

( Excerpt translation )



## *Consolidated Financial Statement for Fiscal 2002*

May 19, 2003

Company name : **THK CO., LTD. ( Listed on TSE )**

Code number : 6481

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Date of board meeting for consolidated financial settlement : May 19, 2003

Adoption of USGAAP : Not applicable

### **I. Financial performance in the year ended March 31, 2003**

#### (1) Operation results

Note: Yen are shown in millions.

( Unit : Millions of yen, yen, % )

	FY2002	FY2001
Net sales	94,599 ( 5.9)	89,340 ( -36.3)
Operating income	4,893 ( 124.8)	2,176 ( -91.5)
Ordinary income	4,827 ( 88.8)	2,557 ( -90.5)
Net Income	1,891 ( 130.5)	820 ( -94.3)
Net Income per share	15.65	6.88
Diluted net income per share	15.12	-
Return on equity	1.8	0.8
Ordinary income to total assets	2.6	1.4
Ordinary income to net sales	5.1	2.9

Note:

1. Equity earnings of unconsolidated subsidiaries and affiliates

March 31, 2003 : -12 million yen      March 31, 2002 : 8 million yen

2. Average number of shares during the period ended (consolidated):

March 31, 2003 : 118,990,147 shares      March 31, 2002 : 119,355,598 shares

3. Change in accounting policy : Not applicable

4. Figures in parentheses (net sales, operating income, ordinary income and net income) are the percentage changes from the previous interim period.

(2) Consolidated Financial Position

( Unit : Millions of yen,%, Yen )

	FY2002	FY2001
Total assets	193,197	179,705
Total shareholders' equity	102,478	103,748
Equity ratio	53.0	57.7
Total shareholders' equity per share	860.80	869.20

Note : Number of shares of common stock at the period ended (consolidated):

March 31, 2003 : 119,015,152 shares      March 31, 2002 : 119,361,210 shares

(3) Consolidated Statements of Cash Flows

( Unit : Millions of yen )

	FY2002	FY2001
Cash flows from operating activities	16,012	3,272
Cash flows from investing activities	(3,909)	(7,907)
Cash flows from financing activities	5,423	6,930
Cash and cash equivalents	72,533	55,007

(4) Scope of consolidation and application of equity method

The number of consolidated subsidiaries : 13

The number of unconsolidated companies to which the equity method is applied : 0

The number of affiliates to which the equity method is applied : 1

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

Consolidation : New 0, Exclusion 0

Application of equity method : New 0, Exclusion 0

**II. Forecast of financial performance for the six months to September 30, 2003 and the year ending March 31, 2004**

( Unit : Millions of yen )

	For the six months to September 30, 2003	For the year ended March 31, 2004
Net sales	51,600	104,000
Operating income	4,300	9,000
Ordinary Income	4,300	8,900
Net Income	2,350	4,850

Reference: Forecast net income per share (for the year) : ¥ 40.80 ( calculated by the expected average number of stocks for the year )

**Caution : Forecast Statements**

This document contains forecast statements based on the assumptions and beliefs of the Company's management in light of information currently available.

Such statements involve uncertainties and have risks of volatility that would result from the Company's operations in the future, as well as from changes in the domestic and international environments. Therefore, the Company cannot guarantee the accuracy of such statements and wishes to caution readers that actual operational and financial results may differ from such statements.

## Consolidated Balance Sheets

As of March 31, 2002 and 2003

(Unit / Millions of yen, %)

	<b>FY2001</b>		<b>FY2002</b>	
<b>Assets</b>				
Current assets:				
Cash on hand and in banks	43,368		66,459	
Accounts and notes receivable-trade	24,834		35,063	
Short-term investments in securities	9,137		7,003	
Inventories	26,431		23,747	
Deferred tax assets	2,521		2,248	
Short-term loans	4,214		260	
Other current assets	6,575		1,213	
Less: Allowance for bad debts	-470		-383	
<b>Total current assets</b>	<b>116,612</b>	<b>64.9</b>	<b>135,613</b>	<b>70.2</b>
Fixed assets:				
Tangible fixed assets:	44,050	24.5	42,390	21.9
Buildings and structures	15,223		14,152	
Machinery, equipment and vehicles	16,495		15,292	
Land	10,253		10,258	
Construction in progress	587		1,303	
Other	1,491		1,384	
Intangible fixed assets:	2,518	1.4	1,925	1.0
Investments and others:	16,505	9.2	13,249	6.9
<b>Total fixed assets</b>	<b>63,074</b>	<b>35.1</b>	<b>57,566</b>	<b>29.8</b>
<b>Total deferred assets</b>	<b>19</b>	<b>0.0</b>	<b>16</b>	<b>0.0</b>
<b>Total assets</b>	<b>179,705</b>	<b>100.0</b>	<b>193,197</b>	<b>100.0</b>

