Consolidated Financial Statements

MANAGEMENT'S DISCUSSION & ANALYSIS

Sales

Overview

In Japan, we stepped up efforts to enhance our sales capability and productivity to take advantage of the favorable domestic business environment. Based on our belief that production in regions of high demand is the optimal method for growing the business, our production bases in North America and Europe were brought fully online, with the production and sales teams working together to achieve maximum sales growth. As a result, consolidated sales for the current financial year increased by ¥27,904 million (23.4 percent) to a record-breaking ¥147,158 million.

Domestic and Overseas Sales

-Japan-

Domestic sales surged by ¥20,211 million (23.7 percent) to ¥105,555 million. Demand for semiconductor and liquid crystal panel manufacturing equipment rose as the digital appliance market grew during the first half of the fiscal year. Although orders fell during the second half, overall demand for the year was positive. Demand for machine tools and industrial robots remained strong throughout the year, bolstered by increases in orders for facilities and equipment in China and the automobile industry. In this favorable environment, THK bolstered its sales capability and productivity, and that led to increased sales in all three major areas—machine tools, general machinery, and electronics.

-Americas-

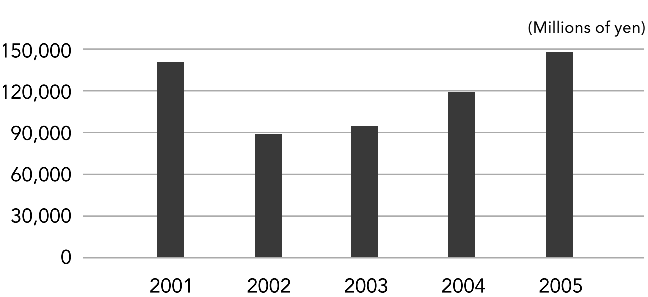
Sales in Americas reached ¥12,888 million, up by ¥2,452 million (23.5 percent). With the U.S. economy remaining steady and TMA operating at full production capacity, THK was able to focus on increasing sales in the region. As a result, sales to the industrial machinery, electronics, and automobile industries remained strong, and led to growth despite the yen's appreciation against the dollar.

-Europe-

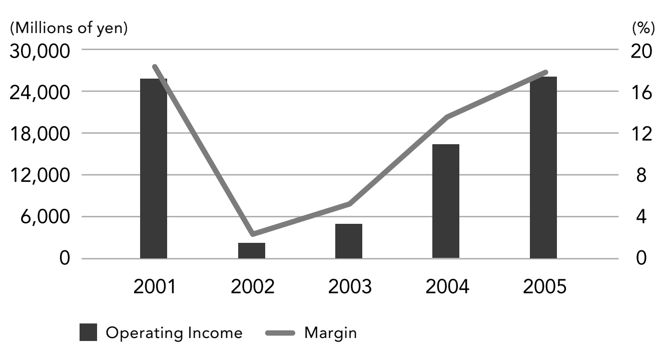
In Europe, sales increased by ¥2,601 million (20.4 percent) over the previous year to ¥15,340 million. We concentrated our efforts on winning new clients and expanding business with existing clients, taking advantage of TME running at full capacity and favorable conditions such as the gradual recovery of the European economy and the yen's depreciation against the euro. As a result, sales to the machine tool and electronics industries grew, as did sales to our main customer, the industrial machinery industry.

Years ended March 31

Net Sales



Operating Income Margin



-Asia and Other-

Our sales in Asia and other regions grew by ¥2,640 million (24.6 percent) to ¥13,375 million. Demand for machine tools in China is rising sharply, and THK continued its efforts to upgrade production capabilities and establish a stable supply system to meet that demand. We also developed a new client base and strengthened ties with local agents, allowing us to boost sales significantly.

Cost of Sales and Gross Profit

Our cost of goods sold ratio improved 1.8 points from 65.4 percent to 63.6 percent, while gross profit on sales rose ¥12,285 million (29.7 percent) above the previous term to ¥53,607 million. We pursued various initiatives to improve productivity at production sites in Japan, including TAP-2 activities, which are designed to shorten manufacturing lead times and increase productivity. As a result, the ratio of variable costs to sales increased only slightly when compared with last year, while fixed costs were minimal despite an increase in material prices. As previously noted, both TMA in North America and TME in Europe commenced full-scale operations to meet rising local demand. Enhanced production skills and a better operating ratio led to higher production levels and a substantial improvement in profitability.

SG&A Expenses

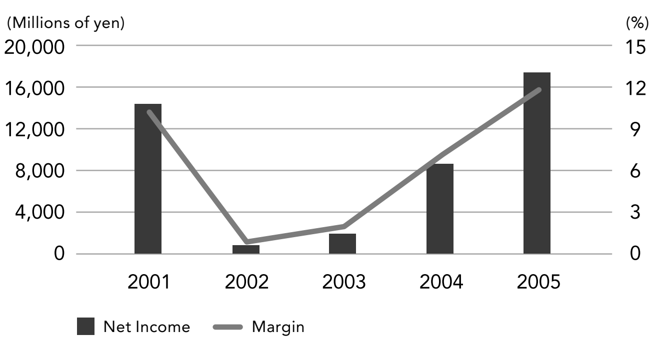
Selling, general and administrative (SG&A) expenses rose by ¥2,543 million (10.1 percent) over last year's figure to ¥27,633 million. Higher personnel costs overseas associated with an increase in staff and packaging/transportation costs arising from an increase in sales constituted the primary drivers. However, because we were able to control the rise in costs that accompanied the rise in sales, the ratio of SG&A expenses to sales actually declined 2.3 points, from 21.0 to 18.7 percent.

Operating Income

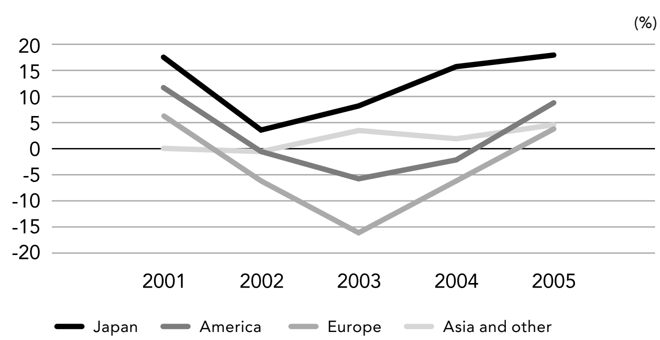
THK's operating income reached its highest level ever, jumping by ¥9,742 million (60.0 percent) from the previous year to ¥25,974 million. The operating margin rose 4.1 points to 17.7 percent thanks to a 1.8-point improvement in the cost of sales ratio and a 2.3-point rise in the ratio of SG&A expenses to sales.

