



November 18, 2004

Consolidated Financial Review for the Six Months Ended Sep. 30, 2004

Company Name:	THK CO., LTD.
Head Office:	Tokyo, Japan (Tel: +81-03-5434-0300)
URL:	http://www.thk.com
Stock exchange listing:	Tokyo Stock Exchange 1 st Section
Code number:	6481
President and CEO:	Akihiro Teramachi
Director/General Manager of Corporate Strategy Department:	Kotaro Yoshihara
Date of the board meeting:	November 18, 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	%
Six months Ended Sep.30, 2004	76,868	37.5	15,329	137.8	16,542	171.7
Six Months Ended Sep.30, 2003	55,924	23.4	6,447	267.5	6,088	303.6
Year Ended Mar.31, 2004	119,253		16,231		15,892	

	Net income		Net income per share	Fully diluted net income per share
	Millions of yen	%	Yen	Yen
Six months Ended Sep.30, 2004	10,388	248.9	87.88	78.62
Six Months Ended Sep.30, 2003	2,977	1,074.3	25.19	21.98
Year Ended Mar.31, 2004	8,853		72.27	63.69

Notes:

- Profit/loss on equity method : Six Months end Sep.30, 2004: 284million yen
Six Months end Sep.30, 2003: 40million yen
Year ended Mar.31, 2004: 301million yen
- Average number of shares of common stock (consolidated) issued:
Six Months ended Sep.30, 2004: 118,212,020 shares.
Six Months ended Sep.30, 2003: 118,223,451 shares.
Year ended Mar.31, 2004: 118,090,965 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
Six months Ended Sep.30, 2004	205,848	118,190	57.4	999.83
Six months Ended Sep.30, 2003	177,956	105,299	59.2	892.26
Year ended Mar.31, 2004	191,105	109,181	57.1	923.35

Note: Number of shares of common stock (consolidated) issued as of
 Six months ended Sep.30, 2004: 118,210,676 shares
 Six months ended Sep.30, 2003: 118,013,568 shares
 Year ended Mar.31, 2004: 118,190,473 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
Six months Ended Sep.30, 2004	8,028	(3,000)	(890)	61,249
Six months Ended Sep.30, 2003	5,995	(2,651)	(25,911)	50,129
Year ended Mar.31, 2004	15,735	(3,681)	(27,132)	57,037

(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: 0 company Deletion: 0 company
 Companies using the equity method: Additions: 0 company Deletion: 0 company

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

	Net sales	Operating income	Ordinary income	Net income
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Year ending Mar.31, 2005	143,000	25,400	26,700	16,500

For reference: Estimate of net income per share for the year ending March 31, 2005: 137.77 Yen
 (By forecast average number of shares of common stock year of period)

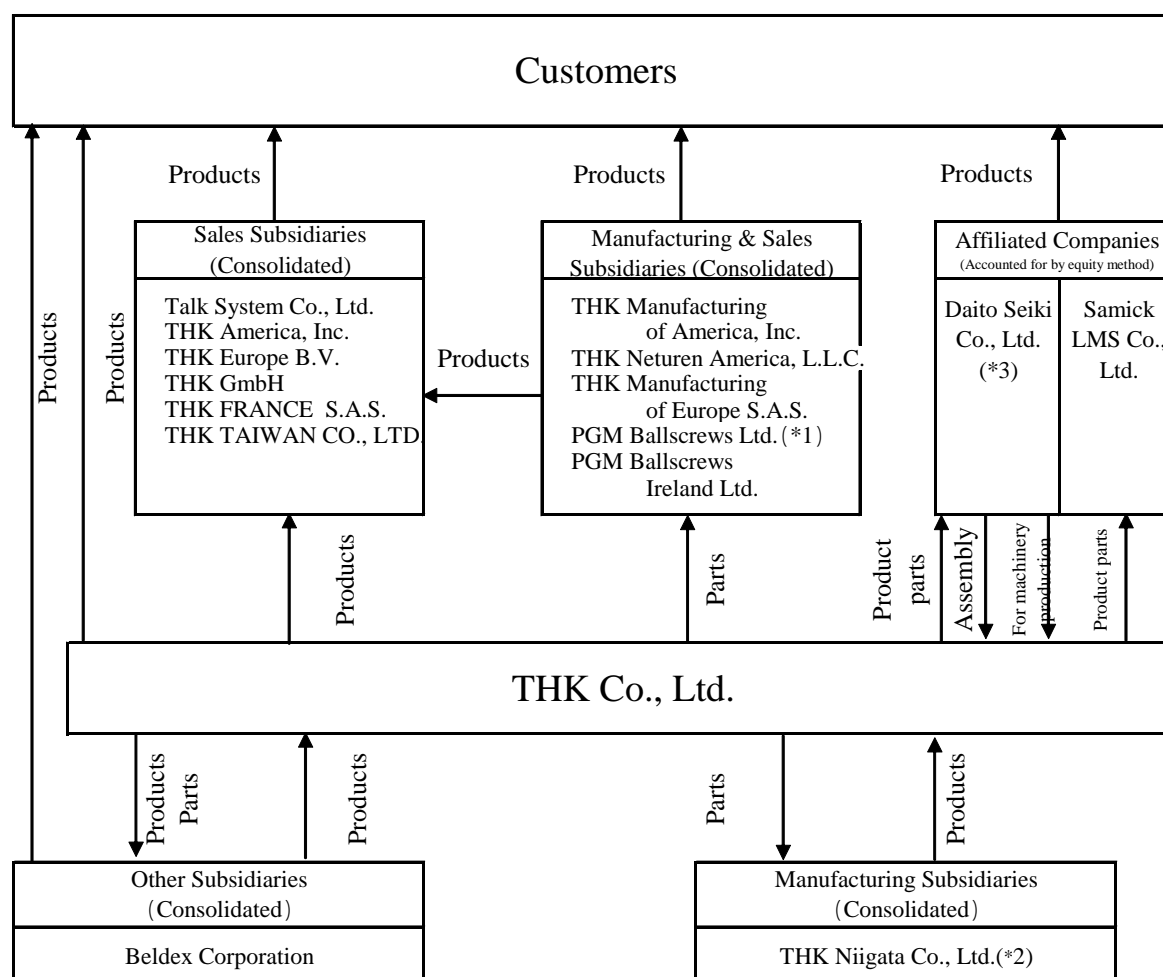
Status of the Corporate Group

The company's business group consists of twenty-two subsidiaries and four affiliated companies, which engage in the manufacture and distribution of the subcomponents of equipment and machinery, centering on linear motion systems, ball screws, and spherical joints.

These products are manufactured by the company itself, as well as by THK Niigata Co., Ltd. and Daito Seiki Co., Ltd., in Japan, and by THK Manufacturing of America, Inc., THK Manufacturing of Europe S.A.S., PGM Ballscrews Ltd., PGM Ballscrews Ireland Ltd., and Samick LMS Co., Ltd. in foreign countries.

The company sells these products through its own distribution channels, Talk System Co., Ltd., and Daito Seiki Co., Ltd., in Japan, and using its own sales channels, THK America, Inc., THK Europe B.V., THK GmbH, THK FRANCE S.A.S. THK TAIWAN CO., LTD, and Samick LMS Co., Ltd., in foreign countries.

A diagram of the main THK Group companies is as follows:



(*1) PGM Ballscrews Ltd., a consolidated subsidiary as shown above, ceased business activities on July 1, 2004, and has begun liquidation on August 31, 2004.

(*2) THK Niigata Co., Ltd., a consolidated subsidiary, used to be THK Yasuda Co., Ltd. The name was changed on July 1, 2004.

