



May 20, 2004

## Consolidated Financial Review for the Year Ended March 31, 2004

Company Name:	<b>THK CO., LTD.</b>
Head Office:	Tokyo Japan(Tel:+81-3-5434-0300)
URL:	<a href="http://www.thk.com">http://www.thk.com</a>
Stock exchange listing:	Tokyo Stock Exchange 1 <sup>ST</sup> Section
Code number:	6481
President and CEO:	Akihiro Teramachi
Director/General Manager of Corporate Strategy Department:	Kotaro Yoshihara
Date of the board meeting:	May 20, 2004
Application of U.S. GAAP:	None

### 1. Consolidated Financial Highlights (Unaudited)

Note: All figures are rounded down to nearest million yen.

#### (1) Operating results

	Net sales		Operating income		Ordinary income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%
Year ended 3/31/04	119,253	26.1	16,231	231.7	15,892	229.2
Year ended 3/31/03	94,599	5.9	4,893	124.8	4,827	88.8

	Net income		Net income per share	Fully diluted net income per share	Return on equity	Ordinary income to total assets	Ordinary income to sales
	Millions of yen	%	Yen	Yen	%	%	%
Year ended 3/31/04	8,583	353.7	72.27	64.10	8.1	8.3	13.3
Year ended 3/31/03	1,891	130.5	15.65	15.12	1.8	2.6	5.1

Note:

- Profit/loss on equity method: Year ended 3/31/04: 301million yen  
Year ended 3/31/03: (12) million yen
- Average number of shares of common stock (consolidated) issued:  
Year ended 3/31/04: 118,090,965 shares  
Year ended 3/31/03: 118,990,147 shares
- Change of accounting policy: None
- Percentages for net sales, operating income, ordinary and net income indicated changes from the previous term.

#### (2) Financial position

	Total assets	Shareholders' equity	Equity ratio	Shareholders' equity per share
	Millions of yen	Millions of yen	%	Yen
As of 3/31/04	191,105	109,181	57.1	923.35
As of 3/31/03	193,197	102,478	53.0	860.80

Note: Number of shares of common stock (consolidated) issued as of  
 March 31, 2004 118,190,473 shares  
 March 31, 2003 119,015,152 shares



(3) Consolidated cash flow position

	Cash flow from operating activities	Cash flow from Investing activities	Cash flow from financing activities	Cash and cash equivalents at the end of the period
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Year ended 3/31/04	15,735	(3,681)	(27,132)	57,037
Year ended 3/31/03	16,012	(3,909)	5,423	72,533

(4) Scope of consolidation and application of equity method

Consolidated subsidiaries: 14 companies  
 Unconsolidated subsidiaries using the equity method: 0 company  
 Affiliates using the equity method: 2 companies

(5) Changes in scope of consolidation and application of equity method

Consolidated companies: Additions: 1 company Deletions: 0 company  
 Companies using the equity method: Additions: 1 company Deletions: 0 company

2. Corporate estimates for the year ending March 31, 2005(4/1/04/-3/31/05)

	Net sales	Ordinary income	Net income
	Millions of yen	Millions of yen	Millions of yen
Six months ending 9/30/04	74,000	13,500	7,600
Year ending 3/31/05	142,000	24,000	13,600

For reference: Estimate of net income per share for the year ending March 31, 2005: 114.65 Yen  
 (By forecast average number of shares of common stock year of period)

## Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2003			As of March 31, 2004		
			%			%
<b>Assets</b>			%			%
Current assets						
Cash on hand and in banks		66,459			56,550	
Notes and accounts receivable – trade		35,063			46,285	
Short -term investments in securities		7,003			516	
Inventories		23,747			23,108	
Deferred tax assets		2,248			2,667	
Short -term loans		260			173	
Other		1,213			1,722	
Less: Allowance for doubtful debts		(383)			(317)	
<b>Total current assets</b>		<b>135,613</b>	<b>70.2</b>		<b>130,706</b>	<b>68.4</b>
Fixed assets						
Tangible fixed assets						
Buildings and structures	27,405			29,160		
Accumulated depreciation	13,252	14,152		14,214	14,946	
Equipment and vehicles	59,659			62,314		
Accumulated depreciation	44,367	15,292		46,720	15,593	
Land		10,258			10,168	
Construction in progress		1,303			726	
Other	7,776			8,474		
Accumulated depreciation	6,391	1,384		6,927	1,546	
<b>Total tangible fixed assets</b>		<b>42,390</b>	<b>21.9</b>		<b>42,982</b>	<b>22.5</b>
Intangible fixed assets		1,925	1.0		1,482	0.8
Investments and other						
Long-term investments in securities		8,511			8,134	
Deferred tax assets		2,134			1,474	
Other		3,097			6,750	
Less: Allowance for doubtful debts		(476)			(425)	
<b>Total investments and others</b>		<b>13,266</b>	<b>6.9</b>		<b>15,933</b>	<b>8.3</b>
<b>Total fixed assets</b>		<b>57,583</b>	<b>29.8</b>		<b>60,398</b>	<b>31.6</b>
Deferred assets						
Total deferred assets		0	0.0			
<b>Total assets</b>		<b>193,197</b>	<b>100.0</b>		<b>191,105</b>	<b>100.0</b>

(Millions of yen)

	As of March 31, 2003			As of March 31, 2004		
			%			%
<b>Liabilities</b>						
Current liabilities						
Notes and accounts payable – trade	16,960			24,219		
Short-term debt	3,305					
Current portion of long-term debt	2,406					
Current portion of bonds	3,443					
Current portion of convertible bonds	13,905					
Corporate income taxes payable and other	1,668			6,482		
Accrued bonuses	1,243			1,433		
Other	5,216			8,182		
Total current liabilities	48,149	24.9		40,318	21.1	
Long-term liabilities						
Bonds	15,000			15,000		
Bonds with stock acquisition rights	23,000			23,000		
Long-term debt	1,192					
Allowance for retirement and severance benefits	1,483			1,631		
Allowance for directors' and auditors' retirement benefits	1,193			1,315		
Other	389			300		
Total long-term liabilities	42,259	21.9		41,247	21.6	
Total liabilities	90,409	46.8		81,565	42.7	
<b>Minority interests</b>						
Minority interests	309	0.2		357	0.2	
<b>Shareholders' equity</b>						
Common stock	23,106	12.0		23,106	12.0	
Capital reserve	30,962	16.0		30,962	16.2	
Earned surplus	48,686	25.2		55,836	29.2	
Valuation adjustment for marketable securities	(355)	(0.2)		721	0.4	
Foreign currency translation adjustments	481	0.2		(120)	(0.0)	
	102,881	53.2		110,506	57.8	
Treasury stock	(403)	(0.2)		(1,324)	(0.7)	
Total shareholders' equity	102,478	53.0		109,181	57.1	
Total liabilities, minority interests, and shareholders' equity	193,197	100.0		191,105	100.0	

## Consolidated Statements of Income

(Millions of yen)

	Year ended March 31, 2003			Year ended March 31, 2004		
			%			%
Net sales		94,599	100.0		119,253	100.0
Cost of sales		66,646	70.5		77,932	65.3
Gross profit		27,953	29.5		41,321	34.7
Sales, general, and administrative expenses						
Packaging and transportation	1,804			2,073		
Advertising and promotions	882			710		
Provision for doubtful accounts	10			33		
Salaries and allowances	7,814			8,732		
Provision for employee bonuses	422			516		
Retirement expenses	146			148		
Provision for directors' bonuses	61			121		
Rental expenses	1,648			1,694		
Depreciation and amortization	780			603		
Research and development	2,104			2,520		
Other	7,384	23,060	24.3	7,935	25,090	21.0
Operating income		4,893	5.2		16,231	13.6
Non-operating income						
Interest income	169			121		
Dividend income	49			26		
Foreign exchange gain	351					
Equity in earnings of unconsolidated subsidiaries and affiliates				301		
Rental income	148			159		
Others	507	1,226	1.3	461	1,070	0.9
Non-operating expenses						
Interest expenses	888			493		
Bond issuance costs	95					
Foreign exchange loss				580		
Others	308	1,291	1.4	336	1,409	1.2
Ordinary income		4,827	5.1		15,892	13.3

(Millions of yen)