Years ended March 31

Net Income Margin



Operating Income Margin by Geographical Segment



MANAGEMENT'S DISCUSSION & ANALYSIS

Non-Operating Income and Non-Operating Expenses

THK incurred non-operating expenses of ¥1,410 million. This mainly resulted from a loss on liquidation of a consolidated subsidiary of ¥650 million due to commencement of liquidation of PGM Ballscrews Ltd., a manufacturing subsidiary of Ball Screws in the UK, loss on sales/disposal of property and equipment of ¥201 million, and interest expenses of ¥163 million. On the other hand, our non-operating income was ¥2,281 million. This resulted from equity earnings of an affiliate of ¥433 million, a foreign exchange gain of ¥362 million due to the yen's depreciation mainly against the euro, and interest and dividend income of ¥282 million. We increased our shareholding in our subsidiary, DAITO SEIKI CO., LTD., leading to the creation of a negative goodwill. The consequent gain on amortization of negative goodwill for the period to March, 2005 came to ¥324 million. As a result, our non-operating income/expenses amounted to ¥871 million. THK incurred foreign exchange losses of ¥580 million during the previous year, leading to non-operating losses of ¥711 million.

Income Before Taxes and Minority Interest

An increase in operating income and an improved non-operating income/expenses balance raised income before taxes and minority interest by ¥11,324 million (73.0 percent) to ¥26,845 million.

Net Income

The factors mentioned above brought an ¥8,764 million (102.1 percent) rise in net income to ¥17,348 million compared with the previous term, making this THK's best year ever.

Financial Position

Assets

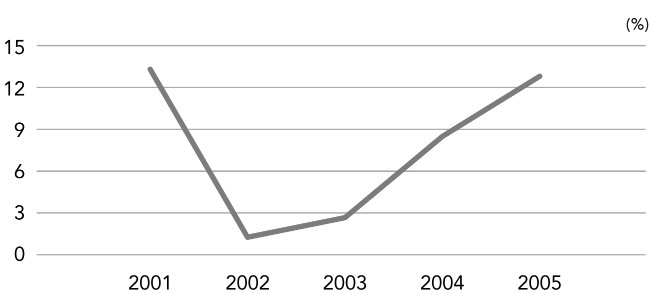
THK's total assets reached ¥220,008 million in FY 2004, up ¥28,903 million from the previous year. A rise in sales was one factor, bringing in notes and accounts receivable. We also took in cash, cash equivalents and fixed assets as a result of acquiring DAITO SEIKI CO., LTD. and consolidating our four subsidiaries in China.

Liabilities

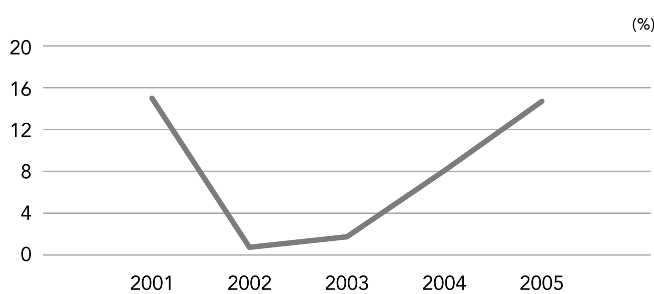
Total liabilities went up by ¥9,836 million to ¥91,402 million. The main contributing factors were purchase-related liabilities—a result of higher sales—and increases in negative goodwill and notes payable related to new subsidiaries.

Years ended March 31

ROA



ROE



Shareholder Equity

Total shareholder equity improved ¥18,468 million to ¥127,650 million. The main driver was an addition of ¥1,690 million in our additional paid-in capital related to the conversion of DAITO SEIKI CO., LTD. into a subsidiary through a stock swap. We also enjoyed a substantial increase in net income.

Cash Flows

From Operations

Cash flows from operating activities increased by ¥6,643 million over the previous year to ¥22,378 million. Gains came from a ¥11,324 million rise in income before taxes and minority interest and an increase of ¥7,053 million in income taxes, while the abolition of the directors' and statutory auditors' retirement allowances caused a ¥1,316 million decrease in the reserve for directors’ and statutory auditors’ retirement allowances.

From Investments

Funds derived from investing activities fell by ¥3,490 million, resulting in a cash outflow of ¥7,172 million. We spent ¥6,963 million to acquire fixed assets for the construction of factories at our Gifu plant in Japan and THK MANUFACTURING OF CHINA (WUXI) CO., LTD., an increase of ¥1,857 million over the previous year. On the other hand, cash inflows from sales of investments in securities decreased by ¥1,791 million to ¥3 million.

From Financing

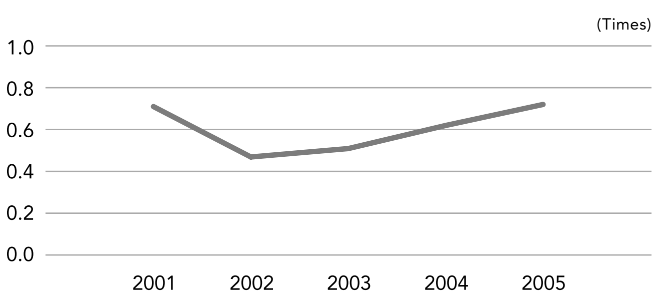
Cash flows from financing activities increased by ¥25,310 million, resulting in a cash outflow of ¥1,822 million. The primary reason is that our dividend per share rose by ¥3 to ¥18, leading to a dividend payout of ¥1,772 million. Net outflow of cash from financing activities for the previous year was ¥27,132 million, as we used cash on hand for debt repayments and redemption of bonds.

Cash and Cash Equivalents

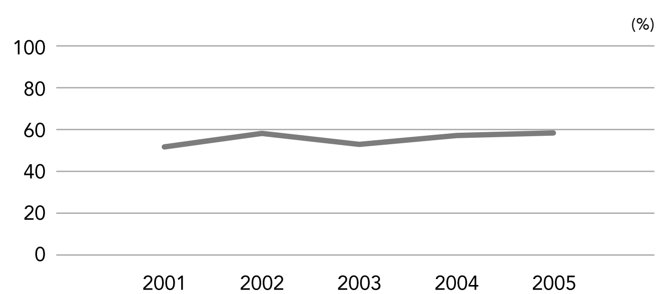
Because of the factors mentioned above, our outstanding balance of cash and cash equivalents at the end of the year increased by ¥18,950 million to ¥75,987 million.

