

Performance Summary

In the fiscal year ending March 2005, THK's consolidated sales reached 147,158 million yen, breaking the previous sales record established in FY 2000. In FY 2001, however, a shakeout in the electronics industry led to an unprecedented 36.3 percent year-on-year drop in sales. This radical downturn taught us some valuable business lessons. We identified two key issues from this experience and have put in place measures to address them. The key issues we identified were: 1) a need to broaden the appeal of our product range, and 2) a need to modify our production systems to handle radical fluctuations in demand. To address the first issue, we worked to broaden the range of demand for our products so that trends in a specific industry or region would not have such a large effect on our overall performance. We aggressively pursued domestic plans to gain new users and explore new fields. We also exported the THK Advantage Program (TAP1)—a

results-producer in Japan—to our overseas locations to boost skills among our regional sales teams. To meet the second goal, we decided to construct a more flexible production system that could respond instantly to sudden changes in demand. We also challenged ourselves to reduce production lead times and expand our overseas production bases. In FY 2004, both of these initiatives proved successful. We expanded the range of demand for our products regionally and within the industry, and were able to restrict the level of back orders to a reasonable level despite recording our highest sales level ever.

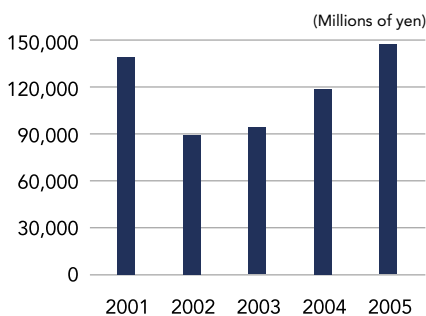
Business for FY 2004 was in the black in all regions—Japan, the Americas, Europe and Asia—and consolidated operating income set a new record of 25,974 million yen. Productivity gains at THK's domestic manufacturing plants complemented better earnings at our overseas production plants.

Even as expenses associated with prior investments rose due to activities facilitating an increase in future sales, such as the expansion of overseas production bases, we successfully managed to reduce our cost ratio below that of the previous peak period.

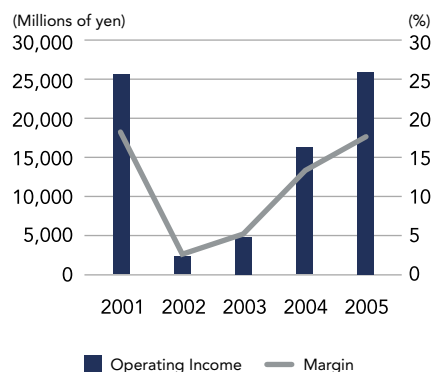
THK is constantly striving to increase its corporate value through improvements in profitability and capital efficiencies. We had set target management indexes of 20 percent for our operating profit margin and 10 percent for return on equity (ROE). In FY 2004, increases in expenses connected with prior investments kept our operating profit margin at 17.7 percent, although ROE did reach 14.7 percent. As we improve profitability and effectiveness, and pursue flexible approaches to changes in demand, we are aiming for an earnings structure that will sustain the target indexes stated above.

Years ended March 31

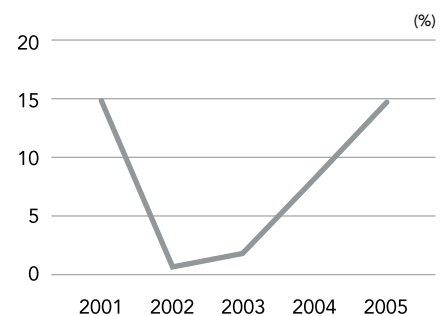
Net Sales



Operating Income, Margin



Return on Equity



5 Year Consolidated Financial Summary

Years ended March 31

	Millions of yen					Thousands of U.S. dollars (Note 1)
	2001	2002	2003	2004	2005	2005
Net Sales	¥ 140,287	¥ 89,340	¥ 94,600	¥ 119,254	¥ 147,158	\$ 1,370,062
Japan	104,003	59,645	65,280	85,344	105,555	982,729
America	15,725	11,629	10,775	10,436	12,888	119,992
Europe	11,354	12,863	10,780	12,739	15,340	142,820
Asia and other	9,205	5,203	7,765	10,735	13,375	124,521
Cost of Sales	91,447	63,294	66,647	77,932	93,551	870,975
Gross Profit	48,840	26,046	27,953	41,322	53,607	499,087
Selling, General and Administrative Expenses	23,145	23,870	23,060	25,090	27,633	257,265
Operating Income	25,695	2,176	4,893	16,232	25,974	241,822
Income before Income Taxes and Minority Interest	24,330	833	3,597	15,521	26,845	249,933
Income Taxes	9,889	15	1,773	6,926	9,442	87,913
Net Income	14,316	820	1,892	8,584	17,348	161,513

Per Share Data:	Yen					U.S. dollars (Note 1)
	2001	2002	2003	2004	2005	2005
Net Income - basic	¥ 120.20	¥ 6.88	¥ 15.65	¥ 72.27	¥ 145.31	\$ 1.353
Net Income - diluted	115.44	—	15.12	63.69	130.05	1.211
Shareholders' Equity per Share (Yen)	859.82	869.20	860.80	923.35	1,067.42	9.938

	Millions of yen					Thousands of U.S. dollars (Note 1)
	2001	2002	2003	2004	2005	2005
Total Assets	¥ 198,130	¥ 179,705	¥ 193,197	¥ 191,105	¥ 220,008	\$ 2,048,298
Total Shareholders' Equity	102,612	103,748	102,478	109,182	127,650	1,188,435
Capital Expenditures	13,841	6,476	4,611	6,307	12,425	115,682
Depreciation	5,191	5,503	5,529	5,005	5,343	49,747
R&D Expenses	1,426	1,932	2,104	2,520	2,686	25,007

	2001	2002	2003	2004	2005
Operating Margin (%)	18.3	2.4	5.2	13.6	17.7
Net Income Percentage of Net Sales (%)	10.2	0.9	2.0	7.2	11.8
Return on Equity (%)	15.0	0.8	1.8	8.1	14.7
Return on Assets (%) (Note 2)	13.3	1.3	2.7	8.5	12.8
Equity Ratio (%)	51.8	57.7	53.0	57.1	58.0
Turnover Ratio (Times)	0.71	0.47	0.51	0.62	0.72

Note 1: Throughout this report, U.S. dollars amounts represent translation of Japanese yen, for convenience only, at the rate of ¥107.41=U.S.\$1, the rate prevailing on March 31, 2005.

Note 2: Return on assets is the percentage of operating income and interest and dividend income to annual average balance of total assets.