	Year ended March 31, 2003			Year ended March 31, 2004		
			%			%
Extraordinary income			%			%
Gain on sales of property and equipment	56			33		
Gain on sales of investment securities		56	0.0	35	68	0.1
Extraordinary loss						
Loss on sales/disposals of property and equipment	459			320		
Valuation loss on investment securities	510					
Loss on liquidation of related company				99		
Loss on change in equity stake	318					
Others		1,287	1.3	19	439	0.4
Income before income taxes and other		3,596	3.8		15,520	13.0
Corporate income taxes, inhabitants taxes, and enterprise taxes	1,179			7,265		
Adjustment of corporate income taxes and other	593	1,773	1.8	(338)	6,926	5.8
Minority interest in income (loss) of consolidated subsidiaries		(68)	(0.0)		10	0.0
Net income		1,891	2.0		8,583	7.2

## Consolidated Statements of Retained Earnings

(Millions of yen)

	Year ended March 31, 2003		Year ended March 31, 2004	
<b>Capital surplus</b>				
Consolidated capital surplus at beginning of the period		30,962		30,962
Consolidated capital surplus at end of the period		30,962		30,962
<b>Earned surplus</b>				
Consolidated earned surplus at beginning of the period		48,585		48,686
Increase in earned surplus				
Net income	1,891		8,583	
Increase from accounting for investment in an affiliate by the equity method		1,891	378	8,962
Decrease in earned surplus				
Dividends	1,790		1,782	
Bonuses to directors			30	
(bonuses to auditors )	( )	1,790	(4 )	1,812
Consolidated earned surplus at end of the period		48,686		55,836

## Consolidated Statements of Cash Flows

(Yen Millions of yen)

	Year ended March 31, 2003	Year ended March 31, 2004
<b>Cash flows from operating activities</b>		
Income before income tax and minority interests	3,596	15,520
Depreciation and amortization	6,163	5,566
Loss on sales or disposal of property, and equipment	402	287
Increase (decrease) in provisions	(390)	338
Interest and dividend income	(218 )	(147)
Interest expenses	888	493
Foreign exchange gain (loss)	(140 )	108
Equity in earnings of unconsolidated subsidiaries and affiliates	12	(301 )
Write-down of long-term investment in securities	510	
Loss on liquidation of unconsolidated subsidiaries		99
Gain (loss) on change in equity stake	318	
Decrease (increase) in notes and accounts receivable	(10,253 )	(11,293 )
Decrease (increase) in inventories	2,502	395
Increase (decrease) in notes and accounts payable	5,220	7,337
Other	2,559	78
Subtotal	11,170	18,484
Interest and dividend income received	220	192
Interest expenses paid	(902 )	(495 )
Income taxes paid or reclaimed .	5,524	(2,446 )
Net cash provided by operating activities	16,012	15,735
<b>Cash flows from investing activities</b>		
Increase in time deposits due over three months	468	
Payments for purchases of short-term investments in securities	(1,199 )	
Proceeds from sales of short-term investments in securities	1,328	907
Payments for purchases of property, plant, and equipment	(4,759 )	(5,105 )
Proceeds from sales of property, plant, and equipment	148	81
Payments for purchases of long-term investment securities	(9 )	(309 )
Proceeds from sales of long-term investment securities	103	1,793
Increase in loans	(335 )	(1,183 )
Collection of loans	345	135
Net cash provided by investing activities	(3,909 )	(3,681 )
<b>Cash flows from financing activities</b>		
Increase (decrease) in short-term debt	(2,887 )	(3,303 )
Repayment of long-term debt	(4,786 )	(3,598 )
Proceeds from issuance of bonds	22,904	
Redemption of bonds	(8,000 )	(17,334 )
Cash dividends	(1,790 )	(1,784 )
Purchase of treasury stock	(17)	(1,111 )
Other		0
Net cash provided by financing activities	5,423	(27,132 )
Effect of exchange rate change on cash and cash equivalents	0	(418 )
Net increase in cash and cash equivalents	17,526	(15,496 )
Cash and cash equivalents at the beginning of the period	55,007	72,533
Cash and cash equivalents at the end of the period	72,533	57,037

## **Basis for Presenting Consolidated Financial Statements**

### **1 .Scope of Consolidation**

#### **(1) Consolidated subsidiaries: 14**

Names of consolidated subsidiaries:

Talk System Co.,Ltd., Beldex Corporation, THK Yasuda Co., Ltd.  
THK Holdings of America L.L.C., THK America Inc., THK Manufacturing of America Inc.,  
THK Neturen America L.L.C., THK Europe B.V., THK GmbH, THK Manufacturing of Europe S.A.S.,  
THK FRANCE S.A.S., PGM Ballscrews Ltd, PGM Ballscrews Ireland Ltd, THK TAIWAN CO. LTD.

