

Financial Review (non-consolidated) for the third quarter ended December 31, 2004

Company Name: THK CO., LTD.
 (For DAITO SEIKI CO., LTD.)
 URL: <http://www.thk.co.jp/>
 Stock exchange listing: Tokyo Stock Exchange 1st Section
 Code Number: 6481
 President and Representative Director: Yuichi Ishikawa
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1. Notes on the preparation of quarterly financial information

(1) Adoption of simplified accounting method:

A simplified accounting method is partially used for some account items, in accordance with booking standards under tax laws, and for items that have no material effect on the financial standing of the company.

(2) Changes in accounting policies: None

2. Financial highlights for the third quarter ended December 31, 2004

(1) Operating results

(All figures are rounded down to the nearest million yen)

	Net sales		Operating income		Ordinary income		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
For the 3rd quarter ended Dec. 31, 2004	7,760	49.1	719	-	730	-	501	-
For the 3rd quarter ended Dec. 31, 2003	5,204	-	(54)	-	(50)	-	29	-
For the year ended March 31, 2004	7,565		105		107		439	

	Net income per share	Fully diluted net income per share
	Yen	Yen
For the 3rd quarter ended Dec. 31, 2004	42.97	-
For the 3rd quarter ended Dec. 31, 2003	2.52	-
For the year ended March 31, 2004	37.28	-

Note:

- The percentages indicated for sales and operating income are the changes since the corresponding period of the previous year.
- The percentage of fluctuation between the third quarter of this year and that of the previous year is not disclosed, because the preparation of quarterly non-consolidated results began this year.

[Business performance]

The Japanese economy continued to recover in the third quarter ending December 31, 2004, because corporate earnings improved and capital investments and exports increased, although such factors as inventory adjustments in the IT industry and sharp rises crude-oil and raw-materials prices were a hindrance to it.

The company posted ¥7,760 million in net sales for the third quarter ending December 2004, marking a quarter-on-quarter increase of 49.1 percent, by steadily receiving orders from flat-panel display related industries, the semiconductor-devices manufacturing industry, and the industrial machinery industry.

Operating income was ¥719 million (an operating loss of ¥54 million was posted for the same quarter of the previous year), and ordinary income was ¥730 million (an ordinary loss of ¥50 million for the same quarter of the previous year), while net income was ¥501 million (net income of ¥29 million for same quarter of the previous year).

(2) Financial position

(All figures are rounded down to the nearest million yen)

	Total assets	Shareholders' equity	Equity ratio	Shareholders' equity per share
	Millions of yen	Millions of yen	%	Yen
For the 3rd quarter ended Dec. 31, 2004	12,832	9,279	72.3	795.66
For the 3rd quarter ended Dec. 31, 2003	11,941	8,651	72.4	741.98
For the year ended March 31, 2004	11,827	8,823	74.6	756.30

[Cash flow position]

(All figures are rounded down to the nearest million yen)

	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
For the 3rd quarter ended Dec. 31, 2004	225	0	(239)	5,019
For the 3rd quarter ended Dec. 31, 2003	(152)	(12)	(178)	4,378
For the year ended March 31, 2004	97	1,109	(896)	5,032

[Financial standings]

Total assets as of December 31, 2004, were ¥12,832 million, an increase of ¥1,004 million since the end of the previous fiscal year. This is mainly because accounts receivable increased by ¥986 million, due to increased sales. Shareholders' equity amounted to ¥9,279 million, and the equity ratio was 72.3 percent.

The outstanding balance of cash and cash equivalents as of December 31, 2004, decreased by ¥13 million from that of the previous fiscal year, to ¥5,019 million. Details of cash flows are as follows.

Cash flows from operating activities amounted to ¥225 million, because income before taxes was ¥729 million helped by sales increases, and accounts payable increased by ¥435 million, although accounts receivable increased by ¥1,031 million.

Cash flows provided by investing activities were ¥0.3 million. Payments for the purchase of tangible assets amounted to ¥123 million, while this quarter's proceeds from the sales of investment securities in the previous year were ¥120 million.