(*3) Daito Seiki Co., Ltd., an affiliated company, will become a wholly-owned subsidiary effective on November 1, 2004, by stock swap.

Management Policy

(1) Basic Management Policies

The company is a creativity and development-oriented enterprise that is well known as a world-leading maker of the Linear Motion Guide, and whose innovative technologies contribute to society. Supported by untiring research-and-development efforts, such contributions are the company's operating base.

The company has constantly worked toward technological innovation (it holds 942 domestic and 909 overseas patents and patents pending), and will continue to keep its basic posture as a creativity and development-oriented enterprise. Based on its commitment to providing innovative products to the world, and to generate new trends that contribute toward an affluent society, the company aims to expand its business base and to eventually increase its enterprise value by aggressively cultivating new markets and areas, helped by its technologies and products.

(2) Basic Profit Sharing Policies

The company's basic profit-sharing policy is to continue to pay stable dividends to its shareholders. The company believes that it is also important to appropriate earnings that correspond to actual earnings results, in an attempt to enhance its retained earnings and financial strength.

The company will effectively use its retained earnings to reinvest in production equipment and facilities, and in information systems, responding to the future needs of R&D activities and of the globalization of its industry.

(3) Consideration and Policies on Deduction of Investment Units

The company changed the number of shares constituting one trade unit from 1000 to 100, in accordance with a resolution adopted at the regular shareholders meeting held in June 1991.

The company will continue to make effort to implement flexible policy as needed, toward expanding the shareholder base and enhancing the market liquidity of its stocks.

(4) Targeted Management Indexes

To maximize shareholders' interest, the company considers return-on-equity to be the most important management index; it has set a goal of 10-percent ROE. The company places the greatest emphasis on profitability, to improve ROE, and therefore has also targeted a 20-percent operating profit ratio.

(5) Medium-term Management Strategy

The company's unique Linear Motion Guide technology is an unrivaled new mechanism. This product has received much recognition and a high share in the Japanese market. There is greater potential overseas demand for Linear Motion Guide, due to their lower rate of use than in Japan.

The company will aggressively cultivate overseas markets by supplying high-quality products, centering on Linear Motion Guide. To this end, it will strengthen its overseas sales system and focus on establishing a global manufacturing structure that can rapidly respond to local demand, based on the concept that production should be conducted as near as possible to the market of final demand. In this way, it aims to increase its overseas sales ratio to 50 percent (from the current 27.2 percent) over the long-term.

The company will make great efforts to expand its business by increasing its presence in global markets, and by cultivating new products, and will aggressively pursue improved profitability and financial strength. In this way, it will attempt to increase the enterprise's value.

(6) Issues to Be Acted Upon

The company produces and distributes subcomponents for equipment and machinery, including the Linear Motion Guide, ball screws, and other items. The main users of these products are manufacturers of industrial machinery, such as machine tools and semiconductor manufacturing devices. The company's earnings results are significantly influenced by trends in its clients' industries private sector capital investment and production.

To mitigate fluctuations of business results, the company plans to expand its user base by accelerating overseas development and new business areas.

The company's overseas marketing regions are Europe, America, and Asia. To choose the best production spots, the company will expand its sales by reinforcing its cost competency, and by making appeals for its high-level technologies to users by increasing production nearer to their locations.

The company will also work toward gaining new business areas and markets, including electromechanics, housing, and automobile industries.

(7) Basic Policy of Corporate Governance

To maximize shareholders' interest, the company aims for fair management by enhancing transparency to shareholders. The Board of Directors is composed of 15 members, none of whom are from outside the company. To segregate the management monitoring function from the business execution function, as is required of the Board of Directors, and to make the Board of Directors more efficient, the company has established as a supreme decision-making body a management meeting consisting mainly of executive directors.

This management meeting invites certain responsible directors, as needed, to collect necessary information from them, and solicits objective opinions from such third parties as lawyers and accountants as well. Opinions of the meeting are put together after discussion. Based on such information and opinions, the meeting's members exchange views and assemble proposals for the Board of Directors to discuss and to make final decisions for the company.

The company has also established the Internal Audit Office, to monitor the correctness of daily operations, and the appropriateness and efficiency of the management of the company and its affiliates at home and abroad. It is also working to strengthen the supervisory functions of the Corporate Auditors Meeting, which is composed of four

auditors. The auditors of all group companies in Japan hold regular meetings to exchange information on auditing practices.

The company will continue considering important the study of the pros and cons of introducing a committee system into its management structure, but will continue reforming the management structure and system within the current framework of the Board of Directors and Corporate Auditors Meeting.

The company will continue to work to demonstrate complete compliance with laws, rules, and regulations, and to increase accountability to respond to the trust of shareholders and investors.

Business Performance and Financial Standings

I. Business Performance

(1) Summary of Business Performance for the Current Consolidated Interim Fiscal Year

The Japanese economy showed steady recovery during the six months that ended on September 30, 2004, because capital investment increased with improvements in corporate earnings and the recovery of consumer spending, although there were some factors weighing on the economy, such as the sharp rise in crude oil prices. US consumer spending remained on the upswing, helped by an improved labor market, and the European economy also saw a mild recovery. The expansion of the Chinese economy activated capital investment in some parts of Asia, while the overseas economy generally continued to be strong.

Under these circumstances, the company improved the development and rollout of new products, focusing on expanding overseas production capacity, and made domestic productivity improvements in an effort to accommodate increased demand. The company also worked to enhance its sales capabilities by aggressively promoting TAP-1 activities (THK Advantage Program 1), to increase the skills of salespeople in Europe and the US, where the company is trying to expand sales. Driven by these improvement efforts, and helped by a positive external environment (such as an increase in machinery demand in China, increasing capital investment in the automobile industry, and expansion of the digital home appliance market), sales to main users of our products (makers of machine tools, general machinery, and electronics) continued to be strong during the current interim fiscal year.

Consolidated net sales for the six months ended September 30, 2004, were ¥76,868 million, marking an increase of ¥20,944 million (or 37.5 percent) since the previous interim fiscal year. The sales-cost ratio improved by 4.2 percent, to 62.8 percent, from the 67.0 percent of the previous interim fiscal period, helped by a rise in capacity utilization (due to production increases and increased worker skills in overseas plants) and by a sharp rise in capacity utilization in domestic plants. With the successful suppression of increases in sales and administrative expenses, and despite soaring sales results, operating income marked ¥15,329 million, up ¥8,881 million (or 137.8 percent) since the previous interim fiscal year. Ordinary income was ¥16,542 million, up ¥10,453 million (or 171.7 percent) since the previous interim fiscal year, due to foreign exchange profit and an increase in gains on investment using the equity method. Net income was ¥10,388 million, an increase of ¥7,411 (or 248.9 percent) since the previous interim fiscal year.

Summary of Consolidated Business Performance

(Millions of Yen)

	Six months ended Sep 30, 2003			Six months ended Sep 30, 2004		
	Amount	%	Inc/Dec (%) from 2002 (interim)	Amount	%	Inc/Dec (%) from 2003 (interim)
Net sales	55,924	100.0	23.4	76,868	100.0	37.5
Operating income	6,447	11.5	267.5	15,329	19.9	137.8
Ordinary income	6,088	10.8	303.6	16,542	21.5	171.7
Net income	2,977	5.3	1,074.3	10,388	13.5	248.9

Reference: Summary of Non-consolidated Business Performance

(Millions of Yen)

	Six months ended Sep 30, 2003			Six months ended Sep 30, 2004		
	Amount	%	Inc/Dec (%) from 2002 (interim)	Amount	%	Inc/Dec (%) from 2003 (interim)
Net sales	44,895	100.0	25.7	63,770	100.0	42.0
Operating income	6,938	15.4	155.5	13,684	21.5	97.2
Ordinary income	6,833	15.2	144.4	14,747	23.1	115.8
Net income	3,801	8.5	149.7	8,885	13.9	133.8

(2) Segment Information for the Current Consolidated Interim Fiscal Year

Geographic segment information is as follows.

