Performance Summary

In FY 2005, THK's consolidated sales amounted to 158,400 million yen while operating income came to 27,000 million yen. These two numbers marked all-time highs for the Company for the second year in succession.

These figures should be set into context. Looking back to FY 2001, in the wake of the bursting of the IT bubble, THK was affected by the shakeout in the electronics industry, with the result that the Company experienced an unprecedentedly sharp year-on-year drop in sales of 36.3 percent.

This experience left us exposed to an array of serious and threatening problems. Fortunately, we were able to identify the two key issues, and we have put in place measures to resolve them.

First, in order to not be overly dependent on a relatively narrow range of geographic regions and industries we would broaden our demand base. Second, we acted on the need to build up flexible production systems that could instantly respond to sudden fluctuations in demand in the short term. To resolve these issues, we adopted a two-pronged approach. On the sales front, we aggressively won over new customers and pioneered new applications on the domestic market. We exported the THK Advantage Program (TAP1), which was already a proven results-producer in Japan, to overseas locations, and we strove to enhance the skills of our sales teams. On the production front, we set about cutting production lead times with a view to further improving productivity at our domestic plants, and we embarked on an expansion of our production bases overseas.

These activities bore fruit in FY 2005. Integration of production and sales activities; full-blown operation of manufacturing subsidiaries in the United States and Europe; and intensification of our sales efforts both at home and abroad laid the groundwork for the record sales and profits we were able to enjoy. The business results were achieved in spite of a rising cost base related to prior investments such as increases in production cost due to the entry into operation of a new wing at the Gifu Plant, temporary expenses stemming from the reallocation of production items among our domestic plants, and a rise in personnel cost stemming from the increase in the number of consolidated subsidiaries.

Offsetting the above were improved productivity and the effect of improved operating rates accompanying increased production volumes at our domestic manufacturing subsidiaries; enhanced skill levels; and the effects of rising operating rates at our production subsidiaries in the United States were among the elements that absorbed these expenses related to prior investments and made it possible to set a new operating income record also for the second term in succession. We believe that these results amply demonstrate how well we have applied the lessons we learned in the past and the degree to which our business structure has been strengthened.

THK is firmly committed to increasing its corporate value by improving profitability and increasing capital efficiencies. We have set target management indexes of 20 percent for our operating profit margin and 10 percent for return on equity (ROE). In FY 2005, increases in expenses connected with prior investments held our operating profit margin to 17.1 percent which fell short of the target. However, ROE did reach 12.6 percent.

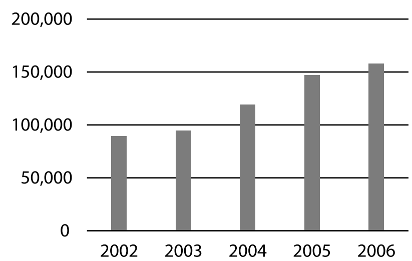
Our primary goal continues to be the pursuit of flexibility in management of the demand cycle, and the establishment, at an early date, of a corporate structure that will enable us to attain our target financial returns.

Performance Measurements

Years ended March 31

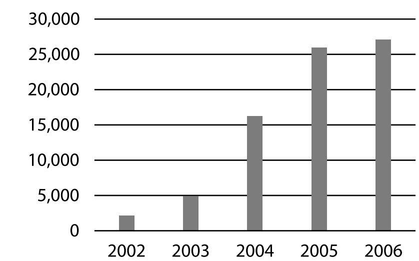
Net Sales

(Millions of yen)



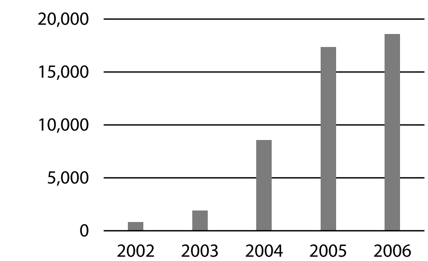
Operating Income

(Millions of yen)



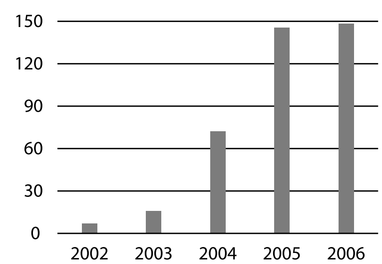
Net Income

(Millions of yen)



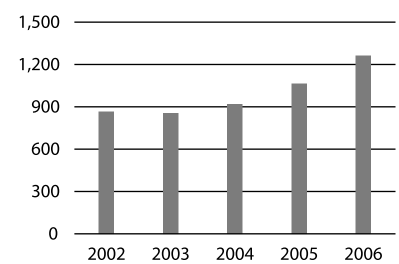
Earnings per Share

(Yen)



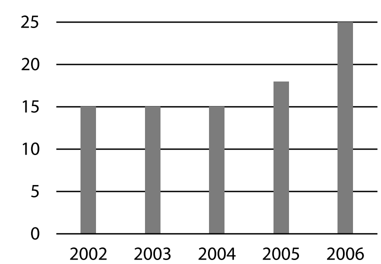
Book Value per Share

(Yen)



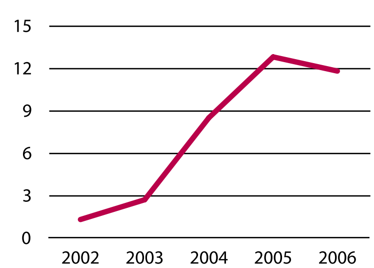
Dividend per Share

(Yen)



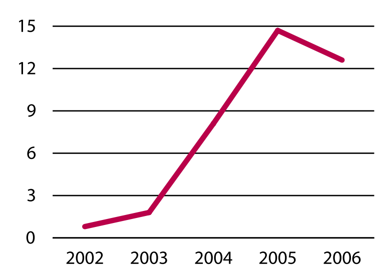
ROA

(%)



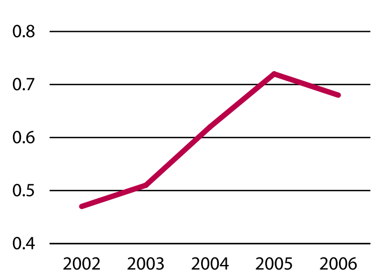
ROE

(%)



Turnover Ratio

(Times)



Equity Ratio

(%)