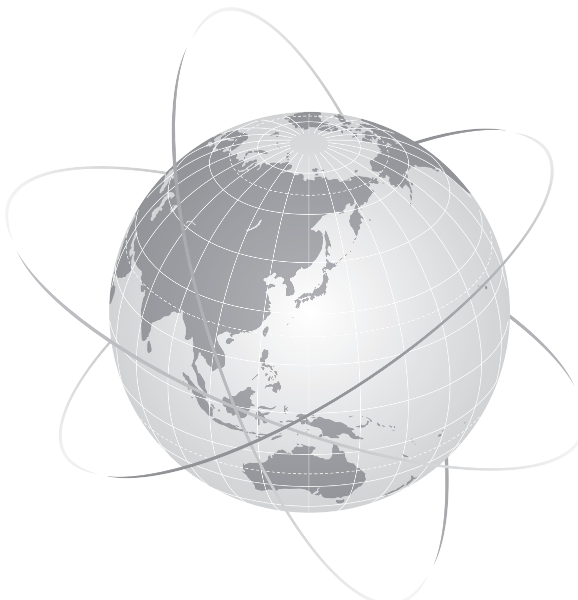
Annual Report 2008

THE MARK OF LINEAR MOTION



THK

Annual Report 2008

THIS ANNUAL REPORT'S DESCRIPTION

CONSOLIDATED PERFORMANCE OVERVIEW

Years ended March 31

	Millions of yen					Thousands of U.S. dollars (Note 1)
	2004	2005	2006	2007	2008	2008
Net Sales*	¥119,254	¥147,158	¥158,413	¥174,711	**¥208,709**	**$2,082,920**
Japan	85,344	105,555	112,245	119,513	**136,322**	**1,360,491**
The Americas	10,436	12,888	14,108	16,650	**26,000**	**259,487**
Europe	12,739	15,340	16,199	19,345	**25,237**	**251,863**
Asia and other	10,735	13,375	15,861	19,203	**21,150**	**211,079**
Gross Profit	41,322	53,607	57,922	65,142	**68,053**	**679,168**
Operating Income	16,232	25,974	27,080	31,816	**26,938**	**268,838**
Income before Income Taxes and Minority Interest	15,521	26,845	30,566	34,524	**26,701**	**266,479**
Net Income	8,584	17,348	18,584	21,038	**18,323**	**182,871**
Total Assets	191,105	220,008	244,385	263,281	**264,229**	**2,637,021**
Net Assets (Note 2)	109,539	128,606	169,792	189,040	**192,953**	**1,925,681**

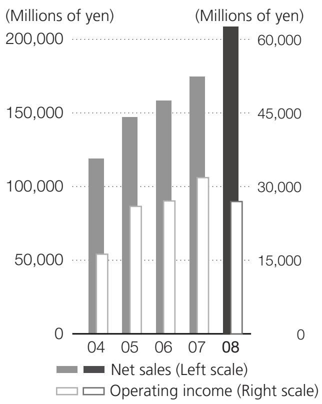
*Segments are based on where our customers are located.

	Yen					U.S. dollars (Note 1)
	2004	2005	2006	2007	2008	2008
Net Income per Share — basic	¥ 72.27	¥ 145.31	¥ 148.42	¥ 158.36	**¥ 139.53**	**$ 1.393**
Net Income per Share — diluted	63.69	130.05	137.97	157.22	**138.74**	**1.385**
Book Value per Share (Note 3)	923.35	1,067.42	1,266.39	1,407.84	**1,484.78**	**14.818**

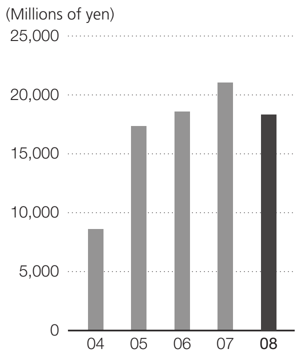
	2004	2005	2006	2007	2008
Operating Margin (%)	13.6	17.7	17.1	18.2	**12.9**
Return on Equity (%) (Note 3)	8.1	14.7	12.6	11.8	**9.7**
Return on Assets (%) (Note 4)	8.5	12.8	11.8	12.8	**10.5**
Equity Ratio (%) (Note 3)	57.1	58.0	68.9	71.1	**72.3**
Asset Turnover Ratio (times)	0.62	0.72	0.68	0.69	**0.79**

Notes: 1. U.S. dollar amounts represent translation of Japanese yen, for convenience only, at the rate of ¥100.20 = U.S.$1, the approximate rate of exchange prevailing in Tokyo on March 31, 2008.
2. Prior period figures have been reclassified to conform to the current year. Minority Interest is included in Net Assets.
3. Calculated on the basis of Net Assets less Minority Interest.
4. Operating Income plus Interest and Dividend Income as a percentage of average Total Assets.

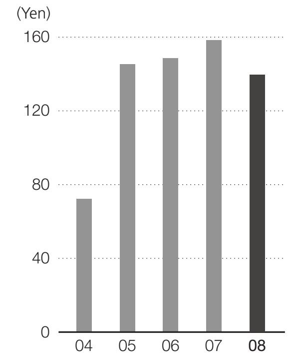
Net Sales/Operating Income



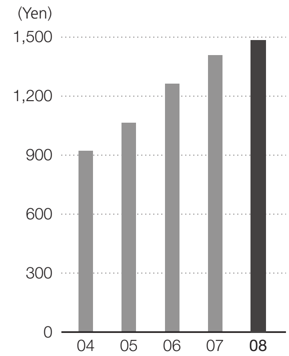
Net Income



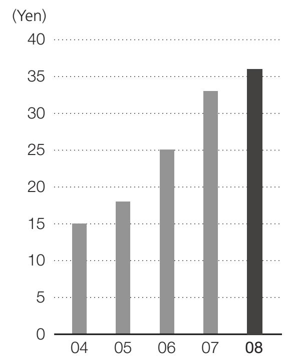
Net Income per Share



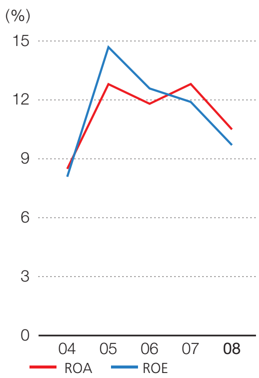
Book Value per Share



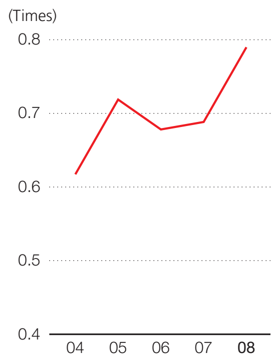
Cash Dividends per Share



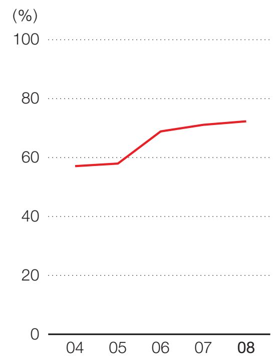
ROA/ROE



Asset Turnover Ratio



Equity Ratio

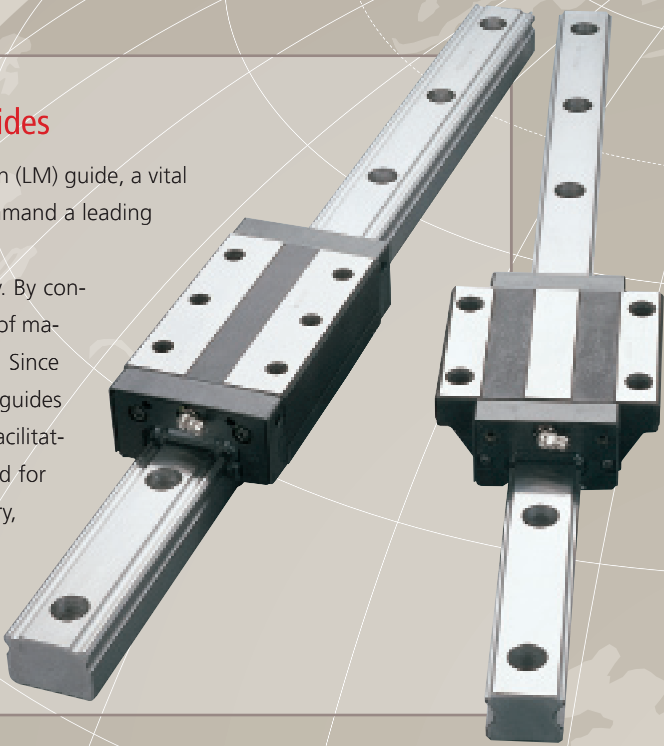


Specialty

Leading share of the global market for LM guides

THK pioneered the development of the world's first linear motion (LM) guide, a vital machinery component. Today, the LM guides made by THK command a leading share of the global market.

LM guides are a critical element in many types of machinery. By converting slippage into controlled rotary motion, they enable parts of machinery to move smoothly, easily, and precisely in a straight line. Since their original adoption by the U.S. machine tool industry, LM guides have made a major contribution to industrial development by facilitating increased precision and acceleration while reducing the need for labor. They have been used in various different types of machinery, such as machine tools, industrial robots, and semiconductor production equipment.

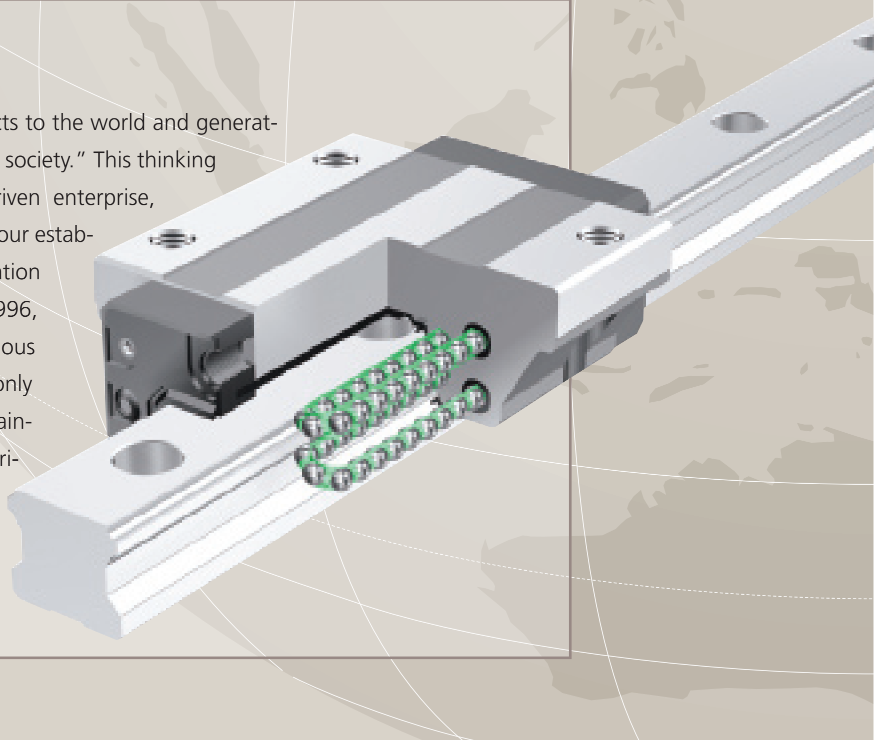


This is

Superiority

Creative development-driven enterprise

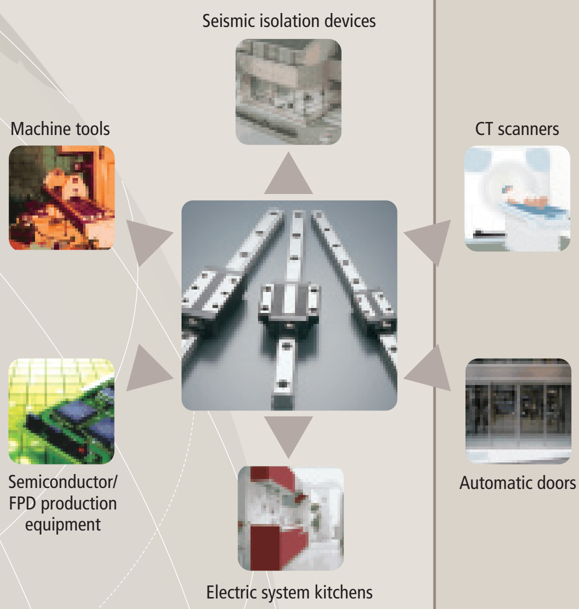
THK's business philosophy is "providing innovative products to the world and generating new trends to contribute to the creation of an affluent society." This thinking has guided our drive to be a creative development-driven enterprise, enabling us to develop a stream of original products since our establishment in 1971. Our success in developing a new generation of LM guides with caged ball technology, realized in 1996, helped to promote the adoption of these products in various fields. LM guides based on caged ball technology not only provide customers with the benefit of long-term, maintenance-free use, but also have made a significant contribution to the development of high-speed, low-noise industrial machines that generate less dust and have longer productive lives.



Possibility

The potential of LM guides

Machinery motion comprises rotary motion, linear motion, and combinations of the two. Rotary bearings, which impart rotary motion, were initially used in industrial machinery, and their use later expanded into consumer product fields, most notably auto parts, a rapidly growing market. LM guides, which impart linear motion, are now used primarily in industrial equipment such as machine tools and SPE. We expect their use to expand into consumer product fields such as automobiles. LM guides meet next-generation needs by enabling higher energy efficiency. Hence, the need for LM guides is rising.



THK

Expansivity

Growth through expanded business areas

THK has a two-pronged strategy for realizing the vast potential of its LM guides and other products: "Full-Scale Globalization" and "Development of New Business Areas." Through this strategy, the Company is working to expand its business domain both geographically and in terms of product applications. With "Full-Scale Globalization," we are working to optimize production by locating facilities closer to demand centers. To this end, we are strengthening our integrated manufacturing and sales systems in the four key geographic regions of Japan, the Americas, Europe, and Asia. With "Development of New Business Areas," we aim to expand applications to include consumer goods and related sectors. To this end, we have set up a number of specialist divisions. In addition, in May 2007 we acquired auto parts manufacturer RHYTHM and are working to strengthen this company.

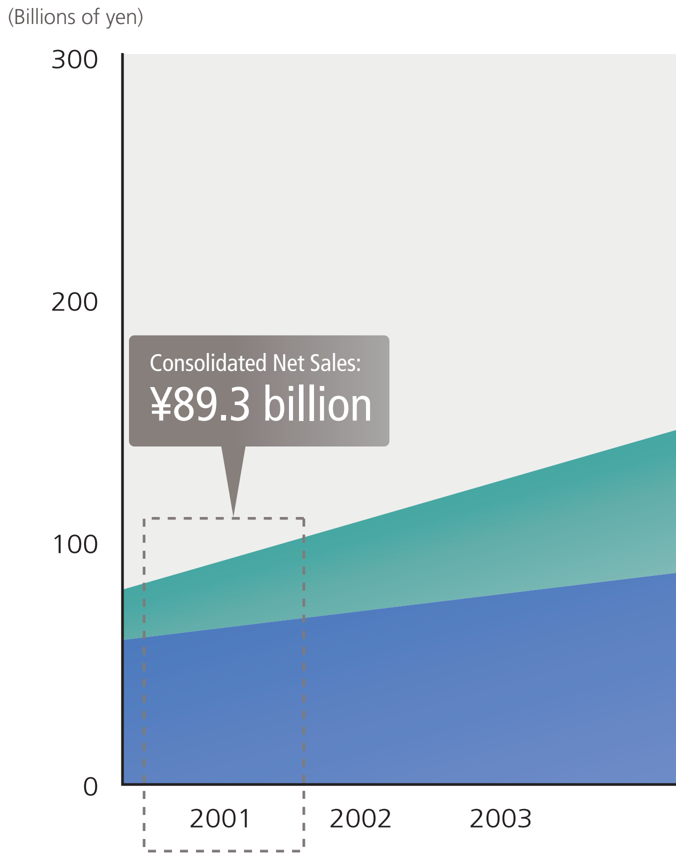
LONG-TERM MANAGEMENT TARGET AND MEDIUM-TERM MANAGEMENT PLAN

“Fiscal 2010 Vision” Long-Term Management Target

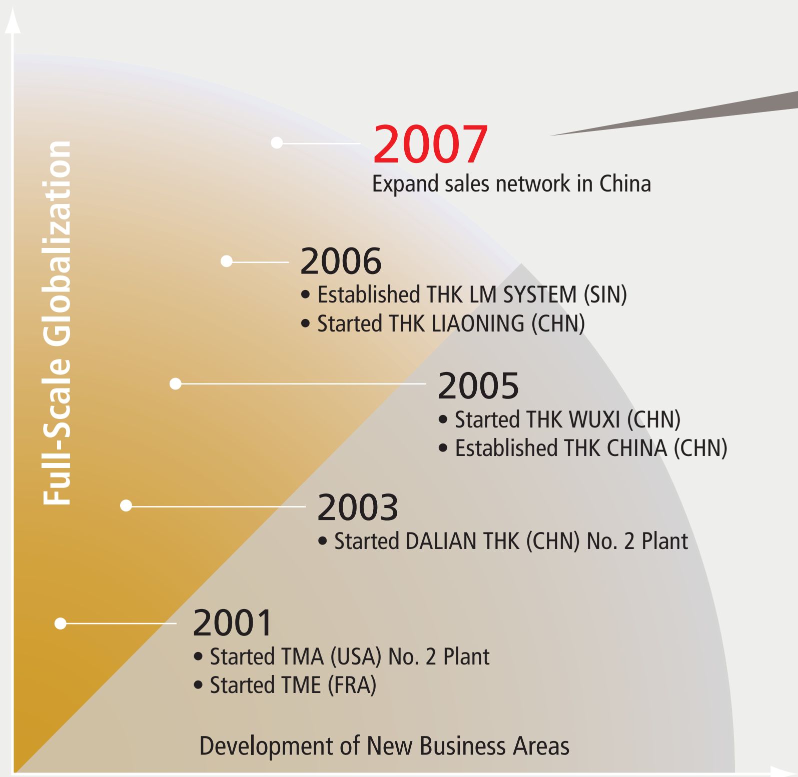
- Fiscal 2010 Vision is a fixed plan, formulated in fiscal 2000 in advance of the Company’s 30th anniversary, which set out a direction for THK over the succeeding 10 years.
- It named “Full-Scale Globalization” and “Development of New Business Areas” as the two means for expanding into new business domains to achieve stable growth in sales, irrespective of trends in particular geographic regions or industries. Fiscal 2010 Vision set targets of ¥300 billion in consolidated net sales and an overseas sales ratio of 50%.
- With “Full-Scale Globalization,” we are working to optimize production by locating facilities closer to demand centers. To this end, we are strengthening our integrated manufacturing and sales systems in the four key geographic regions of Japan, the Americas, Europe, and Asia.
- With “Development of New Business Areas,” we aim to expand applications beyond capital goods sectors to include consumer goods and related sectors.

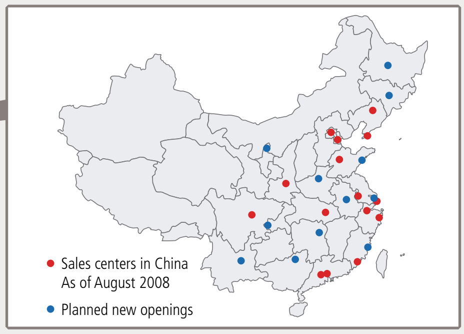
Medium-Term Management Plan

- The Medium-Term Management Plan is a rolling plan, reformulated every three years, aimed at achieving the long-term management targets, but also taking into account changes in the business environment.
- Taking into account the sudden changes in the business environment surrounding the THK group, the Medium-Term Management Plan unveiled in May 2008 targets ¥275.0 billion in sales in fiscal 2010, its final year. The Company now expects to achieve the ¥300 billion sales target set by Fiscal 2010 Vision a year late.



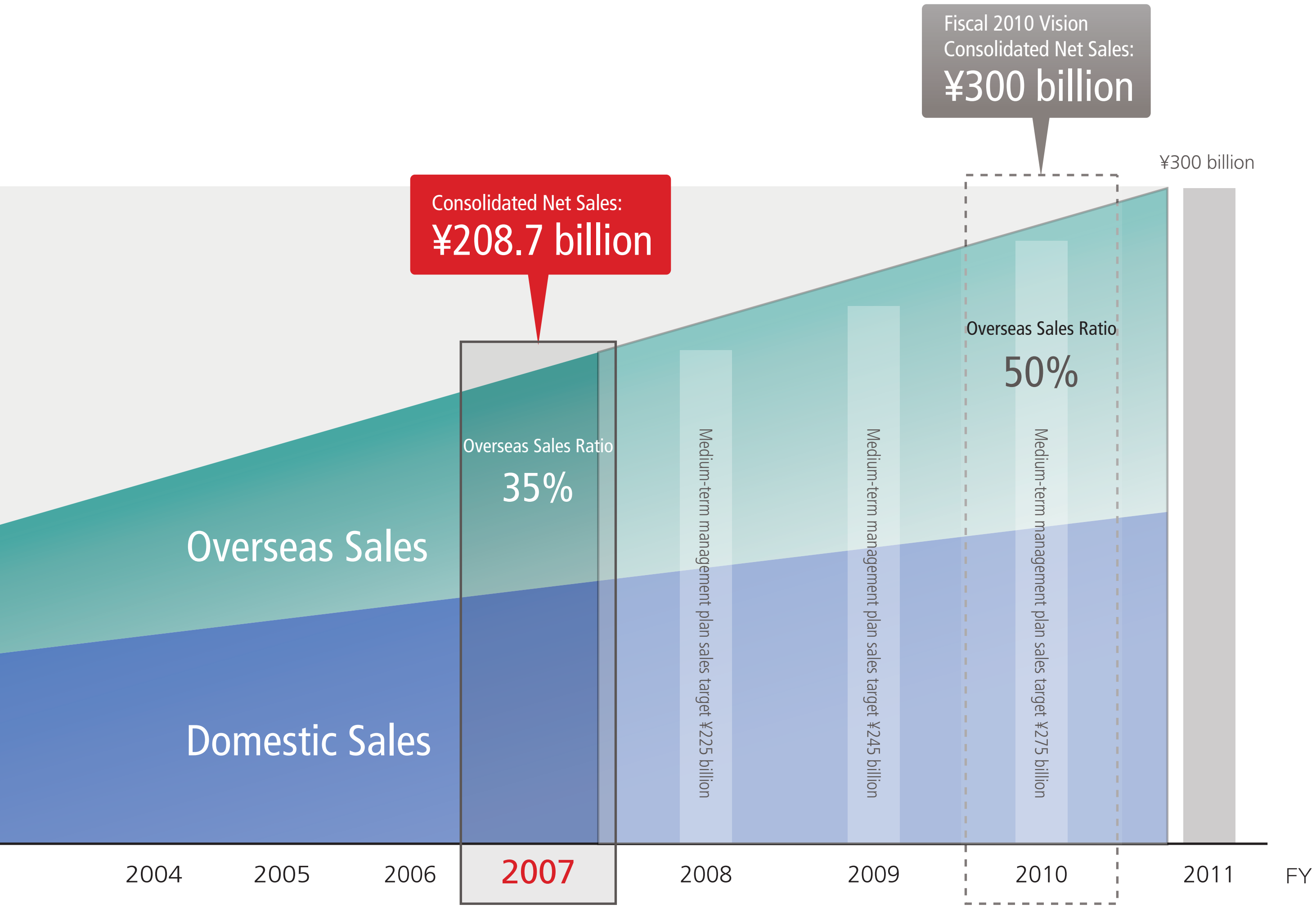
“Full-Scale Globalization” and “Development of New Business Areas”

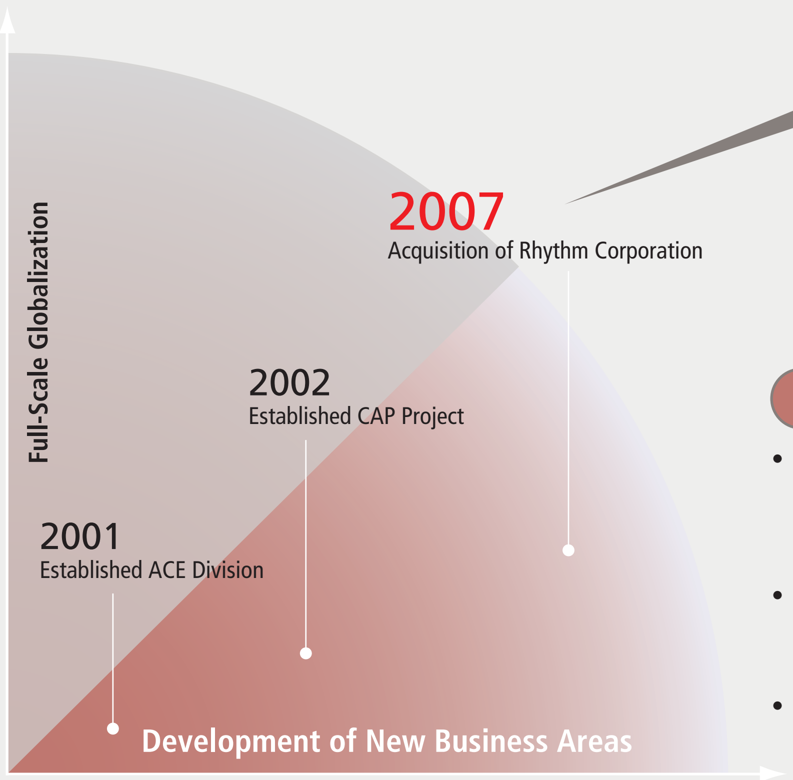




Full-Scale Globalization

- THK is working to optimize production by locating facilities closer to demand centers. This involves reinforcing the integration of sales and manufacturing functions in the four key geographic regions of Japan, the Americas, Europe, and Asia.
- We are aiming for an overseas sales ratio of 50%.
- THK is bringing manufacturing bases in the Americas, Europe, and Asia into full operation.
- We are augmenting our sales network in China, having done so in the Americas and Europe.





Development of New Business Areas

- THK's aim is to broaden the business base into consumer goods and related sectors to balance the current focus on capital goods sectors such as machine tools, industrial robots, and semiconductor production equipment.
- We have already established businesses in areas such as automotive components, seismic isolation devices, and parts for consumer appliances.
- To accelerate the development of new business areas, we acquired auto parts manufacturer RHYTHM in May 2007.

While responding flexibly to rapid changes in the external environment, THK is expanding its business domain through "Full-Scale Globalization" and "Development of New Business Areas," thereby increasing its business value.

President and CEO Akihiro Teramachi

Fiscal 2007 Performance Review

Q. Please tell us about the performance trends for THK in fiscal 2007.

A. In fiscal 2007 we posted consolidated net sales of ¥208.7 billion, which was a 19.5% increase over the previous year. Consolidated operating income rose 15.3% to ¥26.9 billion.

Business conditions were generally favorable. Although an expected recovery in the electronics sector in Japan was delayed, demand from the machine tool sector was strong in overseas markets such as Europe and China. Against this backdrop, we continued to focus on expanding THK's business into new domains via a combination of "full-scale globalization" and "development of new business areas." By reinforcing our global set-up through this approach, we believe that we can achieve stable growth over the long term while also mitigating business risks such as those caused by a rapidly changing external business environment.

In this way, we were able to achieve steady growth in sales posted by THK Group companies outside Japan in fiscal 2007. By accelerating development of new business areas through the incorporation of automotive components manufacturer RHYTHM CORPORATION (which became a consolidated subsidiary in May 2007) into the THK Group, we were also able to offset the impact of lower parent company sales to the electronics sector in Japan. Overall, we were able to achieve growth in sales in fiscal 2007 at the consolidated level both inside and outside Japan.

On the costs side, we continued to pursue savings through better production yields and shorter manufacturing lead-times. At the same time, however, in addition to the impact of rising material prices, we saw a significant increase in costs due to higher depreciation expenses associated with the full-scale start-up of activities at new factories in Japan and overseas, as well as other costs related to making RHYTHM a consolidated subsidiary. Our aggressive capital investment program also weighed on the bottom line, contributing to a year-on-year decline in profits in fiscal 2007. However, we view this spending as necessary investment for the future from a management perspective. We remain confident that these investments will translate into future earnings.