Japan:

Sales to machine tool and industrial robot makers continued to be firm, due to the recovery in capital investment, and sales to the electronics sector (including semiconductor and liquid crystal display makers) also remained strong, due to the expansion of the digital home appliance market. Net sales amounted to ¥69,231 million, an increase of ¥20,146 million (or 41.0 percent) since the previous interim fiscal year. Operating income was ¥14,364 million, up ¥7,404 million (or 106.4 percent) since the previous interim fiscal year.

America:

Sales to automobile makers, semiconductor manufacturing device makers, and medical equipment makers continued to be firm. Net sales increased by ¥1,076 million (or 21.3 percent) since the previous interim fiscal year, to ¥6,129 million, although the yen was stronger against the US dollar than it was in the previous interim period. Operating income rose by ¥770 million since the previous interim fiscal year, to ¥694 million, thanks to improvements in the capacity utilization and productivity of THK Manufacturing of America, Inc.

Europe:

Sales to machine tool makers and semiconductor manufacturing device makers continued to be strong. Net sales increased by ¥1,372 million (or 20.5 percent) since the previous interim fiscal year, to ¥8,068 million. This is attributed to the increased adoption rate of the company's products and the successful cultivation of new clients. Operating income was ¥446 million, an increase of ¥832 million since the previous interim fiscal year, due to the improvement in capacity utilization and productivity of THK Manufacturing of Europe S.A.S. as in the case of the US manufacturing subsidiary.

Asia and Other Regions:

Sales to machine tools makers and the electronics industries were strong, driven by the expanded Chinese market. Net sales were ¥1,646 million, an increase of ¥483 million since the previous interim fiscal year. Operating income fell by ¥4 million since the previous interim fiscal year, to ¥30 million, due to decreased profitability

brought on by the strong yen and the weak Taiwan dollar, and to the rise in sales and administrative expenses caused by the expense of system development to improve business efficiency.

Note: The net sales above are those to external customers.

(3) Profit-sharing for the Six Months Ended September 30, 2004

The company decided to pay an interim fiscal year-end dividend of ¥7.50 per share.

II. Financial Standings

(1) Analysis of Balance Sheets

Total assets for the six months ended September 30, 2004, were ¥205,848 million, an increase of ¥14,743 million from the previous consolidated fiscal year-end. This is mainly because current assets increased by ¥13,936 million from the previous fiscal year-end, attributed to a gain in accounts receivable, which was caused by increased sales. Liabilities also increased by ¥5,684 million from the previous fiscal year-end, to ¥87,250 million. This is due mainly to an increase in accounts payable, which was caused by rising materials purchases, reflecting increased sales.

Shareholders equity rose by ¥9,008 million from the previous fiscal year-end, to ¥118,190 million, attributed mainly to an increase in net profit for the six months ended September 30, 2004.

(2) Analysis of Statements of Cash Flows

Cash Flows from Operating Activities:

“Income before income taxes and others” for the current interim fiscal year increased by ¥10,093 million from the previous consolidated interim fiscal year, to ¥15,973 million, and depreciation expenses amounted to ¥2,719 million. As a result of tax payments, increases or decreases of working capital related current assets and liabilities—such as accounts receivable, inventories, accounts payable, and others,—net cash provided by operating activities amounted to ¥8,028 million, an increase of ¥2,032 million since the previous interim fiscal year.

Cash Flows from Investing Activities:

Net cash used in investment activities was ¥3,000 million, an increase of ¥349 million since the previous interim fiscal year, due to the purchases of fixed assets including the new Gifu Plant building.

Cash Flows from Financing Activities:

Net cash used in financing activities was ¥890 million, due to dividends payment although decreased by ¥ 25,021 million since the previous interim fiscal year.

As a result, the outstanding balance of cash and cash equivalents increased over that of the previous interim fiscal year by ¥4,212 million during the current interim fiscal year, to ¥61,249 million.

(3) Analysis of Cash Flow Indices

	FY2002 (interim)	FY2002	FY2003 (interim)	FY 2003	FY2004 (interim)
Equity ratio (%)	55.8	53.0	59.2	57.1	57.4
Equity ratio on mark-to-market basis (%)	98.5	70.2	127.5	127.1	106.4
Debt redemption years (years)	5.6	3.9	6.4	2.4	4.7
Interest coverage ratio (multiples)	20.4	18.0	21.2	31.9	99.4

Equity Ratio: Shareholders equity as of fiscal year-end / Total assets as of fiscal year-end

Equity Ratio on a Mark-to-market Basis: Market capitalization of stocks as of fiscal year-end / Total assets as of fiscal year-end

Debt Redemption Years: Interest-bearing debts as of fiscal year-end / Net cash flows provided by operating activities

Interest Coverage Ratio: Net cash flows provided by operating activities / interest payable

- These are all calculated using consolidated financial data.
- Market capitalization of stocks is calculated by multiplying the total number of stocks issued, by a closing stock price as of fiscal year-end.
- Corporate bonds with non-interest-bearing warrants and bills discounted are included in interest-bearing debts.

III. Earnings Projections

(1) General Earnings Projections for the Fiscal Year Ending March 31, 2005

The future economic environment surrounding the THK Group will continue to be hard to forecast, since economic recovery will probably falter due to destabilizing factors weighing down corporate earnings, such as sharply rising crude oil and raw-materials prices, and widely fluctuating foreign exchange rates. The group will build a stronger operating base by capitalizing on its tetra-lateral production and distribution systems covering Japan, North America, Europe, and Asia-Pacific, focusing on the achievement of three goals: 1) formulation and promotion of global strategies; 2) continued expansion in newly developing markets; and 3) creation of systems sensitive to demand fluctuations.

Consolidated Earnings Projections for the Fiscal Year Ending March 31, 2005

(Millions of Yen)

	Consolidated			Non-consolidated		
	Amount	%	Inc/Dec from Fiscal 2004 (%)	Amount	%	Inc/Dec from Fiscal 2004 (%)
Net sales	143,000	100.0	19.9	117,000	100.0	19.7
Operating income	25,400	17.8	56.5	22,700	19.4	40.2
Ordinary income	26,700	18.7	68.0	23,600	20.2	46.6
Net income	16,500	11.5	92.2	14,000	12.0	58.5

Annual average foreign exchange rate of ¥108.50 per US\$1 and ¥134.20 per €1 is used to calculate earnings projections for the fiscal year ending March 31, 2005.

(2) Dividend Projection for the Full Fiscal Year Ending March 31, 2005

The THK Group marked all-time-high business earnings in the first half of fiscal 2004, and it also expects strong earnings results for the full fiscal year. Accordingly, the company plans to pay ¥18.00 per share, up ¥3.00 from the previous period, as dividends for the full fiscal year ending March 31, 2005, in appreciation for shareholders' support.

For the interim dividend, however, the company plans to pay ¥7.50 per share, instead of ¥9.00, up ¥1.50 from the previous interim period, because it should comply with the provisions concerning interim dividend payments specified in the stock swap agreement entered into with Daito Seiki Company Limited on July 26, 2004.

Meanwhile, the company intends to pay ¥10.50 per share, up ¥3.00 from the previous fiscal year, as the fiscal year-end dividend, although this is subject to the resolution of an ordinary general shareholders' meeting scheduled for June 2005.