## Consolidated Balance Sheets

As of March 31, 2002 and 2003

(Unit / Millions of yen, %)

	FY2001		FY2002	
<b>Liabilities</b>				
Current liabilities:				
Accounts and notes payable-trade	11,754		16,960	
Short-term bank loans	6,551		3,305	
Current portion of long-term debt	4,168		2,406	
Current portion of bonds	8,000		3,443	
Current portion of convertible bonds	-		13,905	
Corporate income taxes payable and others	108		1,668	
Accrued bonus	1,149		1,243	
Other current liabilities	4,247		5,216	
Total current liabilities	35,980	20.0	48,149	24.9
Fix liabilities:				
Bonds	18,488		15,000	
Convertible bonds	13,905		-	
Bond with subscription warrant	-		23,000	
Long-term debt	4,216		1,192	
Allowance for retirement and severance benefits	1,345		1,483	
Reserve for directors' and auditors' retirement benefits	1,512		1,193	
Other	141		389	
Total Fix liabilities	39,609	22.1	42,259	21.9
Total liabilities	75,590	42.1	90,409	46.8
<b>Minority interest</b>				
Minority interest	366	0.2	309	0.2
<b>Shareholders' equity:</b>				
Common stock	23,106	12.9	-	-
Additional paid-in capital	30,962	17.2	-	-
Consolidated surplus	48,585	27.0	-	-
Valuation adjustment for marketable securities	45	0.0	-	-
Foreign currency translation adjustment	1,053	0.6	-	-
Treasury stock	-3	-0.0	-	-
Total shareholders' equity	103,748	57.7	-	-
Common stock	-	-	23,106	12.0
Capital surplus	-	-	30,962	16.0
Earned surplus	-	-	48,686	25.2
Valuation adjustment for marketable securities	-	-	-355	-0.2
Foreign currency translation adjustments	-	-	481	0.2
Treasury stock	-	-	102,881	53.2
Treasury stock	-	-	-403	-0.2
Total shareholders' equity	-	-	102,478	53.0
Total liabilities, minority interests and shareholders' equity	179,705	100.0	193,197	100.0

## Consolidated Statements of Income

For the year ended March 31, 2002(FY2001) and 2003(FY2002)

(Unit / Millions of yen, %)

	<b>FY2001</b>		<b>FY 2002</b>	
Net sales	89,340	100.0	94,599	100.0
Cost of sales	63,293	70.8	66,646	70.5
Gross profit	26,046	29.2	27,953	29.5
Sales, general and administrative expenses	23,870	26.8	23,060	24.3
Operating income	2,176	2.4	4,893	5.2
Non-operating income:	1,869	2.1	1,226	1.3
Interest income	298		169	
Dividend income	57		49	
Foreign-exchange gain	801		351	
Equity earnings of unconsolidated subsidiaries and affiliates	8		-	
Rent income	132		148	
Other	571		507	
Non-operating expenses:	1,487	1.6	1,291	1.4
Interest expenses	1,041		888	
Bond expense	95		95	
Other	350		308	
Ordinary income	2,557	2.9	4,827	5.1
Extraordinary income	45	0.0	56	0.0
Gain on sales of property and equipment	45		56	
Extraordinary loss	1,769	2.0	1,287	1.3
Loss on sales/disposal of property and equipment	198		459	
Write-down of long-term investment in securities	875		510	
Loss on liquidation of non-consolidated subsidiaries	466		-	
Equity fluctuation loss	135		318	
Other	93		-	
Income before income taxes and other	833	0.9	3,596	3.8
Corporate income taxes, residence taxes and business taxes	268		1,179	
Adjustment of corporate income taxes and other	-253		593	
Minority interest in income of consolidated subsidiaries	-2	-0.0	-68	-0.0
Net income	820	0.9	1,891	2.0

