STRATEGIC
DIRECTION

The final target of the Long-Term Management Target is to achieve consolidated sales of 300 billion yen and an overseas sales ratio of 50% by the end of FY 2010. In order to achieve this target, the company has adopted the following strategies: "Full-scale Globalization" and "Development of New Business Areas."

Through full-scale globalization, the company expects overseas sales to grow at an average of 20%, while domestic sales are expected to grow at an average rate of 10% through development of new business areas.

In pursuit of local production, THK considers raising the overseas production ratio from 10% to 40% in 2010 as one of its most important business goals. The expansion of production in Europe and Asia is central to this goal.

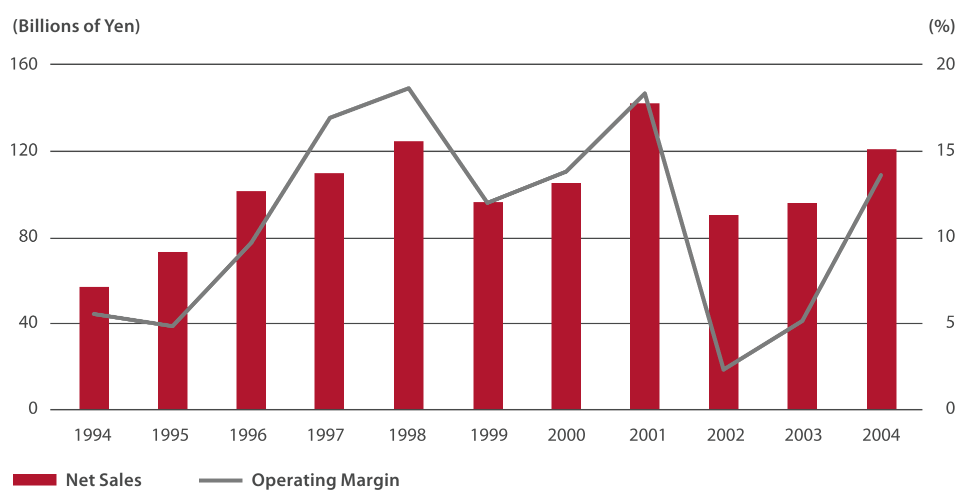
Maintaining a 60% World Market Share

During the 1970s, from the time it developed the first LM guide in 1971, THK was the world's sole manufacturer of these products. The 1980s saw the market for LM guide products take off driven by demand first from the American machine tool industry and then from Japanese and other machine tool makers. This expansion encouraged many Japanese companies to enter the market. During the 1990s, use of LM guide products spread to other industries, particularly the semiconductor industry, which again triggered an increase in the number of American and European competitors entering the market. For almost thirty years, from its establishment until now, THK has been constantly engaged in fierce competition with market neophytes. In spite of this competition, THK nevertheless remains the market leader boasting a global market share of 60% (company estimate). In the current decade, Asian manufacturers including Korean, Taiwanese and Chinese companies are likely to provide another wave of competition. As a result, we expect that competitive pressures will continue to intensify. This notwithstanding, we are determined to maintain our current 60% world market share. Under the Long-Term Management Target, one of the major tasks set is to maintain the lion's share of the world market.

We think THK's core competency lies in the application of our accumulated technologies, which only a specialized manufacturer can achieve, to development of state-of-the art LM guide products. Another core competency is to be found in our close contact with customers, who are mainly manufacturers ranked at the top of their respective industries. As our major customers are the top makers in each industry, we enjoy a unique position of advantage in gathering useful information through close contact and frequent transactions. This insight can then be reflected in the development of new products. In this respect, THK continues to enjoy an advantageous position compared with its competitors. We have also established

Net Sales and Operating Margin

Years ended March 31



unique production technologies to complement our technical and marketing capabilities. The collective strength stemming from the combination of technical capability, marketing capability and production technology is the foundation of our competitive advantage.

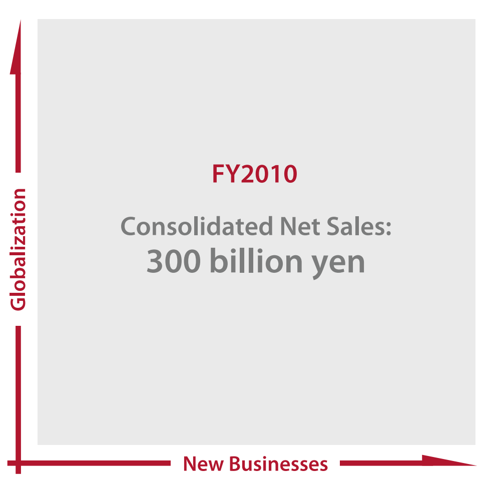
Long-Term Management Target "Fiscal 2010 Vision"

In order to take full advantage of the competitive edge described above and to further strengthen our position as market leader, THK announced a Long-Term Management Target, dubbed "Fiscal 2010 Vision." The plan was announced in 2001 when we celebrated the 30th anniversary of our establishment and was developed to map out the direction in which THK should evolve over the next ten years, as well as to provide the appropriate philosophical and cultural underpinnings to support the goals.