Years ended March 31

Turnover Ratio



Equity Ratio



CONSOLIDATED FINANCIAL STATEMENTS

THK CO., LTD. AND CONSOLIDATED SUBSIDIARIES

Consolidated Balance Sheets

as of March 31, 2004 and 2005

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2004	2005	2005
ASSETS			
Current Assets:			
Cash and bank deposits (Note 13)	¥ 56,551	**¥ 75,842**	**$ 706,103**
Short-term investments in securities (Note 13)	516	**145**	**1,347**
Accounts and notes receivable-			
Trade	43,791	**48,340**	**450,051**
Unconsolidated subsidiaries and affiliates	2,773	**1,290**	**12,007**
Other	1,029	**814**	**7,580**
	47,593	**50,444**	**469,638**
Less: allowance for bad debts	(318)	**(254)**	**(2,363)**
	47,275	**50,190**	**467,275**
Inventories (Note 5)	23,108	**24,208**	**225,383**
Short-term advances -			
Unconsolidated subsidiaries and affiliates	130	**100**	**931**
Other	44	**3**	**26**
Deferred tax assets (Note 12)	2,668	**3,041**	**28,311**
Other current assets	415	**656**	**6,108**
Total current assets	130,707	**154,185**	**1,435,484**
Investments and Other:			
Long-term investments in securities (Note 4)	3,729	**4,413**	**41,081**
Investments in unconsolidated subsidiaries and affiliates	4,405	**2,256**	**21,005**
Deferred tax assets (Note 12)	1,474	**1,096**	**10,204**
Other investments	6,235	**3,240**	**30,168**
	15,843	**11,005**	**102,458**
Property, Plant and Equipment (Note 8):			
Buildings and structures	29,161	**35,548**	**330,953**
Machinery and equipment	70,789	**77,888**	**725,150**
	99,950	**113,436**	**1,056,103**
Less: accumulated depreciation	(67,863)	**(74,687)**	**(695,350)**
	32,087	**38,749**	**360,753**
Land	10,168	**11,447**	**106,571**
Construction in progress	727	**3,299**	**30,718**
	42,982	**53,495**	**498,042**
Deferred Charges and Intangibles (Note 8)	1,573	**1,323**	**12,314**
Total assets	¥ 191,105	**¥ 220,008**	**$ 2,048,298**

The accompanying notes are an integral part of these statements.

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2004	2005	2005
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current Liabilities:			
Current portion of long-term debt (Note 6)	¥ —	**¥ 186**	**¥ 1,735**
Accounts and notes payable-			
Trade	21,929	**25,082**	**233,511**
Unconsolidated subsidiaries and affiliates	2,516	**310**	**2,889**
Other	1,052	**2,274**	**21,171**
	25,497	**27,666**	**257,571**
Income taxes payable	6,483	**6,685**	**62,240**
Accrued expenses	6,283	**8,014**	**74,611**
Other current liabilities	2,055	**3,806**	**35,431**
Total current liabilities	40,318	**46,357**	**431,588**
Long-term Liabilities:			
Long-term debt (Note 6)	38,000	**38,350**	**357,048**
Reserve for employees' retirement benefits (Note 11)	1,632	**2,107**	**19,614**
Reserve for directors' and statutory auditors' retirement allowances	1,316	**—**	**—**
Negative goodwill	—	**2,917**	**27,155**
Other liabilities (Note 12)	300	**1,671**	**15,560**
Total long-term liabilities	41,248	**45,045**	**419,377**
Minority Interest	357	**956**	**8,898**
Shareholders' Equity:			
Common stock			
Authorized: 465,877,700 shares;			
Issued: 119,363,018 shares and 119,917,526 shares at March 31, 2004 and 2005, respectively	23,106	**23,106**	**215,122**
Additional paid-in capital	30,962	**32,652**	**303,991**
Retained earnings	55,837	**71,131**	**662,235**
Net unrealized gain on other securities (Note 4)	722	**1,041**	**9,696**
Foreign currency translation adjustments	(120)	**327**	**3,045**
Treasury stock, at cost: 1,149,721 shares and 22,975 shares for 2004 and 2005, respectively	(1,325)	**(607)**	**(5,654)**
Total shareholders' equity	109,182	**127,650**	**1,188,435**
Contingent Liabilities (Note 7)			
Total liabilities and shareholders' equity	¥ 191,105	**¥ 220,008**	**$ 2,048,298**

CONSOLIDATED FINANCIAL STATEMENTS

THK CO., LTD. AND CONSOLIDATED SUBSIDIARIES

Consolidated Statements of Income

for the years ended March 31, 2003, 2004 and 2005

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2003	2004	2005	2005
Net Sales	¥ 94,600	¥ 119,254	**¥ 147,158**	**$ 1,370,062**
Cost of Sales	66,647	77,932	**93,551**	**870,975**
Gross profit	27,953	41,322	**53,607**	**499,087**
Selling, General and Administrative Expenses (Note 10)	23,060	25,090	**27,633**	**257,265**
Operating income	4,893	16,232	**25,974**	**241,822**
Non-Operating Income/(Expenses):				
Interest and dividend income	219	148	**282**	**2,622**
Interest expenses	(888)	(493)	**(163)**	**(1,514)**
Foreign exchange gain/(loss), net	352	(580)	**362**	**3,373**
Gain on sales of long-term investments in securities, net	—	33	**—**	**—**
Equity earnings/(losses) of affiliates	(12)	301	**433**	**4,035**
Rental income	149	159	**169**	**1,573**
Amortization of negative goodwill	—	—	**324**	**3,017**
Commission expenses	(34)	(61)	**(88)**	**(820)**
Liquidation loss of unconsolidated subsidiaries	—	(100)	**—**	**—**
Liquidation loss of a consolidated subsidiary	—	—	**(650)**	**(6,050)**
Loss on change in interest in an affiliated company	(318)	—	**—**	**—**
Loss on sales/disposal of property and equipment, net	(403)	(288)	**(201)**	**(1,868)**
Loss on write-down of long-term investments in securities	(510)	—	**—**	**—**
Gain on reversal of reserve for directors' and statutory auditors' retirement allowances	—	—	**48**	**446**
Other, net	149	170	**355**	**3,297**
	(1,296)	(711)	**871**	**8,111**
Income before income taxes and minority interest	3,597	15,521	**26,845**	**249,933**
Income Taxes (Note 12)	1,773	6,926	**9,442**	**87,913**
Income before minority interest	1,824	8,595	**17,403**	**162,020**
Minority interest in (income)/loss of consolidated subsidiaries	68	(11)	**(55)**	**(507)**
Net income	¥ 1,892	¥ 8,584	**¥ 17,348**	**$ 161,513**

	Yen			U.S. dollars (Note 1)
Per Share Data:				
Net income - basic	¥ 15.65	¥ 72.27	**¥ 145.31**	**$ 1.353**
Net income - diluted	¥ 15.12	¥ 63.69	**¥ 130.05**	**$ 1.211**

The accompanying notes are an integral part of these statements.

