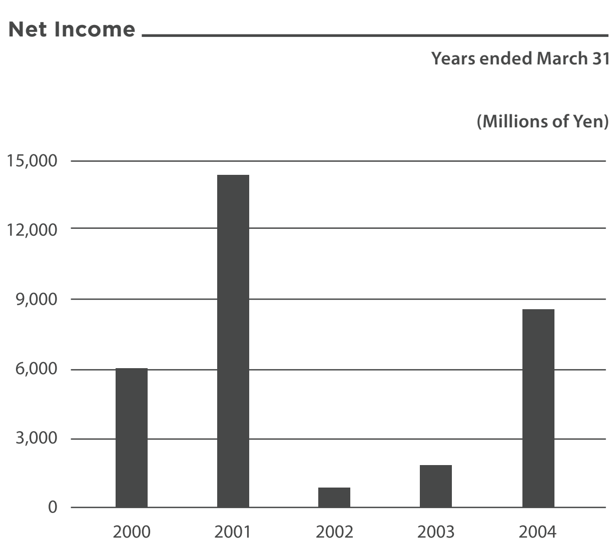
increase in sales in euro terms. In this case, because of the depreciation of the yen against the euro, sales in yen terms also increased 18.2% to ¥12,739 million.

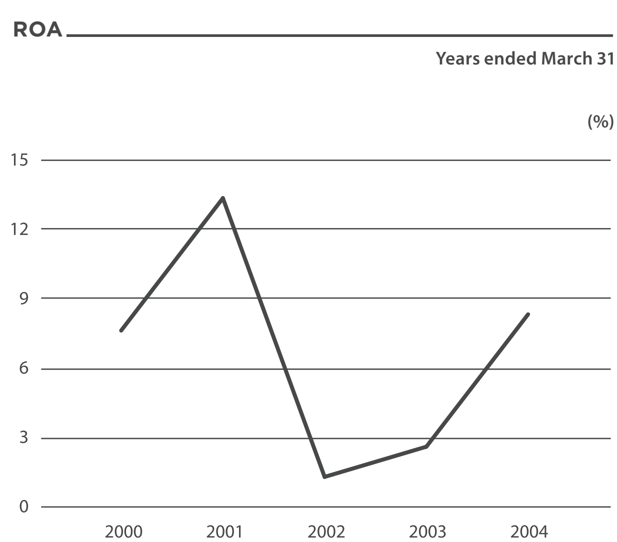
Asia and Other: In Asia, shipments related to liquid crystal and flat panel display related manufacturing equipment remained firm. Sales to the machine tool industry increased in response to rising demand for machinery in China. As a result, sales increased 38.2% to ¥10,735 million.

(2) Cost of Sales and Gross Profit
At production sites in Japan, we engaged in various initiatives to improve productivity including TAP-2 activities, which aims at shortening manufacturing lead times and reducing inventory levels. Despite a sharp increase in production due to these efforts, the ratio of variable costs to sales showed a strong improvement compared with the previous financial year, while the increase in fixed costs was minimal. Improved production skills at foreign subsidiaries such as THK Manufacturing of America, Inc., and THK Manufacturing of Europe, S.A.S. added to the effects of an improved operating ratio following on the increase in production levels and led to an improvement in profitability. As a result, the cost of goods sold ratio improved 5.1 points from 70.5% to 65.4%, while gross profit on sales rose to ¥41,322 million, 47.8% up from the previous term.

(3) SG&A Expenses
SG&A expenses (selling, general and administrative expenses) rose 8.8% (¥2,030 million) compared with the previous term to ¥25,090 million. This is due mainly to increases in personnel costs and R&D costs of ¥1,164 million and ¥416 million, respectively.

(4) Operating Income
Operating Income jumped to ¥16,232 million, 231.7% up from the previous fiscal year. Because of a decline in the Cost of Sales ratio of 5.1 points and the ratio of SG&A expenses to sales of 3.3 points, the operating margin rose 8.4 points to 13.6%.





(5) Non-Operating Income and Non-Operating Expenses

Because of the appreciation of the yen exchange rate, mainly against the US dollar, THK incurred foreign exchange losses of ¥580 million, which were partially offset by an improvement in the financial balance due to a reduction in interest-bearing debt. Net non-operating expenses emerged at ¥711 million.

(6) Net Income

Because of the above-mentioned factors, net income rose to ¥8,584 million, a 353.7% increase compared with the previous term.

Financial Position

(1) Assets

Total assets declined to ¥191,105 million, ¥2,092 million down from the previous term. As a result of increased sales, notes and accounts receivable increased, while cash and bank deposits decreased compared with the previous year due to the repayment of interest-bearing debt, which was the main cause of the decline recorded in total assets.

(2) Liabilities

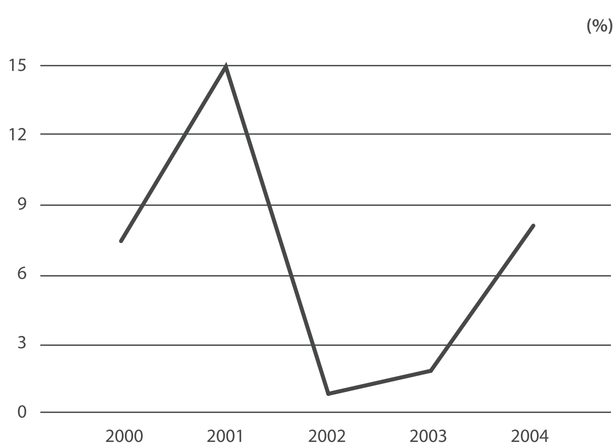
Total liabilities decreased by ¥8,843 million to ¥81,566 million. Accounts payable increased because of the increase in sales, while corporate income taxes payable rose due to the increase in pretax income. But as these increases were more than offset by the decrease in interest-bearing debt due to repayment of loans and redemption of corporate bonds, total liabilities decreased.