## Consolidated Statements of Retained Earnings

For the year ended March 31, 2002(FY2001) and 2003(FY2002)

(Unit / Millions of yen)

	FY2001	FY2002
<b>Consolidated retained earnings at beginning of period</b>	49,615	-
<b>Decrease in consolidated retained earnings:</b>	1,850	-
Cash dividends	1,790	-
Bonuses to directors	60	-
( Bonuses to auditors )	(8)	-
<b>Net income</b>	820	-
<b>Balance of consolidated retained earnings at end of period</b>	48,585	-
<b>Balance of consolidated surplus at beginning of period</b>	-	30,962
<b>Balance of consolidated surplus at end of period</b>	-	30,962
<b>Increase in earned surplus</b>	-	48,585
Net Income	-	1,891
<b>Decrease in earned surplus</b>		
Cash dividends	-	1,790
<b>Balance of earned surplus at end of period</b>	-	48,686

## Consolidated Statements of Cash Flows

For the year ended March 31, 2002(FY2001) and 2003(FY2002)

(Unit / Millions of yen)

	FY2001	FY2002
<b>. Cash Flows from operating activities</b>		
Income before income tax and minority interests	833	3,596
Depreciation and amortization	6,164	6,163
Loss on sales or disposal of property and equipment	152	402
(Increase) / Decrease in allowance for bad debts	(128)	(390)
Interest and dividend income	(355)	(218)
Interest expenses	1,041	888
Foreign exchange gain (loss)	(135)	(140)
Equity earnings of unconsolidated subsidiaries and affiliates	(8)	12
Write-down of Long-term investment in securities	875	510
Loss on liquidation of non-consolidated subsidiaries	466	-
Equity fluctuation gain (loss)	135	318
(Increase) / Decrease in accounts and notes receivables	22,138	(10,253)
(Increase) / Decrease in inventories	4,697	2,502
Increase / (Decrease) in accounts and notes payable	(15,976)	5,220
Other	(1,285)	2,559
Subtotal	18,615	11,170
Interest income and dividend income received	374	220
Interest expenses paid	(1,003)	(902)
Income taxes paid	(14,714)	5,524
<b>Net cash provided by operating activities</b>	<b>3,272</b>	<b>16,012</b>
<b>. Cash Flows from investing activities</b>		
Increase in time deposits due over three months	(498)	468
Payments for purchases of short-term investments in securities	(1,999)	(1,199)
Proceeds from sales of short-term investments in securities	2,063	1,328
Payments for purchases of property, plants and equipment	(9,225)	(4,759)
Proceeds from sales of property, plants and equipment	194	148
Payments for purchases of long-term investments in securities	(486)	(9)
Proceeds from sales of long-term investments in securities	888	103
Increase in short-term loans	(663)	(335)
Collection of short-term loans receivable	1,818	345
<b>Net cash provided by investing activities</b>	<b>(7,907)</b>	<b>(3,909)</b>
<b>. Cash Flows from financing activities</b>		
Increase / (Decrease) in short-term bank loans	(1,511)	(2,887)
Borrowings of long-term debt	1,210	-
Repayments of long-term debt	(6,037)	(4,786)
Payments for issuances of bonds	15,000	22,904
Redemption of bonds	-	(8,000)
Cash dividends	(1,790)	(1,790)
Other	60	(17)
<b>Net cash provided by (used for) financing activities</b>	<b>6,930</b>	<b>5,423</b>
<b>. Effect of exchange-rate change on cash and cash equivalents</b>	<b>664</b>	<b>0</b>
<b>. Net increase in cash and cash equivalents</b>	<b>2,959</b>	<b>17,526</b>
<b>. Cash and cash equivalents at the beginning of the period</b>	<b>52,047</b>	<b>55,007</b>
<b>. Cash and cash equivalents at the end of the period</b>	<b>55,007</b>	<b>72,533</b>



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

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

#### **(1) The consolidated subsidiaries: 13**

THK ( the “Company” ) had 22 subsidiaries as of March 31, 2003. The consolidated financial statements include the accounts of the Company and its 13 subsidiaries.

The 13 major subsidiaries, which have been consolidated with the Company, are as follows:

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., PGM Ballscrews Ltd., PGM Ballscrews Ireland Ltd., and THK TAIWAN CO., LTD. ( THK and these consolidated subsidiaries as the “Companies” )

Note: THK Neturen America, L.L.C. has been consolidated with the Companies since this fiscal year.