While the Long-Term Management Target sets our long-term targets and aspirations, the Medium-Term Management Plan is made with a three year time horizon and is revised each year to take into account progress made during the previous year and changes in the business environment. Its role is to provide a practical framework for the implementation of policy by providing consistency between the goals of the Long-Term Management Target and the annual business plans of the divisions. This procedure promotes consistency of the Long-Term Management Target, which is decided by a "top-down" method, and the annual targets of each of the business divisions, which are decided by a "bottom-up" method. In this way, we are able to balance our strategic and tactical objectives.

The Long-Term Management Target is described in the business vision, "Global 10-21," which encapsulates our belief that THK should be ranked among the top ten machine parts makers in the early 21st century. In order to achieve this target, THK pursues two strategies: one is dubbed "Full-scale Globalization" and the other "Development of New Business Areas."

Expansion of Business Areas



Overseas Market:
Average growth rate of 20% through full-scale globalization

Overseas Sales:
150.0 billion yen

Overseas Sales Ratio:
50%

Domestic Market:
Average growth rate of 5% -10% through full-scale entry into consumer products industries

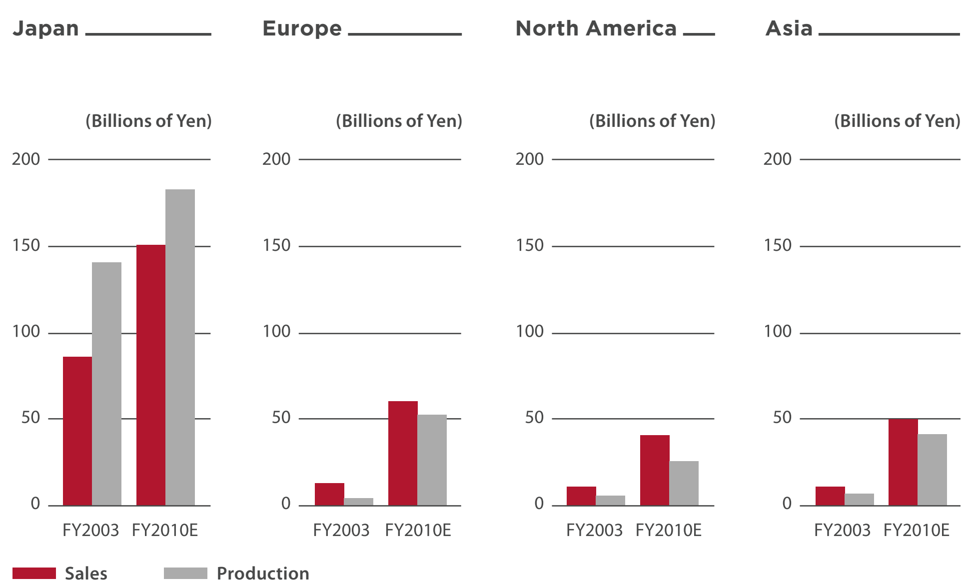
Domestic Sales:
150.0 billion yen

For this purpose, THK intends to establish its own "New Business Model," by which we will strengthen our ability to develop new products and innovative production technology, as well as implement a drastic overhaul of our marketing system.

The First Pillar of the Long-Term Management Target: Global Development

The most important numerical target of the Long-Term Management Target is to increase consolidated sales to 300 billion yen for FY 2010. This target is premised on the assumption that we can increase overseas sales at an annual average rate of 20% over the remaining period of the plan until FY 2010, while domestic sales are expected to grow at an annual average rate of 10% by exploiting new demand for LM guide products in the consumer-related markets. On this basis, consolidated sales of 300 billion yen is expected to be divided evenly between overseas and domestic sales. At the time that this target is realized, the overseas sales ratio will have risen to 50%, while we forecast a regional breakdown of overseas sales of 60 billion yen in Europe, 40 billion yen in North America and 50 billion yen in Asia-Pacific.