#### **(2) Main unconsolidated subsidiary: Dalian THK Co., Ltd.**

#### **(3) Reason for excluding unconsolidated subsidiaries from the consolidation:**

The unconsolidated subsidiaries are all small in size and their total assets, sales, net income, (amount of corresponding to equity )and retained earnings (excluding minority interest) do not have a significant impact on the consolidated financial statements.

### **2 . Use of the Equity Method**

#### **(1) Related companies to which equity accounting has been applied: 2**

Names of related companies to which equity accounting has been applied:

Daito Seiki Co., Ltd.  
Samick LMS Co., Ltd.

#### **(2) Names of main unconsolidated subsidiaries and affiliates to which equity accounting has not been applied:**

Unconsolidated subsidiaries:

Dalian THK Co., Ltd.

Affiliates:

THK Insurance service Co.,Ltd.

#### **(3) Reason for not applying equity accounting to unconsolidated subsidiaries and affiliates:**

Where the equity method has not been applied to unconsolidated subsidiaries and affiliates, this is because the impact of the companies concerned on consolidated net income (amount of corresponding to equity )and retained earnings is small, and they have no importance in relation to the consolidation as a whole.

### **3 .Financial Years of Consolidated Subsidiaries**

The following consolidated subsidiaries close their books of account on 31<sup>st</sup> December:

THK Holdings of America L.L.C., THK America Inc., THK Manufacturing of America Inc.,  
THK Neturen America L.L.C., THK Europe B.V., THK GmbH, THK Manufacturing of Europe S.A.S.,  
THK FRANCE S.A.S., PGM Ballscrews Ltd, PGM Ballscrews Ireland Ltd, THK TAIWAN CO. LTD.

Necessary adjustments are made in order to consolidate financial statements for relevant transactions by March 31, 2004.

### **4 .Summary of Significant Accounting Policies**

#### **(1) Evaluation of significant assets**

Investments in securities

Other securities

Market prices available ..... Fair market value at balance sheet date

(Valuation differences written directly against reserves.

Sale price calculated by moving average cost method.)

Market prices not available ..... Moving average cost method

## Inventories

Company Name	Asset Evaluation Method	Evaluation Standard
Parent company (THK Co.,Ltd.)	Mainly weighted average	Cost basis
Talk System Co., Ltd.	as above	as above
Beldex Coporation.	Mainly specific identified	as above
THK Yasuda Co. Ltd	Mainly weighted average	as above
THK America Inc.	First-in, first-out	Lower of cost or market
THK Manufacturing of America Inc.	as above	as above
THK Neturen America L.L.C.	as above	as above
THK Europe B.V.	Moving average	as above
THK Manufacturing of Europe S.A.S.	Mainly weighted average	Cost basis
THK FRANCE S.A.S.	Moving average	Lower of cost or market
THK GmbH	as above	as above
PGM Ballscrews Ltd	First-in, first-out	as above
PGM Ballscrews Ireland Ltd	as above	as above
THK TAIWAN CO. LTD	Moving average	as above

### 2) Depreciation and Amortization of Significant Depreciable Assets

Tangible fixed assets ..... Tangible fixed assets at the parent company and domestic consolidated subsidiaries are depreciated according to the declining balance method, and at overseas consolidated subsidiaries according to the straight line method or accelerated depreciation as determined in the accounting standards of the country concerned.

However, for the parent company and domestic consolidated subsidiaries, utilize the straight-line method to compute depreciation for buildings, excluding fixtures to buildings, acquired on and after April 1, 1998.

Estimated useful lives of major properties are principally as follows:

Buildings and structures 5 - 50 years

Machinery, equipment, and vehicles 4 - 10 years

Intangible fixed assets ..... The straight-line method is applied at the parent company and domestic consolidated subsidiaries.

However, software for internal use is amortized over its estimated useful life of 5 years by the straight line method.