(3) Shareholders' Equity

Total shareholders' equity increased ¥6,704 million to ¥109,182 million. The main reason for this increase was an increase in retained earnings in accordance with the increase in net income.

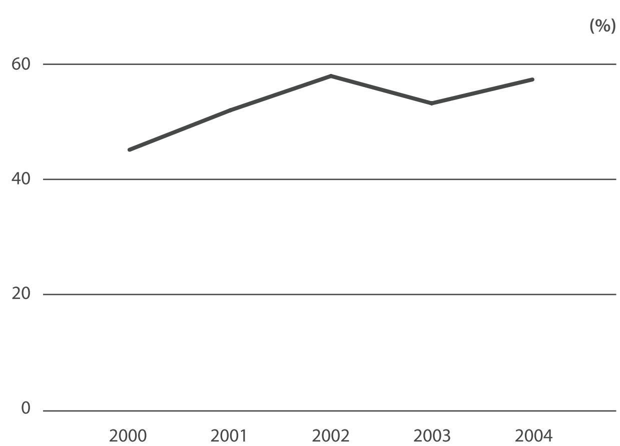
ROE

Years ended March 31



Equity Ratio

Years ended March 31



Cash Flows

(1) Cash Flows from Operating Activities
Income before income taxes and minority interests increased by ¥11,924 million to ¥15,521 million. Depreciation and amortization decreased to ¥5,566 million. Cash inflows increased because of a decrease in inventory of ¥396 million and an increase in accounts and notes payable of ¥7,337 million. Cash outflows of ¥11,293 million were caused by an increase in accounts and notes receivable due to the increase in sales. In the absence of cash inflows of ¥5,524 million caused by the refund of corporate taxes in the previous year, cash flows from operating activities decreased by ¥277 million, meaning that net cash provided by operating activities was ¥15,735 million.

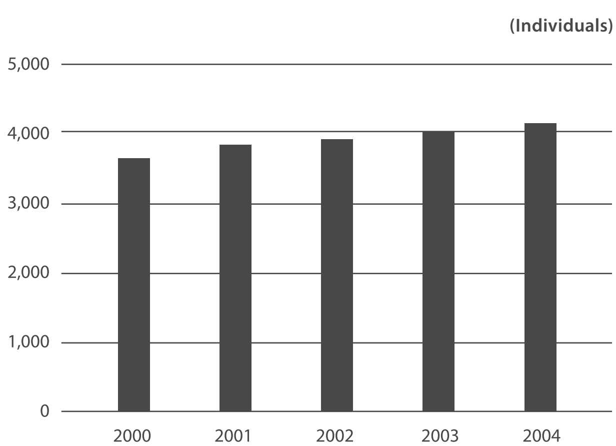
(2) Cash Flows from Investing Activities
Cash of ¥5,106 million was spent principally for capital investment for the second stage of factory construction at THK Manufacturing of Europe, equipment investment at the domestic factories to improve productivity and purchase of fixed assets. Accounting for cash inflows of ¥1,794 million due to sales of investment securities, the net outflow of cash from investing activities was ¥3,682 million.

(3) Cash Flows from Financing Activities
As cash on hand was used for repayment of debt and redemption of bonds and as there was no additional borrowing, net outflow of cash from financial activities was ¥27,132 million.

(4) Cash and Cash Equivalents
Because of the above-mentioned factors, the outstanding balance of cash and cash equivalents at the end of the year decreased by ¥15,497 million to ¥57,037 million.