Consolidated Statements of Shareholders' Equity

for the years ended March 31, 2003, 2004 and 2005

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2003	2004	2005	2005
Common Stock				
At beginning of year	¥ 23,106	¥ 23,106	**¥ 23,106**	**$ 215,122**
At end of year	¥ 23,106	¥ 23,106	**¥ 23,106**	**$ 215,122**
Additional Paid-In Capital				
At beginning of year	¥ 30,962	¥ 30,962	**¥ 30,962**	**$ 288,261**
Gain from disposition of treasury stock under stock-swap	—	—	**689**	**6,411**
Stock issued under stock-swap	—	—	**1,001**	**9,319**
At end of year	¥ 30,962	¥ 30,962	**¥ 32,652**	**$ 303,991**
Retained Earnings				
At beginning of year	¥ 48,585	¥ 48,687	**¥ 55,837**	**$ 519,848**
Net income	1,892	8,584	**17,348**	**161,513**
Increase from investment in an affiliate newly accounted for by the equity method	—	379	**—**	**—**
Decrease resulting from inclusion of consolidated subsidiaries	—	—	**(232)**	**(2,161)**
Cash dividends	(1,790)	(1,783)	**(1,772)**	**(16,499)**
Directors' and statutory auditors' bonuses	—	(30)	**(50)**	**(466)**
At end of year	¥ 48,687	¥ 55,837	**¥ 71,131**	**$ 662,235**
Net Unrealized Gain/(Loss) on Other Securities				
At beginning of year	¥ 45	¥ (355)	**¥ 722**	**$ 6,719**
Change in year	(400)	1,077	**319**	**2,977**
At end of year	¥ (355)	¥ 722	**¥ 1,041**	**$ 9,696**
Foreign Currency Translation Adjustments				
At beginning of year	¥ 1,053	¥ 481	**¥ (120)**	**$ (1,124)**
Change in year	(572)	(601)	**447**	**4,169**
At end of year	¥ 481	¥ (120)	**¥ 327**	**$ 3,045**
Treasury Stock, at cost				
At beginning of year	¥ (3)	¥ (403)	**¥ (1,325)**	**$ (12,332)**
Purchase of treasury stock	(17)	(1,112)	**(14)**	**(128)**
Sales of treasury stock	—	1	**1**	**4**
Disposition under stock-swap	—	—	**1,116**	**10,394**
Change in year of treasury stock held by a consolidated subsidiary	—	—	**(385)**	**(3,592)**
Change in year of treasury stock held by an affiliated company	(383)	189	**—**	**—**
At end of year	¥ (403)	¥ (1,325)	**¥ (607)**	**$ (5,654)**
Total Shareholders' Equity at end of year	¥ 102,478	¥ 109,182	**¥ 127,650**	**$ 1,188,435**

The accompanying notes are an integral part of these statements.

CONSOLIDATED FINANCIAL STATEMENTS

THK CO., LTD. AND CONSOLIDATED SUBSIDIARIES

Consolidated Statements of Cash Flows

for the years ended March 31, 2003, 2004 and 2005

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2003	2004	2005	2005
Cash Flows from Operating Activities:				
Income before income taxes and minority interest	¥ 3,597	¥ 15,521	**¥ 26,845**	**$249,933**
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation and amortization	6,164	5,566	**5,657**	**52,668**
Amortization of negative goodwill	—	—	**(324)**	**(3,017)**
Increase/(decrease) in provisions	(390)	338	**(717)**	**(6,671)**
Loss on sale/disposal of property and equipment, net	403	288	**201**	**1,868**
Interest and dividend income	(219)	(148)	**(282)**	**(2,622)**
Interest expenses	888	493	**163**	**1,514**
Foreign exchange/(gain) loss, net	(141)	109	**(167)**	**(1,559)**
Equity earnings/(losses) of affiliates	12	(301)	**(433)**	**(4,035)**
Loss on write-down of long-term investments in securities	510	—	—	—
Gain on sale of long-term investments in securities, net	—	(33)	—	—
Liquidation loss of unconsolidated subsidiaries	—	100	—	—
Liquidation loss of a consolidated subsidiary	—	—	**650**	**6,050**
Loss on change in interest in an affiliated company	318	—	—	—
Changes in assets and liabilities:				
Increase in accounts and notes receivable	(10,254)	(11,293)	**(3,203)**	**(29,819)**
Decrease in inventories	2,502	396	**14**	**132**
Increase in accounts and notes payable	5,221	7,337	**3,098**	**28,847**
Other, net	2,560	110	**228**	**2,119**
Subtotal	11,171	18,483	**31,730**	**295,408**
Interest and dividend income received	220	193	**339**	**3,161**
Interest expenses paid	(903)	(495)	**(192)**	**(1,784)**
Income taxes (paid)/refunded	5,524	(2,446)	**(9,499)**	**(88,441)**
Net cash provided by operating activities	16,012	15,735	**22,378**	**208,344**
Cash Flows from Investing Activities:				
Decrease in time deposits due over three months	468	—	**30**	**279**
Payments for purchase of short-term investments in securities	(1,199)	—	—	—
Proceeds from sales of short-term investments in securities	1,328	907	—	—
Payments for purchase of property, plant and equipment	(4,760)	(5,106)	**(6,963)**	**(64,831)**
Proceeds from sales of property, plant and equipment	149	81	**215**	**2,006**
Payments for purchase of long-term investments in securities/investments in unconsolidated subsidiaries and affiliates	(10)	(310)	**(475)**	**(4,426)**
Proceeds from sales of long-term investments in securities/investments in unconsolidated subsidiaries and affiliates	104	1,794	**3**	**31**
Payments of advances	(335)	(1,184)	**(400)**	**(3,724)**
Collections of advances	345	136	**418**	**3,895**
Net cash used in investing activities	(3,910)	(3,682)	**(7,172)**	**(66,770)**
Cash Flows from Financing Activities:				
Decrease in short-term bank loans	(2,887)	(3,304)	—	—
Repayments of long-term debt	(4,787)	(3,599)	**(36)**	**(335)**
Proceeds from issuance of bonds	22,905	—	—	—
Redemption of bonds	(8,000)	(17,334)	—	—
Cash dividends	(1,790)	(1,784)	**(1,772)**	**(16,495)**
Payments for purchase of treasury stock	(17)	(1,112)	**(14)**	**(133)**
Other, net	—	1	**0**	**4**
Net cash provided by/(used in) for financing activities	5,424	(27,132)	**(1,822)**	**(16,959)**
Effect of Exchange Rate Changes on Cash and Cash Equivalents	1	(418)	**(41)**	**(382)**
Net Increase/(Decrease) in Cash and Cash Equivalents	17,527	(15,497)	**13,343**	**124,233**
Cash and Cash Equivalents at Beginning of Year	55,007	72,534	**57,037**	**531,022**
Increase in cash and cash equivalents resulting from inclusion of consolidated subsidiaries	—	—	**5,622**	**52,344**
Decrease in cash and cash equivalents resulting from exclusion of a consolidated subsidiary	—	—	**(15)**	**(149)**
Cash and Cash Equivalents at End of Year (Note 13)	¥ 72,534	¥ 57,037	**¥ 75,987**	**$ 707,450**

The accompanying notes are an integral part of these statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

THK CO., LTD. AND CONSOLIDATED SUBSIDIARIES

1. Basis of 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 Securities and Exchange Law of Japan.

Certain items presented in the consolidated financial statements submitted to the Director of Kanto Financial Bureau in Japan have been reclassified in these financial statements for the convenience of readers outside Japan.