#### **(2) The main non-consolidated subsidiary: Nihon Slide Kogyo Co., Ltd.**

The accounts of the remaining nine unconsolidated subsidiaries, including Nihon Slide Kogyo Co., Ltd., are insignificant, meaning that these accounts have not been consolidated with the Company since the consolidated assets, net sales, net income and retained earnings of these companies, in the aggregate, are not significant in relation to those of the Companies.

### **2. Accounting for Investments in non-consolidated Subsidiaries and Affiliates**

#### **(1) The equity method is applied only to the investments in Daito Seiki Co., Ltd.**

The Company had four affiliates as of March 31, 2003. However, the equity method is applied only to the investments in Daito Seiki Co., Ltd., since the investments in the unconsolidated subsidiaries and the remaining affiliates would not have material effects on consolidated net income and retained earnings in the consolidated financial statements, had they been accounted for using the equity method. Thus the investments in the unconsolidated subsidiaries and affiliates are carried at cost or less.

#### **(2) The unconsolidated subsidiaries and affiliates are not accounted for by the equity method.**

The unconsolidated subsidiaries, including Nihon Slide Kogyo Co., Ltd., and affiliates, including Samick LMS Co., Ltd., are not accounted for by the equity method. These subsidiaries and affiliates are excluded from the equity method of accounting due to their immaterial effect on the consolidated results.

### 3. Fiscal year of consolidated subsidiaries

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., PGM Ballscrews Ltd., PGM Ballscrews Ireland Ltd. and THK TAIWAN CO., LTD. close their books of account for the period on December 31. Necessary adjustments are made in order to consolidate financial statements for relevant transactions conducted during the period.

### 4. Summary of Significant Accounting Policies

#### (1) Evaluation of significant assets

##### A) Investments in securities

Other investments securities listed on stock exchanges are stated at fair market value as of the year-end balance-sheet date, with the sale price computed via the moving-average method. Other investments securities unlisted are stated at cost via the moving-average method.

##### B) Inventories

Company Name	Asset Evaluation Method	Evaluation Standard
Parent company (THK)	Weighted average cost	Cost basis
Talk System Co., Ltd.	Weighted average cost	Cost basis
Beldex Corporation	Actual cost	Cost basis
THK Yasuda Co., Ltd.	Weighted average cost	Cost basis
THK America, Inc.	First-in first-out	Lower of cost or market
THK Manufacturing of America, Inc.	First-in first-out	Lower of cost or market
THK Europe B.V.	Moving average	Lower of cost or market
THK Manufacturing of Europe S.A.S.	Weighted average cost	Cost basis
THK GmbH	Moving average	Lower of cost or market
PGM Ballscrews Ltd.	First-in first-out	Lower of cost or market
PGM Ballscrews Ireland Ltd.	First-in first-out	Lower of cost or market
THK TAIWAN CO., LTD	Moving average	Lower of cost or market

#### (2) Depreciation and amortization

Depreciation of plants and equipment is computed in principal by using declining-balance method. However, depreciation of property and buildings (excluding building fixtures) acquired after April 1, 1998, is computed using the straight-line method.

The amortization of intangible assets is computed in principal via the straight-line method, in accordance with the Corporate Tax Law of Japan. However, software for internal use is amortized over its estimated useful life of five years on a straight-line basis.

**(3) Deferred charges**

Bond-issuance expenses are recognized in total when incurred.

Bond discount is amortized over the outstanding period by using straight line method.

**(4) Leases**

Leases that transfer substantially all the risks and rewards of ownership of the assets are accounted for as capital leases except that the leases that do not transfer ownership of assets at the end of term are accounted for operating leases.

**(5) Basis for recording significant allowances**

1. Allowance for bad debts:

An allowance for bad debts is recorded, in amounts considered to be appropriate, based primary upon the Companies' past credit loss experience and an evaluation of potential losses in the receivables outstanding.

2. Accrued bonus:

To prepare for bonus payments to employees, an amount allocable to the fiscal year under review, based on the estimated amount of future payments is provided.

3. Allowance for retirement and severance benefits:

To prepare for retirement and severance benefits to employees, future benefit obligations less fair value of pension assets at the fiscal year end are recorded as reserves for retirement and severance benefits. The unrecognized actuarial differences are amortized equally on a straight line basis over the period with in average remaining years of service (10 years) from the next year in which they arise.