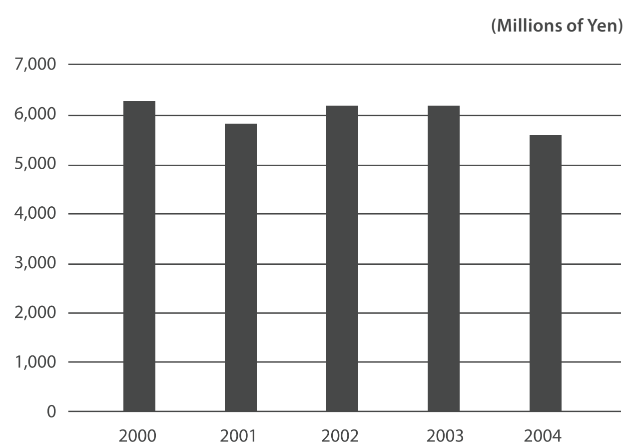
Employees

Years ended March 31



Depreciation and Amotization

Years ended March 31



CONSOLIDATED FINANCIAL STATEMENTS

THK CO., LTD. AND CONSOLIDATED SUBSIDIARIES

Consolidated Balance Sheets

as of March 31, 2003 and 2004

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2003	**2004**	**2004**
ASSETS			
Current Assets:			
Cash and bank deposits (Note 13)	¥ 66,460	**¥ 56,551**	**$ 535,366**
Short-term investments in securities (Notes 6 and 13)	7,004	**516**	**4,888**
Accounts and notes receivable-			
Trade	33,115	**43,791**	**414,566**
Unconsolidated subsidiaries and affiliates	1,949	**2,773**	**26,251**
Other	456	**1,029**	**9,741**
	35,520	**47,593**	**450,558**
Less: allowance for bad debts	(384)	**(318)**	**(3,006)**
	35,136	**47,275**	**447,552**
Inventories (Note 5)	23,748	**23,108**	**218,764**
Short-term advances -			
Unconsolidated subsidiaries and affiliates	252	**130**	**1,231**
Other	8	**44**	**412**
Deferred tax assets (Note 12)	2,249	**2,668**	**25,254**
Other current assets	756	**415**	**3,933**
Total current assets	135,613	**130,707**	**1,237,400**
Investments and Other:			
Long-term investments in securities (Note 4)	3,845	**3,729**	**35,308**
Investments in unconsolidated subsidiaries and affiliates	4,667	**4,405**	**41,699**
Deferred tax assets (Note 12)	2,134	**1,474**	**13,958**
Other investments	2,504	**6,235**	**59,026**
	13,150	**15,843**	**149,991**
Property, Plant and Equipment (Note 8):			
Buildings and structures	27,405	**29,161**	**276,064**
Machinery and equipment	67,436	**70,789**	**670,163**
	94,841	**99,950**	**946,227**
Less: accumulated depreciation	(64,012)	**(67,863)**	**(642,459)**
	30,829	**32,087**	**303,768**
Land	10,258	**10,168**	**96,265**
Construction in progress	1,304	**727**	**6,882**
	42,391	**42,982**	**406,915**
Deferred Charges and Intangibles (Note 8)	2,043	**1,573**	**14,887**
Total assets	¥ 193,197	**¥ 191,105**	**$ 1,809,193**

The accompanying notes are an integral part of these statements.

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2003	**2004**	**2004**
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current Liabilities:			
Short-term bank loans (Note 6)	¥ 3, 306	**¥ —**	**$ —**
Current portion of long-term debt (Note 6)	19,755	**—**	**—**
Accounts and notes payable-			
Trade	14,941	**21,929**	**207,606**
Unconsolidated subsidiaries and affiliates	2,096	**2,516**	**23,817**
Other	688	**1,052**	**9,955**
	17,725	**25,497**	**241,378**
Income taxes payable	1,668	**6,483**	**61,373**
Accrued expenses	4,842	**6,283**	**59,482**
Other current liabilities	853	**2,055**	**19,459**
Total current liabilities	48,149	**40,318**	**381,692**
Long-term Liabilities:			
Long-term debt (Note 6)	39,192	**38,000**	**359,746**
Reserve for employees' retirement benefits (Note 11)	1,484	**1,632**	**15,447**
Reserve for directors' and statutory auditors' retirement benefits	1,194	**1,316**	**12,455**
Other liabilities (Note 12)	390	**300**	**2,843**
Total long-term liabilities	42,260	**41,248**	**390,491**
Minority Interest	310	**357**	**3,386**
Shareholders' Equity:			
Common stock,			
Authorized: 465,877,700 shares;			
Issued:119,363,018 shares at March 31, 2003 and 2004	23,106	**23,106**	**218,747**
Additional paid-in capital	30,962	**30,962**	**293,119**
Retained earnings	48,687	**55,837**	**528,608**
Net unrealized gain/(loss) on other securities (Note 4)	(355)	**722**	**6,832**
Foreign currency translation adjustments	481	**(120)**	**(1,142)**
Treasury stock, at cost: 347,765 shares and 1,149,721 shares			
at March 31, 2003 and 2004, respectively	(403)	**(1,325)**	**(12,540)**
Total shareholders' equity	102,478	**109,182**	**1,033,624**
Contingent Liabilities (Note 7)			
Total liabilities and shareholders' equity	¥ 193,197	**¥ 191,105**	**$ 1,809,193**

CONSOLIDATED FINANCIAL STATEMENTS

THK CO., LTD. AND CONSOLIDATED SUBSIDIARIES

Consolidated Statements of Income

for the years ended March 31, 2002, 2003 and 2004

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2002	2003	2004	2004
Net Sales	¥ 89,340	¥ 94,600	**¥ 119,254**	**$ 1,128,977**
Cost of Sales	63,294	66,647	**77,932**	**737,786**
Gross profit	26,046	27,953	**41,322**	**391,191**
Selling, General and Administrative Expenses (Note 10)	23,870	23,060	**25,090**	**237,527**
Operating income	2,176	4,893	**16,232**	**153,664**
Non-Operating Income/(Expenses):				
Interest and dividend income	356	219	**148**	**1,400**
Interest expenses	(1,041)	(888)	**(493)**	**(4,670)**
Foreign exchange gain/(loss), net	801	352	**(580)**	**(5,494)**
Gain on sales of long-term investments in securities, net	—	—	**33**	**316**
Equity earnings/(losses) of affiliates	8	(12)	**301**	**2,854**
Rental income	132	149	**159**	**1,510**
Liquidation loss of unconsolidated subsidiaries	(466)	—	**(100)**	**(944)**
Loss on change in interest in affiliated company	(136)	(318)	**—**	**—**
Loss on sales/disposal of property and equipment	(153)	(403)	**(288)**	**(2,726)**
Loss on write-down of long-term investments in securities	(875)	(510)	**—**	**—**
Other, net	31	115	**109**	**1,025**
	(1,343)	(1,296)	**(711)**	**(6,729)**
Income before income taxes and minority interest	833	3,597	**15,521**	**146,935**
Income Taxes (Note 12)	15	1,773	**6,926**	**65,572**
Income before minority interest	818	1,824	**8,595**	**81,363**
Minority interest in (income)/loss of consolidated subsidiaries	2	68	**(11)**	**(100)**
Net income	¥ 820	¥ 1,892	**¥ 8,584**	**$ 81,263**

	Yen			U.S. dollars (Note 1)
Per Share Data:				
Net income - basic	¥ 6.88	¥ 15.65	**¥ 72.27**	**$ 0.684**
Net income - diluted	¥ —	¥ 15.12	**¥ 63.69**	**$ 0.603**

The accompanying notes are an integral part of these statements.

