



President's Message

“ FY 2005 represented a record high for the second consecutive period, and allowed us to turn the corner into the second half of the Fiscal 2010 Vision, providing momentum towards its achievement. ”

Question: Could you please comment on results for FY 2005?

In FY 2005, consolidated net sales were 158,400 million yen and operating income was 27,000 million yen, both marking record highs for the second consecutive period. Under the Medium-Term Management Plan that we announced in May 2004, THK had estimated net sales of 135,000 million yen for FY 2005. At the time, we were concerned about a slowdown in the world's major economies, America and China in particular. As such, we forecast that demand for our products would experience a correction starting sometime between the second half of FY 2004 and the first half of FY 2005, particularly in the electronics sector. We expected a recovery to begin in the second half of FY 2005 .

However, orders received, on a non-consolidated basis, began to recover in January 2005 and have steadily improved since then. Accordingly, we came to the conclusion that THK had entered a recovery phase earlier than initially expected, and revised our original May 2004 forecast for FY 2005 net sales of 135,000 million yen upward to 148,000 million yen in our Medium-Term Management Plan announced in May 2005. Subsequently, results for the first half of FY 2005 again exceeded expectations and in November 2005, we once again revised our estimates upward to forecast net sales of 155,000 million yen. Ultimately, actual net sales

exceeded even this revision, rising to 158,400 million yen. This was completely different from our initial forecast of reduced income marking a record high for the second consecutive period.

Question: What do you believe were the main reasons for achieving such positive results in FY 2005?

Two reasons that can be given are the strengthening of our domestic and overseas sales abilities and improvements in productivity at our domestic manufacturing plants. However, we believe that the biggest factor was the introduction of unified production and sales systems in Europe and North America. Even prior to this unification, THK was working to establish production and sales systems in the four main areas of Japan, North America, Europe and Asia. We believe that the region with the highest demand is the perfect region for production and as such, we have long sought to establish overseas production facilities close to major areas of demand. With the unified production and sales system in Europe and North America, we were able to focus on increasing net sales in FY 2005. We also believe that a primary factor in achieving record levels of operating income was the improvement in profitability seen in our European and North American production bases due to the operational and learning curve effect of rising demand.



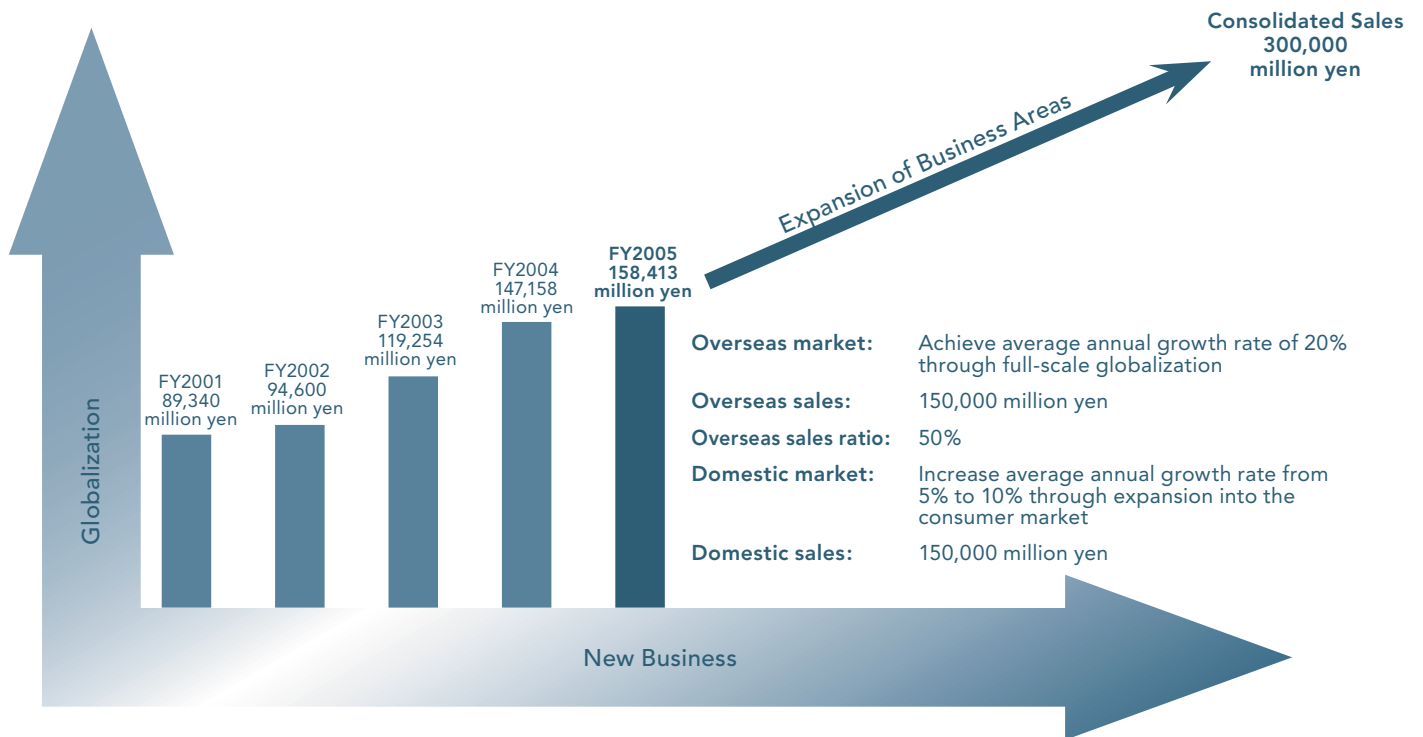
“We will untiringly continue our reforms, based on our management philosophy of “providing innovative products to the world and generating new trends to contribute to the creation of an affluent society,” and push forward the realization of our “Fiscal 2010 Vision.” ”