Amounts in U.S. dollars are included solely for the convenience of readers outside Japan. The rate of ¥107.41 = U.S.$1, the rate of exchange prevailing in Tokyo on March 31, 2005 has been used in translation. The inclusion of such amounts is not intended to imply that Japanese yen amounts have been or could be readily converted, realized or settled in U.S. dollars at this or any other rate.

2. Basis of Consolidation

(a) Scope of Consolidation

The Company had 23 subsidiaries ("controlled" companies—companies whose decision making is controlled) as of March 31, 2005 (22 as of March 31, 2004). The consolidated financial statements for the year ended March 31, 2005 include the accounts of the Company and 18 (14 for 2004) of its subsidiaries. The 18 major subsidiaries, which have been consolidated with the Company, are listed below (the Company and these consolidated subsidiaries are together, referred to as the "Companies"):

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, 2004
THK America, Inc. (USA)	100	Dec.31, 2004
THK Manufacturing of America, Inc. (USA)	100	Dec.31, 2004
THK Neturen America, L.L.C. (USA)	50	Dec.31, 2004
THK Europe B.V. (the Netherlands)	100	Dec.31, 2004
THK GmbH (Germany)	100	Dec.31, 2004
THK France S.A.S. (France)	100	Dec.31, 2004
PGM Ballscrews Ireland Ltd. (Ireland)	98.97	Dec.31, 2004
THK Manufacturing of Europe S.A.S. (France)	100	Dec.31, 2004
THK TAIWAN CO., LTD. (Taiwan)	94.99	Dec.31, 2004
THK (SHANGHAI) CO., LTD. (China)	100	Dec.31, 2004
DALIAN THK CO., LTD. (China)	70	Dec.31, 2004
THK MANUFACTURING OF CHINA (WUXI) CO., LTD. (China)	100	Dec.31, 2004
THK MANUFACTURING OF CHINA (LIAONING) CO., LTD. (China)	100	Dec.31, 2004
DAITO SEIKI CO., LTD. (Japan)	100	Mar.31, 2005
THK NIIGATA CO., LTD. (Japan)*	70	Mar.31, 2005
TALK SYSTEM CORPORATION (Japan)	98.90	Mar.31, 2005
Beldex Corporation (Japan)	94.73	Mar.31, 2005

The accounts for the year ended March 31, 2005 of the remaining 5 (8 for 2004) 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, 2005 are as follows:

Due to becoming a wholly owned subsidiary of the Company by stock-swap, DAITO SEIKI CO., LTD., formerly of which investment was accounted for by the equity method, has been included in the consolidation scope from the beginning of the latter half year.

Due to increase in materiality, THK (SHANGHAI) CO., LTD., DALIAN THK CO., LTD., and THK MANUFACTURING OF CHINA (WUXI) CO., LTD. were included in the consolidation scope as of the end of the year.

Due to new establishment, THK MANUFACTURING OF CHINA (LIAONING) CO., LTD. was included in the consolidation scope as of the end of the year.

Due to the commencement of the liquidation process and having no effective control, the subsidiary PGM Ballscrews Ltd. (UK) was excluded from the consolidation scope from the beginning of the latter half year.

*Formerly known as “THK Yasuda Co., Ltd.”; its registered business name was changed to THK NIIGATA CO., LTD. as of July 1, 2004.

(b) Elimination of Inter-company Transactions

For the purposes of preparing the consolidated financial statements of the Companies, all significant inter-company transactions, account balances and unrealized profits among the Companies have been entirely eliminated.

(c) Accounting for Investments in Unconsolidated Subsidiaries and Affiliates

The Company has 3 (3 for 2004) 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, 2005. The equity method is applied to the investment in SAMICK LMS CO., LTD. The investment in SAMICK LMS CO., LTD. has been accounted for by the equity method since the beginning of the year ended March 31, 2004. The investments in the unconsolidated subsidiaries and the remaining 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.

Reclassified as a consolidated subsidiary due to becoming a wholly owned subsidiary of the Company by stock-swap, DAITO SEIKI CO., LTD. was excluded from the scope of application of the equity method from the beginning of the latter half year ended March 31, 2005.

(d) Translation of Foreign Currency Financial Statements (Accounts of Overseas Subsidiaries)

Assets and liabilities of the foreign subsidiaries and affiliates are translated into Japanese yen at the exchange rates prevailing at the balance sheet date. The shareholders’ equity at beginning of the year is translated into Japanese yen at the historical rates. Profit and loss accounts for the year are translated into Japanese yen using the average exchange rate during the year. Differences in yen amounts arising from the use of different rates are presented as “foreign currency translation adjustments” in the shareholders’ equity.

3. Summary of Significant Accounting Policies

(a) Inventories

Inventories held by the Company, TALK SYSTEM CORPORATION, THK NIIGATA CO., LTD. and THK Manufacturing of Europe S.A.S. are valued at cost, cost being determined using the annual average cost method. Inventories held by THK America, Inc., THK Manufacturing of America, Inc., THK Neturen America, L.L.C., PGM Ballscrews Ireland Ltd. and THK (SHANGHAI) CO., LTD. are valued at the lower of cost or market value, cost being determined using the first-in first-out method. Inventories held by THK Europe B.V., THK GmbH, THK France S.A.S., THK TAIWAN CO., LTD., DALIAN THK CO., LTD., THK MANUFACTURING OF CHINA (WUXI) 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. and Beldex Corporation are valued at cost, cost being determined using specific identification method.

(b) 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 shareholders' equity at a net-of-tax amount.

Other securities, for which market quotations are not available, are stated at cost, except as stated in the paragraph below.

In cases where the fair value of equity securities issued by unconsolidated subsidiaries and affiliates, or other securities has declined significantly and such impairment of the value is not deemed temporary, those securities are written down to the fair value and the resulting losses are included in net profit or loss for the period.