Q. Full-scale globalization is one of your main goals. How would you evaluate THK's progress in this area?

A. On the production side, we have already completed construction of core facilities across the Americas, Europe and Asia. We are also making progress in upgrading production capacity at these facilities so that we can supply the markets where demand is booming, notably developing countries. Relative to plan, I would say that we are on track in terms of developing the production set-up to support THK's full-scale globalization.

The main issue for us going forward is to bolster our sales activities across each region by leveraging our strengths in terms of the local service and delivery capabilities that we have developed. To this end, we took steps in fiscal 2007 to upgrade our sales platform within overseas markets. In China, we expanded the THK sales network to nine locations. In Europe, too, we extended our sales network into Eastern Europe and Russia. In the Americas, we actively developed our presence in new markets such as Mexico and Canada.

Q. Could you tell us something about the current situation of THK's transportation equipment-related business following the addition of RHYTHM to the FAI Division's production base?

A. The transportation equipment-related business, which comprises the FAI (Future Automotive Industry) Division and RHYTHM, recorded net sales of ¥40.4 billion in fiscal 2007. Our goal now is to raise this top-line figure to ¥70.0 billion in fiscal 2010.

With this aim in mind, we made steady progress during fiscal 2007 in terms of organizational integration. In Japan, we relocated the main FAI Division to RHYTHM's head office and factory site to start integrated business activities. In the United States, we merged sites to create an efficient sales organization while eliminating any unnecessary duplication. In Europe, we reinforced our sales capabilities by appointing specialist personnel from the FAI Division and RHYTHM to each THK branch office. In addition to these moves, we benefited from customers' growing appreciation of THK's global production set-up. This is now translating into a growing volume of inquiries from automakers.

On the production side, we have begun making FAI Division products at the RHYTHM production bases. We are deriving synergies on the development side as well: we have moved to integrate the two organizations and share technology so that we can develop new products more effectively.

Q. How do you view the near-term business environment with the global economy in such turmoil?

A. It is difficult to predict the U.S. slowdown's effect on the global economy. My personal view is that we should not expect too much from the U.S. economy. Also, we need to watch closely for any negative knock-on effects that might depress demand in Europe and Asia, which has been relatively firm until now.

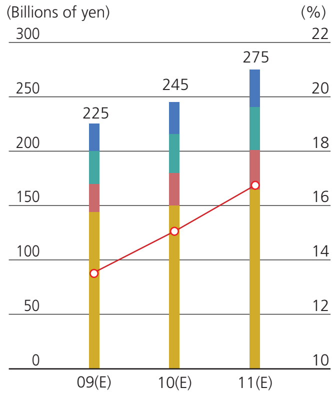
Yet, in the industry in which we operate, I believe that these macroeconomic trends present a major business opportunity. For instance, with machine tools, as soon as manufacturers start to cut back capital expenditure and reduce the number of machine tools that they install, the machine tool makers typically respond by accelerating their development of models incorporating new technology. In turn, this increases demand for the value-added elemental components of such machinery, which includes THK products.

In addition, not only is continuing high growth in China resulting in a strongly upward trend in the installed base of machine tools in that country, but there is also a rapid shift underway from the traditional manual machine tools to the more advanced numerical control (NC) models. We believe that both of these factors will boost demand for THK products.

One final point is that the surge in prices in recent years for raw materials, oil, grains and other commodities has sharpened the incentives to pursue energy efficiency and protect the global environment. LM guides, which contribute in both these ways, are a product that we believe will be in increasing demand because they meet the needs of this new era.

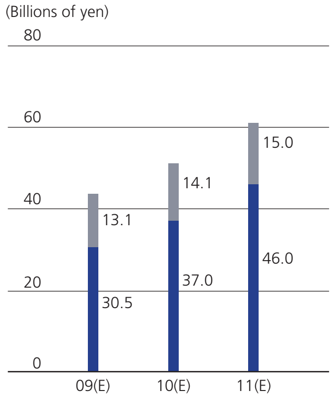
Three-Year Medium-Term Management Plan Principal Indices

Net Sales/Operating Margin



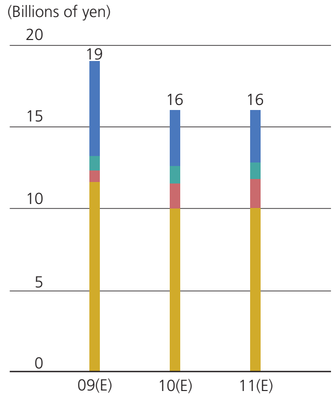
Net sales (Left scale):
Japan The Americas Europe
Asia and other
Operating margin (Right scale)
Years ending March 31

Operating Income/ Depreciation and Amortization



Operating income
Depreciation and amortization
Years ending March 31

Capital Expenditures



Japan The Americas Europe
Asia and other
Years ending March 31

Fiscal 2008 Outlook and Prospects

Q. What practical steps is THK taking to expand its presence further into new business domains?

A. In terms of full-scale globalization, our aim is to expand into new business domains, using as our platform the integrated sales and production set-up that we have built in the four regions of Japan, the Americas, Europe and Asia.

In Japan, we will strive to increase sales of our key, high-priority products by leveraging the high-level marketing skills we have cultivated under our THK Advantage Program (TAP 1), a unique in-house skills development program for sales personnel.

In the United States, our focus is on expanding sales of mechatronics-related products. We plan to develop a corps of sales personnel with the necessary technical knowledge to help us achieve this aim. At the same time, we are continuing to work hard to develop new markets in Mexico and Canada.

In Europe, we plan to expand our sales network further to try to benefit from projected firm demand in the region. We also aim to boost the efficiency of our delivery set-up following the commencement of operations in April 2008 at our new regional distribution center.

In Asia and the rest of the world, where demand is expected to be firm due to high economic growth rates, our plans involve continued efforts to upgrade our production and sales set-up. On the production side, the start-up of operations at THK RHYTHM (THAILAND) CO., LTD. in fiscal 2008 will supplement our four existing plants in China. On the sales side, as of August 2008 we have 15 sales bases in China. We plan to add a further 12 bases to raise this figure to 27 by the end of fiscal 2009. In December 2006, we established THK LM SYSTEM Pte. Ltd. as a sales subsidiary based in Singapore. We plan to use this firm to reinforce our sales set-up for ASEAN markets, India and Oceania so that we can service existing customers and develop the customer base.

In terms of the development of new business areas, alongside the efforts of our various specialist divisions to broaden the range of applications for THK products, we also plan to expand into new business domains by realizing the synergies from the organizational integration of the FAI Division with RHYTHM.

Q. What are the key issues in the new medium-term management plan you have recently adopted?

A. We are using rolling three-year medium-term management plans so that we can adjust our progress toward achieving our long-term performance goals based on actual changes in operating conditions. We adjust our targets each year based on the progress made in the previous fiscal year and the shifts in the business environment.

In the medium-term management plan that we announced in June 2007, our performance targets were net sales of ¥243.0 billion and operating income of ¥40.3 billion in fiscal 2008, rising to net sales of ¥277.0 billion and operating income of ¥49.6 billion in fiscal 2009. In the medium-term management plan that we announced in May 2008, we revised these performance targets to net sales of ¥225.0 billion and operating income of ¥30.5 billion for fiscal 2008, and net sales of ¥245.0 billion and operating income of ¥37.0 billion in fiscal 2009. We also lowered our sales target for fiscal 2010 to ¥275.0 billion, which means that we now expect to achieve the target of ¥300.0 billion one year later than originally planned.

After a hardheaded analysis of global macroeconomic trends, commodity prices and the rapidly changing business environment surrounding the THK Group, we decided that there were a significant number of negative factors that had emerged compared to when we announced the new medium-term management plan in June 2007. We realized that we would need to factor in much more challenging business conditions for the two years of fiscal 2009 and fiscal 2010. Our view is that it is our responsibility as managers to provide a forecast that we believe we can achieve with a high degree of probability. That is why we lowered the sales forecasts. At the same time, that has not diminished our determination as managers to do our utmost in leading unified efforts across the THK Group to hit the original long-term sales target of ¥300.0 billion for fiscal 2010.

Q. What are your thoughts on shareholder value and returning profits to shareholders?

A. At THK, we have set long-term management targets as milestones on the way to generating shareholder value. To realize these targets, we plan to expand our business into new domains through a combination of full-scale globalization and the development of new business areas. I am confident that we can continue to expand into new business areas going forward, given the potential of our LM guides and the other products that we have developed. Accordingly, we believe that the earnings generated by our business should in the first instance be reinvested aggressively to maximize corporate value, because that is what we need to do to satisfy shareholders' expectations.

Moreover, since improving capital efficiency is an important part of trying to achieve greater corporate value, we have also set a target of making a 15% return on assets as one of our key management indicators. In line with this approach, we plan to return profits to shareholders in the from of stable dividends that are commensurate with our performance. Based on this rationale, for fiscal 2007 we have increased the dividend by ¥3.00 per share compared with fiscal 2006, from ¥33.00 to ¥36.00. In addition, with an eye to improving capital efficiency, in fiscal 2007 we undertook a buyback of 5.2 million shares of stock.

In view of the challenging business environment going forward, we are under no illusion that the path toward achieving our long-term performance targets will be an easy one. However, based on our business philosophy of "providing innovative products to the world and generating new trends to contribute to the creation of an affluent society," we are committed to a continual process of reform so that no matter what sort of headwinds we face we will make steady progress toward achieving these goals. In doing so, we aim to build corporate value so that THK can contribute to the growing prosperity of shareholders and other stakeholders. I ask for the continued support of all shareholders as we move forward.

August 2008

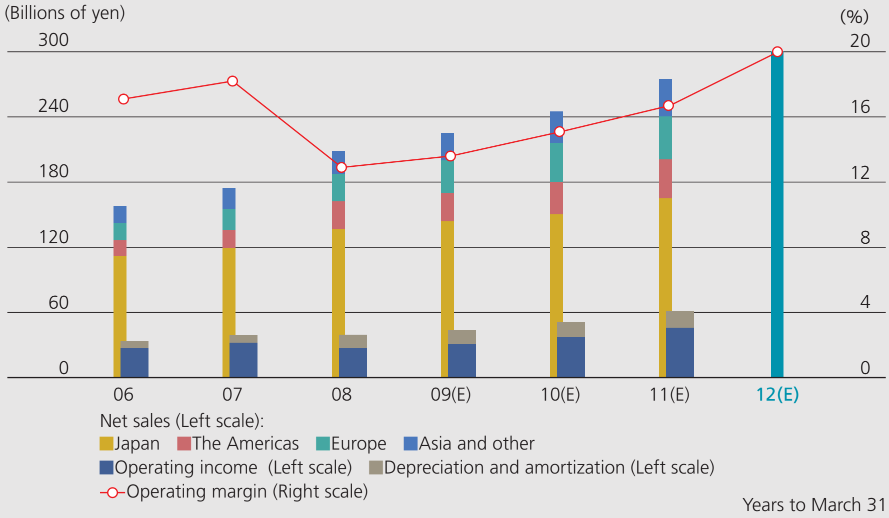
Akihiro Teramachi

Akihiro Teramachi
President and CEO
THK CO., LTD.

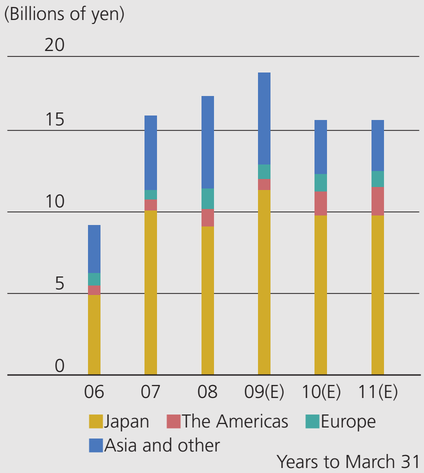
To achieve its Long-Term Management Target THK is working to optimize production by locating facilities closer to demand centers. To this end, we are strengthening our integrated manufacturing and sales systems in the four key geographic regions of Japan, the Americas, Europe, and Asia.

In fiscal 2007, sales in our core business of parts for machine tools and general machinery were generally strong in Japan, the Americas, Europe, and Asia. In addition, there was an increase in the number of consolidated subsidiaries, and the Company achieved continued sales growth in all regions.

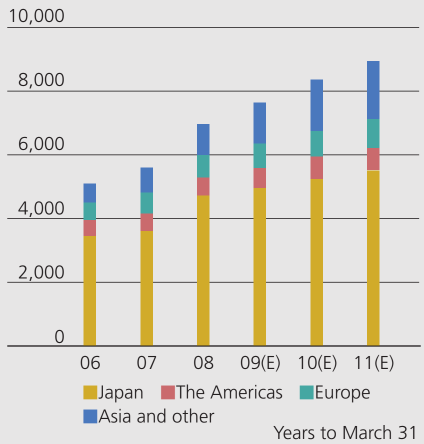
Principal Indices: Results and Forecast



Capital Expenditures



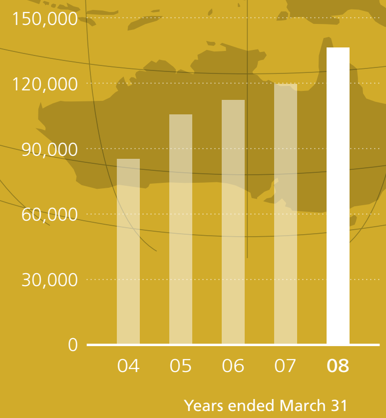
Number of Employees



Japan

Sales in Japan

(Millions of yen)



Sales offices	50
Plants	12
Distribution centers	3

- THK CO., LTD.
- DAITO SEIKI CO., LTD.
- TALK SYSTEM CORPORATION
- Beldex Corporation
- THK NIIGATA CO., LTD.
- RHYTHM CORPORATION
- Rhythm Kyushu Co., Ltd.
- Rhythm L Co., Ltd.
- L Tool Co., Ltd.
- L Trading Co., Ltd.
- L Engineering Co., Ltd.

As of March 31, 2008

Note: Please refer to p. 78 for details of the principal business activities of THK Group companies.

Business environment and earnings

Fiscal 2007 sales in Japan were up 14.1% year-on-year to ¥136.3 billion. In Japan, sales to the machine tool industry increased while sales to the electronics industry declined, reflecting the fact that the electronics industry's recovery began later and was weaker than expected. Sales to the transport equipment sector rose sharply as a result of auto parts manufacturer RHYTHM becoming a consolidated subsidiary. As a result, total domestic sales increased year-on-year.

Continuing to strengthen each area of business

To ensure the sustained growth of the THK group going forward, we continued to work in fiscal 2007 to strengthen each area of our business, including production, sales, and development.

On the production side, we brought into full production two plants that went into operation in fiscal 2006: the third plant at the Yamagata facility and the third plant at THK NIIGATA. In July 2007, a new block of plants commenced operation at DAITO SEIKI's Sendai facility, which manufactures equipment and unit products for use within the THK group. At the Mie facility, which manufacturers cross roller rings (demand for which is increasing), we increased manufacturing capacity by building new offices and converting existing office space to manufacturing space.

On the sales side, we continued to extend and strengthen the "TAP 1" in-house skills development initiative for sales personnel. This initiative has helped THK's sales force to steadily develop more effective skills in problem-solving and proposal-oriented sales activities, allowing them to both deepen ties with existing customers and win business from new customers. In addition, we leveraged our new distribution system, which centers on the Chubu Distribution Center (completed in January 2007), and conducted sales activities in an assertive manner.

On the development side, we carried out R&D activities under the main theme of the "E^3 Concept" (the "E^3" stands for Ecological, Economical, and Endless), and developed products that will lead to new applications for THK's products.

Development of new business areas

The FAI Division, together with RHYTHM, worked to expand operations as a single unit (the Transportation Equipment-Related business segment). Specifically, the FAI Division moved its operations to RHYTHM's headquarters factory and they began holding sectional meetings aimed at achieving. In these and other ways, they created a new business management structure aimed at achieving further growth.

The ACE Division finished fabricating a seismic isolation testing vehicle by installing a THK seismic isolation system in a vehicle that simulates the shaking of an earthquake. The Company uses this vehicle as part of its PR activities, taking it to housing exhibitions in major cities nationwide. In the area of seismic isolation equipment for enterprise-level servers, the Company engaged in marketing activities that strengthened the advantageous position of THK's products. Demand is increasing for equipment to disaster-protect such servers. As a result, the Company was able to steadily add to its record of results in seismic isolating and dampening equipment, with clients increasingly adopting is products.

In its CAP Project, THK increased the size of the development staff and expanded the number of proposals. It also carried out effective promotional efforts, including private shows. As a result, it was able to win new mass-production projects. In the robotics sector, which THK considers a highly promising market, the Company aggressively participated in the planning of public robotics-related projects, promoted R&D on elemental components, and carried out basic research on a robotic hand.

Continually striving for improvement on every level

In fiscal 2008, THK expects domestic sales to rise for a previous year. In the machine tools sector, the Company expects demand to remain high, particularly in Asia and Eastern Europe. In the general machinery and electronics sectors, it does expect FPD-related demand to remain robust.

In terms of efforts to achieve its sales-growth targets, on the sales side THK plans to extend the "TAP 1" skills training initiative to enable both the deepening of ties with existing customers and the winning business from new customers. To that end, THK intends to strengthen its proposal-style sales activities, through which it promotes not only the characteristics and appeal of THK products, but also emphasizes how they can help solve the customer's problems. To develop new customers, the Company plans to conduct efficient, precisely targeted sales activities. Hence, while striving to secure steady gains in orders from capital goods sectors, the mainstay of its current business, THK plans to accelerate the expansion of its business domain by continuing to aggressively develop new areas of business.

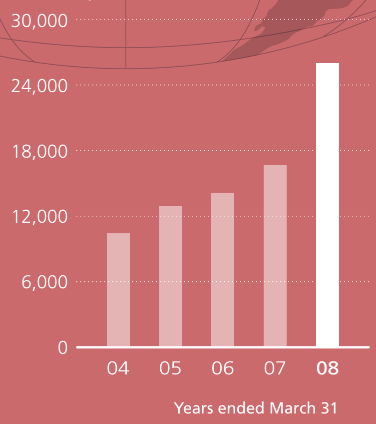
On the production side, following the original implementation of the "TAP 2" initiative in 2001, THK has been able to establish flexible, efficient production systems that can respond to fluctuating order levels. In fiscal 2008, THK plans to reinforce such capabilities further. Despite an expected increase in materials costs, THK intends to continue "TAP 2" activities with the aim of achieving further gains in terms of productivity and quality, thus ensuring that growth in sales translates into higher profits. In addition, THK plans to make capital investments in RHYTHM to increase productivity there, and will establish an efficient system for manufacturing transportation equipment-related business.

On the development side, THK will continue working to increase the speed of development, and will aggressively create new applications for its products. As a creative development-driven enterprise that has created a variety of high-added-value products, THK will develop original and highly appealing products with an eye toward the next five to ten years.

The Americas

Sales in the Americas

(Millions of yen)



United States	Sales offices	8
	Plants	2
Canada	Sales offices	1
Brazil	Sales offices	1

- THK Holdings of America, L.L.C.
- THK America, Inc.
- THK Manufacturing of America, Inc.
- Rhythm North America Corporation

As of March 31, 2008

Note: Please refer to p. 78 for details of the principal business activities of THK Group companies.

Organization

In this region, sales subsidiary THK America, Inc. and production subsidiary THK Manufacturing of America, Inc. (TMA) undertake integrated sales and production activities under the regional holding company THK Holdings of America, L.L.C.

Besides boasting the most extensive U.S. sales network within the LM guide industry, THK is unique in having a dedicated LM guide production facility in the United States. Local manufacturing capabilities enable THK to maintain a stable supply of high-quality products. THK has leveraged this strength to develop a core base of customers in the machine tool, general machinery and electronics industries. Efforts to introduce THK products to the automotive, aerospace and other sectors have also been successful. Sales success has helped to foster a virtuous cycle by boosting capacity utilization at TMA, which has invested to increase levels of equipment familiarization among operating personnel to enable continual reinforcement of the earnings structure.

The addition of automotive components manufacturer RHYTHM to the THK Group served to expand the automotive side of the business in fiscal 2007. Going forward, THK plans to focus on realizing further benefits from synergies between production and sales.

Fiscal 2007 operating conditions and performance

The external business environment was harsh in fiscal 2007. The electronics industry saw a correction in the semiconductor production equipment (SPE) and other sectors, while production levels declined at automakers. THK strengthened its marketing activities to existing customers through close collaboration between production and marketing departments. As a result, sales increased thanks to market share gains in the machine tool and general machinery sectors. With the addition of RHYTHM as a consolidated subsidiary, sales for transport equipment applications were also substantially higher. Regional sales increased 56.2% in year-on-year terms to ¥26.0 billion.

Sales: Development of new sectors and markets by leveraging unique local capabilities

Against the backdrop of declining demand in electronics-related industries in the Americas, our marketing activities emphasized THK's advantages in supplying high-quality products from a local production base with short delivery lead-times. Our marketing activities emphasized the advantages that THK derives from being able to supply high-quality products from a local production base with short delivery lead-times. As a result we

Junichi Kuwabara *Director, THK CO., LTD.*
President and Representative Director, THK Holdings of America, L.L.C.
President and Representative Director, THK America, Inc.

Akihiko Kanbe
President and Representative Director, THK Manufacturing of America, Inc.

were able to expand our market share with existing core customers such as machine tool makers. With the aim of developing new business sectors and customers, we upgraded the TAP 1. These efforts helped us to develop and secure significant new customers in sectors ranging from aerospace to medical equipment and gaming machines.

We also continued to develop new markets such as Canada and Mexico. In Canada, we focused primarily on expanding sales of products for medical equipment applications. In Mexico, we recruited more staff to augment our local sales capabilities.

In a separate move, we reconfigured our organization to support the ongoing efforts to stimulate latent demand within the existing customer base. This included measures to enhance the sharing of information between the U.S. head office and our various branch offices across the region.

In fiscal 2008, we expect the external business environment to remain harsh, particularly within the automotive sector. Under these challenging conditions, we plan to continue the measures that we took in fiscal 2007. On the product side, we will also try to increase sales of mechatronics-related products. With SPE manufacturers, we have already seen a shift in demand from individual components toward supplying hybrid units. We expect to see a similar trend develop going forward in the general machinery and aerospace sectors. In anticipation of this, we plan to expand our corps of mechatronics engineers significantly and institute related training programs. In conjunction with our ongoing moves to upgrade the sales force, these measures will help us to target further growth in sales.

We are currently integrating our sales bases with those of RHYTHM to deepen cooperation within the THK Group by transferring RHYTHM engineering staff to THK branch offices. These moves promise to generate further gains in fiscal 2008 in terms of the efficiency and effectiveness of our sales set-up.

Production: Supplying high-value-added products to boost profitability and improve productivity

One of our areas of focus in fiscal 2007 at TMA was to expand the lineup of large-sized LM guides that we can supply. Producing these LM guides locally not only helps us to maintain stable supplies with short delivery lead-times but also helps to raise our cost-competitiveness by cutting transportation and other expenses. These measures contributed to a significant increase in revenue in fiscal 2007 as the result of higher order volumes.

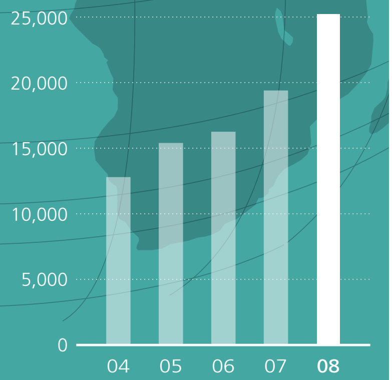
Another key achievement in fiscal 2007 was the production of link balls, which we began on a full scale after completing a new die-cast facility. This means that we can now handle all steps in link ball production in-house at TMA, from pressing to final assembly.

During fiscal 2008, we will focus on improving production of hybrid units, a product range for which we anticipate higher regional demand in the future. Specifically, we are boosting planning and design staff with the goal of satisfying increasingly stringent customer requirements for these high-value-added THK products. We also plan to pursue further initiatives aimed at raising productivity, including enhancing the visibility of each operation, evaluating the technical skills of individual workers and providing practical skills training as necessary. The result will be a significantly accelerated production process.

Europe

Sales in Europe

((Millions of yen))



Years ended March 31

Germany	Sales offices	4
United Kingdom	Sales offices	1
Ireland	Plants	1
Italy	Sales offices	2
Sweden	Sales offices	1
Austria	Sales offices	1
Spain	Sales offices	1
France	Sales offices	1
	Plants	1
Turkey	Sales offices	1
Czech Republic	Sales offices	1

- THK Europe B.V.
- THK GmbH
- THK France S.A.S.
- THK Manufacturing of Europe S.A.S.
- PGM Ballscrews Ireland Ltd.

As of March 31, 2008

Note: Please refer to p. 78 for details of the principal business activities of THK Group companies.

Organization

In Europe, the regional holding company THK Europe B.V. owns and manages two sales subsidiaries, THK GmbH and THK France S.A.S. with sales offices established in nine European countries and a network of sales agencies spanning the region, THK sells products to customers in every European market.

THK's two production subsidiaries in the region are THK Manufacturing of Europe S.A.S. (TME) and PGM Ballscrews Ireland Ltd. (PGM). TME makes LM guides, ball screws, link balls, and hybrid units, while PGM is a production base for ball screws. These operations enable THK to respond flexibly to the varied needs of European customers.

Fiscal 2007 operating conditions and performance

Operating conditions for the German machine tool industry stayed favorable in fiscal 2007 due to high levels of demand for machinery from the aerospace, automotive and energy-related industries. Machinery production levels also increased as European manufacturers continued to establish new facilities in Central and Eastern Europe.

Against this backdrop, THK focused on leveraging its integrated production and sales set-up in the region to stimulate business from existing customers and to develop new customers. Sales to the mainstay machine tool and general machinery sectors recorded steady growth over the previous year. Sales in Europe rose 30.5% in year-on-year terms to ¥25.2 billion, setting a new record high for the second successive year.

Sales: Leveraging THK's global capabilities to gain new business

The underlying theme of our marketing activities in fiscal 2007 was the benefit to European customers with global operations of the THK Group's worldwide production and sales set-up. We were successful in expanding sales through the increased adoption of LM guides and a broad range of other THK products.

We made progress in developing the skills of our sales force through our original in-house "TAP" training program. Our sales personnel do more than simply sell products. Their job is to help customers to solve a problem by helping them realize the benefits for the customer of using a THK product. We were also successful in reinforcing the specific skills base of our sales force.

In addition, reflecting the ongoing diversification in product-related needs, we actively undertook PR campaigns with the aim of differentiating THK's original product technology from that of rival manufacturers. This helped us to boost our share of the

Tetsuya Hayashida *Director, THK CO., LTD.*
President and Representative Director, THK Europe B.V.
President and Representative Director, THK GmbH
President and Representative Director, THK France S.A.S.
President and Representative Director, PGM Ballscrews Ireland Ltd.

Hiroshi Imano
President and Representative Director, THK Manufacturing of Europe S.A.S.

European market. Going forward, we are expecting demand to remain especially high in the aerospace- and railway-related sectors. We plan to upgrade our efforts to secure as much of this growing demand as possible for THK.

Since we expect demand to remain high in fiscal 2008, we are planning to strengthen our sales and distribution systems to support a further expansion in sales activities.

Specifically, we plan to bolster our sales network by establishing new sales offices in Germany and expanding our sales force. We are also planning to develop the sales network by opening branch offices in the Czech Republic and Russia to service anticipated future growth within markets in Central and Eastern Europe. At the same time, we are forming special project teams to undertake strategic marketing activities in order to develop THK's presence in these emerging markets.

Our new distribution center commenced full-scale operations in March 2008. This facility's proximity to our main European factory and central geographical location within Europe will support our efforts to build an extremely efficient regional distribution system capable of supplying customers high-quality products with short delivery lead-times.

Production: Upgrading capacity to serve rising local demand

With orders on the rise, we were able to achieve steady growth in production volumes in fiscal 2007 by instituting a full-scale mass-production set-up based on capacity upgrades and comprehensive management of capacity utilization. As a result, we were able to achieve a local production ratio of around 40%.