Consolidated Statements of Shareholders' Equity

for the years ended March 31, 2002, 2003 and 2004

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2002	2003	**2004**	**2004**
Common Stock				
At beginning of year	¥ 23,076	¥ 23,106	**¥ 23,106**	**$ 218,747**
Conversion of convertible bonds to common stock	30	—	**—**	**—**
At end of year	¥ 23,106	¥ 23,106	**¥ 23,106**	**$ 218,747**
Additional Paid-In Capital				
At beginning of year	¥ 30,932	¥ 30,962	**¥ 30,962**	**$ 293,119**
Conversion of convertible bonds to common stock	30	—	**—**	**—**
At end of year	¥ 30,962	¥ 30,962	**¥ 30,962**	**$ 293,119**
Retained Earnings				
At beginning of year	¥ 49,614	¥ 48,585	**¥ 48,687**	**$ 460,919**
Net income	820	1,892	**8,584**	**81,263**
Increase from investment in an affiliate newly accounted for by the equity method	—	—	**379**	**3,587**
Cash dividends	(1,789)	(1,790)	**(1,783)**	**(16,877)**
Directors' and statutory auditors' bonuses	(60)	—	**(30)**	**(284)**
At end of year	¥ 48,585	¥ 48,687	**¥ 55,837**	**$ 528,608**
Net Unrealized Gain/(Loss) on Other Securities				
At beginning of year	¥ 268	¥ 45	**¥ (355)**	**$ (3,362)**
Change in year	(223)	(400)	**1,077**	**10,194**
At end of year	¥ 45	¥ (355)	**¥ 722**	**$ 6,832**
Foreign Currency Translation Adjustments				
At beginning of year	¥ (1,278)	¥ 1,053	**¥ 481**	**$ 4,554**
Change in year	2,331	(572)	**(601)**	**(5,696)**
At end of year	¥ 1,053	¥ 481	**¥ (120)**	**$ (1,142)**
Treasury Stock, at cost				
At beginning of year	¥ (0)	¥ (3)	**¥ (403)**	**$ (3,816)**
Purchase of treasury stock	(6)	(17)	**(1,112)**	**(10,526)**
Sales of treasury stock	3	—	**1**	**5**
Change in year of treasury stock held by an affiliated company	—	(383)	**189**	**1,797**
At end of year	¥ (3)	¥ (403)	**¥ (1,325)**	**$ (12,540)**
Total Shareholders' Equity at end of year	¥ 103,748	¥ 102,478	**¥ 109,182**	**$ 1,033,624**

The accompanying notes are an integral part of these statements.

Consolidated Statements of Cash Flows

for the years ended March 31, 2002, 2003 and 2004

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2002	2003	**2004**	**2004**
Cash Flows from Operating Activities:				
Income before income taxes and minority interest	¥ 833	¥ 3,597	**¥ 15,521**	**$ 146,935**
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation and amortization	6,164	6,164	**5,566**	**52,698**
Increase/(decrease) in provisions	(128)	(390)	**338**	**3,203**
Loss on sale/disposal of property and equipment	153	403	**288**	**2,726**
Interest and dividend income	(356)	(219)	**(148)**	**(1,400)**
Interest expenses	1,041	888	**493**	**4,670**
Foreign exchange (gain)/loss, net	(135)	(141)	**109**	**1,032**
Equity (earnings)/losses of affiliates	(8)	12	**(301)**	**(2,854)**
Loss on write-down of long-term investments in securities	875	510	**—**	**—**
Gain on sale of long-term investments in securities, net	—	—	**(33)**	**(316)**
Liquidation loss of unconsolidated subsidiaries	466	—	**100**	**944**
Loss on change in interest in affiliated company	136	318	**—**	**—**
Changes in assets and liabilities:				
(Increase)/decrease in accounts and notes receivable	22,138	(10,254)	**(11,293)**	**(106,913)**
Decrease in inventories	4,697	2,502	**396**	**3,745**
Increase/(decrease) in accounts and notes payable	(15,976)	5,221	**7,337**	**69,464**
Other, net	(1,285)	2,560	**110**	**1,058**
Subtotal	18,615	11,171	**18,483**	**174,992**
Interest and dividend income received	374	220	**193**	**1,825**
Interest expenses paid	(1,003)	(903)	**(495)**	**(4,687)**
Income taxes (paid)/refunded	(14,714)	5,524	**(2,446)**	**(23,160)**
Net cash provided by operating activities	3,272	16,012	**15,735**	**148,970**
Cash Flows from Investing Activities:				
(Increase)/decrease in time deposits due over three months	(498)	468	**—**	**—**
Payments for purchase of short-term investments in securities	(1,999)	(1,199)	**—**	**—**
Proceeds from sales of short-term investments in securities	2,063	1,328	**907**	**8,588**
Payments for purchase of property, plant and equipment	(9,225)	(4,760)	**(5,106)**	**(48,338)**
Proceeds from sales of property, plant and equipment	194	149	**81**	**771**
Payments for purchase of long-term investments in securities/investments in unconsolidated subsidiaries and affiliates	(486)	(10)	**(310)**	**(2,934)**
Proceeds from sales of long-term investments in securities/investments in unconsolidated subsidiaries and affiliates	888	104	**1,794**	**16,981**
Payments of advances	(663)	(335)	**(1,184)**	**(11,207)**
Collections of advances	1,819	345	**136**	**1,285**
Net cash used in investing activities	(7,907)	(3,910)	**(3,682)**	**(34,854)**
Cash Flows from Financing Activities:				
Decrease in short-term bank loans	(1,512)	(2,887)	**(3,304)**	**(31,277)**
Borrowings of long-term debt	1,210	—	**—**	**—**
Repayments of long-term debt	(6,038)	(4,787)	**(3,599)**	**(34,069)**
Proceeds from issuance of bonds	15,000	22,905	**—**	**—**
Redemption of bonds	—	(8,000)	**(17,334)**	**(164,102)**
Cash dividends	(1,790)	(1,790)	**(1,784)**	**(16,892)**
Payments for purchase of treasury stock	(6)	(17)	**(1,112)**	**(10,526)**
Other, net	66	—	**1**	**5**
Net cash provided by (used in) financing activities	6,930	5,424	**(27,132)**	**(256,861)**
Effect of Exchange Rate Changes on Cash and Cash Equivalents	664	1	**(418)**	**(3,962)**
Net Increase/(Decrease) in Cash and Cash Equivalents	2,959	17,527	**(15,497)**	**(146,707)**
Cash and Cash Equivalents at Beginning of Year (Note 13)	52,048	55,007	**72,534**	**686,677**
Cash and Cash Equivalents at End of Year (Note 13)	¥ 55,007	¥ 72,534	**¥ 57,037**	**$ 539,970**