Consolidated Balance Sheets

(Millions of Yen)

	As of September 30, 2003		As of September 30, 2004		As of March 31, 2004	
	Amount	%	Amount	%	Amount	%
Assets						
Current assets:						
Cash on hand and in banks	50,082		60,959		56,550	
Notes and accounts receivable-trade	40,389		55,485		46,285	
Short-term investments in securities	77		290		516	
Inventories	23,415		22,899		23,108	
Deferred tax assets	2,578		2,853		2,667	
Short-term loans	205		193		173	
Other	1,734		2,232		1,722	
Less: Allowance for doubtful accounts	(362)		(270)		(317)	
Total current assets	118,119	66.4	144,643	70.3	130,706	68.4
Fixed assets:						
Tangible fixed assets						
Buildings and structures	15,388		14,515		14,946	
Machinery, Equipment and vehicles	14,660		15,723		15,593	
Land	10,218		10,165		10,168	
Construction in progress	1,350		1,947		726	
Other	1,496		1,581		1,546	
Total tangible fixed assets	43,113	24.2	43,934	21.3	42,982	22.5
Intangible fixed assets	1,715	1.0	1,245	0.6	1,482	0.8
Investment and other						
Long-term investments in securities	8,379		8,488		8,134	
Deferred tax assets	1,666		1,350		1,474	
Other	5,402		6,610		6,750	
Less: Allowance for doubtful accounts	(440)		(424)		(425)	
Total investments and other	15,008	8.4	16,024	7.8	15,933	8.3
Total fixed assets	59,837	33.6	61,204	29.7	60,398	31.6
Total assets	177,956	100.0	205,848	100.0	191,105	100.0

(Millions of Yen)

	As of September 30, 2003		As of September 30, 2004		As of March 31, 2004	
	Amount	%	Amount	%	Amount	%
Liabilities						
Current liabilities:						
Notes and accounts payable-trade	20,206		29,106		24,219	
Short-term debt	99					
Current portion of long-term debt	243					
Corporate income taxes payable and other	3,074		5,873		6,482	
Allowance for bonuses	1,298		1,839		1,433	
Other	6,251		9,127		8,182	
Total current liabilities	31,174	17.5	45,947	22.3	40,318	21.1
Long-term liabilities:						
Bonds	15,000		15,000		15,000	
Bonds with stock acquisition rights	23,000		23,000		23,000	
Allowance for retirement and severance benefits	1,507		1,688		1,631	
Allowance for directors' and auditors' retirement benefits	1,254		1,345		1,315	
Other	395		269		300	
Total long-term liabilities	41,158	23.1	41,303	20.1	41,247	21.6
Total liabilities	72,333	40.6	87,250	42.4	81,565	42.7
Minority interests						
Minority interests	324	0.2	407	0.2	357	0.2
Shareholders' equity						
Common stock	23,106	12.9	23,106	11.2	23,106	12.0
Capital reserve	30,962	17.4	30,962	15.0	30,962	16.2
Earned surplus	51,118	28.7	65,288	31.7	55,836	29.2
Valuation adjustment for marketable securities	333	0.2	631	0.3	721	0.4
Foreign currency translation adjustment	1,550	0.9	(468)	(0.2)	(120)	(0.0)
Treasury stock	(1,771)	(0.9)	(1,329)	(0.6)	(1,324)	(0.7)
Total shareholders' equity	105,299	59.2	118,190	57.4	109,181	57.1
Total liabilities, minority interests, and Shareholders' equity	177,956	100.0	205,848	100.0	191,105	100.0

Consolidated Statements of Income

(Millions of Yen)

	Six months ended September 30, 2003			Six months ended September 30, 2004			Year ended March 31, 2004		
	Amount		%	Amount		%	Amount		%
Net sales		55,924	100.0		76,868	100.0		119,253	100.0
Cost of sales		37,443	67.0		48,249	62.8		77,932	65.4
Gross profit		18,481	33.0		28,619	37.2		41,321	34.6
Sales, general, and administrative expenses									
Packaging and transportation	829			1,111			2,073		
Advertising and promotions	364			343			710		
Provision for doubtful accounts				0			33		
Salaries and allowances	4,053			4,138			8,732		
Provision for employee bonuses	460			679			516		
Retirement expenses	73			82			148		
Provision for directors' bonuses	60			29			121		
Rental expenses	832			864			1,694		
Depreciation and amortization	292			346			603		
Research and development	1,154			1,287			2,520		
Other	3,911	12,033	21.5	4,408	13,290	17.3	7,935	25,090	21.0
Operating income		6,447	11.5		15,329	19.9		16,231	13.6
Non-operating income									
Interest income	61			117			121		
Dividend income	14			20			26		
Foreign exchange gain				516					
Equity in earnings of unconsolidated subsidiaries and affiliates	40			284			301		
Rental income	78			93			159		
Other	229	424	0.7	349	1,381	1.8	461	1,070	0.9
Non-operating expenses									
Interest expenses	283			80			493		
Payment costs	20			46			65		
Foreign exchange loss	294						580		
Other	185	783	1.4	41	168	0.2	271	1,409	1.2
Ordinary income		6,088	10.8		16,542	21.5		15,892	13.3

(Millions of Yen)

	Six months ended September 30, 2003		Six months ended September 30, 2004		Year ended March 31, 2004	
	Amount	%	Amount	%	Amount	%
Extraordinary gain						
Gain on sales of property, plant and equipment	4		22		33	
Gain on sales of investment securities	35				35	
Reversal of allowance for doubtful accounts	5	45	22	0.0	68	0.1
Extraordinary loss						
Loss on sales /disposals of property ,plant and equipment	137		46		320	
Loss from investment securities revaluation	99				99	
Loss on liquidation of subsidiary company			545			
Loss on arrangement of subsidiary company						
Other	17	254	591	0.7	19	439
Income before income taxes		5,879	15,973	20.8		15,520
Income taxes – current	3,132		5,605		7,265	
Income taxes – deferred	(244)	2,887	(54)	5,551	(338)	6,926
Minority interest income of consolidated subsidiaries		14	32			10
Net income		2,977	10,388	13.5		8,583

Consolidated Statements of Retained Earnings

(millions of Yen)

	Six months ended September 30, 2003		Six months ended September 30, 2004		Year ended March 31, 2004	
Capital surplus						
Consolidated capital surplus at beginning of the period		30,962		30,962		30,962
Consolidated capital surplus at end of the period		30,962		30,962		30,962
Earned surplus						
Consolidated earned surplus at beginning of the period		48,686		55,836		48,686
Increase in earned surplus						
Net income	2,977		10,388		8,583	
Increase from accounting for investment in an affiliate by the equity method	378	3,356	—	10,388	378	8,962
Decrease in earned surplus						
Dividends	895		887		1,782	
Bonuses to directors	30		50		30	
(bonuses to auditors)	(4)	925	(7)	937	(4)	1,812
Consolidated earned surplus at end of the period		51,118		65,288		55,836

Consolidated Statements of Cash Flows

(Millions of Yen)