4. Allowance for directors' and auditors' retirement benefits:

To prepare for retirement benefits to directors and auditors, an estimated amount of required payment at the interim fiscal year end, based on internal rules for directors and auditors, is provided.

**(6) Hedge Accounting**

1. Method of hedge accounting:

Interest-swap transactions qualified the conditions for exceptional treatment, and those are treated as exceptional treatment.

Currency-swap transactions qualified the conditions for hedge accounting, and those are treated as assignment treatment.

2. Means of hedging and hedged items

Interest swaps: Interest fluctuating on borrowing.

Currency swaps: Money claims denominated in foreign currency.

3. Policy for hedge transactions:

Hedges related to interest are entered basically for the purpose of avoiding risks of market fluctuations in interest. And hedges related to currency are entered basically for the purpose of avoiding risks of exchange fluctuations.

4. Method of evaluating hedge effectiveness:

The evaluation of hedge effectiveness is omitted, since hedge accounting applies only to those interest-swaps that meet the conditions for exceptional treatment.

Hedges related to currency are evaluated its effectiveness by comparing the total amount of market price change with the means for hedging or the total amount of cash-flow changes.

**(7) Other important items**

Treatment of national and local consumption taxes: The tax-exclusion accounting method is applied.

**5. Handling of Appropriation of Profit and other items**

Consolidated Statements of Retained Earnings are calculated based on the profit appropriation specified during the fiscal year.

**6. Scope of Funds on Statements of Interim Consolidated Cash Flows**

Cash and cash equivalents include deposits that easily withdrawn and converted to cash, along with short-term investments maturing within three months of their acquisition that are not subject to significant price risk.

## Notes

### [Consolidated Balance Sheets]

	FY 2001	FY2002
1. Shares of non-consolidated subsidiaries and affiliates	¥ 6,039 million	¥ 4,843 million
2. Discounts on notes receivable	¥ 1,435 million	¥ - million
3. Liabilities for guarantee	¥ 401 million	¥ 302 million

### [Consolidated Statements of Cash Flows]

1. The connection between cash and cash equivalents at end of the period and accounts of consolidated balance sheets

	FY 2001	FY2002
Cash on hand and in banks	¥ 43,368 million	¥ 66,459 million
Short-term investments in securities	¥ 9,137 million	¥ 7,003 million
Short-term loans	¥ 4,214 million	¥ 260 million
Total	¥ 56,720 million	¥ 73,724 million
Time deposits (over three months)	-¥ 498 million	-¥ 30 million
Short-term investments in securities, except MMF	-¥ 999 million	-¥ 899 million
Short-term loans, except repurchase agreement	-¥ 214 million	-¥ 260 million
Cash and cash equivalents	¥ 55,007 million	¥ 72,533 million

2. Significant non-capital transactions

	FY 2001	FY2002
Conversion of convertible bonds		
Increase in common stock by conversion	¥ 30 million	¥ - million
Increase in additional paid-in capital by conversion	¥ 30 million	¥ - million
Decrease in convertible bonds by conversion	¥ 61 million	¥ - million

**[Lease Transactions]**

1. Pro forma information of leased property such as acquisition costs, accumulated depreciation, future minimum lease payments that do not transfer ownership of the leased property to the lessee on "as if capitalized" basis as of March 31, 2001 and 2002 were as follows:

(1) Acquisition costs, accumulated depreciation and net leased property at end of period

	FY 2001	FY2002
	Machinery and equipment	Machinery and equipment
Acquisition costs	¥ 68 million	¥ 54 million
Accumulated depreciation	¥ 46 million	¥ 42 million
Net leased property	¥ 21 million	¥ 11 million
	Other	Other
Acquisition costs	¥ 3,141 million	¥ 2,901 million
Accumulated depreciation	¥ 1,410 million	¥ 932 million
Net leased property	¥ 1,731 million	¥ 1,969 million
	Intangible fix assets	Intangible fix assets
Acquisition costs	¥ 71 million	¥ 71 million
Accumulated amortization	¥ 19 million	¥ 33 million
Net leased property	¥ 52 million	¥ 38 million
	Total	Total
Acquisition costs	¥ 3,281 million	¥ 3,027 million
Accumulated depreciation	¥ 1,476 million	¥ 1,009 million
Net leased property	¥ 1,805 million	¥ 2,018 million

Note: The amounts of acquisition costs and future minimum lease payments under finance leases include the portion of imputed interest expense.