We also made progress in terms of procuring more materials from suppliers based in the region. We plan to intensify these efforts going forward with the aim of reducing input costs and material inventories to boost profitability.

We became the only LM guide manufacturer in Europe to gain certification from a third-party institution for our testing equipment and related procedures. This has provided objective verification of THK's claims to deliver superior product performance. It also promises to help further establish the reliability of THK products within the marketplace.

In fiscal 2008, we plan to make organizational changes so that manufacturing is more closely aligned to customer requirements. In particular, we plan to set up a dedicated department for hybrid units and create a joint project team with sales so we can focus on supplying original high-value-added THK products.

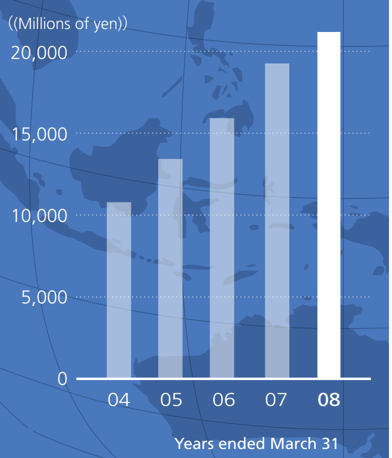
As a region, Europe contains many different countries and cultures, which means that the European market generates a wide variety of customer needs. Our aim is to raise the regional profile of THK products and broaden the range of products that we make locally so that we can realize a consistent supply of high-quality products with short delivery lead-times.

Asia

Takashi Okubo *Director, THK CO., LTD.*
President, THK (CHINA) CO., LTD.
President, THK MANUFACTURING OF CHINA (LIAONING) CO., LTD.

Naoki Kinoshita
President, THK (SHANGHAI) CO., LTD.

Sales in Asia



China	Sales offices	12
	Plants	4
Taiwan	Sales offices	3
Singapore	Sales offices	1
India	Sales offices	1
Thailand	Plants	1
Korea	Sales offices	13
	Plants	1

- THK TAIWAN CO., LTD.
- THK (CHINA) CO., LTD.
- THK (SHANGHAI) CO., LTD.
- DALIAN THK CO., LTD.
- THK MANUFACTURING OF CHINA (WUXI) CO., LTD.
- THK MANUFACTURING OF CHINA (LIAONING) CO., LTD.
- Beldex KOREA Corporation
- THK LM SYSTEM Pte. Ltd.
- RHYTHM GUANGZHOU CORPORATION
- THK RHYTHM (THAILAND) CO., LTD.
- SAMICK THK CO., LTD.

As of March 31, 2008

Note: Please refer to p. 78 for details of the principal business activities of THK Group companies.

Organization

THK's first move into the Asian region was the establishment of THK TAIWAN CO., LTD. in 1989. THK also entered the Chinese market during the same year, followed by South Korea in 1991.

THK (CHINA) CO., LTD. manages all THK operations in China, a market with high growth potential. THK (CHINA) CO., LTD. and THK (SHANGHAI) CO., LTD. together handle sales of THK products in China. On the production side, THK has three local subsidiaries: DALIAN THK CO., LTD., THK MANUFACTURING OF CHINA (WUXI) CO., LTD. and THK MANUFACTURING OF CHINA (LIAONING) CO., LTD. THK continues to strengthen its organization in China in anticipation of rising demand going forward.

Elsewhere in the region, THK established THK LM SYSTEM Pte. Ltd. as a Singapore-based sales subsidiary in December 2006.

Fiscal 2007 operating conditions and performance

Capital investment expanded strongly in China, reflecting a continued high rate of economic growth. Demand for products in the mainstay machine tool sector increased due to higher production volumes along with a rising proportion of numerical control (NC) models. Demand in this sector remained strong in Taiwan as well.

Amid favorable market conditions, sales increased in both the machine tool and general machinery sectors. Regional sales rose 10.1% in year-on-year terms to ¥21.1 billion.

Sales: Developing the business base to serve buoyant local demand

• THK (CHINA) CO., LTD.

Since its establishment in 2005 as THK's leading subsidiary in China, THK (CHINA) CO., LTD. has worked to secure direct sales rights within the Chinese market. After the transfer of domestic sales functions to the company from THK (SHANGHAI) CO., LTD., full-scale business development within the Chinese market under this set-up began in fiscal 2006. We have since opened four new branch offices in China.

In fiscal 2007, we established new sales bases and recruited more personnel to reinforce our sales infrastructure sufficiently to be able to cater to growing demand in the Chinese market.

Based on this system, we focused on activities aimed at developing the THK brand within the machine tool industry, which is our principal target market in China. We participated in trade fairs across the country and upgraded THK's local online presence as part of the development of an aggressive program to promote sales. We also focused on developing sales for new applications such as robots, printing presses and the automotive-related sector.

We expect demand in the machine tool sector to remain robust in fiscal 2008. As well as upgrading our network of sales bases further, we plan to reinforce our sales infrastructure to develop closer relationships with customers.

Susumu Ogami
President, THK TAIWAN CO., LTD.

Kazushige Ohno
President, DALIAN THK CO., LTD.

Akira Furihata
President, THK MANUFACTURING OF CHINA (WUXI) CO., LTD.

Yoshiyuki Yamashita
President and Representative Director, THK LM SYSTEM Pte. Ltd.

• THK TAIWAN CO., LTD.

Amid a general resurgence within the machine tool sector, Taiwan's machine tool manufacturers expanded their exports beyond the traditional destination of China to include other BRICs nations and Europe. Our sales development activities in fiscal 2007 emphasized the global capabilities of the THK Group in providing technical support around the world. Attentive sales and technical support activities for key customers helped us to gain awards from a number of customers recognizing THK's excellence as a supplier.

In fiscal 2008, we plan to target further steady growth in sales by tapping into continued strong demand within the machine tool sector. We are actively seeking to expand profitable business opportunities in Taiwan. In addition, we will organize a series of technical seminars by THK engineers to try to raise the proportion of hybrid units within our local sales.

• THK LM SYSTEM Pte. Ltd.

The company was established in December 2006. Based in Singapore, our goals are to develop a sales system for ASEAN markets as well as India and Oceania and to develop new customers within these parts of the region.

Demand is projected to increase in these markets going forward. Since they comprise a relatively undeveloped part of the world for the THK Group, there is considerable potential for future growth. Building on the sales platform that was developed in fiscal 2007, we plan to pursue an aggressive program of business development in fiscal 2008 by leveraging the high degree of trust in the THK brand worldwide.

Production: Steady progress in upgrading capacity and raising quality

• DALIAN THK CO., LTD.

Amid growing demand in China for ball screws and other key products made by this subsidiary, in fiscal 2007 we focused on upgrading production capacity and workforce skills. We also made some organizational changes with the aim of creating a set-up to maintain consistently high quality levels as production volumes continue to rise.

The recent completion of a plant expansion has boosted production capacity. During fiscal 2008, we plan to focus on installing more equipment and on improving production jigs and tools so that we can continue to consistently produce competitive, high-quality products.

• THK MANUFACTURING OF CHINA (WUXI) CO., LTD.

THK commenced production in January 2005 at this facility, which at that time was the first LM guide plant in China. Work was finished on a second phase in November 2006 to expand plant capacity to accommodate rising demand in the Chinese market.

During fiscal 2007, we invested in production systems to improve capacity utilization and undertook activities for all employees to deepen awareness of the importance of product quality. Initiatives undertaken to date have steadily reinforced the company's earnings base. Responding to continued growth in demand, plans in fiscal 2008 call for efforts to improve profitability further by supplying competitively priced, high-quality THK products while also focusing on heightening cost-consciousness among employees.

• THK MANUFACTURING OF CHINA (LIAONING) CO., LTD.

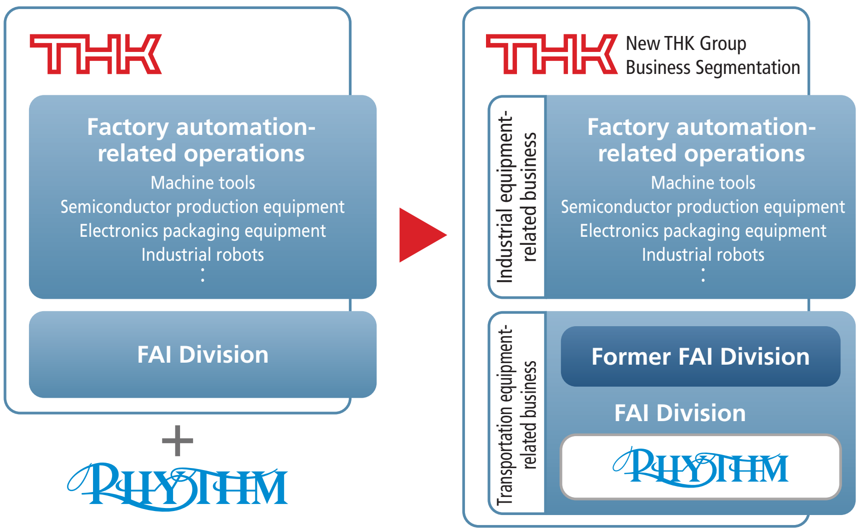
Established in 2005, this facility supplies high-end LM guides to Chinese machine tool manufacturers based in the northeast of the country as well as Japanese-owned machine tool makers that have set up factories in China. Shipments commenced in September 2006. Work was completed on the second phase of the plant in December 2007 to broaden the product lineup and increase production volumes.

In fiscal 2008, responding to the needs of the machine tool industry, we plan to develop the production set-up further to enable production of a wide variety of items other than LM guides. This promises to expand profitable business opportunities for the THK Group within the region.

Summary

In May 2007 THK acquired a 100% equity stake in the automotive components manufacturer RHYTHM, which became a consolidated subsidiary of the Company. In addition to machine tools, semiconductor production equipment, and other types of industrial machinery, the incorporation of RHYTHM into the THK Group has greatly expanded the range of applications for THK products in the transportation equipment sector, including automobiles and motorcycles.

To reflect this change, THK has decided to introduce a new business segment presentation for financial disclosure from fiscal 2007. The two new business segments are industrial equipment-related business, which includes the main capital goods-focused business developed to date plus various related new business development areas, and 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 production systems in this field that can respond dynamically to variable order levels. This translates into higher profits when sales rise. 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.

The transportation equipment-related business is one where THK aims to expand the scale of operations while enhancing earnings potential. This involves the pursuit of synergies with RHYTHM in all areas, including technical development, production, and sales.

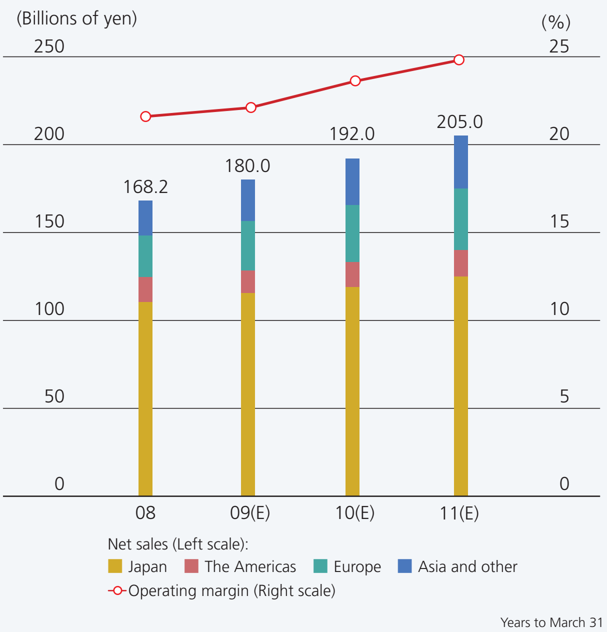
Unlike the industrial equipment-related sector, which has strong growth potential but where demand is influenced heavily by capital investment trends, the transportation equipment-related business is one where prospective earnings tend to be more predictable. THK's vision in this sector is to target first-tier supplier status by providing products that are regarded as global benchmarks and by offering customers guarantees of unrivaled quality in terms of zero defects and delivery issues alongside novel technological possibilities. In line with this vision, THK's fiscal 2010 performance targets for the segment are sales of ¥70.0 billion, a return on assets and operating margin of 10%, and an asset turnover ratio of 1.0.

Fiscal 2007 Overview and Fiscal 2008 Forecast

Industrial equipment-related business

Net sales posted by the industrial equipment-related business segment in fiscal 2007 totaled ¥168.2 billion. Segment operating income was ¥36.2 billion. In Japan, although THK was able to grow sales to the machine tool sector, sales for electronics-related applications were lower than in the previous year as a result of a weak and delayed recovery within the sector. In the Americas, THK successfully boosted sales as the result of market share gains with existing customers in the machine tool and general machinery sectors. This more than offset the impact of an ongoing correction in the electronics sector. In Europe, THK's sales grew mainly in the machine tool and general machinery sectors, supported by rising demand for machinery. In Asia, sales to the machine tool and general machinery sectors were higher in markets such as China and Taiwan, reflecting strong machinery demand in China.

In fiscal 2008, THK forecasts segment net sales of ¥180.0 billion, an increase of 7% over the previous year. The projected operating margin is 22.1%. THK is targeting higher sales and profitability across all regional markets in Japan, the Americas, Europe, and Asia.

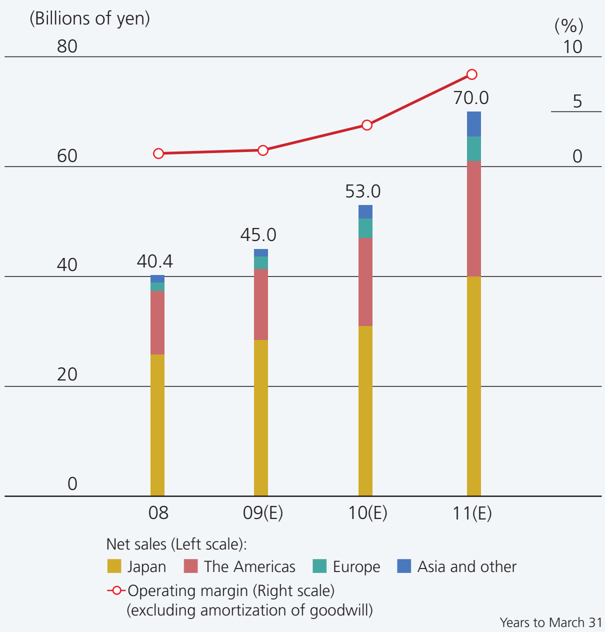


Note: The above excludes unallocable operating expenses.

Transportation equipment-related business

Net sales posted by the transportation equipment-related business segment in fiscal 2007 amounted to ¥40.4 billion. Steady growth in business with the existing customer base was supplemented by the start of dealings with new customers in both Japan and Europe. In the Americas, sales were largely in line with forecast despite a decline in automobile production volumes. The segment posted an operating loss of ¥2.2 billion for the year. This reflected an increase in depreciation expenses as the result of a capital investment program for future growth and a charge of ¥2.7 billion incurred for amortization of goodwill. These costs outweighed the effects of ongoing cost-reduction programs.

In fiscal 2008, THK forecasts segment net sales of ¥45.0 billion, an increase of 11% over the previous year. THK aims to make further progress in building a global manufacturing and sales set-up. While targeting consulting-led sales growth across all regions worldwide, THK hopes to realize synergies with RHYTHM, such as focusing efforts on expanding sales of modules as well as the mainstay range of stand-alone products. THK expects an operating margin of 1.5% for the segment in fiscal 2008, a slight improvement over fiscal 2007. This forecast takes into account certain front-loaded capital investments being made in anticipation of orders already confirmed for fiscal 2009 and beyond. THK expects profit margins in this business segment to improve over this time frame as these orders begin to translate into sales.



Note: The above excludes unallocable operating expenses.

At present, THK's business remains focused on capital goods sectors such as machine tools, industrial robots, and semiconductor production equipment. Ongoing new business development initiatives are aimed at broadening this base into consumer goods and related sectors. THK has already established growing businesses in new areas such as automotive components, seismic isolation devices, and parts for consumer appliances. Going forward, THK is focused on continuing to increase the range of product applications.

FAI Division

Targeting higher earnings from the transportaion equipment-related business segment

FAI stands for Future Automotive Industry. THK set up the FAI Division in 1999 to expand usage of the company's products as automotive components. Link balls, which are the division's mainstay product, are used in automobile undercarriages as joint sections to connect the stabilizers to the suspension. Many leading automakers in Japan, Europe and the Americas use link balls, and the business has grown steadily. THK's advantage in this area is an integral molding process for the production of aluminum die-casts. This makes the link balls much lighter than conventional steel versions, as well as highly resistant to corrosion or abrasion. Awareness continues to grow among automakers of the high-performance benefits offered by these products.

RHYTHM joined the THK Group in May 2007 as part of THK's efforts to accelerate development of new business areas. The operations of the FAI Division and RHYTHM comprise the transportation equipment-related business segment. THK aims to develop these operations in an integrated fashion.

RHYTHM and THK both manufacture automotive parts that are mainly used in the undercarriage sections of vehicles. The two companies have numerous mutually complementary strengths in this field. RHYTHM has developed forging technologies and superior quality control systems to facilitate the supply of components to extremely strict dimensional and strength tolerances. As a result, many of Japan's automakers source critical safety components for vehicle undercarriages from RHYTHM. The company commands a high share of the Japanese market for suspension joints and related products. Besides Japan, RHYTHM also has production and sales bases in overseas markets such as North America and China. Complementing these strengths, the FAI Division has developed aluminum die-cast technology and can access the THK Group's global production and sales network. The division has already established a track record with a number of automakers based inside and outside Japan.

Pursuing synergies with RHYTHM

Future plans call for boosting the global presence of the THK Group as an automotive parts supplier by pursuing synergies with RHYTHM to enhance the group's ability to respond rapidly and precisely to ongoing changes in the global automotive market.

One of the key developments within the transportation equipment-related business environment over the past few years has been the emergence of a number of dynamic world regions where vehicle demand and production volumes are both on the rise. Amid rapid growth in vehicle demand in emerging markets, THK is currently targeting aggressive proposal-based sales activities across various regions around the world. By supplying highly competitive products, THK aims to expand both the number of automotive sector clients and the range of vehicle models in which THK products are used.

A second key change is an ongoing trend to make vehicles lighter and more energy efficient, reflecting the impact of factors such as stricter environmental regulations and high oil prices. The FAI Division has already developed link balls made using an integral aluminum die-cast process that are substantially lighter than conventional steel parts. This has contributed to improvements in fuel economy. Going forward, THK aims to combine this technology with the forging technology of RHYTHM to develop products that will come to define the industry's benchmarks.

In addition, automakers expect ever-increasing levels of safety from parts suppliers as automobiles continue to improve in terms of performance and multi-functionality. THK is working to upgrade its quality assurance systems on a global basis in response to the demands of automakers by incorporating quality control and technical support systems for critical safety components that RHYTHM has developed over many years.

In the transportation equipment-related business segment, THK is targeting first-tier supplier status through these kinds of initiatives. The major focus is on the development of products that provide the de facto standard within the industry based on zero-defect guarantees and highly original technology.

Fiscal 2007 activities and results

The main priority during fiscal 2007 was on developing the new operational infrastructure to facilitate business collaboration with RHYTHM. In Japan, THK relocated the main FAI Division to RHYTHM's head office and factory site to start integrated business activities. In the United States, sites were merged to create an efficient sales organization and eliminate unnecessary duplication. In Europe, THK appointing specialist personnel from the FAI Division and from RHYTHM at to THK branch office to reinforce sales capabilities. Elsewhere, a new production base was established at THK RHYTHM (THAILAND) CO., LTD. in July 2007, with manufacturing operations commencing in September 2008.

THK also began developing an integrated longer-term business strategy with RHYTHM. Efforts focused on creating an effective business development framework for separate regions and customers by leveraging the global THK Group network across Japan, the Americas, Europe and Asia.

Alongside these various initiatives, THK also focused on aggressive sales activities together with RHYTHM, mainly targeting automakers based in Europe. These efforts were successful in securing new customers for link balls and expanding the range of models using these THK Group products. Orders for link balls were double the level achieved in the previous year.

Net sales posted by the transportation equipment-related business segment in fiscal 2007 totaled ¥40.4 billion. The year marked a successful start to collaborative business development efforts with RHYTHM. The emerging synergies with RHYTHM promise to translate into more positive results in the marketplace going forward.

Fiscal 2008 initiatives based on longer-term strategy

THK has set a target of ¥70.0 billion for transportation equipment-related business segment sales in fiscal 2010. To achieve this figure, THK plans to reinforce efforts to develop synergies with RHYTHM.

In fiscal 2008, besides stand-alone products such as link balls, plans call for the active development of modularized products combining THK's mainstay LM guides with other products such as ball screws. For its part, by taking advantage of the global sales network constructed by the THK Group, RHYTHM plans to develop products tailored precisely to customer requirements, based on the compilation and analysis of detailed information on market needs.

Outside of product development, efforts will continue to strengthen the base of operations in the European market, which has good growth prospects. A key focus will be on expanding the range of applications for various products.

By making further progress in business development based on a longer-term perspective and building on the success achieved with initiatives undertaken to date, THK is targeting net sales of ¥45.0 billion in the transportation equipment-related business segment in fiscal 2008.

ACE Division

Broad possibilities for THK's seismic isolation technology

ACE stands for Amenity Creation Engineering. Guided by the concept of "developing technology to realize creative living spaces for greater comfort," the ACE Division has sought to apply THK's original linear motion technology since its establishment in 2001. The division markets seismic isolation devices that protect human life and property from the threat of earthquakes.

Seismic isolation devices help buildings to dampen or absorb the vibrations and shaking caused by an earthquake. THK's products are unique in that they can give adequate earthquake protection to a wide range of structural types, from high-rise buildings and low-rise residences to historical structures such as temples and shrines.

A related area where interest among Japanese companies has recently grown is in the development of business continuity plans (BCPs). Applying THK's original expertise in seismic isolation technology, the division is developing and selling seismic isolation devices for protecting operating assets such as PCs and servers from damage caused by earthquakes. Compared to rival products on the market, THK's high-performance seismic isolation devices reduce the vibrations caused by an earthquake to a much greater extent.

The number of domestic construction starts dropped in Japan in fiscal 2007 following the enactment of legislation to revise building standards. With the aim of boosting the number of devices installed, the ACE Division conducted an aggressive nationwide PR campaign, including the use of earthquake simulation vehicles at housing exhibitions in Japan's major cities. Targeting potential corporate customers amid a surge in the formulation of disaster countermeasures as part of BCP development, the division also engaged in PR activities to stress the superiority of THK seismic isolation devices in the protection of servers. These promotional activities were successful in terms of expanding the total installed base of THK seismic isolation devices.

Upgrading promotional campaigns and sales activities amid growing demand for BCP-related products

The sales target for fiscal 2008 is ¥2.0 billion. To achieve this figure, the ACE Division plans to continue using PR campaigns to promote the benefits of THK's seismic isolation devices to construction firms and homebuilders. In addition, the division aims to promote more widespread product uptake by holding seminars aimed at consumers to explain to people the importance of installing seismic isolation devices, along with the advantages offered by THK technology and products. The division also plans to make more effective use of earthquake simulation vehicles in marketing activities.

In a business environment where corporate demand for BCP-related products continues to strengthen, the division is also focusing on expanding sales of seismic isolation devices for server protection.

CAP Project

Consumer goods applications of THK technology for "electric-powered living"

THK established the CAP (Consumer Application Products) Project in 2002 with the aim of developing applications for THK products in end-use consumer applications and of cultivating new markets. Based on the core concept of "electric-powered living," THK is working to create business opportunities in a broad range of fields, mainly components for use in consumer appliances, other lifestyle goods, and universal design equipment. Product development efforts are focused not only on developing new applications for THK products to meet existing market needs, but also on creating future-oriented products.

THK increased the number of proposals and assigned more development staff to the CAP Project during fiscal 2007, reflecting expanded opportunities for technical applications due to greater use of automation in targeted fields. THK organized private shows as part of efforts to maximize the effectiveness of promotional activities. Adding to the existing range of mainstay products (lens-shift units for commercial LCD projectors and sliding rails designed to fit electric induction hobs), new products entering the mass-production phase included hybrid units for use with blood-testing equipment and actuators for use in agricultural machinery. In the field of robots, an area with particular promise, THK was an active participant in publicly

sponsored projects. Good progress was made in terms of R&D advances with elemental devices along with fundamental development work on robotic hands.

Effective marketing activities to grow sales of developed products

Increasing usage of automation in consumer-use appliances and other areas targeted by the CAP Project has boosted the prospects for generating higher sales through the application of specialized linear motion technology.

To achieve the CAP Project's fiscal 2008 sales target of ¥1.2 billion, we are making proposals to leverage the global sales infrastructure of the entire THK Group to produce and sell products. With the aim of securing larger orders for mainstay mass-produced items, THK's business development teams are also working with existing customers to expand the range of applications while at the same time looking to broaden the customer base. Moreover, with an eye to creating business opportunities over the longer term, THK is targeting the development of new products in selected fields such as kitchen appliances, aircraft interiors, and civilian robots.

MRC Center

Creating future sources of profit

THK set up the MRC Center in 2000 with the aim of creating future pillars of earnings growth through the development of highly original products. As suggested by its name, the facility is engaged in creating new technology that spans the fields of mechatronics, robotics and computing. Currently the center is focused on development of surgical assistance robots and other advanced technology, including humanoid robots. The future market potential in these areas is large. The MRC Center is working to exploit the advantages provided by THK's technologies.

One noteworthy result of our ongoing development programs is Mister C Motion Designer, a software package that enables robots to move with smooth precision along gentle curves. By simultaneously controlling the movement trajectory, which is based on clothoid curve modeling, and the acceleration over time, this new technology represents a significant addition to THK's amassed expertise in specialized linear motion solutions for smooth, precise robotic movement.

During fiscal 2007, as part of a joint research project with a university, the MRC Center made substantial progress in the commercialization of one type of surgical assistance robot. The mechatronics developed for this robot enable considerably more complex and precise movements than achieved previously. Elsewhere, the center is also involved in a collaborative project involving groups from industry, academia and the public sector to develop humanoid robots for applications in cellbased production methods.

A greater focus on commercialization

In medicine, the trend toward advanced technology and the need to control medical spending as society ages both point toward greater use of robots in the future. Increased introduction of robots is also widely expected in industry, reflecting demand for further efficiency gains within production systems. THK is focusing development efforts in both these areas.

Full-scale commercialization of surgical assistance robots is now under way. The major issues are ensuring conformity with the legal safety requirements in Japan, reduction in weight, and the development of materials that are compatible with the widespread use of X-rays and magnetic fields in medical settings. With humanoid robots, among other issues, efforts are now focusing on improving motive functions and on the development of more advanced adaptive control functions.

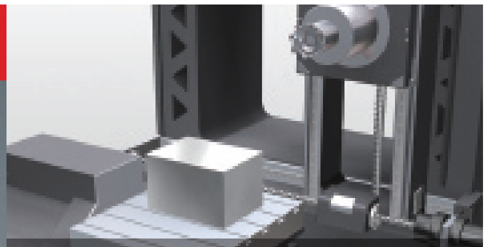
In fiscal 2008, by addressing these issues, THK aims to accelerate progress toward early commercialization. This not only means speeding up internal development processes, but also involves strengthening cooperative links with other groups, including companies and external research institutions.

THK PRODUCTS

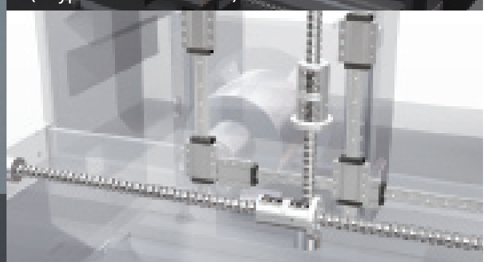
THK's products, centering on LM guides, are used in various types of industrial machinery. As a machinery component vital to increasing precision, speed, and energy efficiency, LM guides contribute to the development of industry.

Linear Motion (LM) Guides

LM guides with cage-embedded technology contain belt-shaped ball cages that hold the balls in place while preventing contact between them. This design translates into benefits such as extended service life, reduced noise, and less generation of heat and dust, thus reducing overall costs for customers.