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 generally accepted in Japan, which differ 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 the Kanto Financial Bureau in Japan have been reclassified in these financial statements for the convenience of readers outside Japan.

Amounts in U.S. dollars are included solely for the convenience of readers outside Japan. The rate of ¥105.63=U.S.$1, the rate of exchange prevailing in Tokyo on March 31, 2004 has been used in translation. The inclusion of such amounts is not intended to imply that Japanese yen amounts 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 (companies whose decision making is controlled) as of March 31, 2004 (21 as of March 31, 2003). The consolidated financial statements for the year ended March 31, 2004 include the accounts of the Company and 14 (13 for 2003) of its subsidiaries. The 14 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"). The accounts of THK FRANCE S.A.S. (France) has been consolidated since the beginning of the year ended March 31, 2004.

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, 2003
THK America, Inc. (USA)	100	Dec.31, 2003
THK Manufacturing of America, Inc. (USA)	100	Dec.31, 2003
THK Neturen America, L.L.C.(USA)	50	Dec.31, 2003
THK Europe B.V. (the Netherlands)	100	Dec.31, 2003
THK GmbH (Germany)	100	Dec.31, 2003
THK FRANCE S.A.S. (France)	100	Dec.31, 2003
PGM Ballscrews Ltd. (UK)	100	Dec.31, 2003
PGM Ballscrews Ireland Ltd. (Ireland)	98.97	Dec.31, 2003
THK Manufacturing of Europe S.A.S. (France)	100	Dec.31, 2003
THK TAIWAN Co., Ltd. (Taiwan)	94.99	Dec.31, 2003
THK Yasuda Co., Ltd. (Japan)	70	Mar.31, 2004
Talk System Co., Ltd. (Japan)	98.90	Mar.31, 2004
Beldex Corporation (Japan)	94.73	Mar.31, 2004

The accounts for the year ended March 31, 2004 of the remaining 8 (8 for 2003) 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 of Inter-company Transactions

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 3 (3 for 2003) affiliates (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, 2004. The equity method is applied to investments in Daito Seiki Co., Ltd., and SAMICK LMS CO., LTD. The investment in SAMICK LMS CO., LTD. has been accounted for by the equity method since the beginning of the year ended March 31, 2004. The investments in the unconsolidated subsidiaries and the remaining affiliate would not have material effect 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)

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 shareholders' equity.

3. Summary of Significant Accounting Policies

(a) Inventories

Inventories held by the Company, THK Yasuda Co., Ltd., Talk System Co., Ltd. and THK Manufacturing of Europe S.A.S. are valued at cost, cost being determined using the average cost method. Inventories held by THK America, Inc., THK Manufacturing of America, Inc., THK Neturen America, L.L.C., 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 GmbH, THK FRANCE S.A.S. 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 the identified cost method.

(b) Financial Instruments

(i) Securities

Securities held by the Company and its subsidiaries are classified into the following 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 or less 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.

(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.

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

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 a period of 10 years from the next year in which they arise.

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

Accounting policy is 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.

(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 generally accepted in Japan.

(i) Foreign Currency Translation

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 the net profit or loss for the period.

(j) Accounting for 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 carry a minor risk of fluctuation in value.

(m) Net Income per Share

Net income per share is calculated by dividing net income, as adjusted for appropriation of retained earnings for directors' bonus, by the weighted average number of shares outstanding during the reported period. The calculation of diluted net income per share is similar to the calculation of net income per share, except that the weighted-average number of shares outstanding includes the additional dilution from assumed conversion of convertible bonds of the Company.