Intangible fixed assets at overseas consolidated subsidiaries are depreciated according to the declining balance method as determined in the accounting standards of the country concerned.

### 3) Treatment of Deferred Charges

Bond discounts and premiums ..... Bond discounts and premiums are amortized according to the straight line method over the outstanding period.

### 4) Treatment of Major Lease Transactions

Standard operating lease accounting is used, except in the case of finance lease agreements where ownership of the leased asset is recognized to be transferred to the lessee.

### 5) Basis for Recording Major Allowances

Allowance for doubtful debts ..... In the case of the parent company and domestic consolidated subsidiaries, an allowance for losses arising from doubtful debts is recorded in amounts deemed appropriate based primarily on past credit loss experience but also following consideration of specific risks in the receivables outstanding.

Accrued bonuses ..... An allowance is provided equal to the estimated amount of the payment of bonuses to employees in respect of the consolidated financial year under review.

Retirement and severance benefits .... To prepare for retirement and severance benefits for employees, estimated future benefit obligations less fair value of pension assets at the consolidated financial year end are recorded as the reserve for retirement and severance benefits. The difference arising from the change in accounting standards is accounted for as expenses, and the actuarial differences are divided equally over a fixed number of years (10 years) within the average remaining years of service of employees and accounted for as expenses, beginning from the consolidated financial year following the change.

Directors' retirement benefits ..... An allowance equal to the estimated amount required at the financial year end is calculated according to internal regulations.

## **6) Hedge Accounting**

Method of hedge accounting

Currency swap transactions meet the conditions for assignment treatment and are accounted for accordingly.

Means of hedging and hedged items

(Means of hedging ) (Hedged items )

Currency swap transactions ..... Foreign currency denominated debt

Hedging policy

Hedges related to interest rates are entered primarily with the aim of avoiding the risk of market fluctuations in interest payable. Hedges related to currencies are entered with the aim of determining the cashflows associated with the recovery of interest and principal of loans.

Method of evaluating effectiveness of hedges

Evaluation of the effectiveness of hedges is omitted because the same conditions apply to the currency swap transactions and to the assets that are the subject of those transactions, and movements in currencies and cashflows are assumed to cancel one another out continuously over the life of the transactions.

## **7) Other Matters Pertaining to the Presentation of Consolidated Financial Statements**

Consumption taxes ..... Amounts are stated net of local and national consumption taxes.

## **5 . Handling of Appropriation of Profit and Similar Items**

Consolidated Statements of Retained Earnings are prepared based on the appropriations of profit made by consolidated companies in the consolidated financial year.

## **6 .Scope of Funds in Statements of Consolidated Cash Flows**

Cash and cash equivalents include deposits that readily withdrawn and converted to cash, along with short-term investments maturing within three months of their acquisition not subject to risk of fluctuations in value.

## Notes

### [Consolidated balance sheets]

	<b>March 31, 2003</b>	(Millions of Yen) <b>March 31, 2004</b>
1. Shares of unconsolidated subsidiaries and affiliates	4,666	4,404
2. Liabilities guaranteed	302	263

### [Consolidated statements of cash flows]

- 1 .Reconciliation between cash and cash equivalents at the financial year end and the consolidated balance sheets.

	<b>March 31, 2003</b>	(Millions of Yen) <b>March 31, 2004</b>
Cash on hand and in banks	66,459	56,550
Short-term investments in securities	7,003	516
Total	73,463	57,067
Time deposits (over 3 months)	(30)	(30)
Short-term investments in securities (excluding MMF)	(899)	( )
Cash and cash equivalents	72,533	57,037

## [Segment Information]

### 1 . Industry Segmental Information

Disclosure of industry segmental information is not required because the sales, operating income and assets of the machinery parts segment amount to more than 90 percent of the total sales, total operating income and total assets respectively of the parent company and consolidated subsidiaries. The parent company and its consolidated subsidiaries operate in one industry segment, namely the production and sale of linear motion systems.