LM guide used in a machining center (a type of machine tool)

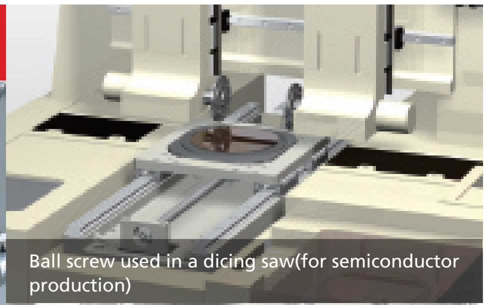


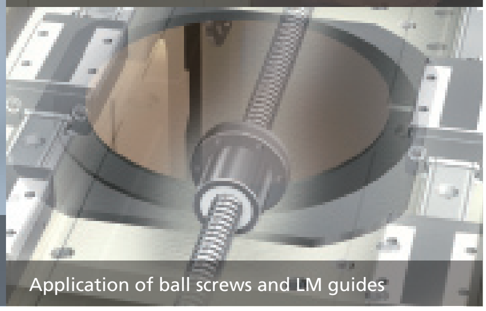
Application of LM guides and ball screws

In 1996 THK became the first company in the world to successfully develop the next generation of LM guides featuring caged ball technology. Since then we have striven to expand the usage of these improved LM guides. The ball cages are plastic parts that keep the balls in place and guide them. This stops direct contact between the balls, eliminating noise and friction. Compared with first-generation LM guides, the use of caged ball technology reduces noise, extends service life, and enables longer maintenance-free periods. LM guides based on caged ball technology are now vital components of many types of equipment. They have made a major contribution to the development of high-speed, low-noise industrial machinery with longer productive lives, notably in the machine tool and semiconductor production equipment sectors.

Ball Screws


Ball screws with cage-embedded technology employ ball cages to facilitate higher speeds, longer service life, and lower noise levels—all features that are in high demand from customers.


Ball screw used in a dicing saw(for semiconductor production)


Application of ball screws and LM guides

Ball screws are machinery parts that function by causing a large number of balls to circulate between the screw shaft and the nuts. This mechanism of action efficiently converts rotary motion into linear motion. Primarily employed in various types of industrial machinery, ball screws are labor-saving devices that act as drive components in motors. THK has also developed ball screws featuring caged ball technology that have made a significant contribution to the development of high-speed, low-noise industrial machinery with extended service lives, especially in sectors such as machine tools, industrial robots, and semiconductor production equipment. Other ball screws supplied by THK are designed to support high loads, making them ideally suited for replacing the hydraulic cylinders used in capital equipment such as injection molding machines, presses, die-cast machines, blow molding machines, and extrusion molding machines.

Actuators


Integrating an LM guide and ball screw into a single component, LM guide actuators deliver high precision and rigidity within a compact space.

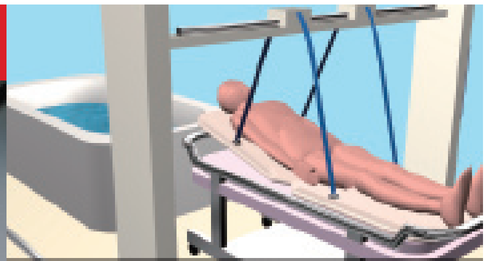

Actuators are used in medical equipment such as CT scanners


Application of actuators and LM guides

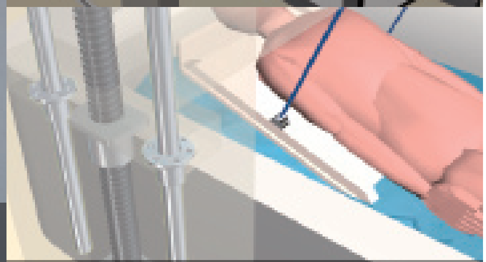
Actuators are hybrid products combining a guide component such as an LM guide with a ball screw, linear motor, or other drive component. In industries such as electronics, there is an increasing need to shorten development and manufacturing lead-times. Modularization allows actuators to realize benefits such as simplified design and fewer assembly components, thus helping to meet such requirements. THK supplies a varied lineup of actuators ranging from basic, low-priced units to high-end components designed to operate at high speed or perform to clean-room specifications. Such advanced actuators have become indispensable parts in equipment used in the manufacture or inspection of semiconductors and flat-panel displays.

Ball Splines

Ball splines are devices in which balls embedded in the spline nut are allowed to move smoothly along a precision-machined groove in the rolling surface of the spline axle. This design creates a linear-motion system that is capable of transmitting torque.



Use in bathing assistance equipment



Application of ball splines

Developed in 1971, the same year that the Company was established, ball splines were the precursor to the LM guide. Balls roll along an R-shaped groove machined into the spline axle. This critical advance boosts the load that the device can tolerate and permits the transmission of torque, resulting in a revolutionary linear-motion system. Compared with conventional linear-motion bearings, which do not contain such grooves, ball splines boost the tolerable load by a factor of 13 and service life by a factor of 2,200. Today, ball splines play a number of highly functionalized roles in a variety of machines. Usage examples include industrial robots, medical equipment, and chip mounters.

Cross Roller Rings

Cross roller rings feature internal cylindrical rollers arranged orthogonally to facilitate load bearing in every direction.

Usage in industrial robots

Application of cross roller rings

Cross roller rings are roller bearings that feature internal cylindrical rollers arranged orthogonally so as to facilitate load bearing in every direction. The incorporation of the spacer cages between these orthogonally arranged rollers prevents roller skew and reciprocal abrasion between the rollers. These rings are highly rigid despite their compact structure. Cross roller rings are used in the rotating parts of many different types of industrial machinery, including the joint areas and swiveling parts of industrial robots, machining center swivel tables, the rotating parts of industrial manipulators, and precision rotary tables. Other applications include medical equipment, measuring instruments, and equipment for manufacturing integrated circuits.

Link Balls

Use of an integral molding process for the aluminum die-cast produces lightweight link balls that are highly resistant to corrosion and abrasion. These are used widely in vehicle undercarriages.

Usage in automotive parts

Application of link balls

Link balls are specialty bearings that are used primarily as automotive parts. THK has developed a proprietary process for link ball production in which a die-casting process is employed to fabricate holders for the high-precision steel ball bearings that form the spherical surfaces. The shank portions are then specially welded. We use an integral molding process for the aluminum die-cast, which makes the link balls highly resistant to corrosion and wear due to abrasion. They are also considerably lighter than the steel parts traditionally used. Link balls are used widely in automobile undercarriages, particularly in ground clearance sensors and the joint sections connecting the stabilizers to the suspension. As such, they play an important role in improving safety and comfort on the road. Over the past few years we have begun supplying link balls for an increasing number of vehicle models to leading automakers in Japan, Europe, and North America.

RHYTHM products

RHYTHM produces a wide variety of critical automotive safety components with applications in steering, suspension and braking systems as well as engines and transmissions.

RHYTHM, which became a consolidated subsidiary in May 2007, offers a product range that includes automotive components used in steering, suspension, and braking systems as well as engines and transmissions. In addition to cold-rolled steel forged ball joints, RHYTHM is currently expanding into ball joints that are integrated with aluminum suspension links. As critical automotive safety components, RHYTHM's products must meet the highest standards of quality and performance. In striving to meet market demands by offering guarantees of zero defects and zero delivery problems, RHYTHM seeks to contribute to the production of safer and more comfortable vehicles.

R&D AND NEW PRODUCT DEVELOPMENT

Guided by the business philosophy of "providing innovative products to the world and generating new trends to contribute to the creation of an affluent society," THK continually strives to create original products as a creative development-driven enterprise.

THK product development as a contributor to industrial development

THK's business philosophy is based on the idea of "providing innovative products to the world and generating new trends to contribute to the creation of an affluent society." This thinking has guided our drive to be a creative development-driven enterprise, enabling us to develop a varied stream of products since our establishment in 1971.

THK developed the world's first linear motion (LM) guide. For the first ten years after we started production and sale of these products in 1972, LM guides were primarily used in machine tools. During this period we developed a series of new products to fulfill our customers' needs for increased precision and lower cost. In the 1990s, other industries such as manufacturers of semiconductor production equipments and industrial robots began to adopt THK products. We responded by developing various new products that were optimized for customer-specific applications and operating environments in these sectors. In this way, our products have made a valuable contribution to industrial development.

In 1996, we pioneered the development of the world's first-ever LM guide using caged ball technology, an advance that enabled LM guides to operate without maintenance for much longer periods. Although caged technology was already common in rotary bearings at the time, the problem was that these bearings had to cope with both linear and circular movements. This made it extremely difficult to develop ball cages with sufficient durability to move along straight lines or curves. THK demonstrated superior technical prowess in overcoming this issue. LM guides based on caged ball technology not only provide the benefit of long-term maintenance-free use, but have also made a significant contribution to the development of high-speed, low-noise industrial machinery with longer productive lives, particularly in the machine tool and semiconductor production equipment sectors. The advance also paved the way for the development of LM guides for additional applications. Today, we continue to develop products that use cage-embedded technology. Besides LM guides, this range has expanded to include ball screws, ball splines, and hybrid units combining LM guides with ball screws.

An efficient and effective R&D system

THK's R&D organization employs about 160 people. R&D functions are based in Tokyo's Ohta Ward at the Technology Center, which was established in July 2005. A major reorganization was conducted in October 2006 to reinforce the links between various departments, creating the set-up shown in the chart on page 31.

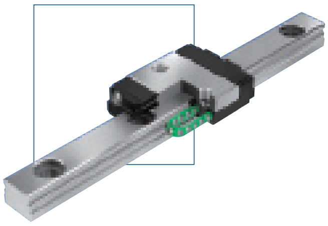
Two departments, Research and Development I and II, take the lead role in new product development. Both departments are organized on a project basis to expedite the commercialization of products optimized to market requirements.

Research and Development I is the department responsible for developing LM guides, ball screws, and other components. Its basic product technology development programs work on a five-year horizon. Other programs seek to make functional improvements to existing products, and to develop new models or custom-made products for specific customers. Research and Development II develops hybrid units and electronics-related technology.

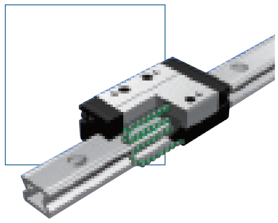
Fiscal 2007 major R&D activities and results

The main theme of R&D activities in fiscal 2007 was the "cubic E" concept, which embraces the three keywords Ecological, Economical and Endless. Programs focused on extending the range of applications for THK's linear motion technology. Major achievements in the year included the development of products for a number of original applications.

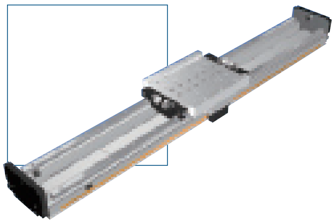
One of the key results in fiscal 2007 was the development of new products to further extend the series of LM guides based on cage-embedded technology, which allows usage of these devices for long periods without maintenance. We completed the development of the SRS-5 type, our smallest LM guide based on caged ball technology, together with a LM Guide Light that realizes a weight reduction of 40% compared with previous products. Both of these products are now being promoted to develop new markets.



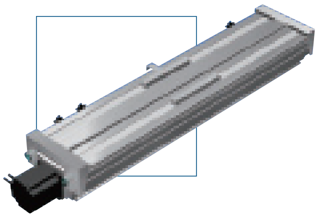
LM Guide with Caged Ball
(SRS-5)



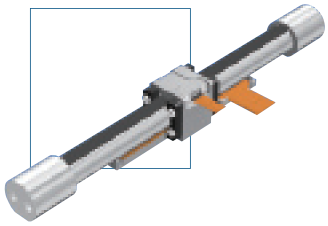
LM Guide Light



Linear Motor Actuator
(GLM-15)



LM Actuator for
Clean Environment Model (CGL)



Micro Actuator

We also developed a number of actuators that incorporate LM guides based on caged ball technology: the GLM-15/25 type of linear motor actuator; the CGL type of actuator, which is designed for use in clean environments; and the "Micro Actuator," which is a miniaturized hybrid unit. Each of these new products was launched in its target market. In fiscal 2007 we also initiated moves to gain UL certification* for THK's linear motor actuators. Going forward, we aim to expand sales at the global level by promoting the fact that THK products have attained global high level of safety and reliability.

Fiscal 2008 policies and programs

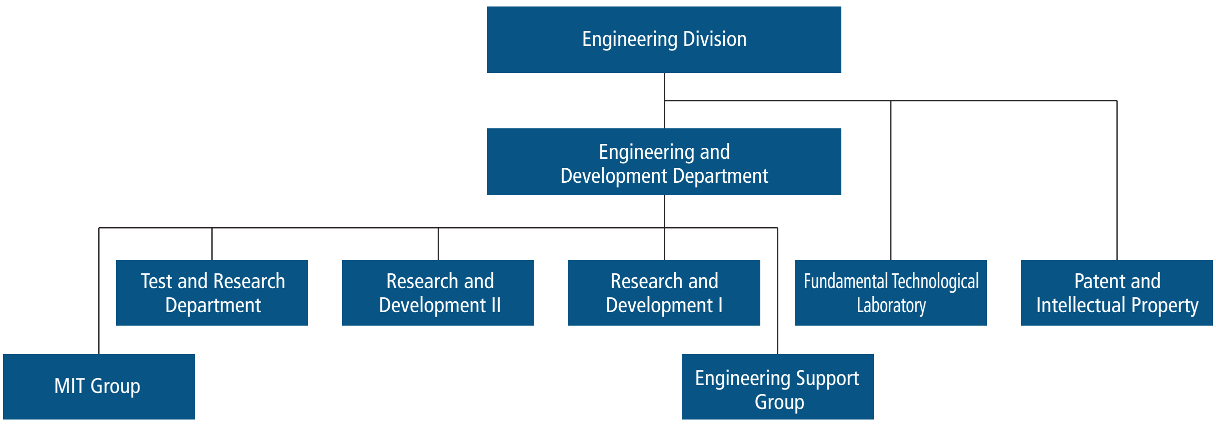
Our view is that there remains a large amount of untapped demand for LM guides and other THK products.

In line with this thinking, in fiscal 2008 we plan to continue trying to accelerate the pace of development while actively seeking to develop new applications. As a creative development-driven enterprise that has generated numerous high-value-added product innovations, we plan to reinforce our R&D efforts with the aim of developing highly original and attractive products for launch five or ten years in the future.

As part of the ongoing development of our global production and sales set-up, we also plan to make further progress in building systems to enable optimal localized development of new products across the four regions of Japan, the Americas, Europe, and Asia. In doing so, we aim to upgrade our development capabilities to cater to the needs of local markets. At the same time, we plan to provide assistance for sales activities with new products on a global scale so that we can expand the range of applications for THK products worldwide.

*Underwriters Laboratories Inc., a U.S.-based organization that ranks as the world's longest established, largest, and most authoritative safety testing institution, awards the UL Mark to certify that products have attained high levels of safety. The mark is widely regarded as a guarantee of safety performance.

Diagram of Engineering Division (As of March 31, 2008)



ENVIRONMENTAL PRESERVATION

Recognizing its societal obligation as a corporation to help sustain the health of the global environment, THK is working to continuously reduce the burden it places on the environment and to sustain and improve the natural environment.

As a pioneering global manufacturer of vital machinery components, the THK Group has made an economic and social contribution via the development of linear-motion systems such as LM guides. The linear-motion technology that THK Group has developed converts slippage into a controlled rotary motion. This translates into a range of environmentally positive benefits, including lower energy consumption, greater compactness, less need for lubricants, and faster and quieter machinery operation. Overall, THK Group products make a major contribution in terms of reducing the environmental impact of machinery.

The THK Group instituted a basic environmental policy in fiscal 2001 that designates environmental preservation as a key management issue. The THK Group is committed to ensuring that employees understand and follow its policy on the environment. The THK Group instituted a program of specific environmental management initiatives with performance targets in fiscal 2005. The program covers various activities to conserve energy and resources, reduce consumption of harmful substances, and promote the development of eco-friendly products.

The THK Group published its first CSR Report in 2007. This provided an opportunity to review the environmental policies of the THK Group and related essential environmental preservation measures and to consider what are appropriate environmental management performance targets. Going forward, The THK Group plans to continue developing its program of environmental preservation activities, without losing sight of the goal of leaving the world in a better state for the next generation.

Please note that, for the purposes of this environmental section (pp. 32–37), the THK Group is defined as the five parent company production facilities in Japan plus THK NIIGATA CO., LTD. and DAITO SEIKI CO., LTD. This also applies to the scope of the various data presented in this section.

THK Group’s Basic Policy Regarding the Environment

Since the development of the LM Guide, the THK Group have contributed to both society and the economy through their pioneering role as manufacturers of linear motion systems and machine components. We also believe that it is a company’s social responsibility to leave the global environment in a healthy state for the next generation, which is why we are undertaking the following initiatives to continually decrease environmental burdens and maintain and improve the natural environment.

1. Conservation of the environment is considered a major management concern, and we are striving to accurately grasp the impact on the environment produced by the Group’s business activities, products, and services. Every division participates by setting relevant environmental goals.
2. In addition to following environmental laws, we set self-imposed standards for Group companies and regularly review them to improve the efficiency and effectiveness of our environmental management.
3. We will continually promote the development of products that help reduce environmental burdens.
4. We will continually promote conservation and recycling of resources, with particular attention to reducing and recycling waste from our manufacturing divisions.
5. To promote greater unity in our environmental activities, we will provide guidance and support to our affiliates and business partners, and strive to work in cooperation and harmony with local communities.
6. This basic policy regarding the environment shall be disseminated to all divisions in the Group through education, training, and activities designed to improve awareness. We will disclose information concerning the environment to parties within and outside the Group in a timely manner.

Environmental activities and targets

Area	Objectives and goals	Main activities
Energy conservation	Cut greenhouse gas emissions Achieve 15% reduction in CO_2 emissions per unit of output relative to FY2005 levels by FY2010	(1) Energy diagnostics (2) Energy conservation (3) Use of clean energy
Material conservation, zero emissions	Reduce environmental impact; achieve zero emissions	(1) Input controls (materials, parts and by-products) to reduce usage and boost per-unit yields (2) Controls on emissions and final waste disposal (3) Material re-use/recycling
Harmful substance controls	Eliminate and control harmful substances in THK Group production/distribution activities	(1) Substitution of PRTR-designated substances (2) Green procurement and purchasing
Environment-friendly products and services	Develop products and supply services using LCA (Life Cycle Assessment) methods	(1) Cage-embedded product series development (2) Extension of service life and maintenance-free periods

Energy conservation and CO_2 emissions reduction

Global warming poses a serious threat to humans and ecosystems around the world. Sudden increases in temperatures could result in rising sea levels, abnormal weather patterns and other ecosystem changes. Such phenomena could cause extensive physical damage and harm to human populations in the form of freshwater depletion, impacts on agricultural and fishing industries, crop failures and damage due to extreme weather events. The THK Group regards global warming as an important environmental issue requiring action to curb emissions of CO_2 and other greenhouse gases.

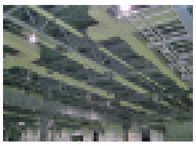
The THK Group operations use considerable amounts of energy in manufacturing processes such as machinery fabrication, grinding and heat treatment as well as in air conditioning, lighting and compressed air systems. These operations are the largest sources of power consumption and CO_2 emissions for the THK Group. Comprehensive efforts to conserve power and to reduce the energy consumption of these facilities form the centerpiece of the company's efforts to combat global warming.

Since the company's establishment, QC circles and other programs aimed at improving productivity by reducing waste ("3M" activities) or workplace clutter ("5S" activities) have been developed across the THK Group. These activities often generate practical ideas from individual employees for reducing power consumption. Implementation of such proposals helps to conserve energy.

As part of efforts in Japan to meet Kyoto Protocol targets, in fiscal 2005 the THK Group formulated a plan to achieve a voluntary CO_2 emissions reduction target of 15% in terms of emissions per unit of production output (measured as kg-CO_2/'000 yen of output) relative to actual fiscal 2005 emissions by fiscal 2010. Total and specific CO_2 emissions both increased 8.5% in fiscal 2007 relative to the previous year due to the completion of several production facilities during the year, which boosted the THK Group power consumption.

Specific factors behind this increase included the start-up of operations at the No. 3 plant at the Yamagata site (built to accommodate projected growth in demand) and the Chubu Product Center. The unusually hot summer in 2007 also boosted power consumption due to plant air-conditioning systems.

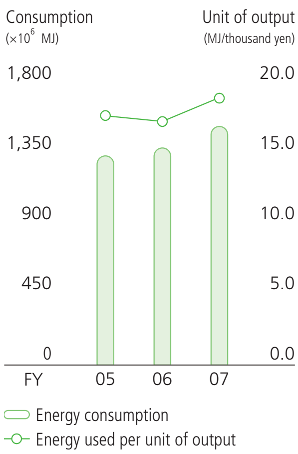
Yamagata Plant No. 3 Site in which the latest air-conditioning systems have been installed



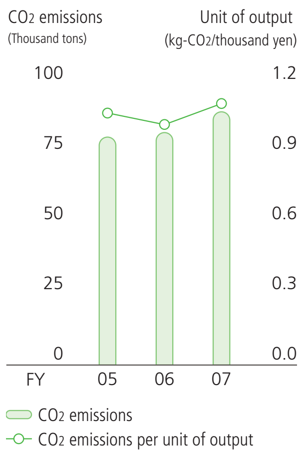
Three different types of air conditioning systems have been installed. Energy consumption can be minimized by utilizing only the type and number of air conditioning systems necessary to maintain the required temperature.

Energy consumption

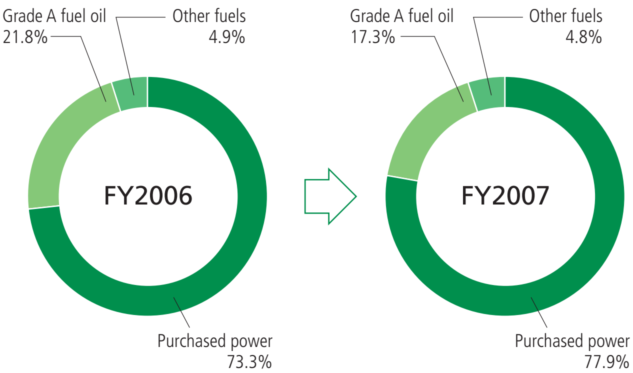
(THK production sites)



CO_2 emissions



Breakdown of the THK Group energy used



Energy efficiency: Main items being undertaken

1. **Energy surveys**
   Analysis of the energy consumption of the buildings, machinery, air conditioning, lighting, air compressors, etc.

2. **Energy efficiency**
   Appropriate measures are taken based on the results of the energy surveys.

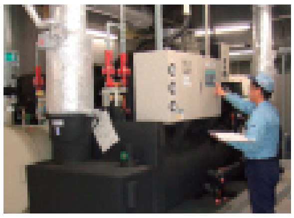
3. **Use of clean energy**
   We aim to increase our use of clean energy such as LNG and solar energy.

As outlined above, the major drivers of power consumption at the THK Group production facilities are machinery fabrication, grinding and heat treatment processes and systems such as air conditioning, lighting and compressed air lines. In terms of energy sources, power purchased from utilities accounts for about 78% of consumption and Grade A fuel oil for a further 17%. The rest is derived from propane gas, other fossil fuels and liquefied natural gas (LNG). In recent years, the THK Group has tried to limit the use of Grade A fuel oil and increase the amount of purchased power to help reduce CO_2 emissions.

The three main activities being undertaken by the THK Group to achieve energy conservation goals over the medium and long term are shown above, along with a list of the main measures implemented during fiscal 2007.

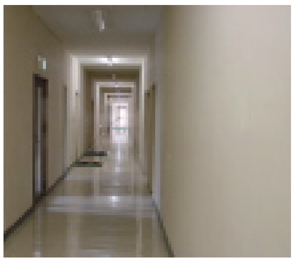
The THK Group is committed to redoubling efforts to achieve the emissions reduction target of 15% by fiscal 2010 relative to the fiscal 2005 benchmark, despite the lack of progress in fiscal 2007 in performance terms.

Yamaguchi Plant No. 1 Site turbo-freezer (installed June 2007)

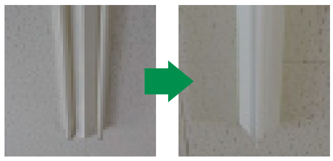


Energy consumption was reduced by replacing the grade A heavy oil-fired absorption-type hot and cold water units with turbo-powered freezers.

Yamagata Plant No. 1 Site corridor



Double lights have been replaced with personnel and light sensor activated single lights, which can be switched on independently of each other.



Main energy-saving and emissions-reduction measures (FY2007)

① Operation of co-generation equipment; shorter periods of on-site power generation (switch to purchased power)

② Upgrade to Grade A fuel oil-fired turbo-powered freezers

③ Conversion to auto-off lighting fixtures and energy-efficient mercury and fluorescent lamps inside factories

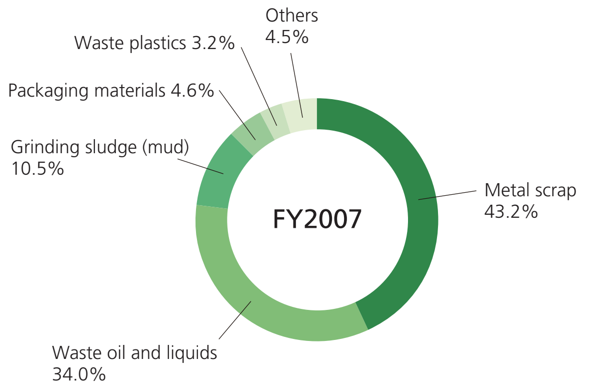
④ Greater subdivision of switches to enable area-specific internal lighting

⑤ Conversion to electronic inverters for fluorescent lighting stabilizers

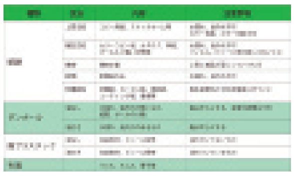
⑥ Upgrade to oil-free compressors

⑦ Installation of auto-off timers for ventilation system boilers

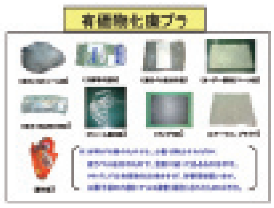
Breakdown of waste



Sorting table



Yamaguchi Plant waste sorting table



Mie Plant
Sorting of resin components illustrated by photographs

Gifu Plant waste recycling area

Production Division office

Production Division

Material conservation and zero emissions

Material conservation and zero emissions activities are not merely concerned with waste management. The THK Group is also focused on developing a production set-up that is completely geared to promoting recycling.

The THK Group has adopted a just-in-time production philosophy aimed at using only the minimum material and time inputs based on careful management of materials and production process timing. This approach aims to minimize generation of waste. Just-in-time production demands maintenance of lean inventories and consistent product quality as well as advanced management techniques to enable highly sophisticated production planning and process monitoring. The THK Group strives to improve all production processes on an ongoing basis with the aim of raising production yields for raw materials and other parts.

The management of input material volumes and continual production process improvements characteristic of just-in-time production also help to reduce the volume of waste generated in absolute terms. Zero-emissions activities entail promoting the comprehensive sorting and recycling of any material wastes whose emission cannot be avoided.

Wastes emitted include metal scraps, waste oils and liquids, grinding sludge, packing materials and waste plastics. The THK Group applies four principal methods to process these materials, based on their properties. Currently, most waste materials are recycled.

Material recycling requires wastes to be sorted in line with the ultimate use of the processed waste. The THK Group applies a detailed set of rules to sort industrial and general wastes into up to 35 separate categories. This requires the awareness and cooperation of all employees. The importance of sorting and recycling waste properly is explained in environment-related educational training courses. The THK Group also uses photograph-based sorting charts and special waste-sorting areas to make it easier for employees to do this task.