(n) Accounting Standard for Impairment of Fixed Assets

On August 9, 2002, the Business Accounting Council in Japan issued "Accounting Standard for Impairment of Fixed Assets". The standard requires that fixed assets be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. An impairment loss shall be recognized in the income statement by reducing the carrying amounts of impaired assets or a group of assets to the recoverable amount to be measured as the higher of net selling price and value in use.

The standard shall be effective for fiscal years beginning April 1, 2005. However, an earlier adoption is permitted for fiscal years beginning April 1, 2004 and for fiscal years ending between March 31, 2004 and March 30, 2005.

For the year ended March 31, 2004, the Company and its subsidiaries had not applied this standard. The Company is currently in the process of assessing the potential impact that this standard will have on the consolidated financial statements.

4. Long-term Investments in Securities

At March 31, 2003 and 2004, "other securities" with available market value were as follows:

	Millions of yen		
	2003		
	Cost	Carrying amount	Net unrealized gain/(loss)
Carrying amounts in excess of acquisition cost:			
Equity securities	¥ 314	¥ 376	¥ 62
Other	16	20	4
Subtotal	330	396	66
Carrying amounts not in excess of acquisition cost:			
Equity securities	2,291	1,773	(518)
Total	¥ 2,621	¥ 2,169	¥ (452)

	Millions of yen		
	2004		
	Cost	Carrying amount	Net unrealized gain/(loss)
Carrying amounts in excess of acquisition cost:			
Equity securities	¥ 2,356	¥ 3,539	¥ 1,183
Other	10	11	1
Subtotal	2,366	3,550	1,184
Carrying amounts not in excess of acquisition cost:			
Equity securities	4	4	(0)
Total	¥ 2,370	¥ 3,554	¥ 1,184

	Thousands of U.S. dollars		
	2004		
	Cost	Carrying amount	Net unrealized gain/(loss)
Carrying amounts in excess of acquisition cost:			
Equity securities	$ 22,305	$ 33,500	$ 11,195
Other	95	107	12
Subtotal	22,400	33,607	11,207
Carrying amounts not in excess of acquisition cost:			
Equity securities	42	40	(2)
Total	$ 22,442	$ 33,647	$ 11,205

Proceeds and net realized gain (loss) from the sales of "other securities" for the years ended March 31, 2002, 2003 and 2004 were immaterial.

5. Inventories

Inventories at March 31, 2003 and 2004 comprised of the following:

	Millions of yen		Thousands of U.S. dollars
	2003	2004	2004
Finished goods	¥ 14,080	¥ 12,871	$ 121,846
Work in process	3,931	4,184	39,606
Raw materials and supplies	5,737	6,053	57,312
Total	¥ 23,748	¥ 23,108	$ 218,764

6. Short-term Bank Loans and Long-term Debt

The annual average interest rate applicable to short-term bank loans at March 31, 2003 was 1.17%.

Long-term debt at March 31, 2003 and 2004 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2003	2004	2004
0.3% Convertible bonds 2003, currently convertible at ¥2,717 ($26)	¥ 13,905	¥ —	$ —
1.95% Straight bonds 2003	1,000	—	—
1.95% Straight bonds 2003	1,000	—	—
2.25% Straight bonds 2003	1,000	—	—
Floating rate Industrial development revenue bonds 2003 (4.8% for 2003) of a consolidated subsidiary	444	—	—
0.91% Straight bonds 2006	10,000	10,000	94,670
1.37% Straight bonds 2008	5,000	5,000	47,335
Zero Coupon Convertible bonds 2008, currently convertible at ¥1,650 ($16)	23,000	23,000	217,741
Loans from banks:			
Collateralized	2,048	—	—
Non-collateralized	1,550	—	—
	58,947	38,000	359,746
Less - current portion	19,755	—	—
	¥ 39,192	¥ 38,000	$ 359,746

At March 31, 2004, the Company and some of its subsidiaries had unused committed lines of credit amounting to ¥15,000 million ($142,005 thousand).

The aggregate annual maturities of the non-current portion of long-term debt at March 31, 2004, were as follows:

	Millions of yen	Thousands of U.S. dollars
Year ending March 31	2004	2004
2007	¥ 10,000	$ 94,670
2008	23,000	217,741
2009 and after	5,000	47,335
	¥ 38,000	$ 359,746

7. Contingent Liabilities

Contingent liabilities at March 31, 2004 with respect to loans guaranteed (for non-consolidated subsidiaries), amounted to ¥263 million ($2,493 thousand).

8. Lease

The Companies lease certain machinery and equipment and other assets. Total lease payments under these leases were ¥697 million, ¥666 million, and ¥622 million ($5,891 thousand) for the years ended March 31, 2002, 2003 and 2004, 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, 2003 and 2004 were as follows:

	Millions of yen		
	2003		
	Machinery and equipment	Other	Total
Acquisition costs	¥ 2,956	¥ 72	¥ 3,028
Accumulated depreciation	975	34	1,009
Net leased property	¥ 1,981	¥ 38	¥ 2,019

	Millions of yen		
	2004		
	Machinery and equipment	Other	Total
Acquisition costs	¥ 2,885	¥ 72	¥ 2,957
Accumulated depreciation	1,375	48	1,423
Net leased property	¥ 1,510	¥ 24	¥ 1,534

	Thousands of U.S. dollars		
	2004		
	Machinery and equipment	Other	Total
Acquisition costs	$ 27,313	$ 678	$ 27,991
Accumulated depreciation	13,019	453	13,472
Net leased property	$ 14,294	$ 225	$ 14,519

Future minimum lease payments under finance leases as of March 31, 2003 and 2004 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2003	2004	2004
Due within one year	¥ 607	¥ 551	$ 5,213
Due after one year	1,412	983	9,306
Total	¥ 2,019	¥ 1,534	$ 14,519

The amounts of acquisition costs and future minimum lease payments under finance leases include 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 ¥697 million, ¥666 million and ¥622 million ($5,891 thousand) for the years ended March 31, 2002, 2003 and 2004, respectively.