	Six months ended Sep. 30, 2003	Six months ended Sep. 30, 2004	Year ended March 31, 2004
Cash flows from operating activities:			
Income before income tax and minority interests	5,879	15,973	15,520
Depreciation and amortization	2,646	2,719	5,566
Loss on sales or disposal of property, plant and equipment	132	23	287
Loss on liquidation of subsidiary company			99
Loss on arrangement of subsidiary company		545	
Increase (decrease) in provisions	66	445	338
Interest and dividend income	(75)	(138)	(147)
Interest expense	283	80	493
Foreign exchange gain (loss)	21	(296)	108
Equity in earnings of unconsolidated subsidiaries and affiliates	(40)	(284)	(301)
Increase (decrease) in notes and accounts receivable	(5,058)	(9,231)	(11,293)
Increase (decrease) in inventories	710	181	395
Increase (decrease) in notes and accounts payable	2,920	4,921	7,337
Other	455	(657)	78
Subtotal	7,942	14,281	18,484
Interest and dividend received	118	200	192
Interest paid	(337)	(80)	(495)
Income taxes paid	(1,727)	(6,373)	(2,446)
Net cash provided by operating activities	5,995	8,028	15,735
Cash flows from investing activities:			
Increase in time deposits due over three months		30	
Proceeds from sales of short-term investments in securities	919		907
Payments for purchases of property, plant and equipment	(2,500)	(2,663)	(5,105)
Proceeds from sales of property, plant and equipment	61	93	81
Payments for purchases of long-term investment securities	(293)	(466)	(309)
Proceeds from sales of long-term investment securities	244	2	1,793
Payments for loans	(1,180)	(400)	(1,183)
Collection of loans	98	403	135
Net cash provided by investing activities	(2,651)	(3,000)	(3,681)
Cash flows from financing activities:			
Increase (decrease) in short-term debt	(3,210)		(3,303)
Repayments of long-term debt	(3,354)		(3,598)
Redemption of bonds	(17,344)		(17,334)
Cash dividend	(895)	(885)	(1,784)
Other	(1,106)	(5)	(1,111)
Net cash provided by financing activities	(25,911)	(890)	(27,132)
Effect of exchange rate change on cash and cash equivalents	162	74	(418)
Net increase in cash and cash equivalents	(22,404)	4,212	(15,496)
Cash and cash equivalents at beginning of the period	72,533	57,037	72,533
Cash and cash equivalents at end of the period	50,129	61,249	57,037

Basis for Preparing Interim Consolidated Financial Statements

1. Scope of Consolidation

(1) *Number of consolidated subsidiaries:* 14

Talk System Co., Ltd.; Beldex Corporation; THK Niigata 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 subsidiaries:*

Dalian THK Co., Ltd. Nippon Slide Co., Ltd.

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

The unconsolidated subsidiaries are small, and their total assets, sales, net incomes (corresponding to equity portion), and retained earnings (corresponding to equity portion), have no material effect on the company's interim consolidated financial statements.

2. Use of the Equity Method

(1) *Number of affiliated companies accounted for using the equity method:* 2

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

(2) *Names of main unconsolidated subsidiaries and affiliated companies not accounted for using the equity method:*

Dalian THK Co., Ltd. Nippon Slide Co., Ltd.

(3) *Reason for excluding unconsolidated subsidiaries from those subject to the equity method:*

Net income (corresponding to equity portion) and retained earnings (corresponding to equity portion) of these subsidiaries have no material effect on the company's interim consolidated statements, and they are of no importance as a whole, even though they are not accounted for using the equity method.

3. Fiscal Years of consolidated subsidiaries

The following consolidated subsidiaries' interim fiscal year-ends are on June 30.

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.

Adjustments have been made for significant transactions between subsidiaries' interim fiscal year-ends and September 30.

4. Summary of Significant Accounting Policies

(1) Evaluation of significant assets

Other securities:

i. Securities

Marketable Securities: Stated at market value at the interim fiscal year-end (valuation gains and losses are included in shareholders' equity, net of taxes, and costs of sales are calculated using the moving-average method).

Non-marketable Securities: Stated at costs determined using the moving-average method.

ii. Inventories

Company name	Asset Evaluation Method	Evaluation Standard
THK Co., Ltd.	Mainly weighted average method	Cost method
Talk System Co., Ltd.	Mainly weighted average method	Cost method
Beldex Corporation	Mainly actual cost method	Cost method
THK Niigata Co., Ltd.	Mainly weighted average method	Cost method
THK America, Inc.	First-in-first-out method	Lower of cost or market
THK Manufacturing of America, Inc.	First-in-first-out method	Lower of cost or market
THK Neturen America, L.L.C.	First-in-first-out method	Lower of cost or market
THK Europe B.V.	Moving average method	Lower of cost or market
THK Manufacturing of Europe S.A.S.	Mainly weighted average method	Cost method
THK France S.A.S.	Moving average method	Lower of cost or market
THK GmbH	Moving average method	Lower of cost or market
PGM Ballscrews Ltd.	First-in-first-out method	Lower of cost or market
PGM Ballscrews Ireland Ltd.	First-in-first-out method	Lower of cost or market
THK Taiwan Co., Ltd.	Moving average method	Lower of cost or market

(2) Method of depreciation and amortization

i. Tangible Fixed Assets

The tangible fixed assets of the company and its domestic subsidiaries are depreciated using the declining-balance method, and those of overseas consolidated subsidiaries are depreciated using either the straight-line method or the accelerated depreciation method, depending on their local accounting standards. The amount of depreciation for buildings (excluding fixtures to buildings) acquired on and after April 1, 1998, by the company and its domestic subsidiaries is estimated using the straight-line method.

The useful lives of main properties are as follows:

Buildings and structures.....	5-50 years
Machinery, equipment, and vehicles	4-10 years

- ii. Intangible Fixed Assets** The straight-line method is used by the company and its consolidated subsidiaries. Software costs for their internal use are amortized using the straight-line method over their estimated useful lives (5 years).
The intangible fixed assets of overseas consolidated subsidiaries are amortized using the declining-balance method, based on their local accounting standards.

(3) Accounting for major lease transactions

Finance lease transactions, excluding those in which the ownership of the leased properties is transferred to the lessee, are accounted for in the same manner as operating leases.

(4) Accounting standards for major allowances

- i. Allowance for doubtful accounts** To prepare for possible losses caused by irrecoverable money claims at the fiscal year-end, the company and its subsidiaries provide allowances as follows:
For general credit claims, allowance is provided for the amount calculated based on the past credit loss experience, and for specifically doubtful credit claims, allowance is provided for the estimated uncollectible amount based on the collectibility assessment for individual credit claims.
Overseas consolidated subsidiaries provide allowances for the amounts they deem necessary, considering the collectibility of specific doubtful credit claims.
- ii. Allowance for bonuses** Allowance for employee bonuses is provided in provisions for payment of bonuses to employees in the amount of estimated bonuses, which are attributable to the current interim consolidated fiscal year.
- iii. Allowance for employees' retirement benefits** Allowance for employee retirement benefits is provided in provision for payment of retirement benefits to employees in the amount deemed accrued at the end of the current interim consolidated fiscal year, based on the projected retirement benefit obligation and fair value of plan assets at this fiscal year end.
Unrecognized net actuarial difference is amortized using the straight-line method over a number of years (usually 10 years) within the employees' average remaining employment period, commencing from the next fiscal year in which they arise (stated as either income or expense in the statement of income).
- iv. Allowance for directors' and auditors' retirement benefits** Allowance is provided for the amount the company would have to pay at the end of the interim fiscal year, which is estimated in accordance with internal regulations. The system for paying retirement benefits to directors and auditors, however, was abolished in June 2004, so the outstanding balance of this allowance represents an estimated amount for payment to the directors and auditors currently holding offices under the previous system.

(5) Hedge accounting

- i. Method of hedge accounting** Currency swap transactions meet the requirement of allocation treatment, and are accounted for accordingly.
- | | | |
|---|--|--|
| ii. Hedging instruments and hedged items | Hedging instrument
Currency swap transaction | Hedged items
Foreign currency denominated money claims |
|---|--|--|

- iii. Hedging policy* The company uses currency related hedge accounting for the purpose of fixing cash flows related to the collection of principal and interest on loans.
- iv. Assessment method for the effectiveness of hedges* The company omits the assessment of the effectiveness of hedges for currency swap transactions, because the significant terms and conditions for such transactions and for hedged assets are identical, and are assumed beforehand to offset exchange rate risks and cash flow fluctuations continuously from the time hedging is initiated.