Although these various recycling activities continued in fiscal 2007, increased production translated into a rise in the total amount

Main wastes and recycling

Waste
Grinding sludge
Metal scrap
Grindstones
Cardboard
Dry cell batteries
Fluorescent lights

Material recycling
Metal, roadbed materials,
Cement materials, grindstones
Recycled paper, cardboard,
board raw materials
Glass raw materials
Plastics raw materials
Water resources

Waste
Plastics
Waste oil
Old paper, cloth,
wood chippings

Thermal recycling
Supplementary fuel,
plastic waste fuel

Waste recycling

1 Use of ferrous wastes as raw materials for steelmaking

2 Use of mud containing grindstone powder as raw materials for cement

3 Use of waste oil as fuel

4 Use of waste plastics and oil impregnated materials for steelmaking or reducing fuel

Installation of grinding sludge solidification plant in Kofu Plant


Grinding sludge is solidified, and waste converted into steel materials (valuable item)

Gifu Plant

Cleaning activities at Sasaoyama, a registered tourist spot as the site of the Battle of Sekigahara (October 2007)

Main zero-emissions measures (FY2007)

① Higher production yields for raw materials due to process improvements
② Reduced use of consumable items due to operational improvements
③ Reduced emissions of general waste due to enhanced visibility ④ Recycling of irrigation fluids
⑤ Conversion of metal scrap into saleable commodities ⑥ Installation of sludge solidification equipment
⑦ Improved operating environment in terms of dust, soot, and particulates

of waste generated of over 1,000 tonnes compared with the previous year. However, due to successful efforts to increase the proportion of wastes that were recycled, the emission ratio (the amount of waste sent to landfill for disposal as a proportion of total wastes generated) fell by 0.8 percentage points to 3.9%, an improvement of around 22% in year-on-year terms (see Figure 2).

The THK Group is targeting the achievement of zero emissions (defined as an emission ratio of 0.5% or less) in fiscal 2010.

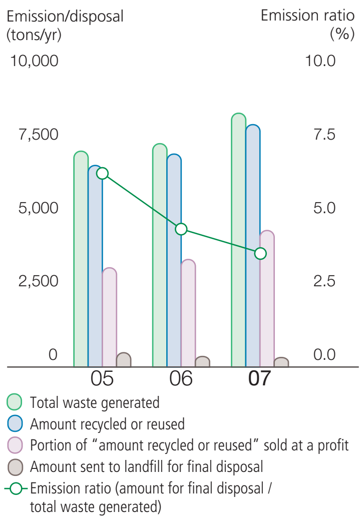
Green procurement

The THK Group manages chemical substances that could have a detrimental effect on human health or natural ecosystems with the aim of reducing the associated environmental impact. The THK Group's activities are designed to ensure full compliance with relevant environmental laws and regulations that apply to such "environmental risk substances."

The THK Group's green procurement program aims to support production of environmentally friendly products ("Green Products") that do not contain any of a group of 16 substances whose use is prohibited. The THK Group Green Procurement Guidelines specify permitted content ratios for these particular substances in Green Products.

Green procurement is ordinarily defined as "the procurement of products with low environmental impact from suppliers actively involved in environmental preservation activities." In its green procurement program, the THK Group takes into consideration (1) the environmental impact of those products, parts and materials purchased at all stages, from production and distribution of raw materials to usage and disposal, and (2) the extent to which a supplier is trying to reduce the environmental impact of procured items through active involvement in environmental preservation activities. The THK Group has traditionally assessed suppliers such as upstream raw material producers, parts makers and any fabrication subcontractors on a "QCDE" (quality, cost, delivery, environment) basis. Green procurement increases the emphasis placed on the environmental aspects of the cooperative business relationship. The THK Group is working to develop an environmental quality system with suppliers as part of efforts to promote

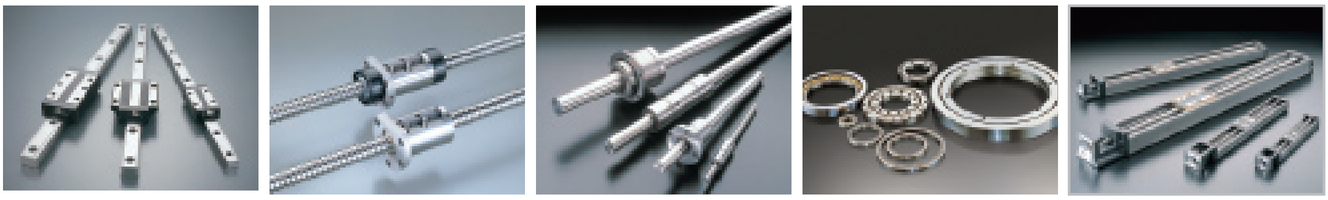
Waste emissions and recycling



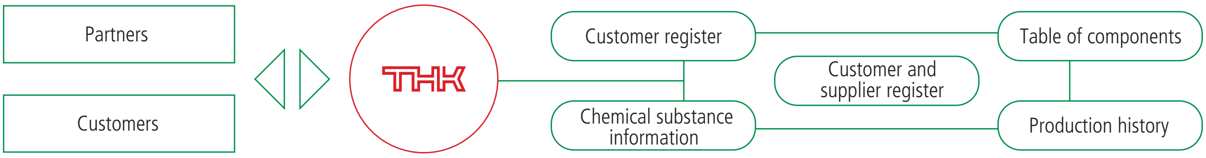
Substances whose use is prohibited in the THK Group

Broad classification	Substance group name
Heavy metals and their compounds	Cadmium and its compounds
	Lead and its compounds
	Mercury and its compounds
	Hexavalent chromium compounds
Organic tin compounds	Bis(tri-n-butyltin) oxide (TBTO)
	Tributyl tins (TBTs), triphenyl tins (TPTs)
Organic bromine	Polybromide biphenyl (PBB)
Compounds	Polybromide diphenyl ether (PBDE)
Organic halogen compounds	Polychloride biphenyl (PCB) / polychloride terphenyls (including their substitutes)
	Polychloride naphthalene (PCN)
	Chlorinated paraffin (CP)
Others	Asbestos
	Azo compounds (having the potential to generate specific amines)
	2,4,6-tri-tert-butylphenol

Green products



Working with customers and business partners

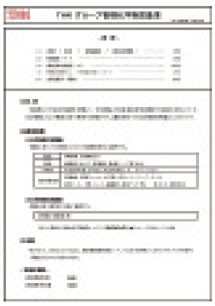


ongoing mutual prosperity.

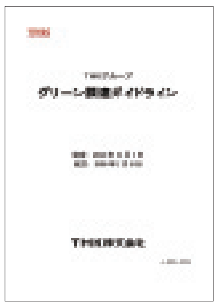
After formulating a set of green procurement guidelines along with internal standards applicable to controlled chemical substances in 2004, the THK Group has asked its network of suppliers to (1) analyze and survey the usage of such substances in all products supplied, and to (2) introduce and develop environmental management systems (EMS). Working with suppliers over the past few years, the THK Group has implemented programs to introduce substitutes for a number of harmful substances, including lead compounds added to some plastic components, chromium (VI) compounds contained in surface coating films and cadmium compounds contained in zinc alloys. These efforts have ensured that THK Group products contain no “environmental risk substances” (to the tolerances specified in the THK Group Green Procurement Guidelines).

As the result of green procurement efforts, as of April 2006, almost 100% of the standard specification products shipped from the THK Group factories were compliant with internal requirements for Green Products.

The THK Group organizes the information that is collected on substances through green procurement activities in a controlled chemical substances database to centralize data on the various amounts of chemical substances contained in the THK Group products. This information is used to answer customer inquiries.



THK Group Internal Standards Applicable to Controlled Chemical Substances



THK Group Green procurement guidelines

Green procurement guidelines (overview)

1. No inclusion of prohibited substances (within specified tolerances)
2. Any inclusion of environmental risk substances as stipulated in THK Group’s standards for controlled chemical substances specified, along with corresponding content values
3. Minimal water/soil/air pollutant emissions or pollution due to bad odors, noise, or vibration during usage or disposal
4. Effective use of resources in terms of efforts to reduce consumption while promoting recycling, recyclability and energy efficiency
5. Conditions (1), (3) and (4) above also satisfied for packing materials used in transport or storage of parts and materials

CORPORATE GOVERNANCE AND INTERNAL CONTROLS

As a company, THK aims to maximize the generation of stable returns for shareholders over the long term. To this end, THK is working to strengthen corporate governance over time while upgrading compliance, risk management and other internal control systems.

Basic stance on corporate governance

THK's basic stance on corporate governance is that, from the perspective of maximizing shareholder returns, the Company should boost the transparency of management to shareholders while at the same time aiming to achieve proper and efficient management.

The two basic management bodies are the Board of Directors and the Board of Auditors. THK has also established the Executive Council, a four-member body including the President & CEO and senior executive directors, to provide additional support in the form of strategic input to guide the decisions made by the Board of Directors.

The Executive Council gathers from relevant internal departments the information required by directors to facilitate informed discussion and debate. Where necessary, the Executive Council may seek the opinion of lawyers, accountants, or other third-party professionals so that any points of contention can be debated and resolved.

Based on such deliberations, the Board of Directors provides the forum for further discussion of issues. The Board of Directors has final decision-making power over all key management issues. As of June 2008, it was composed of 16 directors, with no external appointments.

The Board of Auditors comprises four members, two of whom are external auditors. THK aims to strengthen management oversight by reinforcing the role played by the Board of Auditors.

Implementation of corporate governance measures

THK's business environment is characterized by fierce competition from other companies and increasingly advanced customer requirements. To develop and offer products and services that can satisfy customer demands within such an environment, THK believes that an important element of business execution is the cultivation of strong, mutually cooperative connections between directors who also serve in concurrent roles as senior managers with responsibility for functions such as production, sales, and quality control. THK also believes that such directors should participate in important management decisions. For this reason, THK has not appointed any external directors to date. Director terms are set at one year to ensure clearly defined managerial responsibilities.

To achieve a clear separation of management oversight from operational execution functions, senior executive directors (the members of the Executive Council) do not hold any line management position. This rule is designed to promote an independent supervisory management function. Mutual monitoring by directors with concurrent senior management roles and auditing of management by the external and standing auditors provide additional oversight at the senior level.

In cooperation with the independent auditors, the members of the Board of Auditors work to assess the status and results of financial accounting audits, based on reports requested from the independent auditors concerning the process and content of such audits.

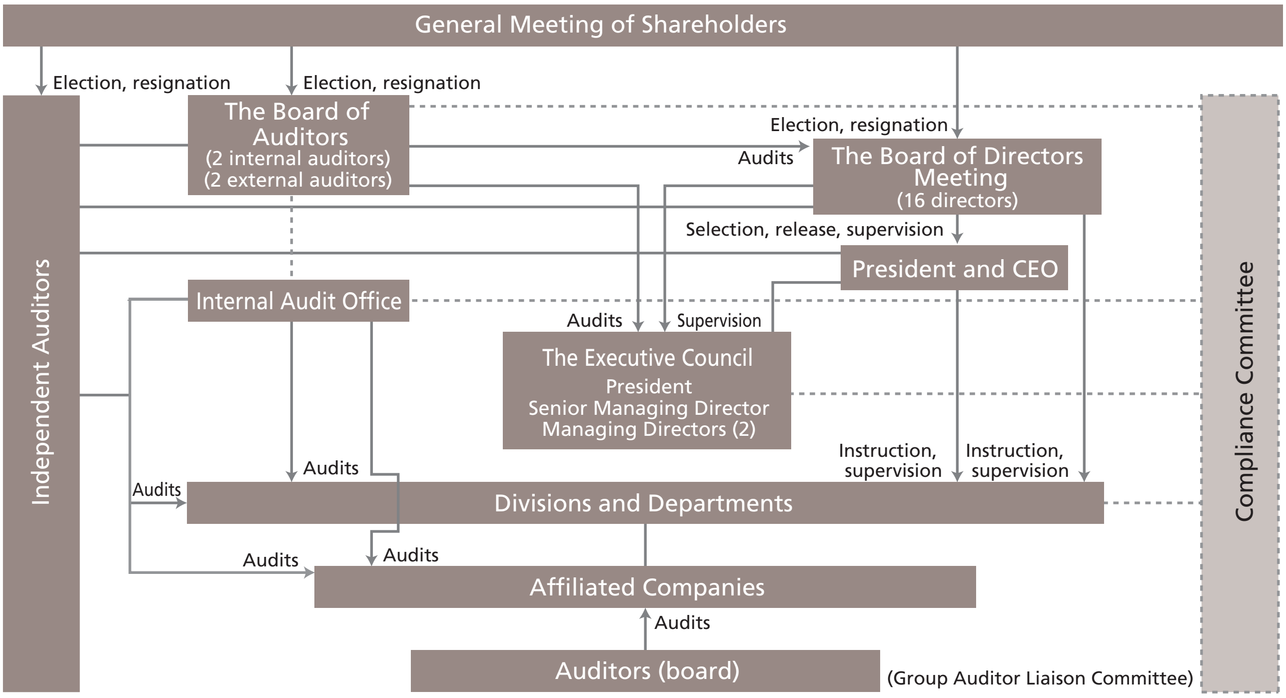
Separately, THK has also established the Internal Audit Office. Based on internal audit regulations, this section conducts ongoing internal audits to help evaluate whether operational execution is done on a faithful, sound, and rational basis and to assess overall management efficiency. The role of the external and standing auditors is to identify any matters requiring audit by Internal Audit Office personnel and to work with this section to implement appropriate auditing procedures. A separate liaison committee consisting of auditors working for the parent company and THK Group companies based in Japan also meets regularly to exchange information on auditing practices.

Active disclosure of corporate information

THK has consistently regarded active communication with all stakeholders as an important part of management. THK is actively committed to maintaining fair and proper disclosure of information.

In particular, in light of the basic stance on corporate governance to maximize shareholder returns, THK continues to devote efforts to upgrade and expand the disclosure of information to shareholders and investors. According prime importance to its business philosophy, THK releases long-term management targets, medium-term management plans, and annual forecasts on a regular basis, along with reports on the progress status of activities to achieve the goals outlined within this structure. THK also holds the General Meeting of Shareholders on a Saturday in mid-June. This policy deliberately avoids the period at the end of June when many shareholder meetings are clustered, thus making it easier for shareholders to attend.

THK strives to maintain high standards of reliability in financial disclosure. Accounts are compiled in accordance with generally accepted accounting standards. In addition, monitoring by the external and standing auditors along with the financial accounting audit un-



dertaken by the independent auditors serve to enhance reliability.

Development of system of internal controls

THK formulated a set of basic policies in 2005 aimed at promoting reliable internal administrative operations and has taken measures to raise awareness of these policies among employees. THK is currently implementing initiatives to reinforce and develop internal controls in order to ensure legal compliance and to strengthen the management platform.

In line with the provisions of Japan's Company Law, THK instituted a basic policy on internal controls in April 2006 (see pp. 40–41). A plan for developing these controls was formulated in fiscal 2006. In line with this plan, THK made progress during fiscal 2007 in creating a system of internal controls to cover the entire THK Group, including subsidiaries and affiliates. As required by the Financial Instruments and Exchange Law, whose provisions became effective in April 2008, THK has created an internal framework to ensure the reliability of financial reporting. Status checks were performed for selected parts of the THK Group during fiscal 2007 to test the operation of internal controls and to identify any outstanding issues or weak areas for prompt remedial action.

Promotion of compliance frameworks

THK established the Compliance Committee in 2005 as a permanent body chaired by the President & CEO. As well as discussing and approving all compliance-related policies, regulations and educational plans, this committee also considers and directs THK's response in the event of serious compliance violations or instances of whistle blowing. THK's operating divisions have all set up compliance working groups reporting to the Compliance Committee. Working group members are chosen to represent various sites and regions. Besides promoting compliance status and related awareness, the working groups also perform an advisory function in relation to compliance issues. Working group members submit regular reports on the compliance promotion status of the division so that any problem areas can be identified and actions taken to improve compliance. For example, to tackle the issue of potential subcontract-related fraud, check sheets were issued to all production facilities and the working groups provided advice on checking supply contracts.

The Company has also established the THK Help Line to provide employees with an internal channel for reporting suspected compliance violations. The aim is to prevent executive officers or employees from committing violations and to help ensure that swift corrective measures can be taken in the event that serious compliance-related problems do arise. THK has posted a series of notices on internal network bulletin boards to raise internal awareness of this help line facility.

To make further progress with promoting compliance education, THK has begun organizing related classes for managers in supervisory roles (deputy section leaders, group leaders, and team leaders). As of February 2008, a total of 528 people working in production-related roles within the THK Group had taken this compliance-related training course.

THK has also created compliance-related e-learning modules as a tool for raising internal awareness of compliance issues within everyday business activities. These modules are compulsory for all THK managers. Efforts are continuing to boost the level of internal understanding on compliance issues.

In other moves, THK has organized training seminars for the members of the compliance working groups. These seminars are led by lawyers and other outside experts, and cover topics such as subcontract-related fraud, Japan's laws on subcontracting, and sexual harassment in the workplace.

Comprehensive risk management

THK has established the Risk Management Department to monitor risks and to coordinate company wide efforts to address such risks. Within this office, separate sections are responsible for formulating guidelines and organizing educational and training programs relating to risks such as compliance, the environment, disasters, information security, legal affairs, and export controls. From the standpoint of business continuity planning, THK is constantly in the process of developing countermeasures to prevent and mitigate risks as well as contingency plans to restore operations after any unforeseen eventualities.

THK's Basic Policy on Internal Controls

Based on the Company Law of Japan and the regulations pertaining to its enforcement, the Company hereby institutes the following systems to ensure the soundness of operations(hereinafter referred to as "internal controls").

1. Controls to ensure that the execution of duties by directors and employees is in compliance with laws, regulations and the Articles of Incorporation

THK has instituted basic policies to ensure that directors and employees observe laws, regulations and the Articles of Incorporation and execute their duties in a sound manner in accordance with accepted social norms. The repeated communication of this attitudinal stance by the President & CEO to all directors and employees shall help to entrench full legal and regulatory compliance as the underlying premise of corporate activities. Moreover, to promote compliance, the Company shall establish the Compliance Committee (a body chaired by the President & CEO) and, underneath this committee, a compliance working group with members representing each THK operating division. Drawing on specialist outside expertise, members of the Compliance Committee shall strive to develop a compliance system that functions across the entire Company and to identify any related problems. The Company shall also establish and operate the "THK Help Line" as a means for employees to provide information directly to outside specialists on an anonymous basis regarding any actions that seem questionable from a compliance standpoint.

2. Storage and management of information relating to execution of duties by directors

In accordance with the Company's management regulations, information relating to the execution of duties by directors shall be recorded and stored in documented form or using electromagnetic media (hereinafter collectively referred to as "documentation"). In accordance with these same regulations, directors and auditors shall have full access to such documentation.

3. Regulations and other controls relating to management of loss-related risks

Each internal department shall bear responsibility for overseeing institution of rules and guidelines relating to risks such as compliance, the environment, disasters, quality, information security and export controls, and for organizing educational and training programs as well as the production and distribution of risk manuals. The Risk Management Office shall monitor the status of every part of the Company's organization and shall coordinate company-wide efforts to address such risks. In the event that any new risk emerges, the Board of Directors shall confer responsibility for addressing such risk to a designated director.

4. Controls to ensure efficient execution of duties by directors

The Board of Directors shall set consolidated performance targets shared by directors and employees and shall work to ensure that such targets are widely understood within the organization. Based on these targets, the Board of Directors shall also formulate medium-term management plans covering periods of three fiscal years. Directors with responsibility for each operating division shall determine division-specific policies to achieve the designated performance targets and shall develop efficient frameworks for operational execution covering issues such as delegation of authority. Making suitable use of information technology, the Board of Directors shall review progress status against performance targets on a monthly and quarterly basis and, by promoting any necessary improvements, shall oversee the construction of systems across the THK Group to facilitate efficient operations.

5. Controls to ensure sound operations across the entire THK Group

With the aim of constructing internal controls for the parent company and all THK Group companies, the Company shall establish a section responsible for the internal controls relating to THK Group companies and shall also construct systems to promote efficient consultation, cooperation, sharing of information and communication of instructions and requests between the parent company and THK Group companies relating to such internal controls. The authority and responsibility for establishing and operating internal controls to ensure the sound operations of each business division shall rest with the directors of the Company and with the presidents of each THK Group company. The Internal Audit Office shall conduct internal audits of the Company and all THK Group companies and shall report the results both to the Board of Directors and to the relevant internal controls sections established inside the parent company and THK Group companies. Based on the internal audit results, the internal controls sections shall provide any necessary guidance, advice or assistance to THK Group companies in facilitating the implementation of any measures required to improve internal controls.

6. Controls applicable to employees declared designated subordinates by the Board of Auditors and independence of such employees from directorial chain of command

Members of the Board of Auditors shall be able to issue orders to employees attached to the Internal Audit Office relating to matters deemed necessary to auditing operations. In such cases, directors or the head of the Internal Audit Office shall not be able to issue countermanding orders to such employees.

7. Controls governing reporting by directors and employees to the Board of Auditors and related systems

The Company shall establish a system to facilitate prompt reporting by any director or employee to the Board of Auditors of legal matters, of information relating to any matters with a serious bearing on the Company and the THK Group, of internal audit-related matters, or of information relating to actual or suspected compliance violations reported through the THK Help Line. While the reporting parties, recipients, timing, method and other aspects of such reporting shall normally be determined through consultation and discussion between the Board of Directors and Board of Auditors, employees shall be able to report directly to members of the Board of Auditors in cases where there is a threat of grave damage to the Company, or in relation to matters involving the discovery of serious legal or regulatory compliance breaches or grave violations of the Articles of Incorporation.

8. Other controls to ensure effective auditing by the Board of Auditors

The Board of Auditors shall convene regular meetings to facilitate exchanges of opinions between auditors and various members of the Executive Council.

■ Basic philosophy on the elimination of anti-social forces and the status of related efforts

The steps THK is taking to establish a system aimed at eliminating anti-social forces are as follows.

1. In its Basic Policy, THK vows a “zero-tolerance stance against anti-social forces.”
2. THK is a member of the Federation for Prevention of Special Violence Under Jurisdiction of the Metropolitan Police Department (“Tokuboren”).
   The Company collects information distributed at the monthly meetings of this and other organization. This information is consolidated by the Corporate Strategy Department.
3. If and when THK is the target of unreasonable claims by anti-social forces, the Corporate Strategy Department and the Risk Management Office will lead the company’s response.
   Having participated in the Tokuboren’s training programs, the staff of the Corporate Strategy Department and the Risk Management Office, in cooperation with the police, will respond to such claims.
   The company will also take legal action as needed through its corporate attorneys. In these and other ways, THK has a zero-tolerance stance against anti-social forces.
4. To ensure that THK does not do business with companies that have relations with anti-social forces, THK has its business partners submit a written declaration stating that it has no such relations.

DIRECTORS & AUDITORS

As of June 21, 2008

Akihiro Teramachi

President and CEO

Masamichi Ishii

Senior Managing Director

Takeki Shirai

Managing Director

Toshihiro Teramachi

Managing Director

Junichi Kuwabara

Director
President and Representative Director of THK Holdings of America, L.L.C.
President and Representative Director of THK America, Inc.

Takashi Okubo

Director
President of THK (CHINA) CO., LTD.
President of THK MANUFACTURING OF CHINA (LIAONING) CO., LTD.

Tetsuya Hayashida

Director
President and Representative Director of THK Europe B.V.
President and Representative Director of THK GmbH
President and Representative Director of THK France S.A.S.
President and Representative Director of PGM Ballscrews Ireland Ltd.

Hideyuki Kiuchi

Director
General Manager of Corporate Strategy Department

Masato Sawada

Director
General Manager of FAI Division

Hiroshi Funahashi

Director
General Manager of Engineering Division

Hirohisa Murase

Director
General Manager of Sales Division

Isamu Hatanaka

Director
General Manager of Production Division

Junichi Sakai

Director
General Manager of Quality Assurance Division and Chief of the Advanced Technology Information Center

Hirokazu Ishikawa

Director
General Manager of Sales Support Division

Hiroshi Imano

Director
Deputy General Manager of Production Division
President and Representative Director of THK Manufacturing of Europe S.A.S.

Hidekazu Michioka

Director
Deputy General Manager of Sales Division

Yoshimi Sato

Standing Auditor

Kazunori Igarashi

Standing Auditor

Shizuo Watanabe

Auditor

Masatake Yone

Auditor

FINANCIAL SECTION

■ Analysis of Operating Results

Net sales

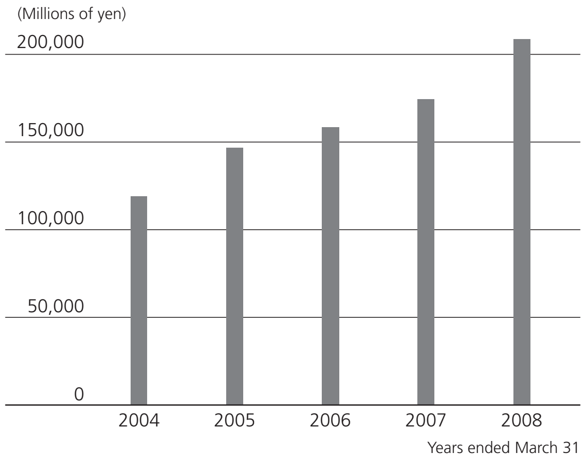
During fiscal 2007, the year ended March 31, 2008, the Japanese economy sustained moderate growth in general, supported by increases in exports and consumer spending. Toward the end of the year, however, uncertainty over the economy's future rapidly mounted due to sharp fluctuations in foreign exchange rates and further hikes in raw materials prices.

Overseas, economic growth in the United States slowed down, affected by turmoil in financial markets, while exports and capital investments played the major role in Europe's economic growth. Economic growth rates remained high in East Asia, most notably China.

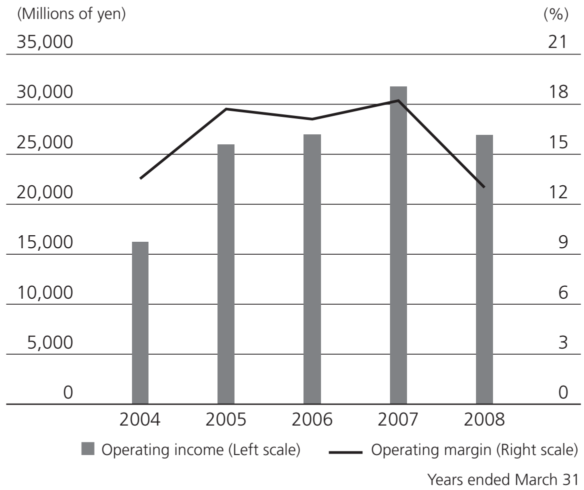
Against this backdrop, the THK Group made efforts to strengthen its structure to be able to steadily expand its business performance on a long-term basis. We also took steps to mitigate business risks such as external environmental changes by expanding our fields of operation in line with our stated policies of "Full-Scale Globalization" and "Development of New Business Areas." On the production front, we made aggressive capital investments to reinforce production capacity in response to increasing demand, mainly in emerging markets. In the marketing field, we speeded up the expansion of sales to existing customers as well as to new customers in each marketing region. We also took steps to expand our sales networks in both China and Europe. On May 31, 2007, we acquired a 100% equity stake in RHYTHM CORPORATION, an auto-parts manufacturer, making it a consolidated subsidiary with the aim of accelerating the cultivation of new business areas.

As a result, net sales for fiscal 2007 came to ¥208,709 million on a consolidated basis, an increase of ¥33,998 million, or 19.5%, over the previous year and topping the ¥200,000 million mark for the first time. Rhythm North America Corporation, a U.S. subsidiary of RHYTHM CORPORATION, changed its fiscal year-end from March 31 to December 31, resulting in a nine-month (April 1, 2007, through December 31, 2007) fiscal year for 2007. As a result, sales of that company, amounting to about ¥3,000 million, are excluded from the consolidated accounts for the fiscal year under review.

Net Sales



Operating Income and Operating Margin



Cost of sales

We made continuous efforts to raise the productivity of the THK Group by improving production yields and reducing production lead-times. The ratio of cost of sales to net sales, however, rose 4.7 percentage points, from 62.7% to 67.4%. This was due to an increase in the materials cost ratio caused by a surge in raw materials prices, higher depreciation and amortization due to the full-scale operation of new plants at home and abroad, an increase in the number of consolidated subsidiaries, and aggressive forward-looking investments.