Obligations under non-cancelable operating leases as of March 31, 2003 and 2004 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2003	2004	2004
Due within one year	¥ 711	¥ 619	$ 5,866
Due after one year	1,839	1,694	16,035
Total	¥ 2,550	¥ 2,313	$ 21,901

9. Derivative 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.

For the year ended March 31, 2003, the Company utilized certain interest rate swap and currency swap agreements. For the year ended March 31, 2004, the Company utilized certain currency swap agreements. Market value information for such swaps held by the Company at March 31, 2003 and 2004 has been omitted as such swap agreements qualified the conditions for hedge accounting under the related Japanese accounting standards.

10. Research and Development

Research and development expenses for the years ended March 31, 2002, 2003 and 2004 were ¥1,932 million, ¥2,104 million and ¥2,520 million ($23,858 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, 2003 and 2004 was analyzed as follows:

	Millions of yen		Thousands of U.S. dollars
	2003	2004	2004
Projected benefit obligations	¥ 4,140	¥ 4,525	$ 42,840
Plan assets	(1,888)	(2,397)	(22,691)
	2,252	2,128	20,149
Unrecognized actuarial differences	(768)	(496)	(4,702)
Reserve for employees' retirement benefit	¥ 1,484	¥ 1,632	$ 15,447

Net periodic pension and severance costs for the years ended March, 2002, 2003 and 2004 were as follows:

	Millions of yen			Thousands of U.S. dollars
	2002	2003	2004	2004
Service cost	¥ 303	¥ 336	¥ 338	$ 3,195
Interest cost	91	89	97	921
Expected return on plan assets	(49)	(9)	(9)	(87)
Recognized actuarial differences	25	68	86	815
Net periodic pension and severance costs	¥ 370	¥ 484	¥ 512	$ 4,844

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

	As of March 31		
	2002	2003	2004
Method of attributing the projected benefits to periods of services	Straight-line basis	Straight-line basis	Straight-line basis
Discount rate	2.5%	2.5%	2.5%
Expected rate of return on plan assets	3.0%	0.5%	0.5%
Amortization of unrecognized actuarial differences	10 years	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, 2002 and 2003 was 42.1% and 2004 was 40.7%.

At March 31, 2003 and 2004, significant components of deferred tax assets and liabilities were as follows:

	Millions of yen		Thousands of U.S. dollars
	2003	2004	2004
Deferred tax assets:			
Loss on devaluation of inventories	¥ 951	¥ 1,039	$ 9,838
Software	759	686	6,493
Elimination of inter-company profit (inventories)	690	484	4,578
Reserve for directors' retirement benefits	486	535	5,068
Allowance for bad debts	474	408	3,864
Reserve for employees' retirement benefits	466	576	5,450
Net operating loss carried forward	411	219	2,069
Accrued bonuses to employees	409	570	5,404
Loss on write-down of investment securities	162	—	—
Enterprise tax payable	142	558	5,279
Other	917	942	8,915
Gross deferred tax assets	5,867	6,017	56,958
Less: valuation allowance	(976)	(885)	(8,377)
Total deferred tax assets	4,891	5,132	48,581
Deferred tax liabilities:			
Unrealized gains on marketable equity securities	(13)	(493)	(4,665)
Insurance premium	(162)	(219)	(2,075)
Special depreciation reserve	(239)	(188)	(1,775)
Other	(158)	(184)	(1,743)
Total deferred tax liabilities	(572)	(1,084)	(10,258)
Net deferred tax assets	¥ 4,319	¥ 4,048	$ 38,323

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

	Millions of yen		Thousands of U.S. dollars
	2003	2004	2004
Current assets - Deferred tax assets	¥ 2,249	¥ 2,668	$ 25,254
Investments and other - Deferred tax assets	2,134	1,474	13,958
Long-term liabilities - Other liabilities	(64)	(94)	(889)
Net deferred tax assets	¥ 4,319	¥ 4,048	$ 38,323

For the years ended March 31, 2003 and 2004, the reconciliation of the statutory tax rate to the effective tax rate was follows:

	2003	2004
Statutory tax rate	42.1%	42.1%
Increase/(reduction) in taxes resulting from:		
Permanent differences	1.0	0.3
Net operating losses of consolidated subsidiaries for which valuation allowances were fully provided	25.6	2.6
Change in tax consequences related to devaluation of investments in consolidated subsidiaries	(21.8)	—
Equalization inhabitant taxes	1.7	0.4
Tax rate differences between domestic and overseas	(0.7)	0.6
Change in tax rate resulting from enactment of income tax regulations	2.0	0.7
Others	(0.6)	(2.1)
Effective income tax rate	49.3%	44.6%

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, 2003 and 2004 consisted of:

	Millions of yen		Thousands of U.S. dollars
	2003	2004	2004
Cash and bank deposits	¥ 66,460	¥ 56,551	$ 535,366
Short-term investments in securities	7,004	516	4,888
	73,464	57,067	540,254
Less:			
Time deposit due over three months	(30)	(30)	(284)
Short-term investments in securities excluding MMF and others	(900)	—	—
	¥ 72,534	¥ 57,037	$ 539,970

14. Segment Information

(1) Industry Segment Information

As the sales, operating income and assets of the machinery parts segment are over 90% of the 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, 2002, 2003 and 2004 classified by geographic segments were summarized as follows:

	Millions of yen						
	2002						
	Japan	America	Europe	Asia and other	Total	Eliminations and corporate	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

	Millions of yen						
	2003						
	Japan	America	Europe	Asia and other	Total	Eliminations and corporate	Consolidated
I. Net sales and operating income-							
Net sales:							
Customers	¥ 71,060	¥ 10,732	¥ 10,982	¥ 1,826	¥ 94,600	¥ —	¥ 94,600
Inter-segment	12,193	148	98	—	12,439	(12,439)	—
Total	83,253	10,880	11,080	1,826	107,039	(12,439)	94,600
Operating expenses	76,434	11,502	12,849	1,759	102,544	(12,837)	89,707
Operating income/(loss)	¥ 6,819	¥ (622)	¥ (1,769)	¥ 67	¥ 4,495	¥ 398	¥ 4,893
II. Assets-							
Assets	¥ 173,615	¥ 15,830	¥ 15,551	¥ 1,471	¥ 206,467	¥ (13,270)	¥ 193,197

	Millions of yen						
	2004						
	Japan	America	Europe	Asia and other	Total	Eliminations and corporate	Consolidated
I. Net sales and operating income-							
Net sales:							
Customers	¥ 93,771	¥ 10,341	¥ 12,743	¥ 2,399	¥ 119,254	¥ —	¥ 119,254
Inter-segment	12,654	53	118	—	12,825	(12,825)	—
Total	106,425	10,394	12,861	2,399	132,079	(12,825)	119,254
Operating expenses	89,727	10,608	13,666	2,348	116,349	(13,327)	103,022
Operating income/(loss)	¥ 16,698	¥ (214)	¥ (805)	¥ 51	¥ 15,730	¥ 502	¥ 16,232
II. Assets-							
Assets	¥ 180,711	¥ 13,316	¥ 17,769	¥ 1,735	¥ 213,531	¥ (22,426)	¥ 191,105

	Thousands of U.S. dollars						
	2004						
	Japan	America	Europe	Asia and other	Total	Eliminations and corporate	Consolidated
I. Net sales and operating income-							
Net sales:							
Customers	$ 887,734	$ 97,899	$ 120,632	$ 22,712	$ 1,128,977	$ —	$ 1,128,977
Inter-segment	119,797	502	1,113	—	121,412	(121,412)	—
Total	1,007,531	98,401	121,745	22,712	1,250,389	(121,412)	1,128,977
Operating expenses	849,449	100,429	129,372	22,223	1,101,473	(126,160)	975,313
Operating income/(loss)	$ 158,082	$ (2,028)	$ (7,627)	$ 489	$ 148,916	$ 4,748	$ 153,664
II. Assets-							
Assets	$ 1,710,797	$ 126,067	$ 168,218	$ 16,422	$ 2,021,504	$ (212,311)	$ 1,809,193

(3) Export Sales and Sales by Overseas Subsidiaries

Overseas sales of the Companies (referring to the amounts of exports made by the Company and certain domestic subsidiaries plus the sales by the overseas consolidated subsidiaries) for the years ended March 31, 2002, 2003 and 2004 were summarized as follows:

	Millions of yen			
	2002			
	America	Europe	Asia and other	Total
Overseas sales	¥ 11,629	¥ 12,863	¥ 5,203	¥ 29,695
Consolidated net sales				¥ 89,340
Overseas sales as a percentage of consolidated net sales	13.0%	14.4%	5.8%	33.2%

	Millions of yen			
	2003			
	America	Europe	Asia and other	Total
Overseas sales	¥ 10,775	¥ 10,780	¥ 7,765	¥ 29,320
Consolidated net sales				¥ 94,600
Overseas sales as a percentage of consolidated net sales	11.4%	11.4%	8.2%	31.0%

	Millions of yen/(Thousands of U.S. dollars)			
	2004			
	America	Europe	Asia and other	Total
Overseas sales	¥ 10,436	¥ 12,739	¥ 10,735	¥ 33,910
	($ 98,799)	($ 120,604)	($ 101,624)	($ 321,027)
Consolidated net sales				¥ 119,254
				($ 1,128,977)
Overseas sales as a percentage of consolidated net sales	8.7%	10.7%	9.0%	28.4%

ChuoAoyama PricewaterhouseCoopers

PRICEWATERHOUSECOOPERS

Kasumigaseki Bldg. 32nd Floor
3-2-5, Kasumigaseki, Chiyoda-ku,
Tokyo 100-6088, Japan

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, 2003 and 2004, and the related consolidated statements of income, shareholders' equity, and cash flows for each of three years in the period ended March 31, 2004, 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. These 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, 2003 and 2004, and the consolidated results of their operations and their cash flows for each of three years in the period ended March 31, 2004 in conformity with accounting principles generally accepted in Japan.

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 PricewaterhouseCoopers

ChuoAoyama PricewaterhouseCoopers
June 26, 2004