(6) Other significant items to prepare interim consolidated financial statements

Consumption taxes Consumption taxes are excluded from the transaction amounts.

5. Scope of Funds Stated in the Interim Consolidated Statements of Cash Flows

The funds (cash and cash equivalents) stated in the interim 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 maturities of up to three months that are exposed to minor value fluctuation risk.

Additional Information

Since the company has used a size-based corporate tax system since the beginning of the current interim fiscal period, sales and general administrative expenses increased by ¥157 million, and operating income, ordinary income, and net income before taxes each decreased by ¥157 million.

Notes

Interim Consolidated Balance Sheets

(Millions of Yen)

	FY2003 Interim	FY2004 Interim	FY2003
Accumulated depreciation and amortization of tangible fixed assets	66,136	69,861	67,862
Liabilities for guarantee	300	214	263

Interim Consolidated Statements of Cash Flow

Relationships of outstanding balance of cash and cash equivalents as of the end of the interim period and the amounts of account items stated in the interim consolidated balance sheets.

(Millions of Yen)

	FY2003 Interim	FY2004 Interim	FY2003
Cash on hand and deposits with banks	50,082	60,959	56,550
Securities	77	290	516
Total:	50,159	61,249	57,067
Time deposits (term exceeding three months)	(30)	—	(30)
Cash and Cash Equivalents:	50,129	61,249	57,037

Lease Transactions

Data on lease transactions is omitted, because they have been disclosed via EDINET for the fiscal half-year ended September 30, 2004.

Segment Information

1. Business Segment Information

Net sales and operating income of machinery subcomponent departments exceed 90 percent of the consolidated net sales of all segments, and of the total operating income of segments that generated operating income, and so segment information by business category is omitted.

2. Geographic Segment Information

For the six months ended September 30, 2003

(Millions of Yen)

	Japan	America	Europe	Asia and others	Total	(Elimination)	Consolidated
Net Sales:							
To customers	43,107	5,021	6,632	1,163	55,924	—	55,924
Inter-segment	5,976	31	63	—	6,071	(6,071)	—
Total:	49,084	5,052	6,695	1,163	61,996	(6,071)	55,924
Operating expenses	42,124	5,129	7,081	1,128	55,463	(5,986)	49,476
Operating Income (loss):	6,959	(76)	(385)	34	6,532	(85)	6,447

For the six months ended September 30, 2004

(Millions of Yen)

	Japan	America	Europe	Asia and others	Total	(Elimination)	Consolidated
Net Sales:							
To customers	61,133	6,105	7,982	1,646	76,868	—	76,868
Inter-segment	8,097	23	85	—	8,206	(8,206)	—
Total:	69,231	6,129	8,068	1,646	85,075	(8,206)	76,868
Operating expenses	54,866	5,434	7,621	1,616	69,539	(8,000)	61,539
Operating Income (loss):	14,364	694	446	30	15,535	(206)	15,329

For the year ended March 31, 2004

(Millions of Yen)

	Japan	America	Europe	Asia and others	Total	(Elimination)	Consolidated
Net Sales:							
To 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

Note:

- Classification of countries and regions is based on geographical proximity.
- Main countries and areas belonging to each classification are as follows.

America: United States of America and other countries

Europe: Germany, UK, Netherlands, and other countries

Asia and others: South Korea, Taiwan and other countries

3. Overseas Sales

For the six months ended September 30, 2003

(Millions of Yen)

	America	Europe	Asia and others	Total
Overseas sales	5,073	6,630	4,857	16,562
Consolidated net sales				55,924
Overseas sales as a percentage of consolidated net sales	9.1%	11.8%	8.7%	29.6%

For the six months ended September 30, 2004

(Millions of Yen)

	America	Europe	Asia and others	Total
Overseas sales	6,159	7,963	6,811	20,934
Consolidated net sales				76,868
Overseas sales as a percentage of consolidated net sales	8.0%	10.3%	8.9%	27.2%

For the year ended March 31, 2004

(Millions of Yen)

	America	Europe	Asia and others	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%

Note:

- Classification of countries and regions is based on geographical proximity.
- Main countries and areas belonging to each classification are as follows.
 - America:* United States of America and other countries
 - Europe:* Germany, UK, Netherlands, and other countries
 - Asia and others:* South Korea, Taiwan and other countries
- Overseas sales are sales booked in foreign countries or in regions other than Japan, by the company and its consolidated subsidiaries.

Securities

1. Marketable Securities

(Millions of Yen)

	As of September 30, 2003			As of September 30, 2004			As of March 31, 2004		
	Acquisition cost	Book value	Difference	Acquisition cost	Book value	Difference	Acquisition cost	Book value	Difference
Equities	2,399	2,750	351	2,384	3,406	1,022	2,360	3,542	1,182
Others	15	18	2	7	8	1	9	11	1
Total:	2,414	2,769	354	2,391	3,415	1,023	2,370	3,554	1,183

Note: In addition to the above, differences between acquisition costs and book values in the group's equity portion in investment partnership are included under "Valuation adjustment for marketable securities" on the balance sheets. Such differences are ¥26 million for the six months ended September 30, 2003, ¥38 million for the six months ended September 30, 2004, and ¥27 million for the fiscal year ended March 31, 2004, all of which are nets of tax effect amounts.

When an issue's market value of the equities stated in the table above falls by 50 percent or more below its acquisition cost, the company makes it a rule to write them down. For securities whose market values are 30 percent or more, or more than 50 percent below their acquisition costs, the company judges whether to write them down by assessing issuers' financial conditions as of their latest fiscal year-ends, and their earnings results for the last two fiscal years, and by comparing each issue's acquisition cost with its average month-end closing price for the last 24 months.

2. Breakdown of Main Non-marketable Securities

(Millions of Yen)

	As of Sept 30, 2003	As of Sept 30, 2004	As of March 31, 2004
	Book value	Book value	Book value
Other securities			
Unlisted equities (non-OTC)	175	157	175
Unlisted foreign bonds	1,500	—	—
Unlisted foreign investment trust	77	290	516

Significant Subsequent Events

For the six months ended September 30, 2003:

There were no corresponding events.

For the six months ended September 30, 2004:

Stock swap with Daito Seiki Co., Ltd.

The company's board of directors resolved at a meeting on July 26, 2004, to make Daito Seiki Company Limited a wholly-owned subsidiary, by applying a stock-swap scheme in accordance with Article 358, paragraph 1, of the Commercial Code, for the purpose of consolidating management resources and enhancing investment efficiency within the THK Group. This stock swap was approved by an extraordinary general shareholders' meeting of Daito Seiki Company Limited on September 24, 2004, and executed on November 1, 2004.

With this stock swap, two-tenths of one common share of the company was allocated to one share of Daito Seiki Company Limited. To implement this stock swap, the company allocated and delivered 1,000,000 treasury shares and issued new 554,508 shares.

For the year ended March 31, 2004:

There were no corresponding events.