Selling, general and administrative (SG&A) expenses

SG&A expenses rose ¥7,789 million, or 23.4%, over the previous year, to ¥41,115 million. Among principal factors behind this increase were amortization of goodwill amounting to approximately ¥2,700 million accompanying the inclusion of RHYTHM CORPORATION in the scope of consolidation, in addition to an increase in personnel expenses associated with the bolstering of our sales force, mainly in China. Sales and distribution related expenses rose owing to an increase in exports and higher freight charges. The ratio of SG&A expenses to net sales rose 0.6 percentage point, to 19.7%. Discounting the ¥2,700 million amortization of goodwill, equivalent to 1.3% of net sales, the ratio of SG&A expenses to net sales decreased 0.7 percentage point from the previous year.

Operating income

As a result, operating income decreased ¥4,878 million, or 15.3%, from the previous year, to ¥26,938 million, and the operating margin (ratio of operating income to net sales) was 12.9%.

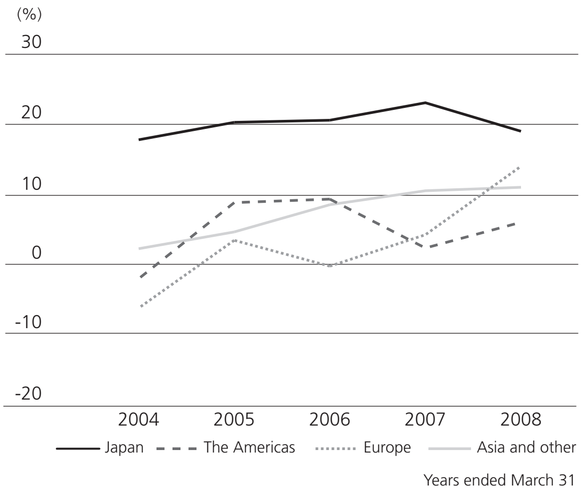
Non-operating income and expenses

The Company recorded non-operating income of ¥2,889 million as a result of interest and dividend income, in addition to the amortization of negative goodwill. Conversely, foreign exchange losses were the main factor behind non-operating expenses of ¥3,126 million. As a result, net non-operating expenses of ¥237 million were recorded.

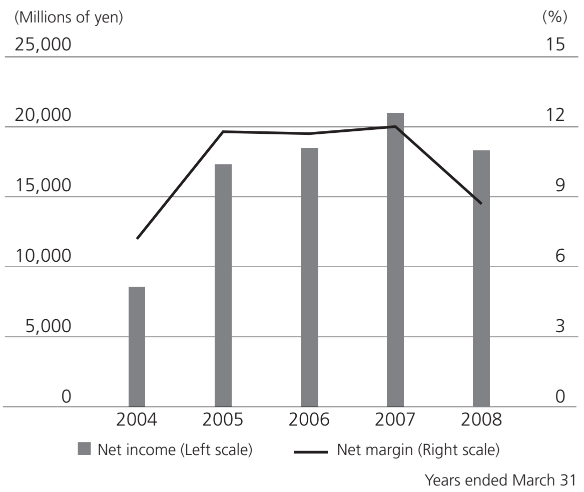
Net income

Net income decreased ¥2,715 million, or 12.9%, from the previous year, to ¥18,323 million. During the period under review, a consolidated subsidiary made dividend payments utilizing retained earnings provided by capital reduction, of which the Company has recognized a loss on transfer for taxation purposes. Consequently, income taxes decreased, leading to a relatively small decline in net income.

Operating Margin, by Geographic Segment



Net income and Net Margin



■ Business Segment Information

Industrial equipment-related business segment

Sales in Japan decreased from the previous year as the recovery in the electronics industry began later and was weaker than expected, although sales to the machine tool industry grew. Sales in the Americas increased both to the machine tool and general machinery industries, helped by growth in the share of sales to existing customers. The electronics industry, on the other hand, continued to see declining demand. Sales grew in Europe, mainly to the general machinery and machine tool industries, helped by rising demand for machinery. In East Asia, against the backdrop of growing demand for machinery in China, sales increased to machine tool and general machinery makers in China and Taiwan. As a result, net sales and operating income in this business segment for fiscal 2007 came to ¥168,287 million and ¥36,283 million, respectively.

Transportation equipment-related business segment

In Japan and Europe, THK Group companies other than newly consolidated RHYTHM CORPORATION and its consolidated subsidiaries initiated sales to new customers and smoothly expanded business with existing customers. In line with our projections, sales in the Americas struggled in an environment of declining motor vehicle production volume. As a result, net sales in this business segment for fiscal 2007 came to ¥40,422 million. Despite continuous efforts to reduce costs, the THK Group posted an operating loss in this segment of ¥2,220 million owing to increased depreciation and amortization resulting from capital investments in anticipation of future growth, as well as amortization of goodwill.

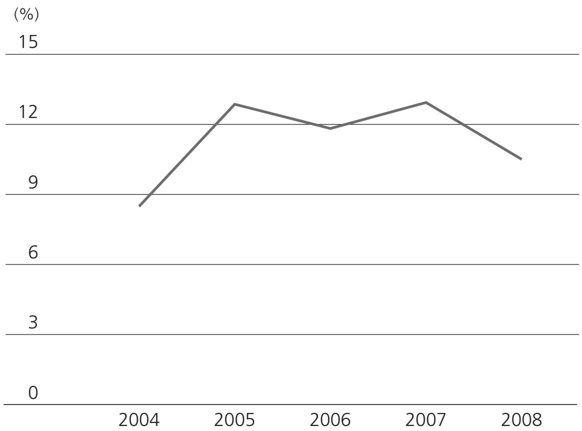
■ Geographic Segment Information

Japan

In Japan, sales to the machine tool industry increased while sales to the electronics industry declined. This was because the electronics industry's recovery began later and was weaker than expected. On the other hand, sales to the transportation equipment industry rose, helped by an increase in the number of consolidated subsidiaries. As a result, net sales in Japan for fiscal 2007 increased ¥15,393 million over the previous year, to ¥145,745 million.

Operating income declined ¥2,259 million year-on-year, to ¥27,910 million, mainly owing to three factors: Depreciation and amortization increased owing to higher forward-looking capital investments, the ratio of raw materials costs to net sales rose as a result of surging raw materials prices, and goodwill amortization was recognized following the acquisition of RHYTHM CORPORATION.

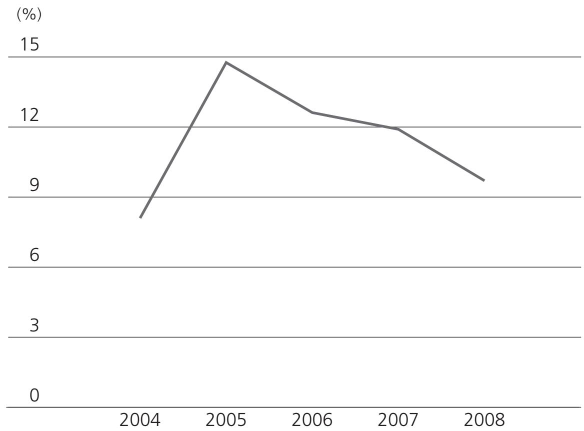
Return on Assets (ROA)



Note: Operating income plus interest and dividend income as a percentage of average total assets.

Years ended March 31

Return on Equity (ROE)



Years ended March 31

The Americas

In the Americas, against the backdrop of declining demand in electronics-related industries, we made efforts to integrate our marketing and production operations with the aim of cultivating new customers while expanding sales to existing customers. We succeeded in increasing sales to both the machine tool and general machinery industries in the region, and sales to the transportation equipment industry also rose significantly thanks to the increase in the number of consolidated subsidiaries. Consequently, net sales and operating income in the Americas increased ¥8,948 million and ¥1,067 million, respectively, to ¥25,473 million and ¥1,439 million.

Europe

In Europe, while demand for machinery remained strong in Eastern Europe, as in the Americas we made efforts to integrate our marketing and production operations and succeeded in increasing sales to both the machine tool and general machinery industries. Sales to the transportation equipment industry also rose, thanks to the commencement of sales to new customers and steady growth in sales to existing customers. As a result, net sales and operating income in Europe increased ¥5,911 million and ¥2,677 million, respectively, to ¥25,427 million and ¥3,492 million. Both of these figures were record highs.

Asia and other

In Asia and other, against the backdrop of continued economic growth and expanding capital investments in China, the THK Group pursued an aggressive marketing strategy, including the expansion of sales networks. As a result, sales to both the machine tool and general machinery industries rose. In Taiwan, too, we succeeded in boosting sales to the machine tool and general machinery industries, reflecting our efforts to increase sales to existing customers by taking advantage of an upward trend in exports of machinery to China. As a result, Asia and other posted net sales of ¥12,064 million, up ¥3,746 million over the previous year. THK MANUFACTURING OF CHINA (LIAONING) made aggressive capital investments, including the construction of a second plant in anticipation of further demand increases in the Chinese market. Operating income in Asia and other rose ¥426 million over the previous year, to ¥1,296 million.

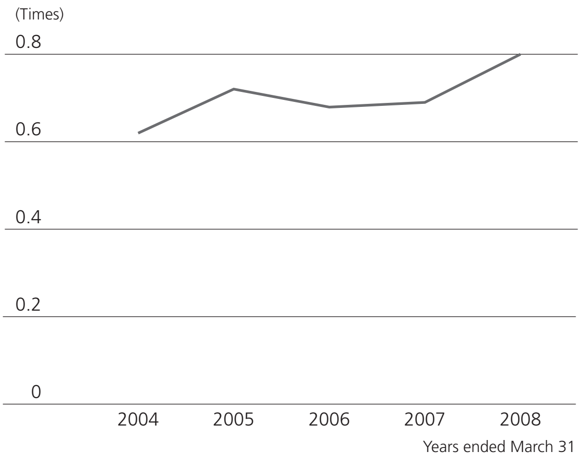
■ Financial Position

Assets, liabilities, and net assets

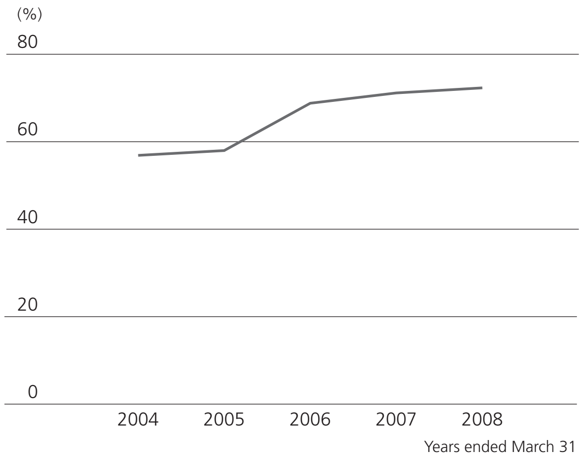
• Assets

Total assets at March 31, 2008, stood at ¥264,229 million, up just ¥948 million, or 0.4%, over the ¥263,281 million at the

Asset Turnover Ratio



Equity Ratio



previous fiscal year-end. Although largely unchanged from the previous year-end, total assets showed changes in composition between current assets and non-current assets*.

Current assets declined ¥31,429 million, or 17.1%, from the previous year-end, to ¥152,333 million. Accompanying the increase in the number of consolidated subsidiaries, accounts and notes receivable-trade increased ¥5,641 million and inventories rose ¥3,469 million. These positive factors were more than offset by expenditures for the acquisition of equity in a newly consolidated subsidiary, repayments of long-term debt, and expenditures for the acquisition of treasury stock, which together led to a ¥42,143 million decline in cash and cash equivalents.

Non-current assets jumped ¥32,377 million, or 40.7%, over the previous fiscal year-end, to ¥111,896 million, mainly reflecting a rise of ¥21,332 million in property, plant and equipment and an increase of ¥10,786 million in goodwill.

*Non-current assets include investments and other, property, plant and equipment, and deferred charges and intangibles.

• Liabilities

Current liabilities fell ¥1,950 million, or 3.1%, from the previous fiscal year-end, to ¥61,543 million, reflecting an increase in accounts and notes payable-trade of ¥1,609 million as a result of the inclusion of newly consolidated subsidiaries. The increase in accounts and notes payable-trade was more than offset by a decrease in income taxes payable of ¥6,510 million. Long-term liabilities decreased ¥1,015 million, or 9.4%, from the figure one year earlier, to ¥9,733 million, owing to the reclassification of straight bonds to current. As a result of the foregoing, total liabilities at March 31, 2008, were ¥71,276 million, down ¥2,965 million, or 4.0%, from the figure one year earlier.

• Net assets

Net assets increased ¥3,913 million, or 2.1%, over a year earlier, to ¥192,953 million, mainly owing to an increase in retained earnings, despite a decrease of ¥11,284 million due to the acquisition of treasury stock.

Cash flows

Net cash provided by operating activities amounted to ¥19,382 million, compared with ¥29,933 million for the previous fiscal year. This primarily reflects ¥26,701 million in income before income taxes and minority interest, ¥10,138 million in depreciation and amortization, and ¥14,196 million in income taxes paid.

Net cash used in investing activities came to ¥32,354 million, compared with ¥10,884 million for the previous fiscal year. This primarily reflects expenditures of ¥12,130 million for investment in a newly consolidated subsidiary and of ¥19,618 million for the acquisition of property, plant and equipment resulting from the construction of a new building at DAITO SEIKI's Sendai Plant and of the second plant for THK MANUFACTURING OF CHINA (LIAONING).

Net cash used in financing activities amounted to ¥29,976 million, compared with ¥13,840 million for the previous fiscal year. This primarily reflects expenditures of ¥13,142 million for the repayment of long-term debt, ¥11,279 million for the acquisition of treasury stock, and ¥5,055 million for cash dividends.

As a result, cash and cash equivalents at March 31, 2008, stood at ¥49,810 million, ¥42,143 million lower than at the previous fiscal year-end.

Consolidated Balance Sheets

as of March 31, 2007 and 2008

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2007	2008	2008
ASSETS			
Current Assets:			
Cash and bank deposits (Note 16)	¥ 48,912	¥ 48,162	$ 480,663
Short-term investments in securities (Note 16)	43,041	1,648	16,450
Accounts and notes receivable–			
Trade	57,566	63,207	630,812
Unconsolidated subsidiaries and affiliates	2,046	2,160	21,560
Other	1,727	2,608	26,026
	61,339	67,975	678,398
Less allowance for bad debts	(236)	(247)	(2,468)
	61,103	67,728	675,930
Inventories (Note 6)	25,846	29,315	292,570
Short-term advances–			
Unconsolidated subsidiaries and affiliates	152	716	7,141
Other	1	13	126
Deferred tax assets (Note 15)	3,727	3,373	33,669
Other current assets (Note 11)	980	1,378	13,745
Total current assets	183,762	152,333	1,520,294
Investments and Other:			
Long-term investments in securities (Note 5)	3,096	2,763	27,578
Investments in unconsolidated subsidiaries and affiliates	2,733	2,655	26,499
Deferred tax assets (Note 15)	1,717	2,426	24,209
Other investments	4,291	4,021	40,132
Total investments and other	11,837	11,865	118,418
Property, Plant and Equipment (Notes 4 and 10):			
Buildings and structures	41,496	49,221	491,233
Machinery and equipment	93,643	127,678	1,274,229
	135,139	176,899	1,765,462
Less accumulated depreciation	(81,769)	(109,609)	(1,093,908)
	53,370	67,290	671,554
Land	9,880	13,144	131,176
Construction in progress	3,489	7,637	76,220
Total property, plant and equipment	66,739	88,071	878,950
Deferred Charges and Intangibles:			
Goodwill (Note 12)	209	10,995	109,727
Other	734	965	9,632
Total deferred charges and intangibles	943	11,960	119,359
Total assets	¥263,281	¥264,229	$2,637,021

The accompanying notes are an integral part of these statements.

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2007	2008	2008
LIABILITIES AND NET ASSETS			
Current Liabilities:			
Current portion of long-term debt (Note 7)	¥ 1,452	¥ 5,000	$ 49,900
Accounts and notes payable–			
Trade	34,301	35,910	358,381
Unconsolidated subsidiaries and affiliates	468	1,266	12,635
Other	6,376	4,672	46,625
	41,145	41,848	417,641
Income taxes payable (Note 15)	8,005	1,495	14,916
Accrued bonuses to employees	2,309	2,704	26,981
Accrued bonuses to directors and statutory auditors	131	100	998
Accrued expenses	8,835	8,596	85,793
Other current liabilities (Note 11)	1,616	1,800	17,971
Total current liabilities	63,493	61,543	614,200
Long-term Liabilities:			
Long-term debt (Note 7)	5,032	—	—
Reserve for employees' retirement benefits (Note 14)	2,574	3,995	39,871
Reserve for directors' and statutory auditors' retirement benefits	—	113	1,125
Reserve for product warranty	—	154	1,537
Negative goodwill	1,620	972	9,703
Deferred tax liabilities (Note 15)	467	3,450	34,432
Other liabilities	1,055	1,049	10,472
Total long-term liabilities	10,748	9,733	97,140
Net Assets:			
Common stock			
Authorized: 465,877,700 shares;			
Issued: 133,020,540 shares and 133,856,903 shares at March 31, 2007 and 2008, respectively	33,916	34,606	345,371
Additional paid-in capital	43,653	44,343	442,550
Retained earnings	104,276	117,579	1,173,443
Treasury stock, at cost: 34,512 shares and 5,249,554 shares at March 31, 2007 and 2008, respectively	(63)	(11,347)	(113,248)
Net unrealized gain on other securities (Note 5)	1,037	470	4,687
Foreign currency translation adjustments	4,404	5,302	52,920
Minority interest	1,817	2,000	19,958
Total net assets	189,040	192,953	1,925,681
Contingent Liabilities (Note 9)			
Total liabilities and net assets	¥263,281	¥264,229	$2,637,021

Consolidated Statements of Income

for the years ended March 31, 2006, 2007 and 2008

	Millions of yen			Thousands of U.S. dollars (Note 2)
	2006	2007	2008	2008
Net Sales	¥158,413	¥174,711	**¥208,709**	**$2,082,920**
Cost of Sales (Note 13)	100,491	109,569	**140,656**	**1,403,752**
Gross profit	57,922	65,142	**68,053**	**679,168**
Selling, General and Administrative Expenses (Notes 12 and 13)	30,842	33,326	**41,115**	**410,330**
Operating income	27,080	31,816	**26,938**	**268,838**
Non-Operating Income/(Expenses):				
Interest and dividend income	308	579	**933**	**9,313**
Interest expenses	(168)	(128)	**(185)**	**(1,842)**
Foreign exchange gain/(loss), net	817	803	**(2,287)**	**(22,826)**
Gain on sales of long-term investments in securities, net	1,933	—	**—**	**—**
Equity earnings of affiliates	416	490	**197**	**1,967**
Rental income	196	202	**241**	**2,402**
Insurance premium refunded on cancellation	—	—	**62**	**620**
Amortization of negative goodwill	648	648	**648**	**6,469**
Commission expenses	(85)	(77)	**(66)**	**(662)**
Gain/(loss) on sales/disposal of property, plant and equipment, net	58	(326)	**(184)**	**(1,837)**
Loss on write-down of long-term investments in securities	(164)	—	**(10)**	**(102)**
Impairment loss on fixed assets (Note 4)	(1,152)	(71)	**(137)**	**(1,367)**
Debt repayment-related expenses	—	—	**(62)**	**(620)**
Prior-period adjustments	253	—	**—**	**—**
Other, net	426	588	**613**	**6,126**
	3,486	2,708	**(237)**	**(2,359)**
Income before income taxes and minority interest	30,566	34,524	**26,701**	**266,479**
Income Taxes (Note 15)	11,636	13,317	**8,189**	**81,722**
Income before minority interest	18,930	21,207	**18,512**	**184,757**
Minority interest in income of consolidated subsidiaries	346	169	**189**	**1,886**
Net income	¥ 18,584	¥ 21,038	**¥ 18,323**	**$ 182,871**

The accompanying notes are an integral part of these statements.

Consolidated Statements of Changes in Net Assets

for the years ended March 31, 2006, 2007 and 2008

	Millions of yen			Thousands of U.S. dollars (Note 2)
	2006	2007	2008	2008
Common Stock				
At beginning of year	¥ 23,106	¥ 33,734	¥ 33,916	$ 338,485
Conversion of convertible bonds to common stock (Note 16)	10,628	182	690	6,886
At end of year	¥ 33,734	¥ 33,916	¥ 34,606	$ 345,371
Additional Paid-In Capital				
At beginning of year	¥ 32,652	¥ 43,471	¥ 43,653	$ 435,664
Conversion of convertible bonds to common stock (Note 16)	10,628	182	690	6,886
Gain from disposition of treasury stock	191	0	0	0
At end of year	¥ 43,471	¥ 43,653	¥ 44,343	$ 442,550
Retained Earnings				
At beginning of year	¥ 71,131	¥ 87,091	¥104,276	$1,040,675
Net income	18,584	21,038	18,323	182,871
Cash dividends	(2,514)	(3,718)	(5,020)	(50,103)
Directors' and statutory auditors' bonuses	(110)	(135)	—	—
At end of year	¥ 87,091	¥104,276	¥117,579	$1,173,443
Treasury Stock, at cost				
At beginning of year	¥ (607)	¥ (48)	¥ (63)	$ (637)
Purchase of treasury stock	(20)	(16)	(11,279)	(112,560)
Sales of treasury stock	1	1	1	7
Change in the year of treasury stock held by a consolidated subsidiary	578	—	—	—
Change in the year of treasury stock held by an affiliate	—	—	(6)	(58)
At end of year	¥ (48)	¥ (63)	¥ (11,347)	$ (113,248)
Net Unrealized Gain on Other Securities				
At beginning of year	¥ 1,041	¥ 1,357	¥ 1,037	$ 10,352
Change in the year	316	(320)	(567)	(5,665)
At end of year	¥ 1,357	¥ 1,037	¥ 470	$ 4,687
Foreign Currency Translation Adjustments				
At beginning of year	¥ 327	¥ 2,668	¥ 4,404	$ 43,951
Change in the year	2,341	1,736	898	8,969
At end of year	¥ 2,668	¥ 4,404	¥ 5,302	$ 52,920
Minority Interest				
At beginning of year	¥ 956	¥ 1,519	¥ 1,817	$ 18,129
Change in the year	563	298	183	1,829
At end of year	¥ 1,519	¥ 1,817	¥ 2,000	$ 19,958
Total Net Assets at End of Year	¥169,792	¥189,040	¥192,953	$1,925,681

In Japan, dividends, and directors' and statutory auditors' bonuses proposed by the Board of Directors are approved at the general shareholders' meeting in the following fiscal year, and in the Consolidated Statements of Changes in Net Assets, dividends, and directors' and statutory auditors' bonuses are shown as a reduction of retained earnings in the year they are approved and paid. Semiannual interim dividends may also be paid once a year upon resolution by the Board of Directors if the articles of incorporation of the Company so stipulate.

Cash dividends in the year ended March 31, 2008 were as follows:

At the general shareholders' meeting held on June 16, 2007, cash dividends on common stock of ¥2,660 million ($26,544 thousand), ¥20 per share ($0.20), were approved and commenced its payment on June 18, 2007.

At the board of directors' meeting held on November 15, 2007, cash dividends on common stock of ¥2,361 million ($23,559 thousand), ¥18 per share ($0.18), were approved and commenced its payment on December 10, 2007.

The following appropriation of retained earnings of the Company, which has not been reflected in the accompanying consolidated financial statements for the year ended March 31, 2008 was approved at the shareholders' meeting held on June 21, 2008 and commenced its payment on June 23, 2008:

	Millions of yen	Thousands of U.S. dollars
Cash dividends (¥18 per share (U.S.$0.18))	¥2,315	$23,104

The accompanying notes are an integral part of these statements.

Consolidated Statements of Cash Flows
for the years ended March 31, 2006, 2007 and 2008

	Millions of yen			Thousands of U.S. dollars (Note 2)
	2006	2007	2008	2008
Cash Flows from Operating Activities:				
Income before income taxes and minority interest	¥ 30,566	¥ 34,524	¥ 26,701	$ 266,479
Adjustments to reconcile income before income taxes and minority interest to net cash provided by operating activities:				
Depreciation and amortization	6,562	7,112	10,138	101,178
Amortization of goodwill and negative goodwill, net	(648)	(629)	2,107	21,026
Increase in provisions	156	551	606	6,048
(Gain)/loss on sales/disposal of property, plant and equipment, net	(58)	326	184	1,837
Interest and dividend income	(308)	(579)	(933)	(9,313)
Interest expenses	168	128	185	1,842
Foreign exchange (gain)/loss, net	(134)	136	(588)	(5,866)
Equity earnings of affiliates	(416)	(490)	(197)	(1,967)
Loss on write-down of long-term investments in securities	164	—	10	102
Gain on sales of long-term investments in securities, net	(1,933)	—	—	—
Impairment loss on fixed assets	1,152	71	137	1,367
Changes in assets and liabilities:				
(Increase)/decrease in accounts and notes receivable	(8,461)	(636)	486	4,850
Increase in inventories	(220)	(340)	(1,566)	(15,631)
Increase/(decrease) in accounts and notes payable	4,565	3,835	(2,403)	(23,982)
Other, net	643	(1,335)	(2,129)	(21,244)
Subtotal	31,798	42,674	32,738	326,726
Interest and dividend income received	399	710	1,028	10,262
Interest expenses paid	(171)	(167)	(188)	(1,881)
Income taxes paid	(11,820)	(13,284)	(14,196)	(141,680)
Net cash provided by operating activities	20,206	29,933	19,382	193,427
Cash Flows from Investing Activities:				
Decrease in term deposits due over three months	—	2,558	—	—
Increase in term deposits due over three months	(1,945)	(463)	—	—
Payments for purchase of property, plant and equipment, and intangibles	(12,520)	(12,848)	(19,618)	(195,792)
Proceeds from sales of property, plant and equipment	1,339	99	79	784
Payments for purchase of long-term investments in securities/ investments in unconsolidated subsidiaries and affiliates	(13)	(516)	(637)	(6,361)
Proceeds from sales of long-term investments in securities/ investments in unconsolidated subsidiaries and affiliates	3,850	25	19	190
Payments of advances	(67)	(85)	(106)	(1,058)
Collections of advances	12	58	77	773
Payments for purchase of investment in a consolidated subsidiary, net of cash acquired (Note 16)	—	—	(12,130)	(121,057)
Other, net	—	288	(38)	(376)
Net cash used in investing activities	(9,344)	(10,884)	(32,354)	(322,897)
Cash Flows from Financing Activities:				
Repayments of short-term debt	—	—	(500)	(4,990)
Repayments of long-term debt	(352)	(72)	(13,142)	(131,158)
Proceeds from sale of treasury stock	899	1	1	7
Redemption of bonds	—	(10,000)	—	—
Cash dividends	(2,524)	(3,752)	(5,055)	(50,448)
Payments for purchase of treasury stock	(20)	(16)	(11,279)	(112,560)
Proceeds from minority shareholders' payment	256	—	—	—
Other, net	—	(1)	(1)	(6)
Net cash used in financing activities	(1,741)	(13,840)	(29,976)	(299,155)
Effect of Exchange Rate Changes on Cash and Cash Equivalents	1,199	437	805	8,042
Net Increase/(Decrease) in Cash and Cash Equivalents	10,320	5,646	(42,143)	(420,583)
Cash and Cash Equivalents at Beginning of Year	75,987	86,307	91,953	917,696
Cash and Cash Equivalents at End of Year (Note 16)	¥ 86,307	¥ 91,953	¥ 49,810	$ 497,113

The accompanying notes are an integral part of these statements.

1. Basis of Presenting Consolidated Financial Statements

The accompanying consolidated financial statements of THK CO., LTD. (the "Company") and its subsidiaries are prepared on the basis of accounting principles generally accepted in Japan, which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards, and are compiled from the consolidated financial statements prepared by the Company as required by the Financial Instruments and Exchange Law of Japan.

The Company and its subsidiaries in Japan maintain their records and prepare their financial statements in accordance with accounting principles generally accepted in Japan while its foreign subsidiaries maintain their records and prepare their financial statements in conformity with accounting principles generally accepted in their respective countries of domicile.