Cash flows used in financing activities amounted to ¥239 million, mainly because ¥110 million and ¥94 million were appropriated for the repayment of short-term and long-term debts, respectively, and dividends for ¥35 million were paid.

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

(Millions of yen)

	Net sales	Ordinary income	Net income
Previously announced estimates (A)	9,000	652	442
The current estimates (B)	9,800	830	550
Increase/(Decrease) (B - A)	800	178	108
Increase/(Decrease) (%)	8.9%	27.3%	24.4%
(For reference) Results for the year ended March 31, 2004	7,565	107	439

For reference: Estimate of net income per share for the year ending March 31, 2005: 47.16 yen

[Earnings projections]

The company revised upward the earning projections announced on October 25, 2004, because it expects both sales and income to surpass initial estimates. This is attributable to the steady receipt of orders from flat-panel display related industries, the semiconductor-devices manufacturing industry, and the industrial machinery industry.

Estimated net sales was revised to ¥9,800 million, as were ordinary income and net income, to ¥830 million and ¥550 million, respectively.

Note: The projections above are based on information available on the disclosure date of this financial data. Actual results may be substantially different from these estimates.

1. Balance Sheet (Summary)

As of December 31, 2004

(Thousands of yen)

	As of December 31, 2004		As of December 31, 2003		Increase/ (Decrease)		As of March 31, 2004
	Amount	%	Amount	%	Amount	%	Amount
Assets							
Current assets	10,343,307	80.6	8,438,402	70.7	1,904,905	22.6	9,403,268
Cash on hand and in banks	5,019,166		4,378,730		640,435	14.6	5,032,738
Notes and accounts receivable-trade	4,456,845		2,907,944		1,548,900	53.3	3,424,861
Inventories	819,780		858,878		(39,098)	(4.6)	775,724
Other	47,515		292,848		(245,332)	(83.8)	169,943
Fixed assets	2,489,171	19.4	3,503,103	29.3	(1,013,932)	(28.9)	2,424,253
Tangible fixed assets	1,555,053		1,472,118		82,934	5.6	1,478,112
Intangible fixed assets	9,649		5,879		3,769	64.1	10,095
Investment and other	924,468		2,025,105		(1,100,637)	(54.3)	936,044
Total assets	12,832,479	100.0	11,941,505	100.0	890,973	7.5	11,827,521
Liabilities							
Current liabilities	2,908,903	22.7	2,110,448	17.7	798,454	37.8	2,308,623
Notes and accounts payable-trade	2,273,642		1,348,525		925,116	68.6	1,838,625
Short-term debt	—		450,000		(450,000)	(100.0)	110,000
Current portion of long-term debt	72,000		142,000		(70,000)	(49.3)	112,000
Other	563,260		169,922		393,337	231.5	247,997
Long-term liabilities	644,164	5.0	1,179,525	9.9	(535,361)	(45.4)	695,381
Bonds	—		300,000		(300,000)	(100.0)	—
Long-term debt	194,000		266,000		(72,000)	(27.1)	248,000
Allowance for retirement benefits	353,660		351,827		1,832	0.5	346,978
Deferred tax liabilities	96,503		261,698		(165,194)	(63.1)	100,403
Total liabilities	3,553,067	27.7	3,289,974	27.6	263,093	8.0	3,004,004
Shareholders' equity							
Common stock	4,255,005	33.2	4,255,005	35.6	—	—	4,255,005
Capital reserve	3,367,300	26.2	3,367,300	28.2	—	—	3,367,300
Earned surplus	1,516,441	11.8	645,114	5.4	871,326	135.1	1,055,380
Valuation adjustment for marketable securities	140,664	1.1	384,629	3.2	(243,964)	(63.4)	146,348
Treasury stock	—	—	(518)	0.0	518	(100.0)	(518)
Total shareholders' equity	9,279,411	72.3	8,651,531	72.4	627,880	7.3	8,823,516
Total liabilities and shareholders' equity	12,832,479	100.0	11,941,505	100.0	890,973	7.5	11,827,521