Question: In your Fiscal 2010 Vision, you have established a goal of 300,000 million yen in consolidated net sales by FY 2010. What progress have you made towards this goal?

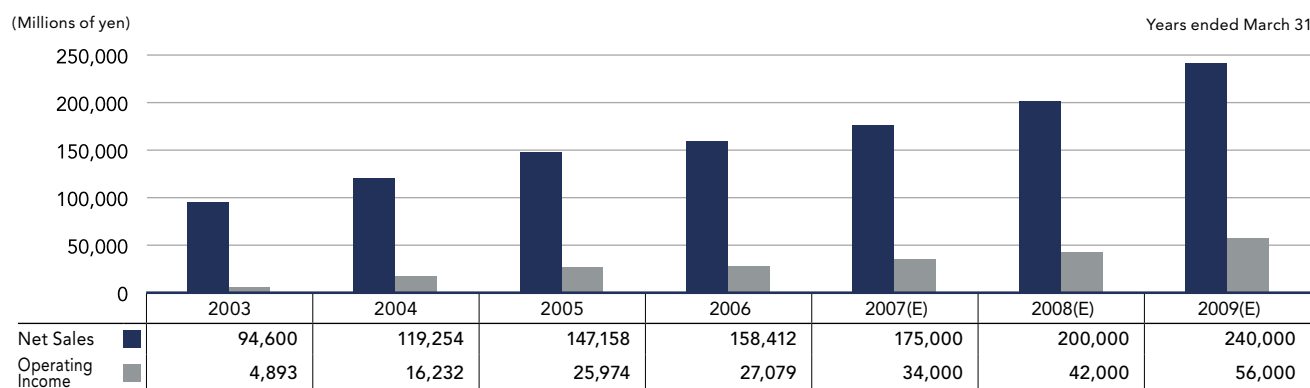
The end of FY 2005 marked the halfway point of our Fiscal 2010 Vision, a 10-year plan announced in April 2001, on the 30th anniversary of our foundation. In order to realize this vision, THK is working diligently to expand our business domain through “Full-Scale Globalization” and the “Development of New Business Areas.”