(2) Future minimum lease payments under finance leases

	FY 2001	FY2002
Due within one year	¥ 645 million	¥ 607 million
Due after one year	¥ 1,160 million	¥ 1,411 million
Total	¥ 1,805 million	¥ 2,018 million

Note: The amounts equivalent to acquisition costs and future minimum lease payments under finance leases include the portion of imputed interest expense.

(3) Lease payments and implied depreciation

	FY 2001	FY2002
Lease payments	¥ 697 million	¥ 666 million
Depreciation	¥ 697 million	¥ 666 million

(4) Depreciation

Depreciation is computed via the straight-line method.

2. Transactions of operating leases

Future minimum lease payments under operating leases

	FY 2001	FY2002
Due within one year	¥ 652 million	¥ 710 million
Due after one year	¥ 2,343 million	¥ 1,839 million
Total	¥ 2,996 million	¥ 2,549 million

**[Segment Information]**

(1) Industry Segment Information

Given the fact that the sales, operating income and assets of the machinery parts segment amounted to more than 90 percent of total sales, total operating income and total assets of the Company and consolidated subsidiaries, it is not required that industry segment information be disclosed. The Company and consolidated subsidiaries are operating in one industry segment that being the production and sales of linear motion systems.

(2) Geographical Segment Information

The net sales of the Companies for the year ended March 31,2002 and 2003 classified by geographic segments are summarized as follows:

[The year ended March 31,2002]

(Millions of yen)

	Japan	America	Europe	Asia and other	Total	Elimination or corporate assets	Consolidated
Net sales:							
Customers	63,315	11,632	12,726	1,665	89,340	-	89,340
Inter-segment	11,396	190	129	-	11,716	(11,716)	-
Total	74,711	11,822	12,856	1,665	101,056	(11,716)	89,340
Operating expenses	72,058	11,876	13,641	1,672	99,248	(12,084)	87,163
Operating income	2,653	-54	-785	-6	1,807	368	2,176
Total asset	154,624	16,218	13,530	1,241	185,616	(5,910)	179,705

Note:

1. Classification of countries and regions is based on level of geographical proximity.
2. The main countries and regions belonging to each classification are as follows:
  - A) America: United States, etc.
  - B) Europe: Germany, United Kingdom, the Netherlands, etc.
3. Asia and other: South Korea, Taiwan, etc.

[The year ended March 31, 2003]

(Millions of yen)

	Japan	America	Europe	Asia and other	Total	Elimination or corporate assets	Consolidated
Net sales :							
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	6,819	(622)	(1,768)	67	4,495	397	4,893
Total asset	173,614	15,830	15,551	1,470	206,466	(13,269)	193,197

Note:

1. Classification of countries and regions is based on level of geographical proximity.
2. The main countries and regions belonging to each classification are as follows:
  - A) America: United States, etc.
  - B) Europe: Germany, United Kingdom, the Netherlands, etc.
3. Asia and other: South Korea, Taiwan, etc.



### (3) Export Sales and Sales by Overseas Subsidiaries

The overseas sales of the Companies (referring to the amounts of exports made by Company plus sales by overseas consolidated subsidiaries) for the year ended March 31, 2002 and 2003 are summarized as follows:

	Millions of yen			
	The year ended March 31, 2002 (FY2001)			
	America	Europe	Asia and Other	Total
Overseas sales	11,629	12,863	5,203	29,695
Consolidated net sales				89,340
Overseas sales as a percentage of consolidated net sales	13.0 %	14.4 %	5.8 %	33.2 %
	The year ended March 31, 2003 (FY2002)			
	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 %

Note:

1. Classification of countries and regions is based on level of geographical proximity.
2. The main countries and regions belonging to each classification are as follows:
  - A) America: United States, etc.
  - B) Europe: Germany, United Kingdom, the Netherlands, etc.
  - C) Asia and other: South Korea, Taiwan, etc.
3. Overseas sales are the sales in the countries or areas other than this country of the Company and the consolidated subsidiaries.