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

2. Statement of Income (Summary)

For the third quarter ended December 31, 2004

(Thousands of yen)

	For the 3rd quarter ended December 31, 2004		For the 3rd quarter ended December 31, 2003		Increase/ (Decrease)		For the year ended March 31, 2004
	Amount	%	Amount	%	Amount	%	Amount
Net sales	7,760,010	100.0	5,204,826	100.0	2,555,184	49.1	7,565,703
Cost of sales	6,268,131	80.8	4,548,627	87.4	1,719,503	37.8	6,509,485
Gross profit	1,491,879	19.2	656,198	12.6	835,681	127.4	1,056,218
Sales, general and administrative expenses	771,985	9.9	710,881	13.7	61,103	8.6	950,830
Operating income/(loss)	719,894	9.3	(54,683)	(1.1)	774,577	1416.5	105,388
Non-operating income	25,217	0.3	29,345	0.6	(4,127)	(14.1)	35,304
Interest and dividend income	7,020		16,044		(9,023)	(56.2)	16,191
Other	18,197		13,300		4,896	36.8	19,113
Non-operating expenses	15,017	0.2	25,345	0.5	(10,327)	(40.7)	32,879
Interest expenses	6,815		19,954		(13,138)	(65.8)	25,983
Other	8,201		5,390		2,811	52.1	6,895
Ordinary income/(loss)	730,094	9.4	(50,683)	(1.0)	780,778	1540.5	107,814
Extraordinary income	100	0.0	90,962	1.8	(90,862)	(99.9)	431,451
Extraordinary loss	749	0.0	—	—	749	—	85,107
Income before income taxes	729,444	9.4	40,279	0.8	689,165	1711.0	454,157
Income taxes	228,403	2.9	10,837	0.2	217,566	2007.5	14,450
Net income	501,040	6.5	29,441	0.6	471,599	1601.8	439,707

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

3. Statement of Cash Flows (Summary)

For the third quarter ended December 31, 2004

(Thousands of yen)

	For the 3rd quarter ended December 31, 2004	For the 3rd quarter ended December 31, 2003	For the year ended March 31, 2004
	Amount	Amount	Amount
I. Cash flows from operating activities :			
Income before income taxes	729,444	40,279	454,157
Depreciation and amortization	85,715	84,438	113,240
(Increase) decrease in accounts receivable	(1,031,983)	(49,321)	(566,238)
(Increase) decrease in inventories	(44,055)	(18,913)	14,284
Increase (decrease) in accounts payable	435,016	(101,491)	388,608
Other	51,817	(107,221)	(306,911)
Net cash provided by operating activities	225,955	(152,230)	97,140
II. Cash flows from investing activities :			
Payments for purchases of tangible fixed assets	(123,633)	(48,592)	(84,426)
Proceeds from sales of tangible fixed assets	2,415	6,618	8,238
Payments for purchases of investment securities	(511)	(472)	(620)
Proceeds from sales of investment securities	120,078	54,303	1,224,567
Other	1,989	(24,836)	(38,358)
Net cash provided from (used in) investing activities	338	(12,979)	1,109,400
III. Cash flows from financing activities :			
Increase (decrease) in short-term debt	—	—	30,000
Repayment of short-term debt	(110,000)	—	(370,000)
Repayment of long-term debt	(94,000)	(144,000)	(192,000)
Redemption of bonds	—	—	(329,730)
Payments for purchases of treasury stocks	(596)	(83)	(83)
Cash dividend	(35,269)	(34,174)	(34,187)
Net cash provided by (used in) financing activities	(239,866)	(178,258)	(896,001)
IV. Effect of exchange rate change on cash and cash equivalents	—	—	—
V. Increase (decrease) in cash and cash equivalents	(13,572)	(343,468)	310,539
VI. Cash and cash equivalents at beginning of the period	5,032,738	4,722,199	4,722,199
V. Cash and cash equivalents at end of the period	5,019,166	4,378,730	5,032,738

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