(c) Property, Plant and Equipment

For the Company and its domestic subsidiaries, depreciation is computed using the declining-balance method at the rates based on the estimated useful lives of assets. For its overseas subsidiaries, depreciation is computed using the straight-line and accelerated methods in accordance with their local accounting standards and regulations. The range of useful lives is principally from 5 to 50 years for buildings and structures and from 4 to 10 years for machinery and equipment.

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

(d) Amortization

Amortization of intangible assets (included in "Deferred Charges and Intangibles" account) is computed using the straight-line method.

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

Premiums or discounts on debt securities are amortized over the period that bonds remain outstanding.

Differences between the cost and the fair value of the underlying net equity in subsidiaries and affiliates which are consolidated or accounted for by the equity method are amortized on a straight-line basis over a period of 5 years.

(e) Allowance for Bad Debts

An 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.

(f) Reserve for Employees' Retirement Benefits

The reserve for employees' retirement benefits represents the estimated present value of projected benefit obligations in excess of the fair value of the plan assets except for the unrecognized actuarial differences which are amortized on a straight-line basis over the period, from 5 to 10 years, from the next year in which they arise.

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

The Company had recorded a reserve for directors' and statutory auditors' retirement allowances equivalent to the liability the Company would have to pay if all eligible directors and statutory auditors resigned at the balance sheet date.

Upon resolution at the 34th general shareholders' meeting on June 26, 2004, the Company decided to abolish the directors' and statutory auditors' retirement allowances. As of the end of June 2004, the reserved balance over granted retirement allowances to the retiring directors and statutory auditors in the amount of ¥48 million ($446 thousand) was recorded as a "gain on reversal of reserve for directors' and statutory auditors' retirement allowances" in the consolidated statements of income. As of the year-ended, a ¥982 million ($9,142 thousand) of the granted retirement allowance balance was recorded as an "other liabilities" in the consolidated balance sheets.

(h) Lease

Leases that transfer substantially all the risks and rewards of ownership of the assets are accounted for as capital leases, except that leases that do not transfer ownership of the assets at the end of the lease term are accounted for as operating leases, in accordance with accounting principles generally accepted in Japan.

(i) Foreign Currency Translation

All monetary assets and liabilities denominated in foreign currencies, whether long-term or short-term, are translated into Japanese yen at the exchange rates prevailing at the balance sheet date. Resulting gains and losses are included in net profit or loss for the period.

(j) 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 upon sale is not included in the amount of "net sales" in the accompanying consolidated statements of income but is recorded as a liability. The consumption tax paid by the Company and domestic subsidiaries on the purchases of goods and services is not included either in the amounts of costs or expenses in the consolidated statements of income, but is recorded as an asset and the net balance of liability less asset is included in "other current liabilities" in the consolidated balance sheets.

(k) Income Taxes

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

The provision for income taxes is computed based on the pretax income included in the consolidated statements of income. Deferred income taxes were determined using the asset and liability approach, whereby deferred tax assets and liabilities were recognized in respect of temporary differences between the tax basis of assets and liabilities and those as reported in the consolidated financial statements.

(l) Cash and Cash Equivalents

Cash and cash equivalents in the consolidated statements of cash flows are composed of cash on hand, bank deposits that can be withdrawn on demand and short-term investments with original maturity of three months or less and which carry a minor risk of fluctuations in value.

(m) Net Income per Share

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

(n) Accounting Standard for Impairment of Fixed Assets

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

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

For the year ended March 31, 2005, the Company and its subsidiaries have not yet applied this new standard. However, the management believes that an application of the new standard would not have significant impact on the Company's consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

THK CO., LTD. AND CONSOLIDATED SUBSIDIARIES

4. Long-term Investments in Securities

At March 31, 2004 and 2005, "other securities" with available market value were as follows:

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

	Millions of yen		
	2005		
	Cost	Carrying amount	Net unrealized gain (loss)
Carrying amounts in excess of acquisition cost:			
Equity securities	¥ 2,392	¥ 4,123	¥ 1,731
Other	7	8	1
Subtotal	2,399	4,131	1,732
Carrying amounts not in excess of acquisition cost:			
Equity securities	1	1	(0)
Other	—	—	—
Subtotal	1	1	(0)
Total	¥ 2,400	¥ 4,132	¥ 1,732

	Thousands of U.S. dollars		
	2005		
	Cost	Carrying amount	Net unrealized gain (loss)
Carrying amounts in excess of acquisition cost:			
Equity securities	$ 22,275	$ 38,387	$ 16,112
Other	66	76	10
Subtotal	22,341	38,463	16,122
Carrying amounts not in excess of acquisition cost:			
Equity securities	8	8	(0)
Other	—	—	—
Subtotal	8	8	(0)
Total	$ 22,349	$ 38,471	$ 16,122

Proceeds and net realized gain (loss) from the sales of "other securities" for the years ended March 31, 2004 and 2005 were immaterial.

5. Inventories

Inventories at March 31, 2004 and 2005 comprised of the following:

	Millions of yen		Thousands of U.S. dollars
	2004	2005	2005
Finished goods	¥ 12,871	¥ 13,261	$ 123,457
Work in process	4,184	4,082	38,005
Raw materials and supplies	6,053	6,865	63,921
Total	¥ 23,108	¥ 24,208	$ 225,383

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

THK CO., LTD. AND CONSOLIDATED SUBSIDIARIES

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

The annual average interest rate applicable to current portion of long-term debt at March 31, 2005 was 1.14%.

Long-term debt at March 31, 2004 and 2005 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2004	2005	2005
0.91% Straight bonds 2006	¥ 10,000	¥ 10,000	$ 93,101
1.37% Straight bonds 2008	5,000	5,000	46,551
Zero Coupon Convertible bonds 2008, currently convertible at ¥1,650 ($15)	23,000	23,000	214,133
Loans from banks (1.14%) :			
Collateralized	—	248	2,309
Non-collateralized	—	288	2,689
	38,000	38,536	358,783
Less - current portion	—	186	1,735
	¥ 38,000	¥ 38,350	$ 357,048

At March 31, 2005, the Company and some of its subsidiaries had committed lines of credit amounting to ¥14,000 million ($130,342 thousand). None of the committed lines of credit were used.

The aggregate annual maturities of the non-current portion of long-term debt at March 31, 2005, were as follows

	Millions of yen	Thousands of U.S. dollars
Year ending March 31	2005	2005
2007	¥ 10,188	$ 94,848
2008	23,130	215,351
2009	5,032	46,849
2010 and after	—	—
	¥ 38,350	$ 357,048

7. Contingent Liabilities

There were no contingent liabilities at March 31, 2005 with respect to loans guaranteed.