Non-Consolidated Financial Review for the Six Months Ended September 30, 2004

Company Name:	THK CO., LTD.
Head Office:	Tokyo, Japan (Tel: +81-03-5434-0300)
URL:	http://www.thk.co.jp/
Stock exchange listing:	Tokyo Stock Exchange 1 st Section
Code number:	6481
President and CEO:	Akihiro Teramachi
Director/General Manager of Corporate Strategy Department:	Kotaro Yoshihara
Date of the board meeting:	November 18, 2004
Interim cash dividends:	Yes
Adoption of Unit stock system:	Yes (1unit 100 shares)

1. Consolidated Financial Highlights (Unaudited)

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

(1) Operating results

	Net sales		Operating income		Ordinary income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%
Six months Ended Sep.30, 2004	63,770	42.0	13,684	97.2	14,747	115.8
Six Months Ended Sep.30, 2003	44,895	25.7	6,938	155.5	6,833	144.4
Year Ended Mar.31, 2004	97,740		16,186		16,099	

	Net income		Net income per share
	Millions of yen	%	Yen
Six months Ended Sep.30, 2004	8,885	133.8	75.08
Six Months Ended Sep.30, 2003	3,801	149.7	32.06
Year Ended Mar.31, 2004	8,831		74.18

Notes:

- Change of accounting policy: None
- Average number of shares of common stock issued (non-consolidated)
 - Six Months ended Sep.30, 2004: 118,345,420 shares.
 - Six Months ended Sep.30, 2003: 118,558,752 shares.
 - Year ended Mar.31, 2004: 118,387,267 shares.
- Regarding net sales, operating income, ordinary income and net income, percent indications show percentage changes from the same period of the previous year.



(2) Cash dividends

	Annual Dividends per share	
	Interim	Full year
Six months Ended Sep.30, 2004	Yen 7.50	Yen —
Six months Ended Sep.30, 2003	7.50	—
Year Ended Mar.31, 2004	—	15.00

(3) Financial position

	Total assets	Total shareholders' equity	Equity ratio	Shareholder's equity per share
	Millions of yen	Millions of yen	%	Yen
Six months Ended Sep.30, 2004	195,663	113,615	58.1	960.04
Six months Ended Sep.30, 2003	167,630	101,127	60.3	854.48
Year Ended Mar.31, 2004	181,983	105,760	58.1	893.23

Notes:

- Net number of shares issued and outstanding at the end of the fiscal year (non-consolidated)
 - Six months ended Sep.30, 2004: 118,344,076 shares
 - Six months ended Sep.30, 2003: 118,348,869 shares.
 - Year ended Mar.31, 2004: 118,346,697 shares.
- The number of treasury stock as of :
 - Six months ended Sep.30, 2004: 1,018,942 shares.
 - Six months ended Sep.30, 2003: 1,014,149 shares.
 - Year ended Mar.31, 2004: 1,016,321 shares.

2. Projections of Non-Consolidated Results for the Fiscal Year ending March 31, 2005

	Net sales	Operating income	Ordinary Income	Net income	Annual cash dividends per share	
	Million of yen	Million of yen	Million of yen	Million of yen	Yen	
Year ending Mar.31, 2005	117,000	22,700	23,600	14,000	F.Y. end 10.50	18.00

For reference: Estimate of net income per share for the year ending March 31, 2005: 116.77 Yen
(By forecast average number of shares of common stock year of period)

*Forward-Looking Statements:

This release contains forward-looking statements that are based on management's estimates, assumptions and projections at the time of release. Some factors, which include, but are not limited to, the risks and uncertainty associated with the worldwide economy, competitive activity and currency fluctuation, could cause actual results to differ materially from expectations.

Note to the Financial Information:

This is summarized and translated financial information that the Company posted to the Tokyo Stock Exchange in accordance with their rules that governs the disclosure of financial information.

The Company maintains an Internet website at www.thk.co.jp. The Company makes available free of charge on the website its financial information in Japanese language. Those information translated in English language will be disclosed as soon as reasonably practicable after disclosing materials in Japanese language.

Non-Consolidated Balance Sheets

(Millions of Yen)

	As of September 30, 2003		As of September 30, 2004		As of March 31, 2004	
	Amount	%	Amount	%	Amount	%
Assets						
Current assets:						
Cash on hand and in banks	43,386		52,413		49,298	
Notes receivable-trade	15,297		20,387		17,100	
Accounts receivable-trade	21,613		33,199		26,865	
Inventories	13,749		14,674		14,250	
Deferred tax assets	1,327		1,714		1,670	
Short-term loans	6,840		7,389		7,491	
Other	1,104		1,446		1,420	
Less: Allowance for doubtful accounts	(131)		(93)		(134)	
Total current assets	103,188	61.6	131,132	67.0	117,963	64.8
Fixed assets:						
Tangible fixed assets						
Buildings and structures	8,836		8,597		8,848	
Machinery and equipment	10,834		11,443		11,238	
Land	9,104		9,094		9,094	
Other	1,876		2,736		1,609	
Total Tangible fixed assets	30,652	18.2	31,871	16.3	30,790	16.9
Intangible fixed assets	1,603	1.0	1,125	0.6	1,357	0.8
Investments and others						
Long-term investments in securities	4,389		3,564		3,721	
Investments in shares of subsidiary and affiliated company	12,058		12,530		12,069	
Investments in subsidiary and affiliated company	6,720		7,777		7,777	
Deferred tax assets	1,626		1,307		1,430	
Other	7,789		6,731		7,568	
Less: Allowance for doubtful accounts	(397)		(376)		(696)	
Total investments and others	32,186	19.2	31,534	16.1	31,871	17.5
Total fixed assets	64,442	38.4	64,531	33.0	64,019	35.2
Total assets	167,630	100.0	195,663	100.0	181,983	100.0

(millions of Yen)

	As of September 30, 2003		As of September 30, 2004		As of March 31, 2004	
	Amount	%	Amount	%	Amount	%
Liabilities						
Current liabilities:						
Notes payable-trade	4,205		5,859		5,176	
Accounts payable-trade	12,490		20,560		15,937	
Accounts payable-other	1,035		1,451		1,209	
Accrued expenses	3,149		4,095		3,833	
Corporate income taxes payable and other	3,006		5,654		6,307	
Accrued bonuses	1,219		1,737		1,346	
Notes payable-equipment and other	376		1,478		942	
Other	405		365		721	
Total current liabilities	25,888	15.5	41,204	21.0	35,476	19.5
Long-term liabilities:						
Bonds	15,000		15,000		15,000	
Bonds with stock acquisition rights	23,000		23,000		23,000	
Allowance for retirement and severance Benefits	1,355		1,495		1,428	
Allowance for director's and auditor's retirement benefits	1,254		1,345		1,315	
Other	4		3		3	
Total long-term liabilities	40,615	24.2	40,843	20.9	40,747	22.4
Total liabilities	66,503	39.7	82,048	41.9	76,223	41.9
Shareholders' equity						
Common stock	23,106	13.8	23,106	11.8	23,106	12.7
Additional paid-in capital						
Capital reserve	30,962		30,962		30,962	
Total additional paid-in capital	30,962	18.5	30,962	15.9	30,962	17.0
Surplus						
Earned reserves	1,958		1,958		1,958	
Other reserves	40,523		47,661		40,523	
Unappropriated retained earnings	5,480		10,443		9,623	
Total surplus	47,963	28.6	60,053	30.7	52,105	28.6
Valuation adjustment for marketable securities	223	0.1	630	0.3	718	0.4
Treasury stock	(1,127)	(0.7)	(1,137)	(0.6)	(1,132)	(0.6)
Total shareholder's equity	101,127	60.3	113,615	58.1	105,760	58.1
Total liabilities and shareholder's equity	167,630	100.0	195,663	100.0	181,983	100.0

Non-Consolidated Statements of Income

(Millions of Yen)

