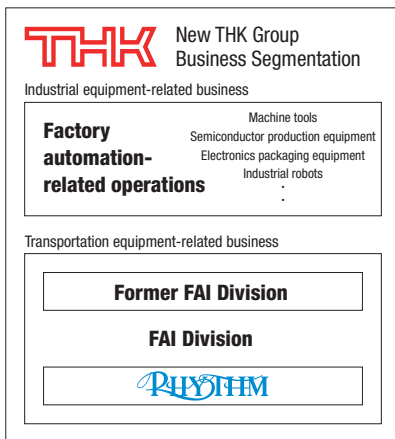
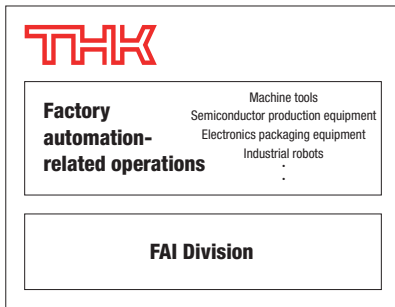


BUSINESS SEGMENT REVIEW



Business segment classification

In 2007, THK acquired a 100% equity stake in automotive parts manufacturer RHYTHM, which became a consolidated subsidiary of THK. This move greatly expanded the range of applications for THK products in the transportation equipment sector, including automobiles and motorcycles. To reflect this change, THK adopted a new business segment presentation from fiscal 2007. The two business segments are the industrial equipment-related business, which incorporates the core business focused mainly on industrial machinery such as machine tools and semiconductor production equipment, and the transportation equipment-related business, which comprises the FAI Division and consolidated subsidiary RHYTHM.

Business segment characteristics

The industrial equipment-related business is one that THK has constructed over the years by working to integrate manufacturing and sales systems. THK has developed efficient production systems to facilitate a dynamic response to variation in order levels, thus translating increased sales into higher profits. THK is reinforcing efforts to expand top-line sales within the four key regions of Japan, the Americas, Europe and Asia, while at the same time focusing on initiatives to raise profitability further.

In the transportation equipment-related business, THK aims to expand the scale of operations while improving profitability. This involves the pursuit of synergies with RHYTHM in all areas ranging from development to production and sales. Unlike the industrial equipment-related business, which has strong growth potential but where demand is influenced heavily by capital investment trends, the transportation equipment-related business tends to generate more stable earnings. THK's vision in this sector is to target first-tier supplier status by supplying products that are regarded as global benchmarks, based on the combination of innovative technology and a quality guarantee to customers to ensure zero defects or delivery problems. Going forward, THK plans to boost efforts to expand the range of automotive applications for core THK products such as LM guides and actuators.

Review of fiscal 2008

Industrial equipment-related business

Net sales posted by the industrial equipment-related business segment were ¥144.3 billion in fiscal 2008, a year-on-year decline of ¥23.9 billion. Segment operating income fell by ¥16.3 billion to ¥19.9 billion. In Japan, despite declining capital investment and production levels in the first half of the year, THK was able to generate new growth from flat panel-related applications as a result of increased business with existing customers and the development of new clients. Demand declined sharply across the board in the second half of the year, however. In the Americas, business was affected by a broad-based downward correction in the general machinery and electronics sectors that began in the first half of the year. In Europe, THK's sales grew mainly in the machine tool and general machinery sectors, supported by buoyant demand for machinery in the first half. In Asia and other regions, growth came in the first half mainly from the machine tool sector in markets such as China and Taiwan and from the flat panel-related sector in South Korea. Demand fell sharply across all overseas regions toward the end of fiscal 2008, however.

Transportation equipment-related business

Net sales posted by the transportation equipment-related business segment in fiscal 2008 were ¥34.9 billion, a year-on-year drop of ¥5.4 billion. Automobile production volumes were firm in the first half of the year in Japan and Europe, but weak in the Americas. Output fell across all regions in the second half of the year. Amid harsh conditions, coordinated efforts by the FAI Division and RHYTHM did result in more THK Group products being newly adopted by customers in vehicle models. The segment posted an operating loss of ¥4.5 billion for the year. This reflected amortization of goodwill and the impact of a sharp fall in demand, which outweighed the benefits gained from ongoing cost-reduction programs.