### 2 .Geographic Segmental Information

Year ended March 31, 2003

(Millions of yen)

	Japan	America	Europe	Asia and other	Total	Elimination or Corporate	Consolidated
Net sales							
External customers	71,059	10,732	10,981	1,825	94,599		94,599
Inter-segment	12,193	147	97		12,439	(12,439)	
Total	83,253	10,880	11,079	1,825	107,039	(12,439)	94,599
Operating expenses	76,434	11,502	12,848	1,758	102,543	(12,836)	89,706
Operating income/ loss	6,819	(622)	(1,768)	67	4,495	397	4,893
Assets	173,614	15,830	15,551	1,470	206,466	(13,269)	193,197

(Notes)

- Classification of countries and regions is based on geographical proximity.
- The main countries and areas belonging to each classification are as follows:
  - America United States etc.
  - Europe Germany, UK, Netherlands etc.
  - Asia and other South Korea, Taiwan etc.
- The main corporate assets belonging to the ¥15,879 million in the Elimination or Corporate category are surplus funds being managed at the parent company (time deposits and short-term loans) and funds invested for the long term (investment securities and similar).

Year ended March 31, 2004

(Millions of yen)

	Japan	America	Europe	Asia and Other	Total	Elimination or Corporate	Consolidated
Net sales							
External customers	93,771	10,341	12,742	2,399	119,253		119,253
Inter-segment	12,654	53	117		12,824	(12,824)	
Total	106,425	10,394	12,859	2,399	132,078	(12,824)	119,253
Operating expenses	89,727	10,608	13,665	2,347	116,348	(13,326)	103,022
Operating income/ loss	16,698	(214)	(805)	51	15,729	501	16,231
Assets	180,711	13,316	17,768	1,734	213,531	(22,426)	191,105

(Notes)

- Classification of countries and regions is based on geographical proximity.
- The main countries and areas belonging to each classification are as follows:
  - America United States etc.
  - Europe Germany, UK, Netherlands etc.
  - Asia and other South Korea, Taiwan etc.
- The main corporate assets belonging to the ¥8,292 million in the Elimination or Corporate category are surplus funds being managed at the parent company (time deposits and short-term loans) and funds invested for the long term (investment securities and similar).

### 3.Overseas Sales

Year ended March 31, 2003

(Millions of yen)

	America	Europe	Asia and other	Total
Overseas sales	10,775	10,780	7,764	29,319
Consolidated net sales				94,599
Overseas sales as a percentage of consolidated net sales	11.4 %	11.4 %	8.2 %	31.0 %

(Notes)

- 1 .Classification of countries and regions is based on geographical proximity.
- 2 .The main countries and areas belonging to each classification are as follows:
  - (1 )America United States etc.
  - (2 )Europe Germany, UK, Netherlands etc.
  - (3 )Asia and other South Korea, Taiwan etc.
- 3 .Overseas sales of the companies, meaning that the amount of exports made by parent and sales made by the consolidated subsidiaries to customers.

Year ended March 31, 2004

(Millions of yen)

	America	Europe	Asia and other	Total
Overseas sales	10,436	12,739	10,734	33,910
Consolidated net sales				119,253
Overseas sales as a percentage of consolidated net sales	8.7%	10.7%	9.0%	28.4%

(Notes)

- 1 .Classification of countries and regions is based on geographical proximity.
- 2 .The main countries and areas belonging to each classification are as follows:
  - (1 )America United States etc.
  - (2 )Europe Germany, UK, Netherlands etc.
  - (3 )Asia and other South Korea, Taiwan etc.
- 3 .Overseas sales of the companies, meaning that the amount of exports made by parent and sales made by the consolidated subsidiaries to customers.

**[related party transaction]**

Year ended March 31, 2003

1. Parent company, major corporate shareholders, and others

No relevant items.

2. Directors, major individual shareholders, and others

Category	Name	Address	Capital or Investment	Activities or Business	Voting Equity Owned or Controlled	Relationships		Nature of Dealings	Transaction	Accounting Item	Balance at End of Period
						Directorship and similar	Operations and similar				
Directors and their families	Mr Shoji Namiki			Internal auditor of company. President and Representative Director of Namiki Seimitsu Hoseki Co. Ltd.	None			Processing of company products etc. (Note 1)	¥ millions 3	Notes and accounts payable	¥ millions 1

(Note) The amount stated above for dealings with Namiki Seimitsu Hoseki Co. Ltd, of which the company's internal auditor Mr Shoji Namiki is President and Representative Director, is net of consumption tax.