In addition to the initiation of full-scale operations at our production bases in Europe and North America in FY 2005, we have also strengthened our presence in the promising Chinese market, as part of our “Full-Scale Globalization” efforts. Significantly, in September 2005 we established a management company THK (CHINA) CO., LTD. in order to strengthen sales and management, speed decision making and, at the same time, unify management of common functions among independent Group companies. Following the start of operations at China's first LM Guide production plant, THK WUXI, in January 2005, THK established China's second LM Guide production plant in March 2005, THK LIAONING. Through steps such as these, THK is steadily making headway in the preparation of production and sales systems on a global-scale in order to realize our Fiscal 2010 Vision.

The majority of THK products are currently used in capital goods such as machine tools, industrial robots, and semiconductor production equipment. However, we have created specialist divisions in order to broaden the use of THK products as part of our efforts in the “Development of New Business Areas,” targeting consumer applications. The FAI Division, which undertakes the development of automobile-related products, is steadily expanding our business with automobile manufacturers in Japan, North America and Europe. The ACE Division, which makes building and residential-related products, conducts public relations activities concerning THK's seismic isolation technologies that protect both life and property from the threat of earthquakes. Additionally, the ACE Division has established a testing center and exclusive manufacturing plant for seismic isolation devices within the Gifu Plant, and is preparing for a future expansion in net sales. Furthermore, new uses for our products in home appliances such as refrigerators and cooking heaters have been created as a result of our CAP Project. Although contributions to net sales from each of these new divisions are not yet large, we are working diligently to expand their net sales in the future in order to meet our goal of more than 10 percent in net income from new fields by Fiscal 2010.



Fiscal 2010 Vision (Expansion of Business Areas)



Income Estimate

Question: Please describe the salient points of your current Medium-Term Management Plan.

THK created a more specific Medium-Term Management Plan in order to achieve our Long-Term Management Target, the Fiscal 2010 Vision. Our Medium-Term Management Plans are created on a rolling basis. The Plans are created every year for three years and then updated each following year taking into consideration progress made and changes in the business environment during the previous fiscal year. In the Medium-Term Management Plan announced during May 2006, THK announced plans to achieve net sales of 240,000 million yen and operating income of 56,000 million yen in the final year of the plan, FY 2008. With increasing demand for car electronics, in addition to our expansion into foreign markets, THK will build on the successes of our previous efforts to further improve results, and no matter what changes in the external environment the future may present us with, we will strive to improve our results.

Question: What are your plans for FY 2006, the first year of your current Medium-Term Management Plan?

In the Medium-Term Management Plan announced in May of 2005, we planned net sales of 165,000 million yen and operating income of 31,000 million yen in FY 2006. However, in the new Medium-Term Management Plan announced in May of 2006, we have revised our forecasts upwards to 175,000 million yen in net sales, a 10.5 percent increase compared to the previous period, and 34,000 million yen in operating income, a 25.6 percent increase compared to the previous period. Additionally, we have planned for 20,000 million yen in capital investments in FY 2006, a record for THK, in order to realize our Medium-Term Management Plan. Approximately 6,000 million yen of these planned capital investments will go towards domestic construction of a third Yamagata Plant, a third THK Niigata Plant, and a Distribution Center within the Gifu Plant in order to increase distribution efficiency, and overseas construction such as the construction of the second THK WUXI Plant in China. An additional 14,000 million yen is planned for such activities as the introduction of machinery at THK WUXI, which began operating last year, and THK LIAONING, which is scheduled to begin operating in July.



Question: What are your thoughts on policies such as profit sharing with shareholders?

THK believes that there are many business opportunities available that can offer superior returns on invested capital, such as “Full-Scale Globalization” and “Development of New Business Areas.” Accordingly, our aim is to create the greatest possible corporate value by aggressively reinvesting profits and responding to shareholders’ expectations. However, we will also aggressively return profits in accordance with our results, with stable dividends as a given. For this reason, dividends of 18 yen per-share in FY 2004 were raised 7 yen to 25 yen per-share in FY 2005. We will continue our reforms, based on our management philosophy of providing innovative products to the world and generating new trends to contribute to the creation of an affluent society, in order to further contribute to shareholders, including stockholders, and vigorously push forward the realization of our “Fiscal 2010 Vision.”

Akihiro Teramachi

Akihiro Teramachi
President and CEO
THK CO., LTD.