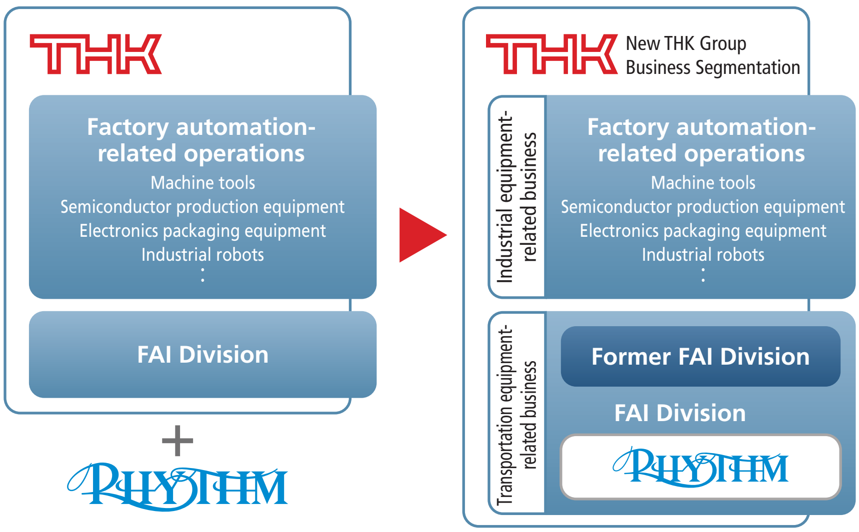
Summary

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.

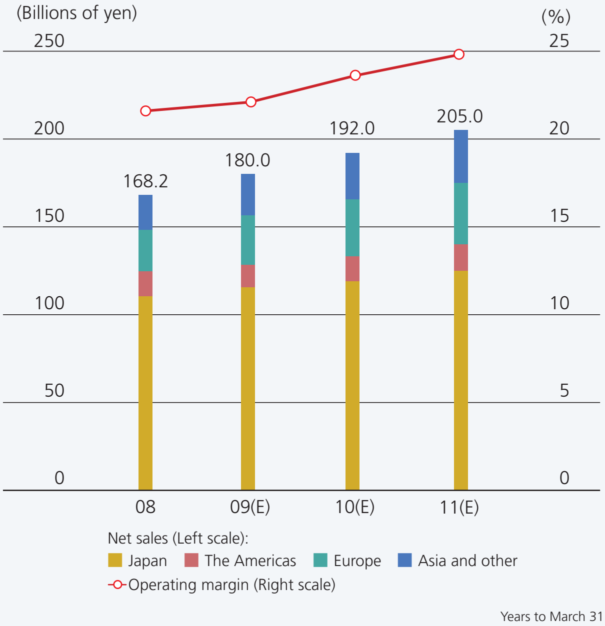
Unlike the industrial equipment-related sector, which has strong growth potential but where demand is influenced heavily by capital investment trends, the transportation equipment-related business is one where prospective earnings tend to be more predictable. THK's vision in this sector is to target 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.

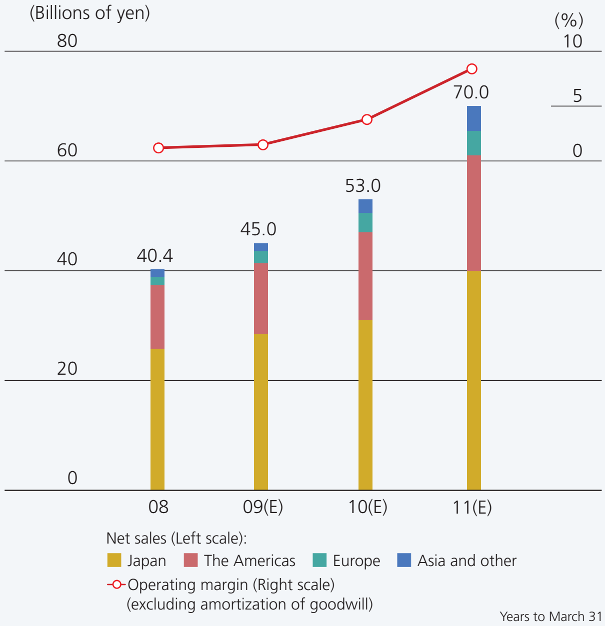


Note: The above excludes unallocable operating expenses.

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.



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