Dealing conditions and policy for determination of dealing conditions

(Note 1) The outsourcing of processing to Namiki Seimitsu Hoseki Co. Ltd was determined under normal trading conditions, after obtaining estimates from other processing companies and considering market prices.

3. Subsidiaries and similar.

No relevant items.

4. Sister companies and similar.

No relevant items.

The year ended March 31, 2004

1. Parent company, major corporate shareholders, and others.

No relevant items.

2. Directors, major individual shareholders, and others.

No relevant items.

3. Subsidiaries and similar.

Category	Name	Address	Capital or Investment	Activities or Business	Voting Equity Owned or Controlled	Relationships		Nature of Dealings	Amount	Accounting Item	Balance at End of Period
						Directorship and similar	Operations and similar				
Affiliated company	Daito seiki Co.,Ltd.	Shinagawaku Tokyo	¥ million 4,255	Manufacture and sales of industrial machines	Direct 33.44% Indirect -	6 persons (In THK's employee is 5 persons)	Processing of THK's product, sales and purchase of machine	Processing of THK's product etc (Note 1)	¥ million 3,544	Note and account payable	¥ million 2,149

(Note) The amount for dealing with Daito seiki Co.,Ltd. is not include consumption tax, however The balance at end of period include to consumption tax.

Dealing conditions and policy for determination of dealing conditions

(Note 1 ) The terms and conditions applicable to the transactions have been determined on the basis of arm's length and by reference to reasonable market price level.

4. Sister companies and similar.

No relevant items.

**[Tax-effect accounting]**

## 1. Significant components of deferred tax assets and liabilities

(Millions of yen )

	March 31, 2003	March 31, 2004
Deferred tax assets		
Inventory valuation	951	1,039
Software	759	685
Allowance for retirement and severance benefits	465	575
Allowance for employee bonuses	408	570
Enterprise tax payable	142	557
Allowance for directors' and auditor 's retirement bonuses	485	535
Unrealized profit on inventory	690	441
Allowance for doubtful debts	474	408
Operating loss carry forwards	411	218
Valuation loss on investment securities	161	90
Other	916	892
Subtotal	5,867	6,016
Valuation-type allowances	(976)	(884)
Total deferred tax assets	4,891	5,131
Deferred tax liabilities		
Unrealized loss on marketable securities	(12)	(492)
Insurance reserve	(162)	(219)
Allowance for special depreciation	(238)	(187)
Other	(157)	(184)
Total deferred tax liabilities	(571)	(1,083)
Net deferred tax assets	4,319	4,048

2. Reason for the difference between legal effective tax rate and corporate income tax rate after adoption of tax-effect accounting

	March 31, 2003	March 31, 2004	(%)
Legal effective tax rate	42.1	42.1	
(Adjustments)			
Entertainment expenses and similar expenses permanently not tax allowable	1.6	0.3	
Dividends receivable and similar income permanently not taxable	(0.6)	0.0	
Net income of consolidated subsidiaries	25.6	2.6	
Investments in consolidated subsidiaries and equity-method companies	(21.8)	0.1	
Equity in earnings of unconsolidated subsidiaries and affiliates	0.1	(0.8)	
Inhabitants tax equalization	1.7	0.4	
Difference between Japanese legal effective tax rate and overseas tax rates	(0.7)	0.6	
Adjustment to the decrease in deferred tax assets owing to the change in the tax rate	2.0	0.7	
Other	(0.6)	(1.4)	
Corporate income tax rate after the adoption of tax-effect accounting	49.3	44.6	

3. Following an amendment of the Local Tax Law (Law 9 2003), the calculation of deferred tax assets and deferred tax liabilities for the previous financial year will apply the pre-amendment tax rate to deferred items planned to disappear by March 31, 2004, and the post-amendment tax rate to deferred items planned to disappear after April 1, 2004. Owing to this change in tax rates, the amount stated for the previous financial year's deferred tax assets (net of deferred tax liabilities) will decrease by ¥70 million, and the previous financial year's adjustment to corporate income taxes recorded as an expense will increase by the same amount.