In order to establish a global management system, THK has been working to analyze our regional marketing system and to adapt the regional technical support system to regional needs. We are consolidating our international logistic system based on a tetra-lateral production system in Japan, Europe, North America and the Asia-Pacific regions. We are also considering the introduction of international standards for packaging and barcode systems to make international transportation more effective and flexible. To facilitate these global strategies, we consider enhancement of our brand identity a major enabling factor. Further, we intend to establish an international administrative system including financing and to educate staff to be fully engaged in international business operations.



In order to optimize our local production activities, THK aims to increase the overseas production ratio from the current 10% to 40% in FY 2010. We believe that the overseas markets have significantly more growth potential than the domestic market, primarily because of a lower rate of adoption of LM guide products. The basic premise on which our international production system is founded is that production should be conducted as near as possible to the market of final demand. As a consequence, we believe that it is necessary to promote local production in the Asian region, centering on China, which is expected to exhibit high rates of growth.

THK currently has a factory in Dalian, China, which produces ball screws. We announced in March 2004 plans for the construction of a new factory in Wuxi, Jiangusu Province, China, which will be the first LM guide production facility in Asia outside of Japan. The products manufactured at the Chinese factories will be exported to the overseas market for the time being because domestic demand in China is still small. However, in future, as domestic demand from Chinese companies for our products increases, these factories will supply the local market.

The Second Pillar of the Plan: Development of New Business Areas

The other major target of the Long-Term Management Target is that of "Development of New Business Areas." The main users of our LM guide products are mostly capital investment-oriented industries, including machine tool companies, semiconductor manufacturing equipment companies and industrial robot companies. Unfortunately, these industries are highly sensitive to cyclical factors and to general business conditions meaning that demand for our products is erratic. Excessive dependence on such cyclical demand tends to increase

New Businesses

Capital Goods

Machine Tools
Chip Mounting Machines
Injection Molding Machines
Industrial Robots
Semiconductor Production Equipment
LCD Production Equipment

Auto Parts
Aseismatic Devices
Consumer Electronics
Servo Control Technology

Consumer Goods

Expansion from Capital Goods into Consumer Goods

FAI Division (Future Automobile Industries)
Develops key automotive components that help enhance vehicle safety

ACE Division (Amenity Creation Engineering)
Mainly develops earthquake-immune components for housing

MRC Center (Mechatronics Robotics Computing)
Development of servo control technologies and software for products of the near future

CAP Project (Consumer Application Products)
Conception and proposal of automated, commercial off-the-shelf components in line with ongoing IT innovations

NEXT Project (New EXpress Transfer System)
Low-priced actuators

our business risk. In order to cope with this problem, we think that it is essential to make inroads into new business areas such as consumer durable products, which are less affected by the business cycle. Promotion of business in these areas is regarded as an essential component of a sound business model. Specifically we place emphasis on such areas as automotive parts, medical equipment and aseismatic structures for buildings among others. Many new projects devoted to expansion into new markets have already been launched by the FAI Division, which focuses on auto-parts; and the ACE Division, which deals with business related to aseismatic structures. We are confident that these efforts will bear fruit, which will in turn contribute to stabilizing our revenue stream and reducing the level of business risk we bear.

The Targets of the Medium-Term Management Plan

THK revised its Medium-Term Management Plan covering the period from FY 2004 to FY 2006 in May 2004 taking into consideration recent changes in the business environment. This reflects the rapid change in the economic situation that has occurred since the previous revision of the Plan was published one year ago. During the interim, sluggish Japanese and world economies have started to grow again. In particular, China's strong economic growth has a major effect on the machine parts industry. On the other hand, customer needs are changing. Delivery time is becoming shorter and shorter, while small-lot production and increase in product variety are rapidly becoming the norm.

In response to these changes, THK revised the Medium-Term Management Plan with the aim of further strengthening our product development capabilities and the establishment of a new business model. The following five company-wide targets were adopted: (1) to promote global development by building a globally-oriented organization to implement the tetra-lateral marketing strategy and by promoting the optimization of local production; (2) to hit an all-time high record level of consolidated sales during the period covered by the Plan (highest sales to date were recorded in FY 2000) by emphasizing sales of main products such as LM Guide with Caged Ball™ Technology, by exploring new markets and by acquiring new

Medium-Term Management Plan (FY 2004-2006)

Management Strategies

- Build Globally-Oriented Organizations
- Setting New Sales Records
- Move Forward on Fundamental Review of Production Systems
- Ongoing Development and Introduction of New Products
- Reinforcement of Individual Potential

Target: FY2006

Consolidated Net Sales
¥165 billion

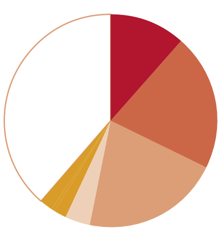
Operating Margin
18.8%

customers; (3) to undertake a fundamental review of the production system with the objective of improving productivity and cutting production cost, as well as promoting international and "green" procurement; (4) to foster new product innovation by reinforcing our development capability and speeding up the development process; and (5) to increase the ability of each employee by training globally-oriented personnel and by continuing with our TAP activities.