8. Lease

The Companies lease certain machinery and equipment and other assets. Total lease payments under these leases were ¥666 million, ¥622 million, and ¥677 million ($6,305 thousand) for the years ended March 31, 2003, 2004 and 2005, 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, 2004 and 2005 were as follows:

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

	Millions of yen		
	2005		
	Machinery and equipment	Other	Total
Acquisition costs	¥ 3,110	¥ 143	¥ 3,253
Accumulated depreciation	810	119	929
Net leased property	¥ 2,300	¥ 24	¥ 2,324

	Thousands of U.S. dollars		
	2005		
	Machinery and equipment	Other	Total
Acquisition costs	$ 28,951	$ 1,333	$ 30,284
Accumulated depreciation	7,540	1,112	8,652
Net leased property	$ 21,411	$ 221	$ 21,632

Future minimum lease payments under finance leases as of March 31, 2004 and 2005 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2004	2005	2005
Due within one year	¥ 551	¥ 649	$ 6,043
Due after one year	983	1,675	15,589
Total	¥ 1,534	¥ 2,324	$ 21,632

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 ¥666 million, ¥622 million and ¥677 million ($6,305 thousand) for the years ended March 31, 2003, 2004 and 2005, respectively.

Obligations under non-cancelable operating leases as of March 31, 2004 and 2005 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2004	2005	2005
Due within one year	¥ 619	¥ 602	$ 5,601
Due after one year	1,694	1,455	13,552
Total	¥ 2,313	¥ 2,057	$ 19,153

9. Derivative and Hedging Activities

Derivative financial instruments are utilized by the Company principally to reduce interest rate and foreign exchange rate risks. The Company has established a control environment, which includes policies and procedures for risk assessments and for the approval, and reporting and monitoring of transactions involving derivative financial instruments. The Company does not hold or issue derivative financial instruments for trading purposes.

For the years ended March 31, 2004 and 2005, the Company utilized certain interest rate swap, currency swap agreements and forward exchange contracts. Market value information for such derivatives held by the Company at March 31, 2004 and 2005 has been omitted as such derivatives qualified the conditions for hedge accounting under the related Japanese accounting standards.

10. Research and Development

Research and development expenses for the years ended March 31, 2003, 2004 and 2005 were ¥2,104 million, ¥2,520 million and ¥2,686 million ($25,007 thousand), respectively, and were included in “selling, general and administrative expenses” in the consolidated statements of income.

11. Reserve for Employees’ Retirement Benefits

The Company, its domestic subsidiaries and certain overseas subsidiaries have both retirement lump-sum payment programs and defined benefit pension plans. Occasionally, when certain qualified employees retire, additional retirement benefits will be paid. Except for the above overseas subsidiaries, other overseas subsidiaries have mainly defined contribution plans.

The reserve for employees’ retirement benefits as of March 31, 2004 and 2005 was analyzed as follows:

	Millions of yen		Thousands of U.S. dollars
	2004	2005	2005
Projected benefit obligations	¥ 4,525	¥ 5,696	$ 53,027
Plan assets	(2,397)	(2,858)	(26,608)
	2,128	2,838	26,419
Unrecognized actuarial differences	(496)	(731)	(6,805)
Reserve for employees’ retirement benefit	¥ 1,632	¥ 2,107	$ 19,614

Net periodic pension and severance costs for the years ended March, 2003, 2004 and 2005 were as follows:

	Millions of yen			Thousands of U.S. dollars
	2003	2004	2005	2005
Service cost	¥ 336	¥ 338	¥ 376	$ 3,506
Interest cost	89	97	113	1,050
Expected return on plan assets	(9)	(9)	(12)	(112)
Recognized actuarial differences	68	86	74	685
Net periodic pension and severance costs	¥ 484	¥ 512	¥ 551	$ 5,129

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

	2003	2004	2005
Method of attributing the projected benefits to periods of services	Straight-line basis	Straight-line basis	Straight-line basis
Discount rate	2.5%	2.5%	2.5%
Expected rate of return on plan assets	0.5%	0.5%	0.5%
Amortization of unrecognized actuarial differences	10 years	10 years	5~10 years

12. Income Taxes

The statutory tax rate used for calculating deferred tax assets and deferred tax liabilities for the Company and its subsidiaries for the years ended March 31, 2003 and 2004 was 42.1% and 2005 was 40.7%.

At March 31, 2004 and 2005, significant components of deferred tax assets and liabilities were as follows:

	Millions of yen		Thousands of U.S. dollars
	2004	2005	2005
Deferred tax assets:			
Loss on devaluation of inventories	¥ 1,039	¥ 1,071	$ 9,967
Software	686	541	5,040
Elimination of inter-company profit (inventories)	484	407	3,791
Reserve for directors' retirement benefits	535	399	3,720
Allowance for bad debts	408	250	2,330
Reserve for employees' retirement benefits	576	785	7,304
Net operating loss carried forward	219	269	2,501
Accrued bonuses to employees	570	888	8,263
Enterprise tax payable	558	465	4,327
Other	942	1,192	11,104
Gross deferred tax assets	6,017	6,267	58,347
Less: valuation allowance	(885)	(851)	(7,925)
Total deferred tax assets	5,132	5,416	50,422
Deferred tax liabilities:			
Unrealized gains on marketable equity securities	(493)	(712)	(6,633)
Insurance premium	(219)	(280)	(2,608)
Special depreciation reserve	(188)	(214)	(1,991)
Unrealized gains on land	—	(418)	(3,894)
Other	(184)	(188)	(1,744)
Total deferred tax liabilities	(1,084)	(1,812)	(16,870)
Net deferred tax assets	¥ 4,048	¥ 3,604	$ 33,552

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

	Millions of yen		Thousands of U.S. dollars
	2004	2005	2005
Current assets - Deferred tax assets	¥ 2,668	¥ 3,041	$ 28,311
Investments and other - Deferred tax assets	1,474	1,096	10,204
Long-term liabilities - Other liabilities	(94)	(533)	(4,963)
Net deferred tax assets	¥ 4,048	¥ 3,604	$ 33,552

For the years ended March 31, 2004 and 2005, the reconciliation of the statutory tax rate to the effective tax rate was follows:

	2004	2005
Statutory tax rate	42.1%	40.7%
Increase (reduction) in taxes resulting from:		
Permanent differences	0.3	0.2
Net operating losses of consolidated subsidiaries for which valuation allowances were fully provided	2.6	(0.6)
Amortization of negative goodwill	(0.0)	(0.5)
Equity earnings from unconsolidated subsidiaries and affiliates	(0.8)	(0.7)
Equalization inhabitant taxes	0.4	0.3
Tax rate differences between domestic and overseas	0.6	(0.2)
Tax credit for research and development expenses	—	(1.1)
Refunded tax payment	(0.1)	(1.5)
Other	(0.5)	(1.4)
Effective income tax rate	44.6%	35.2%