**[Investments in securities]**

1. Other investment securities with market price available

(Millions of yen)

	March 31, 2003			March 31, 2004		
	Acquisition cost	Carried amount	Difference	Acquisition cost	Carried amount	Difference
Aggregate carrying value exceeds aggregate acquisition cost						
(1) Equities	313	375	61	2,356	3,538	1,182
(2) Bonds						
(3) Other	15	20	4	9	11	1
Subtotal	329	395	66	2,366	3,549	1,183
Aggregate carrying value does not exceed aggregate acquisition cost						
(1) Equities	2,291	1,773	(517)	4	4	(0)
(2) Bonds						
(3) Other						
Subtotal	2,291	1,773	(517)	4	4	(0)
Total	2,620	2,169	(451)	2,370	3,554	1,183

(Note) In addition to the above, differences pertaining to the market price of the group's share of investment in an investment partnership are included in the consolidated balance sheets under valuation adjustment for marketable securities. The amounts recorded for the current consolidated financial year and last consolidated financial year, both net tax effects, are ¥27 million and ¥24 million respectively.

For the year ended March 31, 2003, the company booked a reduction in value of ¥510 million yen in other investment securities for which a market price was available. It is the company's policy to write down the carrying amount of individual securities whose market price has fallen to 50% or less of their acquisition cost. For securities which have fallen to between 70% and 50% of their acquisition cost, the company makes a judgment on whether to write down the carrying amount, by considering the acquisition cost in the light of the security's average month-end closing price for the last 24 months, and financial conditions in the two most recent periods.

2. Other investment securities sold in the period

Year ended March 31, 2003.

Disclosure is omitted because of the insignificance of profits and losses.

Year ended March 31, 2004.

Disclosure is omitted because of the insignificance of profits and losses.

3. Main holdings of securities for which no market price is available

(Millions of yen)

	March 31, 2003	March 31, 2004
	Carried amount	Carried amount
Other investment securities		
Money management funds	2,507	
Free financial funds	3,309	
Financial discount bonds	899	
Unlisted equities (excluding OTC)	175	175
Unlisted foreign bonds	1,500	
Unlisted foreign investments	286	516

4. Redemption schedule for other investment securities with repayment dates after the balance sheet date.

Year ended March 31, 2003

(Millions of yen)

	Within 1 year	1 to 5 years	5 to 10 years	Over 10 years
Bonds				
Government and municipal bonds				
Corporate bonds				
Other bonds	900			
Other				
Total	900			

Year ended March 31, 2004

No relevant items

## [Retirement benefits]

### 1. Outline of the company's retirement benefit system

The company, its domestic consolidated subsidiaries, and certain of its overseas consolidated subsidiaries provide defined benefit retirement plans in the form of a lump sum system and a qualified pension plan. The company also occasionally pays supplementary retirement money in the case of retirement or severance. Apart from the overseas consolidated subsidiaries for which the above applies, the other overseas consolidated subsidiaries mainly have defined contribution systems.

### 2. Retirement benefit liabilities

	March 31, 2003	(millions of yen) March 31, 2004
Retirement benefit liabilities (Note)	4,139	4,525
Less: Pension assets	(1,887)	(2,396)
Unreserved retirement benefit liabilities	2,251	2,128
Difference arising from unrecognized calculation	(767)	(496)
Allowance for retirement and severance benefits	1,483	1,631

(Note) Whereas domestic consolidated subsidiaries have adopted a simple method for estimating retirement benefit liabilities, some overseas consolidated subsidiaries employ a method determined by the accounting standards of the country concerned.

### 3. Retirement benefit costs

	Year end March 31, 2003	(million of yen) Year end March 31, 2004
Service costs (Note)	335	337
Interest costs	89	97
Expected return on plan assets	(8)	(9)
Recognized actuarial differences	67	86
Retirement benefit costs	483	511

(Note) The retirement benefit costs for domestic consolidated subsidiaries and some overseas consolidated subsidiaries are included in service costs above.

### 4. Basis for the calculation of retirement benefit liabilities

	March 31, 2003	March 31, 2004
Method of distribution of expected retirement and severance benefits	Straight-line amortization	Straight-line amortization
Discount rate for obligations	2.5 %	2.5%
Expected rate of return on plan assets	0.5 %	0.5%
Period of amortization of actuarial difference (Note)	10 Years	10 Years

(Note) The actuarial difference is amortized by the straight-line method over a fixed number of years which is shorter than the employees' average remaining period of service at the time the difference was recognized, starting in the consolidated fiscal year following the one in which the difference was recognized.