The accompanying consolidated financial statements incorporate certain reclassifications and rearrangements in order to present them in a form that is more familiar to readers outside Japan. In addition, the notes to the consolidated financial statements include information that is not required under accounting principles generally accepted in Japan, but which is provided herein as additional information.

2. United States Dollar Amounts

U.S. dollar amounts presented in the consolidated financial statements and related notes are included solely for the convenience of the readers outside Japan and are unaudited. These translations should not be construed as presentations that the yen amounts actually represent or have been or could be converted into, U.S. dollars. For this purpose the rate of ¥100.20=U.S.$1, the approximate rate of exchange prevailing in Tokyo on March 31, 2008, was used for the translation of the accompanying consolidated financial statements of the Company as of and for the year ended March 31, 2008.

3. Summary of Significant Accounting Policies

(a) Scope of Consolidation

The accompanying consolidated financial statements include the accounts of the Company and those of its subsidiaries that are controlled by the Company. Under the effective control approach, all majority-owned companies are to be consolidated. Additionally, companies in which share ownership equals 50% or less may be required to be consolidated in cases where such companies are effectively controlled by other companies through the interests held by a party who has a close relationship with the parent in accordance with Japanese accounting standards. All significant inter-company transactions and accounts and unrealized inter-company profits are eliminated upon consolidation.

The Company had 33 subsidiaries ("controlled companies"—companies whose decision making is controlled) as of March 31, 2008 (24 as of March 31, 2007). The consolidated financial statements for the year ended March 31, 2008 include the accounts of the Company and 29 (20 for 2007) of its subsidiaries. The 29 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, 2007
THK America, Inc. (USA)	100	Dec. 31, 2007
THK Manufacturing of America, Inc. (USA)	100	Dec. 31, 2007
Rhythm North America Corporation (USA)	100	Dec. 31, 2007
THK Europe B.V. (the Netherlands)	100	Dec. 31, 2007
THK GmbH (Germany)	100	Dec. 31, 2007
THK France S.A.S. (France)	100	Dec. 31, 2007
PGM Ballscrews Ireland Ltd. (Ireland)	98.97	Dec. 31, 2007
THK Manufacturing of Europe S.A.S. (France)	100	Dec. 31, 2007
THK TAIWAN CO., LTD. (Taiwan)	94.99	Dec. 31, 2007
Beldex KOREA Corporation (Korea)	100	Dec. 31, 2007
THK (CHINA) CO., LTD. (China)	100	Dec. 31, 2007
THK (SHANGHAI) CO., LTD. (China)	100	Dec. 31, 2007
DALIAN THK CO., LTD. (China)	70	Dec. 31, 2007
THK MANUFACTURING OF CHINA (WUXI) CO., LTD. (China)	100	Dec. 31, 2007
THK MANUFACTURING OF CHINA (LIAONING) CO., LTD. (China)	100	Dec. 31, 2007
THK LM SYSTEM Pte. Ltd. (Singapore)	100	Dec. 31, 2007
RHYTHM GUANGZHOU CORPORATION (China)	100	Dec. 31, 2007
THK RHYTHM (THAILAND) CO., LTD. (Thailand)	100	Dec. 31, 2007
DAITO SEIKI CO., LTD. (Japan)	100	Mar. 31, 2008
THK NIIGATA CO., LTD. (Japan)	70	Mar. 31, 2008
TALK SYSTEM Co., Ltd. (Japan)	99	Mar. 31, 2008
Beldex Corporation (Japan)	100	Mar. 31, 2008
RHYTHM CORPORATION (Japan)	100	Mar. 31, 2008
Rhythm Kyusyu Co., Ltd. (Japan)	100	Mar. 31, 2008
Rhythm L Co., Ltd. (Japan)	100	Mar. 31, 2008
L Tool Co., Ltd. (Japan)	100	Mar. 31, 2008
L Trading Co., Ltd. (Japan)	100	Mar. 31, 2008
L Engineering Co., Ltd. (Japan)	100	Mar. 31, 2008

The accounts for the year ended March 31, 2008 of the remaining 4 (4 for 2007) 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.

The changes of the scope of consolidation for the year ended March 31, 2008 are as follows:

RHYTHM CORPORATION and its subsidiaries have been included in the consolidation scope of the Company from the beginning of this year since the Company acquired 100% shares in RHYTHM CORPORATION on May 31, 2007.

In July 2007, RHYTHM CORPORATION established a wholly owned subsidiary THK RHYTHM (THAILAND) CO., LTD. This company was included in the consolidation scope from this year.

Beginning with the year ended March 31, 2008, Rhythm North America Corporation changed its fiscal year end from March 31 to December 31, resulting in a nine-month (April 2007 through December 2007) fiscal year for 2007.

(b) Accounting for Investments in Unconsolidated Subsidiaries and Affiliates

The Company has 3 (3 for 2007) affiliates ("influenced companies"—companies whose financial and operating or business decision making can be influenced by the Companies in a material degree, and are not subsidiaries) at March 31, 2008. The equity method is applied to the investment in SAMICK THK CO., LTD. The investments in the unconsolidated subsidiaries and the remaining affiliates do not have a 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 any impairment loss.

(c) 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 net assets except for minority interest account at beginning of the year are 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 net assets section.

(d) Inventories

Inventories held by the Company, TALK SYSTEM Co., Ltd., THK NIIGATA CO., LTD., THK Manufacturing of Europe S.A.S. and RHYTHM CORPORATION are mainly valued at cost, cost being determined using the average cost method. Inventories held by THK America, Inc., THK Manufacturing of America, Inc., PGM Ballscrews Ireland Ltd., THK (SHANGHAI) CO., LTD., THK TAIWAN CO.,LTD., THK (CHINA) CO., LTD. and Rhythm North America Corporation 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., DALIAN THK CO., LTD., THK MANUFACTURING OF CHINA (WUXI) CO., LTD. and THK MANUFACTURING OF CHINA (LIAONING) CO., LTD. are valued at the lower of cost or market value, cost being determined using the moving-average method. Inventories held by DAITO SEIKI CO., LTD., Beldex Corporation and Beldex KOREA Corporation are mainly valued at cost, cost being determined using specific identification method. Inventories held by Rhythm Kyushu Co., Ltd. are mainly valued at cost, cost being determined using the moving-average method.

(e) Financial Instruments

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 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 net assets 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.

Derivative

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 forward foreign exchange contracts and currency swap contracts that meet the required condition under the related Japanese accounting standards, the Company and its subsidiaries translate hedged foreign currency assets and liabilities at the rate of these contracts. For forward foreign exchange contracts accounted for under accounting standards other than the above are measured at fair value. (See Note 11. Derivative and Hedging Activities)

For interest rate swap contracts that meet the required condition under the related Japanese accounting standards, the related interest differentials paid or received under the contracts are included in the interest income/expenses of the hedged financial assets and liabilities.

(f) Property, Plant and Equipment

For the Company and its domestic subsidiaries, depreciation is mainly computed using the declining-balance method at the rates based on the estimated useful lives of assets. For its overseas subsidiaries, depreciation is mainly 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 12 years for machinery and equipment.

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

(g) Amortization

Amortization of intangible assets is computed using the straight-line method.

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

"Goodwill" on the Consolidated Balance Sheets consists of 1) differences between the cost and the fair value of the underlying net equity in subsidiaries which are consolidated and 2) purchased goodwill. These are amortized on a straight-line basis over a period from 5 to 10 years.

"Negative Goodwill" on the Consolidated Balance Sheets and differences between the cost and the fair value of the underlying net equity in affiliates which are accounted for by the equity method are amortized on a straight-line basis over a period of 5 years.

(h) Allowance for Bad Debts

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

(i) Accrued Bonuses to Employees

Accrued bonuses to employees are provided for the portion relevant to the current year of the amount estimated for payment of bonuses in the future.

(j) Accrued Bonuses to Directors and Statutory Auditors

Accrued bonuses to directors and statutory auditors are provided for the portion relevant to the current year of the amount estimated for payment of bonuses in the future.

(k) 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 the period, from 5 to 18 years, from the next year in which they arise.

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

Reserve for directors' and statutory auditors' retirement benefits represents the liability which RHYTHM CORPORATION, a subsidiary of the company, would have to pay if all eligible directors and auditors resigned at the balance sheet date.

(m) Reserve for Product Warranty

Reserve for product warranty is recorded in amounts based on experience of the past years in order to cover possible warranty costs at RHYTHM CORPORATION.

(n) Accounting for Leases

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.

(o) 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 net profit or loss for the period.

(p) 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 by the Company and domestic subsidiaries 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.

(q) Income Taxes

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

Provisions for income taxes are computed based on reported 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 consolidated financial statements, and operating loss and tax credit carryforwards.

(r) Change in Accounting Policies

(1) Beginning with the year ended March 31, 2007, in accordance with change in Taiwan GAAP, THK Taiwan Co., Ltd. has adopted the accounting standard which requires that derivative instruments be recognized in the financial statements and measured at fair value. The effect on this change on income and loss on the consolidated financial statements for the current period was immaterial.

(2) Beginning with the year ended March 31, 2007, the Company adopted accounting standard for directors' and statutory auditors' bonuses ("*ASBJ Statement No. 4–Accounting Standard for Directors' Bonus*" issued by the Accounting Standards Board of Japan (ASBJ) on November 29, 2005) that requires directors' and statutory auditors' bonuses be accounted for as an expense of a period in which such bonuses are accrued instead of deduction of the retained earnings account. As a result, operating income and income before income taxes and minority interest decreased by ¥131 million, compared with what would have been reported if the new accounting standard had not been adopted.

(3) Beginning with the year ended March 31, 2007, the Company adopted accounting standards for presentation of net asset in the balance sheet ("*ASBJ No. 5–Accounting Standard for Presentation of Net Assets in the Balance Sheet*" and "*ASBJ Guidance No. 8–Guidance on Accounting Standard for Presentation of Net Assets in the Balance Sheet*" issued by the Accounting Standards Board of Japan (ASBJ) on December 9, 2005). As a result, minority interest account was reclassified to the net assets section on the Consolidated Balance Sheets.

(s) 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 fluctuations in value.

(t) Reclassifications

Certain amounts previously reported may have been reclassified to conform to the current year financial statement presentation. Such reclassifications did not affect net income or net assets.

4. Impairment Losses

The assessment of whether there is an impairment of fixed assets is made for each group of assets, which is determined as individual assets for idle assets and rental real estates, and based on the grouping of production facility units, managerial accounting and investment decision-making purposes, for assets for business use. Fixed assets which do not have identifiable cash flows, such as corporate headquarters and sales branch facilities, are grouped as corporate level assets.

For idle assets whose operating profitability has worsened substantially due to such factors as ongoing decline in fair market value of assets, the Companies decided to mark the assets down to the net realizable value and recorded the impairment loss. The Companies recorded impairment losses of ¥71 million related to land and buildings in Taketoyo, Aichi and Agano, Niigata, and ¥137 million ($1,367 thousand) related to land, buildings and others in Hamamatsu, Shizuoka and machinery and equipment in Shimizu, Shizuoka and Ohira, Miyagi, for the years ended March 31, 2007 and 2008, respectively.

5. Long-term Investments in Securities

At March 31, 2007 and 2008, "other securities" with available market value were as follows:

	Millions of yen		
	2007		
	Cost	Carrying amount	Net unrealized gain (loss)
Carrying amounts in excess of acquisition cost:			
Equity securities	¥890	¥2,598	¥1,708
Other	1	1	0
Subtotal	891	2,599	1,708
Carrying amounts not in excess of acquisition cost:			
Equity securities	4	3	(1)
Other	—	—	—
Subtotal	4	3	(1)
Total	¥895	¥2,602	¥1,707

	Millions of yen		
	2008		
	Cost	Carrying amount	Net unrealized gain (loss)
Carrying amounts in excess of acquisition cost:			
Equity securities	¥ 554	¥1,574	¥1,020
Other	1	1	0
Subtotal	555	1,575	1,020
Carrying amounts not in excess of acquisition cost:			
Equity securities	968	713	(255)
Other	—	—	—
Subtotal	968	713	(255)
Total	¥1,523	¥2,288	¥ 765

	Thousands of U.S. dollars		
	2008		
	Cost	Carrying amount	Net unrealized gain (loss)
Carrying amounts in excess of acquisition cost:			
Equity securities	$ 5,534	$15,710	$10,176
Other	6	8	2
Subtotal	5,540	15,718	10,178
Carrying amounts not in excess of acquisition cost:			
Equity securities	9,662	7,116	(2,546)
Other	—	—	—
Subtotal	9,662	7,116	(2,546)
Total	$15,202	$22,834	$ 7,632

At March 31, 2007 and 2008, “other securities” without available market value were as follows:

	Millions of yen		Thousands of U.S. dollars
	2007	2008	2008
Other securities			
Unlisted equity securities	¥ 416	¥ 424	$ 4,234
Unlisted foreign mutual funds	96	248	2,475
Certificate of deposits	¥42,945	¥1,400	$13,975

In addition to the aggregated balances shown on the above tables, the Company holds investment funds in the form of *Toshi-Ji-gyo-Kumiai*, an entity similar to an investment partnership.

At March 31, 2007 and 2008, carrying amounts for the above investments were ¥79 million and ¥51 million ($510 thousand), respectively. The gains resulting from the valuation of the investments were ¥14 million and ¥2 million ($22 thousand) at March 31, 2007 and 2008, respectively. They were reported as a separate item in the net assets, “Net unrealized gain on other securities,” at net-of-tax amounts.

6. Inventories

Inventories at March 31, 2007 and 2008 comprised the following:

	Millions of yen		Thousands of U.S. dollars
	2007	2008	2008
Finished goods	¥13,506	¥13,310	$132,840
Work in process	4,617	5,842	58,304
Raw materials and supplies	7,723	10,163	101,426
Total	¥25,846	¥29,315	$292,570

7. Long-term Debt

The annual average interest rate applicable to long-term debt at March 31, 2008 was 1.37%.

Long-term debt at March 31, 2007 and 2008 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2007	2008	2008
1.37% Straight bonds 2008	¥5,000	¥5,000	$49,900
Zero Coupon Convertible bonds 2008, convertible at ¥1,650 ($16)	1,380	—	—
Loans from banks (2.75%):			
Non-collateralized	104	—	—
	6,484	5,000	49,900
Less current portion	1,452	5,000	49,900
	¥5,032	¥ —	$ —

8. Committed Line of Credit

At March 31, 2008, the Companies had committed lines of credit amounting to ¥12,750 million ($127,246 thousand). None of the committed lines of credit were used.

9. Contingent Liabilities

Contingent liabilities for guarantees of liabilities (accounts payable- trade) held by NIPPON SLIDE CO., LTD. as of March 31, 2008 was ¥107 million ($1,070 thousand).

10. Lease

The Companies lease certain machinery and equipment and other assets. Total lease payments under these leases were ¥658 million, ¥673 million, and ¥731 million ($7,294 thousand) for the years ended March 31, 2006, 2007 and 2008, 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, 2007 and 2008 were as follows:

	Millions of yen		
	2007		
	Machinery and equipment	Other	Total
Acquisition costs	¥3,032	¥13	¥3,045
Accumulated depreciation	1,499	3	1,502
Net leased property	¥1,533	¥10	¥1,543

	Millions of yen		
	2008		
	Machinery and equipment	Other	Total
Acquisition costs	¥3,843	¥105	¥3,948
Accumulated depreciation	2,570	44	2,614
Net leased property	¥1,273	¥ 61	¥1,334

	Thousands of U.S. dollars		
	2008		
	Machinery and equipment	Other	Total
Acquisition costs	$38,355	$1,049	$39,404
Accumulated depreciation	25,649	444	26,093
Net leased property	$12,706	$ 605	$13,311

Future minimum lease payments under finance leases as of March 31, 2007 and 2008 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2007	2008	2008
Due within one year	¥ 614	¥ 678	$ 6,762
Due after one year	929	656	6,549
Total	¥1,543	¥1,334	$13,311

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 ¥658 million, ¥673 million and ¥731million ($7,294 thousand) for the years ended March 31, 2006, 2007 and 2008, respectively.

Obligations under non-cancelable operating leases as of March 31, 2007 and 2008 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2007	2008	2008
Due within one year	¥ 569	¥ 654	$ 6,532
Due after one year	1,405	1,521	15,179
Total	¥1,974	¥2,175	$21,711

11. Derivative and Hedging Activities

For the years ended March 31, 2007 and 2008, the Company and its subsidiaries utilized certain interest rate swap, currency swap agreements and forward exchange contracts. Market value information for such derivatives, qualified the conditions for hedge accounting under related Japanese accounting standards, by the Company and its subsidiaries at March 31, 2007 has been omitted.

Fair value information as of March 31, 2007 and 2008 was summarized as follows:

	Millions of yen		Thousands of U.S. dollars
Foreign currency forward contract: Purchased-Japanese yen	2007	2008	2008
Contract cost	¥1,410	¥1,491	$14,883
Fair value	1,371	1,509	15,060
Unrealized gain/(loss)	¥ (39)	¥ 18	$ 177

12. Amortization of Goodwill

Amortization expenses for goodwill (including purchased goodwill) for the years ended March 31, 2007 and 2008 were ¥19 million and ¥2,755 million ($27,495 thousand), and were included in “Selling, General and Administrative Expenses.”

13. Research and Development

Research and development expenses for the years ended March 31, 2006, 2007 and 2008 were ¥2,684 million, ¥2,616 million and ¥3,550 million ($35,429 thousand), respectively, and were included in "Selling, General and Administrative Expenses" and "Cost of Sales" in the Consolidated Statements of Income.

14. Reserve for Employees' Retirement Benefits

The Company, its certain domestic subsidiaries and 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 subsidiaries, other subsidiaries have mainly defined contribution plans.

The reserve for employees' retirement benefits as of March 31, 2007 and 2008 were analyzed as follows:

	Millions of yen		Thousands of U.S. dollars
	2007	2008	2008
Projected benefit obligations	¥ 7,153	¥ 9,035	$ 90,170
Plan assets	(4,056)	(4,072)	(40,635)
	3,097	4,963	49,535
Unrecognized actuarial differences	(529)	(968)	(9,664)
Prepaid pension expense	6	—	—
Reserve for employees' retirement benefit	¥ 2,574	¥ 3,995	$ 39,871

Net periodic pension and severance costs for the years ended March, 2006, 2007 and 2008 were as follows:

	Millions of yen			Thousands of U.S. dollars
	2006	2007	2008	2008
Service cost	¥499	¥606	¥ 821	$ 8,196
Interest cost	136	128	156	1,562
Expected return on plan assets	(13)	(17)	(59)	(588)
Recognized actuarial differences	109	110	96	953
Net periodic pension and severance costs	¥731	¥827	¥1,014	$10,123

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

	2006	2007	2008
Method of attributing the projected benefits to periods of services	Straight-line basis	Straight-line basis	Straight-line basis
Discount rate	2.0%	2.0%	2.0%
Expected rate of return on plan assets	0.5%	0.5%	Between 1.0 and 1.5%
Amortization of unrecognized actuarial differences	Between 5 and 10 years	Between 5 and 10 years	Between 5 and 18 years

15. 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, 2006 , 2007 and 2008 was 40.7%.

At March 31, 2007 and 2008, significant components of deferred tax assets and liabilities were as follows:

	Millions of yen		Thousands of U.S. dollars
	2007	2008	2008
Deferred tax assets:			
Reserve for employees' retirement benefits	¥ 886	¥ 1,561	$ 15,574
Loss on devaluation of inventories	1,194	1,205	12,027
Accrued bonuses to employees	939	1,098	10,954
Valuation loss of investments in subsidiaries	—	954	9,522
Elimination of inter-company profit (property, plant and equipment)	388	635	6,338
Elimination of inter-company profit (inventories)	680	576	5,750
Net operating loss carried forward	249	520	5,186
Accrual of directors' and statutory auditors' retirement benefits	393	420	4,195
Software	455	372	3,714
Impairment loss on fixed assets	372	368	3,671
Allowance for bad debts	148	146	1,461
Enterprise tax payable	537	55	548
Liquidation loss of affiliates	241	—	—
Other	815	924	9,230
Gross deferred tax assets	7,297	8,834	88,170
Less valuation allowance	(423)	(1,325)	(13,228)
Total deferred tax assets	6,874	7,509	74,942
Deferred tax liabilities:			
Unrealized gains on marketable equity securities	(700)	(2,255)	(22,505)
Unrealized gains on land	(418)	(1,422)	(14,193)
Insurance premium	(396)	(456)	(4,547)
Special depreciation reserve	(220)	(202)	(2,020)
Other	(163)	(825)	(8,231)
Total deferred tax liabilities	(1,897)	(5,160)	(51,496)
Net deferred tax assets	¥ 4,977	¥ 2,349	$ 23,446

Net deferred tax assets are included in the Consolidated Balance Sheets as follows:

	Millions of yen		Thousands of U.S. dollars
	2007	2008	2008
Current Assets–Deferred tax assets	¥3,727	¥ 3,373	$ 33,669
Investments and Other–Deferred tax assets	1,717	2,426	24,209
Long-term Liabilities–Deferred tax liabilities	(467)	(3,450)	(34,432)
Net deferred tax assets	¥4,977	¥ 2,349	$ 23,446

For the years ended March 31, 2007 and 2008, the reconciliation of the statutory tax rate to the effective tax rate was as follows:

	2007	2008
Statutory tax rate	40.7%	40.7%
Increase (reduction) in taxes resulting from:		
Permanent differences	0.1	(3.1)
Net operating losses of consolidated subsidiaries for which valuation allowances were fully provided	0.6	0.9
Amortization of goodwill	—	4.2
Amortization of negative goodwill	(0.8)	(1.0)
Equity earnings from unconsolidated subsidiaries and affiliates	(0.6)	(0.3)
Equalization inhabitant taxes	0.2	0.2
Tax rate differences between domestic and overseas	(1.2)	(1.6)
Tax rate differences	(0.4)	(0.4)
Tax credit for research and development expenses	(0.6)	(0.9)
Refunded tax payment	(1.0)	(0.4)
Changes in tax consequences related to devaluation of investments in consolidated subsidiaries	—	(6.1)
Other	1.5	(1.5)
Effective income tax rate	38.5%	30.7%

16. Reconciliation of Cash and Cash Equivalents per Consolidated Statements of Cash Flows with Account Balances on Consolidated Balance Sheets

1) Cash and cash equivalents at March 31, 2007 and 2008 consisted of:

	Millions of yen		Thousands of U.S. dollars
	2007	2008	2008
Cash and bank deposits	¥48,912	¥48,162	$480,663
Short-term investments in securities	43,041	1,648	16,450
	¥91,953	¥49,810	$497,113

2) Significant acquisition

The following table summarizes the estimated fair value of assets acquired and liabilities assumed at the date of the commencement of consolidation and reconciliation between acquisition cost and cash paid for purchase of the investment in Rhythm Corporation.

	Millions of yen	Thousands of U.S. dollars
Current assets	¥ 9,707	$ 96,877
Non-current assets*	14,028	139,998
Goodwill	13,511	134,841
Current liabilities	(7,455)	(74,401)
Long-term liabilities	(16,708)	(166,749)
Acquisition cost	13,083	130,566
Cash and cash equivalents held by Rhythm Corporation and their 7 subsidiaries	(953)	(9,509)
Payment for purchase of investment in Rhythm Corporation, net of cash acquired	¥ 12,130	$ 121,057

*Non-current assets include Investments and other, Property, Plant and Equipment, and Deferred Charges and Intangibles.

3) Significant non-cash transactions

In the years ended March 31, 2007 and 2008, a portion of convertible bonds were converted into THK's common stock, resulting in an increase in the Company's paid-in capital and additional paid-in capital. The following summarizes the change in paid-in capital and additional paid-in capital accounts included in the net assets.

	Millions of yen			Thousands of U.S. dollars
	2006	2007	2008	2008
Increase resulting from conversion of convertible bonds (Paid-in capital)	¥10,628	¥182	**¥ 690**	**$ 6,886**
Increase resulting from conversion of convertible bonds (Additional paid-in capital)	10,628	182	**690**	**6,886**
Decrease resulting from conversion of convertible bonds outstanding	¥21,256	¥364	**¥1,380**	**$13,772**

17. Amounts per Share

Amounts per share at March 31, 2006, 2007 and 2008 for the years ended were as follows:

	Yen			U.S. dollars
	2006	2007	2008	2008
Net assets	¥1,266.39	¥1,407.84	**¥1,484.78**	**$14.818**
Net income–basic	¥ 148.42	¥ 158.36	**¥ 139.53**	**$ 1.393**
Net income–diluted	¥ 137.97	¥ 157.22	**¥ 138.74**	**$ 1.385**

Net assets per share is computed based on the net assets net of minority interest and the number of common stock outstanding at the year end net of the number of treasury stocks.

Net income per share is calculated by dividing net income, as adjusted for appropriation of retained earnings for directors' and statutory auditors' bonuses, 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.

For the years ended March 31, 2007 and 2008, directors' and statutory auditors' bonuses are no longer accounted for under the appropriation of retained earnings. Accordingly, the adjustment for appropriation items, as described in the above paragraph was not made.

18. Segment Information

1) Business Segment Information

For the years ended March 31, 2006 and 2007, as the net sales, operating income and assets of the machinery parts segment were over 90% of the total sales, total operating income and total assets of the Company and consolidated subsidiaries, business segment information was not required to be disclosed. The Company and consolidated subsidiaries were operating in one business segment: production and sales of linear motion systems.

Net sales, operating income and assets of the Companies for the year ended March 31, 2008 classified by business segments were summarized as follows:

	Millions of yen				
	2008				
	Industrial Equipment-Related Business	Transportation Equipment-Related Business	Total	Eliminations and corporate	Consolidated
I. Net sales and operating income–					
Net sales:					
Customers	¥168,287	¥40,422	¥208,709	¥ —	¥208,709
Inter-segment	—	—	—	—	—
Total	168,287	40,422	208,709	—	208,709
Operating expenses	132,004	42,642	174,646	7,125	181,771
Operating income/(loss)	¥ 36,283	¥ (2,220)	¥ 34,063	¥ (7,125)	¥ 26,938
II. Assets, depreciation and amortization, impairment loss and capital expenditure–					
Assets	¥177,478	¥42,229	¥219,707	¥44,522	¥264,229
Depreciation and amortization	¥ 7,805	¥ 2,272	¥ 10,077	¥ 61	¥ 10,138
Impairment loss	¥ 1	¥ 136	¥ 137	¥ —	¥ 137
Capital expenditure	¥ 14,511	¥ 3,363	¥ 17,874	¥ 127	¥ 18,001

	Thousands of U.S. dollars				
	2008				
	Industrial Equipment-Related Business	Transportation Equipment-Related Business	Total	Eliminations and corporate	Consolidated
I. Net sales and operating income–					
Net sales:					
Customers	$1,679,506	$403,414	$2,082,920	$ —	$2,082,920
Inter-segment	—	—	—	—	—
Total	1,679,506	403,414	2,082,920	—	2,082,920
Operating expenses	1,317,400	425,575	1,742,975	71,107	1,814,082
Operating income/(loss)	$ 362,106	$ (22,161)	$ 339,945	$ (71,107)	$ 268,838
II. Assets, depreciation and amortization, impairment loss and capital expenditure–					
Assets	$1,771,240	$421,450	$2,192,690	$444,331	$2,637,021
Depreciation and amortization	$ 77,893	$ 22,672	$ 100,565	$ 613	$ 101,178
Impairment loss	$ 11	$ 1,356	$ 1,367	$ —	$ 1,367
Capital expenditure	$ 144,821	$ 33,566	$ 178,387	$ 1,262	$ 179,649

The business segment is based on the features of products and similarities of sales market.

Major products in each business segment are as follows:

Industrial Equipment-Related Business—LM SYSTEM etc.
Transportation Equipment-Related Business—Link Ball and Suspension Ball Joint etc.