	Six months ended Sep.30,2004			Six months ended Sep.30,2003			Year ended March 31, 2004		
	Amount		%	Amount		%	Amount		%
Net sales		44,895	100.0		63,770	100.0		97,740	100.0
Cost of sales		30,606	68.2		41,473	65.0		65,770	67.3
Gross profit		14,288	31.8		22,297	35.0		31,970	32.7
Selling, general and administrative expenses		7,349	16.4		8,612	13.5		15,784	16.1
Operating income		6,938	15.4		13,684	21.5		16,186	16.6
Non-operating income									
Interest income	81			88			183		
Dividend income	56			84			67		
Foreign exchange gain	—			603			—		
Other	294	433	1.0	443	1,219	1.9	631	882	0.9
Non-operating expenses									
Interest expenses	9			0			9		
Bond interest	118			80			197		
Foreign exchange loss	246			—			518		
Other	163	538	1.2	76	156	0.3	243	969	1.0
Ordinary income		6,833	15.2		14,747	23.1		16,099	16.5
Extraordinary gain									
Gain on sales of property plant, and equipment	0			18			58		
Reversal of allowance for doubtful accounts	25			26			—		
Other	35	61	0.2	—	44	0.1	35	94	0.1
Extraordinary loss									
Loss on disposals of property, plant and equipment	112			40			195		
Valuation loss on investment in subsidiary company	99			—			—		
Loss on liquidation of subsidiary company	—			—			99		
Loss on forgiveness of subsidiary company debt	—			—			563		
Loss on arrangement of subsidiary company	—			473			—		
Other	17	229	0.6	—	513	0.8	19	877	0.9
Income before income taxes		6,665	14.8		14,278	22.4		15,316	15.7
Income taxes – current	3,023			5,253			7,130		
Income taxes – deferred	(159)	2,864	6.3	139	5,393	8.5	(645)	6,484	6.7
Net income		3,801	8.5		8,885	13.9		8,831	9.0
Unappropriated retained earnings brought forward		1,679			1,547			1,679	
Interim dividend		—			—			887	
Unappropriated retained earnings		5,480			10,433			9,623	

Basis for Preparing Interim Non-Consolidated Financial Statements

1. Evaluation of Assets

(1) Securities

- i. Stocks of subsidiaries and affiliated companies Stated at costs determined using the moving-average method.
- ii. Other securities
 - Marketable securities: Stated at the market value at the interim fiscal year-end (valuation gains/losses are included in shareholders' equity; net of taxes and sales costs are calculated using the moving-average method).
 - Non-marketable securities: Stated at costs determined using the moving-average method.

(2) Inventories

- i. Products/Finished goods Stated at cost determined using the weighted-average method.
- ii. Merchandise Stated at cost determined using the first-in-first-out method.
- iii. Raw materials Stated at cost determined using weighted-average method.
- iv. Goods in process Stated at cost determined using weighted-average method.
- v. Supplies Stated at cost determined using the last-purchase-cost method.

2. Depreciation and Amortization

(1) Tangible Fixed Assets:

Depreciated using the declining-balance method.

Note that the amount of depreciation for buildings (excluding fixtures to buildings) acquired by the company on and after April 1, 1998, is estimated using the straight-line method.

The useful lives of main properties are as follows:

Buildings and structures	5-50 years
Machinery and equipment.....	10 years
Vehicles and delivery equipment	4-6 years
Tools/furniture and furnishings.....	2-10 years

(2) Intangible Fixed Assets:

Amortized using the straight-line method.

Note that software costs for internal use are amortized using the straight-line method over the internally estimated useful lives (5 years).

(3) Long-term Prepaid Expenses:

Amortized using the straight-line method.

3. Accounting Standards for Providing Allowances

- (1) **Allowance for Doubtful accounts:** To prepare for possible losses caused by irrecoverable money claims at the fiscal year-end, the company provides allowances as follows:
For general credit claims, an allowance is provided for the amount calculated based on past credit-loss experience. For specifically doubtful credit claims, an allowance is provided for the estimated uncollectible amount based on the collectibility assessment for each such credit claim.
- (2) **Allowance for Bonuses:** Allowance for employee bonuses is provided in the provision for payment of bonuses to employees, and in the amount of estimated bonuses, which are attributable to the current interim consolidated fiscal year.
- (3) **Allowance for Employees' Retirement Benefits:** Allowance for employee retirement benefits is provided in the provision for payment of retirement benefits to employees, and in the amount deemed to have been accrued at the end of the current interim consolidated fiscal year, based on the projected retirement benefits obligation and the fair value of plan assets at this fiscal year-end.
The unrecognized net actuarial difference is amortized using the straight-line method over a number of years (usually 10 years) within an employee's average remaining employment period, commencing from the next fiscal year in which they arise (stated as either income or expenses in the statement of income).
- (4) **Allowance for Directors' and Auditors' Retirement Benefits:** An allowance is provided for the amount the company would have to pay at the end of the interim fiscal year, which is estimated in accordance with internal regulations. The system for paying retirement benefits to directors and auditors, however, was abolished in June 2004, so the outstanding balance of this allowance represents an estimated amount for payment to the directors and auditors currently holding offices under the previous system.

4. Accounting of Lease Transactions

Excluding those in which the ownership of the leased properties is transferred to the lessee, finance lease transactions are accounted for in the same manner as operating leases.

5. Hedge Accounting

- (1) **Hedge Accounting Method:** Currency swap transactions meet the requirement of allocation treatment and are accounted for accordingly.
- (2) **Hedging Instruments and Hedged Items:**
- | <i>Hedging Instrument</i> | <i>Hedged Items</i> |
|---------------------------|---|
| Currency swap transaction | Foreign currency denominated money claims |
- (3) **Hedging Policy:** The company uses currency-related hedge accounting for the purpose of fixing cash flows related to the collection of principal and interest on loans.
- (4) **Assessment Method for the Effectiveness of Hedges:** The company omits assessment of the effectiveness of hedges for currency swap transactions, since the significant terms and conditions for such transactions and for hedged assets are identical, and assumed beforehand to offset exchange rate risks and cash flow fluctuations from the time the hedging is initiated.

6. Other Significant Items to Prepare for Interim Financial Statements

- (1) Consumption Taxes:** Consumption taxes are excluded from the transaction amounts. Net amount of suspense paid for consumption taxes on purchases and suspense received for consumption taxes on sales is included under "Others" for current liabilities.
- (2) Treatment of Reserves:** Taxes payable and corporate tax adjustment for the current interim period are calculated under the premise that entries of provisions and reversals will be made to reserve accounts for special depreciation in accordance with profit appropriation scheduled for the current fiscal year.

Additional Information

Since the company has used a size-based corporate tax system since the beginning of the current interim fiscal period, sales and general administrative expenses increased by ¥152 million, and operating income, ordinary income, and net income before taxes each decreased by ¥152 million.

Notes

NON-CONSOLIDATED BALANCE SHEETS

(Millions of Yen)

	As of Sept 30, 2003	As of Sept 30, 2004	As of March 31, 2004
1. Accumulated depreciation on tangible fixed assets	60,067	63,048	61,636
2. Advanced depreciation by national subsidy	150	150	150
3. Liabilities on guarantees and others			
<i>Liabilities on guarantees</i>	1,911	1,735	1,891
<i>Committed guarantees and others</i>	200	—	—

NON-CONSOLIDATED STATEMENTS OF INCOME

(Millions of Yen)

	FY2003 (Interim)	FY2004 (Interim)	FY2004
1. Depreciation of fixed assets			
<i>Tangible assets</i>	1,719	1,783	3,693
<i>Intangible assets</i>	264	262	526

LEASE TRANSACTIONS:

Details are omitted because they are disclosed by EDINET.

SECURITIES:

Marketable stocks of subsidiaries and affiliated companies.

As of September 30, 2003

(Millions of Yen)

	Book value	Market Value	Difference
Stocks of affiliated companies	1,374	2,284	909

As of September 30, 2004

(Millions of Yen)

	Book value	Market Value	Difference
Stocks of affiliated companies	1,770	3,490	1,719

As of March 31, 2004

(Millions of Yen)

	Book value	Market Value	Difference
Stocks of affiliated companies	1,374	2,776	1,402