13. Reconciliation of Cash and Cash Equivalents per Consolidated Cash Flow Statements with Account Balances on Consolidated Balance Sheets

1) Cash and cash equivalents at March 31, 2004 and 2005 consisted of:

	Millions of yen		Thousands of U.S. dollars
	2004	2005	2005
Cash and bank deposits	¥ 56,551	¥ 75,842	$ 706,103
Short-term investments in securities	516	145	1,347
	57,067	75,987	707,450
Less:			
Time deposit due over three months	(30)	—	—
	¥ 57,037	¥ 75,987	$ 707,450

2) Assets and liabilities of the newly consolidated subsidiary by stock-swap

On November 1, 2004, the Company executed a stock-swap agreement to acquire DAITO SEIKI CO., LTD. This acquisition creates a wholly owned subsidiary. The following summarizes the related assets and liabilities of DAITO SEIKI CO., LTD., newly included in consolidation by stock-swap at the inception of the consolidation, and acquiring costs of the investment.

	Millions of yen	Thousands of U.S. dollars
	2005	2005
Current assets	¥ 10,416	$ 96,973
Non-current assets	2,387	22,227
Current liabilities	(2,999)	(27,919)
Non-current liabilities	(631)	(5,879)
Adjustments in connection with consolidation*	(3,126)	(29,105)
Negative goodwill	(3,241)	(30,173)
Acquiring costs of the investment in DAITO SEIKI under stock-swap	2,806	26,124
Newly issued stock amount under stock swap	(1,001)	(9,319)
Fair market value of treasury stock used for stock-swap	(1,805)	(16,805)
Net	—	—

*Primary adjustments include differences between net asset and investments in DAITO SEIKI which was accounted for under the equity method and adjustments for revaluating the DAITO SEIKI's assets and liabilities to fair value.

3) Significant non-cash transactions

In the year ended March 31, 2005, the Company acquired DAITO SEIKI CO., LTD. in exchange for 554,508 newly issued shares of the Company and 1,000,000 shares of treasury stocks held by the Company. The following summarizes changes in additional paid-in capital and treasury stock accounts included in the shareholders' equity.

	Millions of yen	Thousands of U.S. dollars
	2005	2005
Increase resulting from stock issuance (additional paid-in capital)	¥ 1,001	$ 9,319
Increase resulting from allotting treasury stock (Gain from disposition of treasury stock – additional paid-in capital)	689	6,411
Decrease resulting from disposition of treasury stock (treasury stock)	1,116	10,394

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

THK CO., LTD. AND CONSOLIDATED SUBSIDIARIES

14. Segment Information

(1) Industry Segment Information

As the sales, operating income and assets of the machinery parts segment are over 90% of the total sales, total operating income and total assets of the Company and consolidated subsidiaries, industry segment information is not required to be disclosed. The Company and consolidated subsidiaries are operating in one industry segment: production and sales of linear motion systems.

(2) Geographical Segment Information

Net sales of the Companies for the years ended March 31, 2003, 2004 and 2005 classified by geographic segments were summarized as follows:

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

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

	Millions of yen						
	2005						
	Japan	America	Europe	Asia and other	Total	Eliminations and corporate	Consolidated
I. Net sales and operating income-							
Net sales:							
Customers	¥ 115,701	¥ 12,818	¥ 15,371	¥ 3,268	¥ 147,158	¥ —	¥ 147,158
Inter-segment	15,680	35	133	—	15,848	(15,848)	—
Total	131,381	12,853	15,504	3,268	163,006	(15,848)	147,158
Operating expenses	107,872	11,725	14,977	3,118	137,692	(16,508)	121,184
Operating income	¥ 23,509	¥ 1,128	¥ 527	¥ 150	¥ 25,314	¥ 660	¥ 25,974
II. Assets-							
Assets	¥ 200,778	¥ 15,148	¥ 18,730	¥ 2,454	¥ 237,110	¥ (17,102)	¥ 220,008

	Thousands of U.S. dollars						
	2005						
	Japan	America	Europe	Asia and other	Total	Eliminations and corporate	Consolidated
I. Net sales and operating income-							
Net sales:							
Customers	$ 1,077,187	$ 119,342	$ 143,102	$ 30,431	$ 1,370,062	$ —	$ 1,370,062
Inter-segment	145,985	321	1,241	—	147,547	(147,547)	—
Total	1,223,172	119,663	144,343	30,431	1,517,609	(147,547)	1,370,062
Operating expenses	1,004,301	109,160	139,441	29,031	1,281,933	(153,693)	1,128,240
Operating income	$ 218,871	$ 10,503	$ 4,902	$ 1,400	$ 235,676	$ 6,146	$ 241,822
II. Assets-							
Assets	$ 1,869,270	$ 141,028	$ 174,379	$ 22,845	$ 2,207,522	$ (159,224)	$ 2,048,298

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

THK CO., LTD. AND CONSOLIDATED SUBSIDIARIES

(3) Export Sales and Sales by Overseas Subsidiaries

Overseas sales of the Companies (referring to the amounts of exports made by the Company plus the sales by the overseas consolidated subsidiaries) for the years ended March 31, 2003, 2004 and 2005 were summarized as follows:

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

	Millions of yen			
	2004			
	America	Europe	Asia and other	Total
Overseas sales	¥ 10,436	¥ 12,739	¥ 10,735	¥ 33,910
Consolidated net sales				¥ 119,254
Overseas sales as a percentage of consolidated net sales	8.7%	10.7%	9.0%	28.4%

	Millions of yen/(Thousands of U.S. dollars)			
	2005			
	America	Europe	Asia and other	Total
Overseas sales	¥ 12,888	¥ 15,340	¥ 13,375	¥ 41,603
	($ 119,992)	($ 142,820)	($ 124,521)	($ 387,333)
Consolidated net sales				¥ 147,158
				($ 1,370,062)
Overseas sales as a percentage of consolidated net sales	8.8%	10.4%	9.1%	28.3%

ChuoAoyama PricewaterhouseCoopers

PRICEWATERHOUSECOOPERS

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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, 2004 and 2005, and the related consolidated statements of income, shareholders' equity, and cash flows for each of the three years in the period ended March 31, 2005, all expressed in Japanese Yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Japan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of THK CO., LTD. and its subsidiaries as of March 31, 2004 and 2005, and the consolidated results of their operations and their cash flows for each of the three years in the period ended March 31, 2005 in conformity with accounting principles generally accepted in Japan.

The amounts expressed in U.S. dollars, which are provided solely for the convenience of the reader, have been translated on the basis set forth in Note 1 to the accompanying consolidated financial statements.

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June 18, 2005