Of all operating expenses, unallocatable expenses in the amount of ¥7,125 million ($71,107 thousand) included in “Eliminations and corporate” are mainly comprised of expenses incurred in the administrative section in headquarters of the Company.
The corporate assets included in “Eliminations and corporate” primarily consist of term deposits, investment securities, deferred tax assets and land held by the Company and its subsidiaries which have no direct relevance to each business activity. Such corporate assets were ¥44,522 million ($444,331 thousand) as of March 31, 2008.
In connection with the inclusion of RHYTHM CORPORATION (and its subsidiaries) into the Company’s consolidation scope, beginning with the year ended March 31, 2008, we realigned our business segments: Industrial Equipment-Related Business and Transportation Equipment-Related Business. For the year ended March 31, 2007 and prior periods, business segment information was not required to be disclosed as the net sales, operating income and assets of the machinery parts segment contained over 90% of the total net sales, total operating income and total assets.

2) Geographical Segment Information

Net sales, operating income and assets of the Companies for the years ended March 31, 2006, 2007 and 2008 classified by geographic segments were summarized as follows:

	Millions of yen						
	2006						
	Japan	The Americas	Europe	Asia and other	Total	Eliminations and corporate	Consolidated
I. Net sales and operating income–							
Net sales:							
Customers	¥122,457	¥14,009	¥16,310	¥ 5,637	¥158,413	¥ —	¥158,413
Inter-segment	19,362	33	88	1,391	20,874	(20,874)	—
Total	141,819	14,042	16,398	7,028	179,287	(20,874)	158,413
Operating expenses	116,542	12,737	16,453	6,548	152,280	(20,947)	131,333
Operating income/(loss)	¥ 25,277	¥ 1,305	¥ (55)	¥ 480	¥ 27,007	¥ 73	¥ 27,080
II. Assets–							
Assets	¥182,494	¥15,279	¥17,870	¥16,010	¥231,653	¥ 12,732	¥244,385

	Millions of yen						
	2007						
	Japan	The Americas	Europe	Asia and other	Total	Eliminations and corporate	Consolidated
I. Net sales and operating income–							
Net sales:							
Customers	¥130,352	¥16,525	¥19,516	¥ 8,318	¥174,711	¥ —	¥174,711
Inter-segment	25,207	60	97	1,948	27,312	(27,312)	—
Total	155,559	16,585	19,613	10,266	202,023	(27,312)	174,711
Operating expenses	125,390	16,213	18,798	9,396	169,797	(26,902)	142,895
Operating income	¥ 30,169	¥ 372	¥ 815	¥ 870	¥ 32,226	¥ (410)	¥ 31,816
II. Assets–							
Assets	¥195,603	¥17,681	¥21,252	¥23,012	¥257,548	¥ 5,733	¥263,281

	Millions of yen						
	2008						
	Japan	The Americas	Europe	Asia and other	Total	Eliminations and corporate	Consolidated
I. Net sales and operating income–							
Net sales:							
Customers	¥145,745	¥25,473	¥25,427	¥12,064	¥208,709	¥ —	¥208,709
Inter-segment	34,577	59	97	2,494	37,227	(37,227)	—
Total	180,322	25,532	25,524	14,558	245,936	(37,227)	208,709
Operating expenses	152,412	24,093	22,032	13,262	211,799	(30,028)	181,771
Operating income	¥ 27,910	¥ 1,439	¥ 3,492	¥ 1,296	¥ 34,137	¥ (7,199)	¥ 26,938
II. Assets–							
Assets	¥211,029	¥21,044	¥19,314	¥31,378	¥282,765	¥(18,536)	¥264,229

	Thousands of U.S. dollars						
	2008						
	Japan	The Americas	Europe	Asia and other	Total	Eliminations and corporate	Consolidated
I. Net sales and operating income–							
Net sales:							
Customers	$1,454,541	$254,215	$253,766	$120,398	$2,082,920	$ —	$2,082,920
Inter-segment	345,083	591	970	24,888	371,532	(371,532)	—
Total	1,799,624	254,806	254,736	145,286	2,454,452	(371,532)	2,082,920
Operating expenses	1,521,086	240,444	219,883	132,349	2,113,762	(299,680)	1,814,082
Operating income	$ 278,538	$ 14,362	$ 34,853	$ 12,937	$ 340,690	$ (71,852)	$ 268,838
II. Assets–							
Assets	$2,106,080	$210,021	$192,756	$313,153	$2,822,010	$(184,989)	$2,637,021

Net sales are attributed to geographies based on the country (jurisdiction) location of the Company or the subsidiaries.

Principal countries and jurisdictions in each geographic segment are as follows:

"The Americas" mainly includes the United States.
"Europe" mainly includes Germany, the United Kingdom and the Netherlands.
"Asia and other" mainly includes China, Korea and Taiwan.

Beginning with the year ended March 31, 2008, the Company decided to include some operating expenses under "Eliminations and corporate." Formerly, all the operating expenses of the Company were included in the Japan segment.

This change was made in line with the Company's strengthened "Control Functions as a holding company" by reviewing the internal administrative systems including ones possessed by its subsidiaries associated with the evaluation of internal control systems and other factors. In this connection, to represent the substance of each segment operation properly, the Company reports expenses (¥7,125 million or $71,107 thousand) incurred in the administrative section in headquarters of the Company as "Corporate level" expenses and presented under "Eliminations and corporate" on the segment information reporting.

As a result, the operating income in the Japan segment increased by ¥7,125 million ($71,107 thousand) while operating income in "Eliminations and corporate" decreased by ¥7,125 million, compared with the methodology used in the previous periods. Prior period amounts have not been restated.

The corporate assets included in "Eliminations and corporate" primarily consist of term deposits, investment securities, deferred tax assets and land held by the Company and its subsidiaries which have no direct relevance to each business activity. Such corporate assets were ¥44,522 million ($444,331 thousand) as of March 31, 2008.

For the year ended March 31, 2007 and prior periods, assets except for term deposits and investment securities held by the Company were allocated directly to each geographical segment based on the location of the Company and its subsidiaries.

Beginning with the year ended March 31, 2008, in connection with the commencement of "Business Segment Information" presentation, the Company changed the scope of corporate assets and the methodology of allocating assets on segment information reporting: allocating assets by methodology focusing the use of assets and their relevance to business activities instead of methodology focusing on nominal location of assets.

As a result, assets in segments "Japan," "the Americas," and "Europe," decreased by ¥24,532 million ($244,829 thousand), ¥5,191 million ($51,810 thousand) and ¥6,137million ($61,248 thousand), respectively while assets in "Elimination and corporate" increased by ¥35,860 million ($357,887 thousand) compared with the methodology used in the previous periods. Prior period amounts have not been restated.

3) Export Sales and Sales by Overseas Subsidiaries

Overseas sales of the Companies (referring to the amounts of exports made by the Company and its consolidated subsidiaries in Japan plus the sales by the overseas consolidated subsidiaries) for the years ended March 31, 2006, 2007 and 2008 were summarized as follows:

	Millions of yen			
	2006			
	The Americas	Europe	Asia and other	Total
Overseas sales	¥14,108	¥16,199	¥15,861	¥ 46,168
Consolidated net sales				¥158,413
Overseas sales as a percentage of consolidated net sales	8.9%	10.2%	10.0%	29.1%

	Millions of yen			
	2007			
	The Americas	Europe	Asia and other	Total
Overseas sales	¥16,650	¥19,345	¥19,203	¥ 55,198
Consolidated net sales				¥174,711
Overseas sales as a percentage of consolidated net sales	9.5%	11.1%	11.0%	31.6%

	Millions of yen (Thousands of U.S. dollars)			
	2008			
	The Americas	Europe	Asia and other	Total
Overseas sales	¥26,000	¥25,237	¥21,150	¥ 72,387
	($259,487)	($251,863)	($211,079)	($ 722,429)
Consolidated net sales				¥208,709
				($2,082,920)
Overseas sales as a percentage of consolidated net sales	12.5%	12.1%	10.1%	34.7%

19. Related Party Information

The Company has certain transactions with RHK Kabushiki Kaisha (“RHK”), Kumamoto, Japan, of which 97.5% voting rights are held by Mr. Tetsuya Hayashida, Director of the Company, and his relatives. The terms and conditions applicable to the above transactions have been determined on the basis of arm’s length and reference to normal market price levels.

The following table summarizes the detailed information about RHK at March 31, 2007 and 2008.

	Millions of yen (Thousand of U.S. dollars)
	2007 and 2008
Related party category	The business entity in which officer of the Company and his/her relatives hold more than one half of voting rights
Trade name	RHK Kabushiki Kaisha
Address	Kumamoto-shi, Kumamoto, Japan
Paid-in capital	¥20 ($200)
Principal business	Manufacture and sale of machinery and equipment
Description of the Company’s transaction with RHK	Sale of the Company’s products and merchandise
Equity ownership by the Company	None

At March 31, 2007 and 2008, respectively, balances with RHK were as follows:

	Millions of yen		Thousands of U.S. dollars
	2007	2008	2008
Accounts receivable from RHK	¥1	¥0	$3

For the years ended March 31, 2007 and 2008, sales made to RHK were as follows:

	Millions of yen		Thousands of U.S. dollars
	2007	2008	2008
Sales to RHK	¥7	¥6	$62

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, 2007 and 2008, and the related consolidated statements of income, changes in net assets, and cash flows for each of the three years in the period ended March 31, 2008, 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. Those 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, 2007 and 2008, and the consolidated results of their operations and their cash flows for each of the three years in the period ended March 31, 2008, in conformity with accounting principles generally accepted in Japan.

As described in Note 18, Segment Information (2) Geographical Segment Information, beginning with the year ended March 31, 2008, the Company changed the methodology of allocating operating expenses to each of the segments.

As described in Note 18, Segment Information (2) Geographical Segment Information, beginning with the year ended March 31, 2008, in connection with commencement of "Business Segment Information" presentation, the Company changed the scope of corporate assets and the methodology of allocating assets to each of the segments.

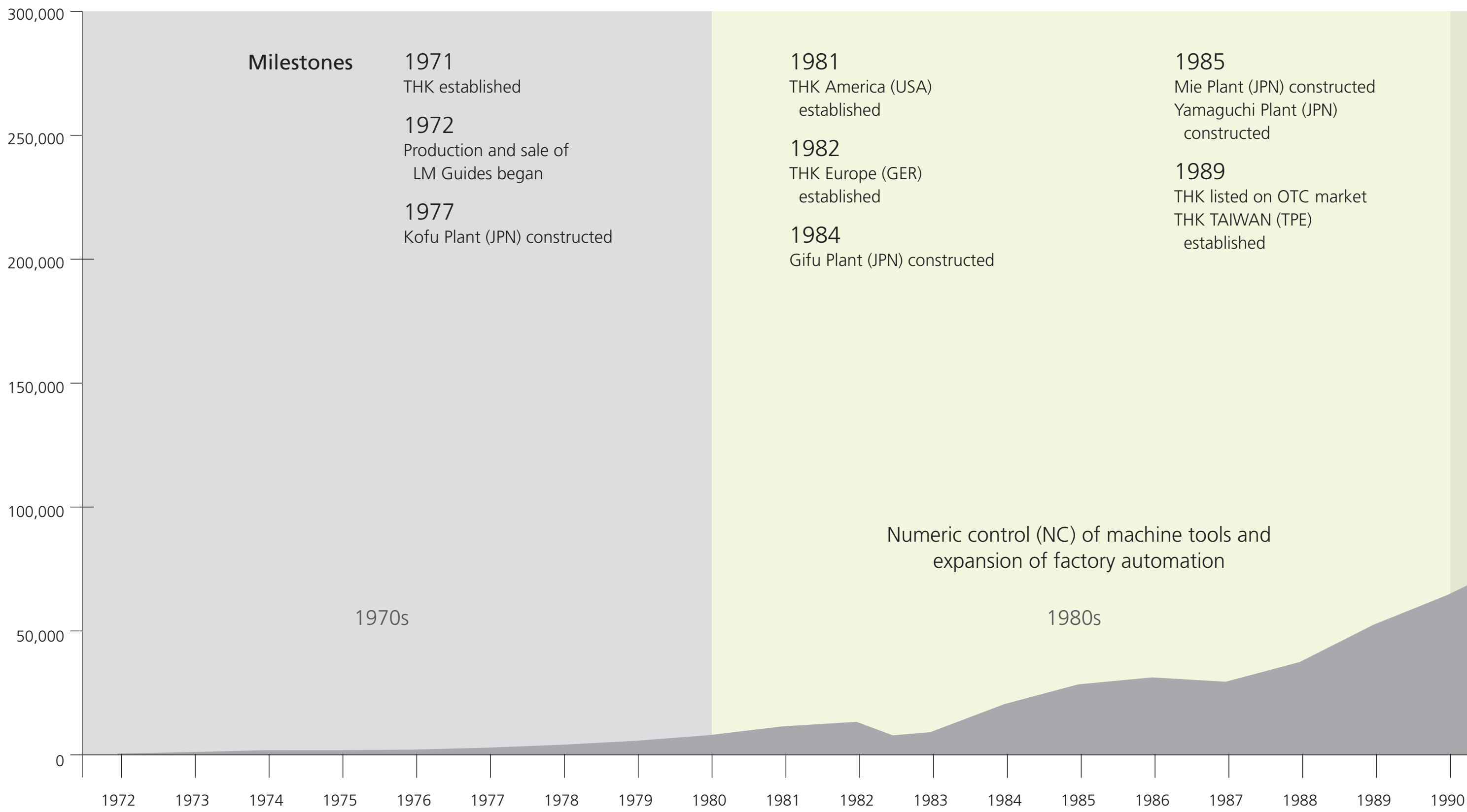
The amounts expressed in U.S. dollars, which are provided solely for the convenience of readers, have been translated on the basis set forth in Note 2 to the accompanying consolidated financial statements.

Grant Thornton Taiyo ASG

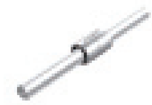
Tokyo, Japan
June 16, 2008

HISTORY OF THK

Sales

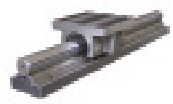


Product Timeline



1971
Ball Spline
(LBS)

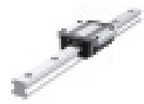
1971
Link Ball
(RBL)



1972
LM Guide
(LSR)

1975
LM Guide
(NSR)

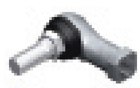
1979
Ball Screw
(BNFN)



1981
LM Guide
(HSR)

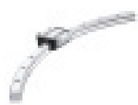
1982
Cross Roller Ring
(RB)

1983
Rolled Ball Screw
(BLK)



1988
Link Ball
(BL)

1990
LM Guide
Actuator (KR)



1992
R Guide
(HCR)

1991
Yamagata Plant (JPN) constructed

1996
Production and sale of LM Guide with Caged Ball Technology began
DALIAN THK (CHN) established

1997
TMA (USA) established

2000
TME (FRA) established

2001
Production and sale of LM Guide with Caged Roller Technology began
THK listed on TSE

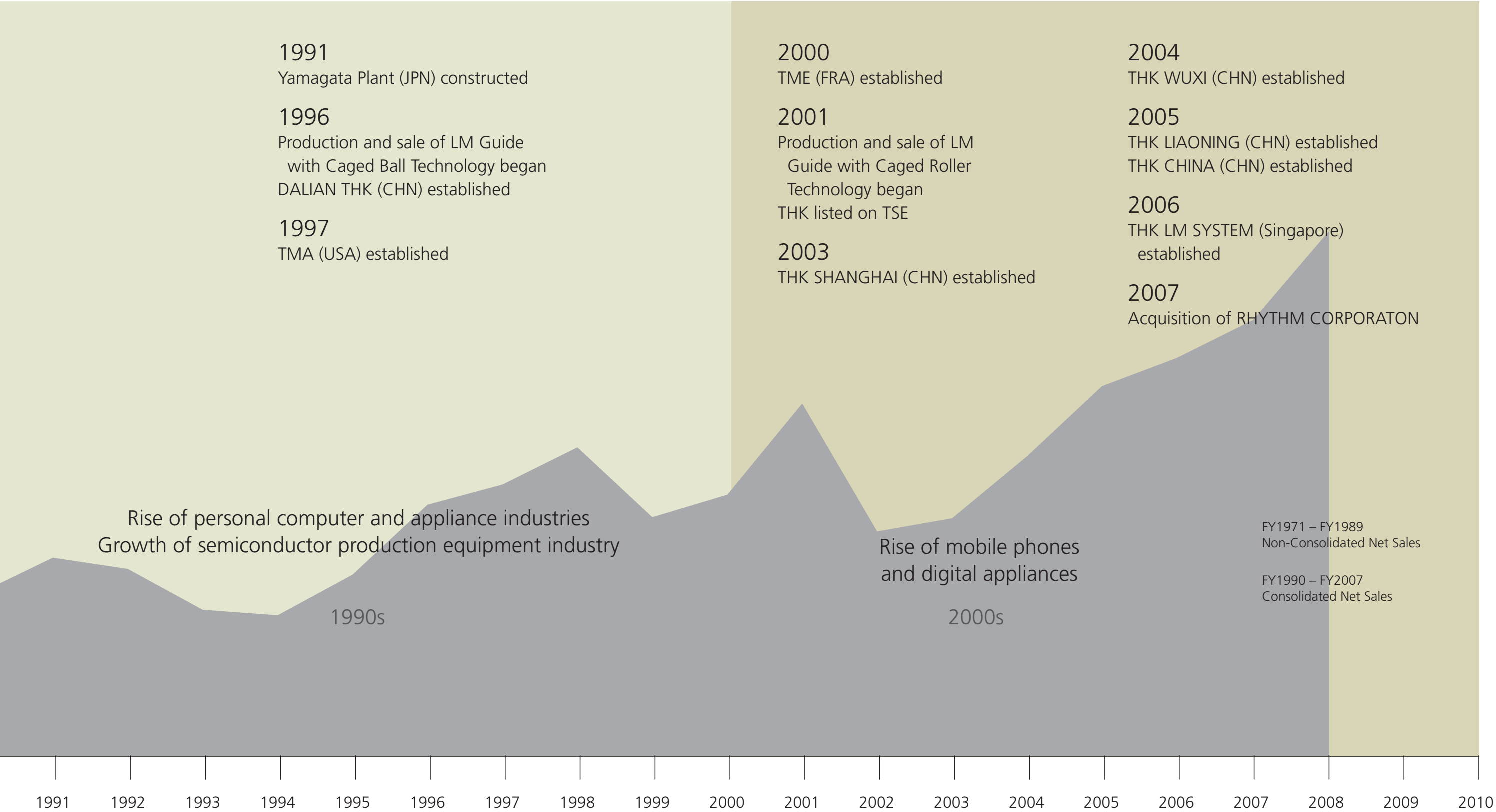
2003
THK SHANGHAI (CHN) established

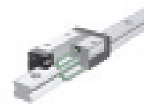
2004
THK WUXI (CHN) established

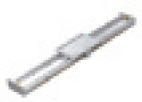
2005
THK LIAONING (CHN) established
THK CHINA (CHN) established

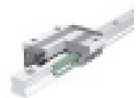
2006
THK LM SYSTEM (Singapore) established

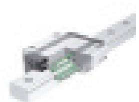
2007
Acquisition of RHYTHM CORPORATON




1996
LM Guide with Caged Ball (SSR)


1997
Linear Motor Actuator (GLM)


1998
LM Guide with Caged Ball (SHS)


1998
LM Guide with Caged Ball (SNR)

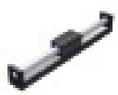

1999
Alignment Stage (CMX)


2000
LM Guide with Caged Ball (SHW)

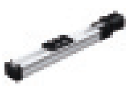

2001
Seismic Isolation Cross Liner Bearing (CLB)


2001
Seismic Isolation Viscous Damper (RDT)


2001
LM Guide with Caged Roller (SRG)


2002
Linear Motor Actuator (RDM)

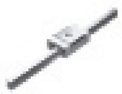

2002
Ball Screw with Caged Ball (HBN)

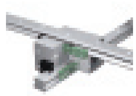

2002
Low Price Actuator (VLA)


2003
LM Guide (HMG)


2003
LM Guide Actuator with Caged Ball (SKR)


2003
LM Guide with Caged Roller (SRW)

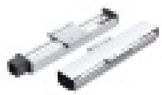

2004
Micro LM Guide (RSR 1.2)

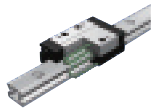

2004
Cross LM Guide with Caged Ball (SCR)

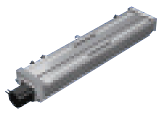

2004
Linear Motor Actuator (KLM)

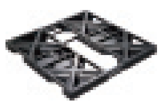

2004
Rod Actuator (CRES)


2005
Limited Stroke LM Guide (EPF)


2006
LM Actuator (GL-N)


2007
LM Guide Light


2007
LM Actuator for Clean Environment Model (CGL)


2007
Isolation Table (TSD)

SUBSIDIARIES & AFFILIATE

As of March 31, 2008

Subsidiaries	Main operations	Head office	Percentage owned by the Company, directly or indirectly (%)
DAITO SEIKI CO., LTD.	Manufacture of parts and equipment for machinery	Tokyo, Japan	100.00
TALK SYSTEM CORPORATION	Sale of machinery parts and various types of equipment	Tokyo, Japan	99.00
Beldex Corporation	Manufacture and sale of glass-type substrate processing equipment (used in FPD production processes) and optical machinery	Tokyo, Japan	100.00
THK NIIGATA CO., LTD.	Manufacture of ball splines	Niigata, Japan	70.00
RHYTHM CORPORATION	Transportation equipment-related business	Shizuoka, Japan	100.00
Rhythm Kyushu Co., Ltd.	Transportation equipment-related business	Oita, Japan	100.00
Rhythm L Co., Ltd.	Transportation equipment-related business	Shizuoka, Japan	100.00
L Tool Co., Ltd.	Transportation equipment-related business	Shizuoka, Japan	100.00
L Trading Co., Ltd.	Transportation equipment-related business	Shizuoka, Japan	100.00
L Engineering Co., Ltd.	Transportation equipment-related business	Shizuoka, Japan	100.00
THK Holdings of America, L.L.C.	Holding company for THK Group operations in the Americas	Illinois, U.S.A.	100.00
THK America, Inc.	Sale of LM guides, ball screws, spherical joints	Illinois, U.S.A.	100.00
THK Manufacturing of America, Inc.	Manufacture of LM guides, spherical joints	Ohio, U.S.A.	100.00
Rhythm North America Corporation	Transportation equipment-related business	Tennessee, U.S.A.	100.00
THK Europe B.V.	Holding company for THK Group operations in Europe	Amsterdam, Netherlands	100.00
THK GmbH	Sale of LM guides, ball screws, spherical joints	Ratingen, Germany	100.00
THK France S.A.S.	Sale of LM guides, ball screws, spherical joints	Champagne Au Mont d'or, France	100.00
THK Manufacturing of Europe S.A.S.	Manufacture of LM guides, ball screws, spherical joints	Ensisheim, France	100.00
PGM Ballscrews Ireland Ltd.	Manufacture and sale of ball screws	Dublin, Ireland	98.97
THK TAIWAN CO.,LTD.	Sale of LM guides, ball screws, spherical joints	Taipei, Taiwan	94.99
THK (CHINA) CO., LTD.	Management of THK Group operations in China	Dalian, China	100.00
THK (SHANGHAI) CO., LTD.	Sale of LM guides, ball screws, spherical joints	Shanghai, China	100.00
DALIAN THK CO., LTD.	Manufacture and sale of ball screws, actuators	Dalian, China	70.00
THK MANUFACTURING OF CHINA (WUXI) CO., LTD.	Manufacture of LM guides	Wuxi, China	100.00
THK MANUFACTURING OF CHINA (LIAONING) CO., LTD.	Manufacture of LM guides	Dalian, China	100.00
Beldex KOREA Corporation	Manufacture and sale of glass-type substrate processing equipment (used in FPD production processes) and optical machinery	Seoul, South Korea	100.00
THK LM SYSTEM Pte. Ltd.	Sale of LM guides, ball screws, spherical joints	Singapore	100.00
RHYTHM GUANGZHOU CORPORATION	Transportation equipment-related business	Guangzhou, China	100.00
THK RHYTHM (THAILAND) CO., LTD.	Transportation equipment-related business	Rayong, Thailand	100.00

Affiliate			
SAMICK THK CO., LTD.	Manufacture and sale of LM guides	Daegu, South Korea	33.82

CORPORATE DATA

As of March 31, 2008

Company Profile

Head Office	3-11-6 Nishi-Gotanda, Shinagawa-ku, Tokyo 141-8503 JAPAN
Telephone	+81-3-5434-0351
Established	April 1971
Number of Employees	6,924 (consolidated); 3,075 (parent company)
Month of Ordinary General Meeting of Shareholders	June
Web Site URL	http://www.thk.com/
Independent Auditors	Grant Thornton Taiyo ASG

Stock Information

Common Stock:	
Authorized	465,877,700 shares
Issued	133,856,903 shares
Stock Exchange Listing	Tokyo Stock Exchange
Stock Transfer Agent	Mitsubishi UFJ Trust and Banking Corporation
Number of Shareholders	26,606

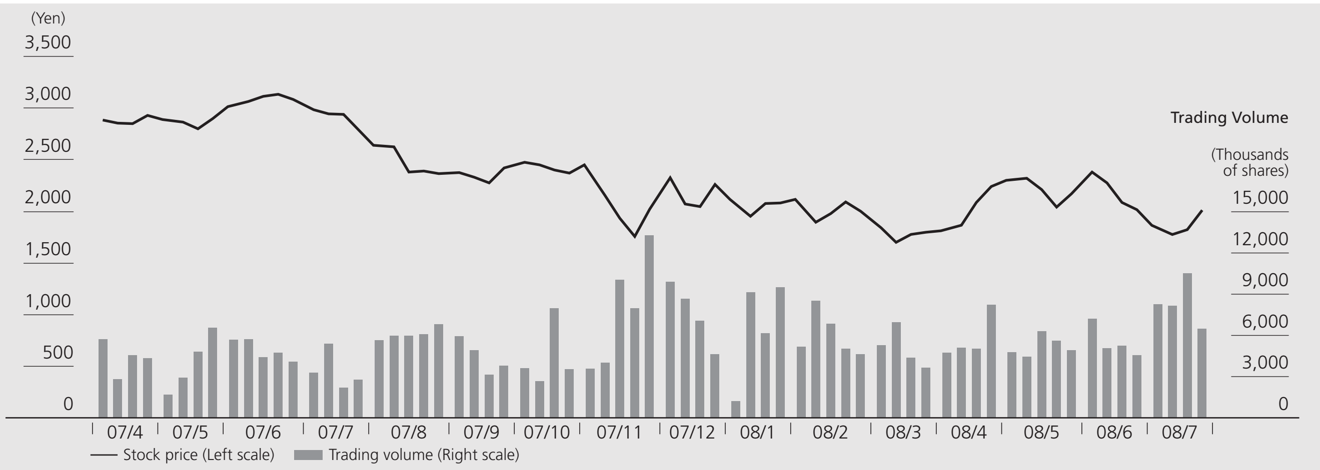
Major Shareholders

	Number of Issued Shares Held	Percentage of Voting Rights (%)
State Street Bank & Trust Co	9,326,600	6.96
Japan Trustee Trust Bank of Japan, Limited (Trust Account)	7,189,500	5.37
The Master Trust Bank of Japan, Limited (Trust Account)	6,322,200	4.72
Akihiro Teramachi	5,841,400	4.36
THK CO., LTD.	5,246,172	3.91
UBS AG London Account IPB Segregated Client Account	3,997,100	2.98
BBH Lux Fidelity Funds Japan Fund	2,468,100	1.84
Independently Operated Designated Money Trust Fiduciary: Mitsui Asset Trust and Banking Company, Limited Account	2,449,100	1.82
Japan Trustee Trust Bank of Japan, Limited (Trust Account 4)	2,250,100	1.68
The Bank of New York Non-Treaty JASDEC Account	2,213,087	1.65

Shareholder Composition

Shareholder Type	Number of Shareholders	Number of Issued Shares Held	Shareholding Ratio (%)
Government and Municipalities	0	0	0.00
Financial Institutions	96	36,656,389	27.39
Securities Companies	42	689,543	0.52
Other Corporations	354	4,759,238	3.56
Overseas Institutions	332	60,782,051	45.41
Individuals and Others	25,781	25,723,510	19.22
Treasury Stock	1	5,246,172	3.92

Stock Price and Trading Volume



THK CO., LTD.

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Printed in Japan