By accomplishing these targets, consolidated net sales and operating income for the final year of the Plan in FY 2006 are expected to increase to 165 billion yen and 31 billion yen respectively, implying an improvement in operating margin to 18.8%. The regional breakdown of sales is forecast at 120 billion yen in Japan, 15 billion yen in the Asia-Pacific region, 16.5 billion yen in Europe and 13.5 billion yen in North America. Sales in Japan and the Asia-Pacific region are expected to show a remarkable increase of approximately 40% compared with the last fiscal year. Sales in North America and Europe are also expected to grow about 30%.

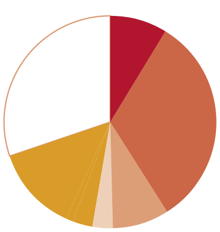
Because of the change of the structure of overseas sales, we expect to record a large increase in the number of employees in the Asia-Pacific region. The total number of employees in the region as of FY 2003 was 554, but that number is expected to increase to 1,100 in FY 2006. We also expect to increase the number of employees in Europe and North America.

Sales by Industry



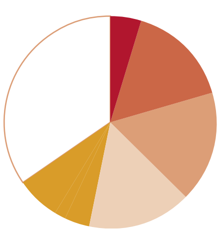
Japan

11.5%	Machine Tools	20.7%	General Machinery
20.9%	Electronics	3.8%	Automobiles
4.5%	Other	38.6%	Indirect Sales



Europe

8.7%	Machine Tools	32.3%	General Machinery
8.6%	Electronics	3.1%	Automobiles
17.1%	Other	30.2%	Indirect Sales



North America

4.7%	Machine Tools	15.8%	General Machinery
16.9%	Electronics	15.8%	Automobiles
12.2%	Other	34.6%	Indirect Sales

On the other hand, the total number of employees in Japan is expected to show only a slight increase from 3,114 in FY 2003 to 3,200 for FY 2006.

Though the primary target of the Medium-Term Management Plan is to increase consolidated net sales, it is also important to show an improvement in ROE, the primary indicator of management efficiency. ROE rose above 14% in FY 2000, but subsequently plummeted to below 2%. For the last several years, it has shown some modest improvement although still falling short of satisfactory levels. During the period covered by the Medium-Term Management Plan, we aim to raise ROE to 10% and to maintain it stably at that level. In addition, operating margin is targeted to rise to 20%.

The Annual Management Plan for FY 2004

The primary targets for FY 2004 are threefold. The first is the "Formulation and Implementation of Global Strategies," the aim of which is to coordinate regional marketing strategies by putting an emphasis on sales promotion for mainline LM Guide with Caged Ball™ Technology and to establish a tetra-lateral coordinated system. The second is "Continued Expansion in Developing Markets," which puts an emphasis on increasing market share by promoting sales of conventional products as well as sales promotion of new products such as automotive parts and aseismatic structures. Another major goal implicit in this target is to address consumer-product-related markets. The third is "Creating Systems Sensitive to Demand Fluctuations," which is designed to enable us to quickly review inventory and procurement plans and change production schedules rapidly in response to changes in market conditions.

When all these plans are implemented, consolidated net sales for FY 2004 are forecast to increase to 142 billion yen, a 19% rise from the previous year. Operating income and income before income taxes and minority interest are both expected to increase to 24 billion yen, representing 47% and 51% growth over the previous year, respectively. Net income is forecast to increase 58% to 13.6 billion yen. The major target of the annual management plan for FY 2004 is to record all-time high sales and to turn subsidiaries in Europe and North America into the black for the first time since their establishment.

We have earmarked 13 billion yen for capital expenditure during FY 2004, an 18% increase over the previous fiscal year (the amount includes capital expenditure by the non-consolidated companies, Dalian THK and THK Wuxi in China, and an affiliated company under equity method, Samick LMS in Korea). Capital investment in the Asia-Pacific region is forecast to increase four-fold over the previous year to 4 billion yen mainly due to the construction of the Chinese factory. In Japan, the amount of capital investment is also expected to increase 1.8 times over the previous year to 7.5 billion yen, which reflects investment in the construction of a facility to produce aseismatic structures at the Gifu Factory.