## [Tax-effect accounting]

### 1. Reasons for the occurrence of deferred tax assets and deferred tax liabilities

<Deferred tax assets>	FY 2001	FY2002
Loss carryforwards	¥ 1,222 million	¥ 411 million
Software	¥ 796 million	¥ 759 million
Allowance for directors' and auditor's retirement benefits	¥ 635 million	¥ 485 million
Write-down of long-term investment in securities	¥ 365 million	¥ 161 million
Allowance for retirement and severance benefits	¥ 365 million	¥ 465 million
Allowance for bad debt	¥ 581 million	¥ 474 million
Accrued bonus	¥ 271 million	¥ 408 million
Write-down of inventories	¥ 745 million	¥ 951 million
Inventories (Unrealized Profit)	¥ 842 million	¥ 690 million
Accrued enterprise tax	¥ - million	¥ 142 million
Other	¥ 960 million	¥ 916 million
Subtotal	¥ 6,786 million	¥ 5,867 million
Valuation allowance	-¥ 837 million	-¥ 976 million
Total deferred tax assets	¥ 5,949 million	¥ 4,891 million
<Deferred tax liabilities>	FY 2001	FY2002
Accrued enterprise tax	-¥ 459 million	¥ - million
Allowance for special depreciation	-¥ 327 million	-¥ 238 million
Other	-¥ 221 million	-¥ 332 million
Total deferred tax liabilities	-¥ 1,007 million	-¥ 571 million
Net deferred tax assets	¥ 4,941 million	¥ 4,319 million

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

	FY 2001	FY2002
Legal effective tax rate	42.1 %	42.1 %
(Adjustment)		
Accounts not permanently counted in to loss-Entertainment expenses,etc	5.6 %	1.6 %
Accounts not permanently counted in to gain-dividend income,etc	-2.5 %	-0.6 %
Net loss of consolidated subsidiaries	50.2 %	25.6 %
Investments between consolidated subsidiaries and unconsolidated companies to which the equity method is applied	-110.6 %	-21.8 %
Equalization inhabitant taxes	7.0 %	1.7 %
The difference of legal effective tax rate between Japan and overseas	9.3 %	-0.7 %
Adjustment of decrease of deferred tax assets at end of period calculated by the change of tax rate	- %	2.0 %
Other	1.7 %	-0.6 %
Corporate income tax rate after adoption of tax-effect accounting	2.8 %	49.3 %

### 3. An amendment to the Local Tax Law, in which taxation of corporations by the size of their

business will be added to enterprise tax from April 2004, will affect legal effective tax rates used for calculating deferred tax assets and deferred tax liabilities of the Company and its domestic consolidated subsidiaries. The post-amendment rate has been applied to the portion of the temporary difference (arising from the difference in the new rate and that used at the end of the year under review) that will disappear after April 1, 2004. As a result of the amendment, net deferred tax assets (after deducting deferred tax liabilities) at fiscal year-end declined 70 million, and adjustment of enterprise taxes increased the same amount.

**[Investments in securities]**

1. As of March 31, 2002 and 2003, market value available in other investment securities is as follows:

	Millions of yen		
	As of March 31, 2002		
	Acquisition cost	Carried amount	gain (loss)
Carrying amount summing up to Exceed acquisition cost:			
Equities	366	542	176
Bonds	-	-	-
Other	19	28	8
Subtotal	386	570	184
Carrying amount summing up does not exceed acquisition cost:			
Equities	2,738	2,232	-506
Bonds	-	-	-
Other	-	-	-
Subtotal	2,738	2,232	-506
Total	3,125	2,803	-321

	Millions of yen		
	As of March 31, 2003		
	Acquisition cost	Carried amount	gain (loss)
Carrying amount summing up to Exceed acquisition cost:			
Equities	313	375	61
Bonds	-	-	-
Other	15	20	4
Subtotal	329	395	66
Carrying amount summing up does not exceed acquisition cost:			
Equities	2,291	1,773	-517
Bonds	-	-	-
Other	-	-	-
Subtotal	2,291	1,773	-517
Total	2,620	2,169	-451

Note:

For the year ended March 31, 2003, the company is treated as decrease treatment of 510 million yen about market value available in other investment securities.

When the current price of investment security falls 50% or more to the acquisition cost, decrease treatment is carried out. If the decrease rate of an investment security is less than 50% and 30% or more, it is judged synthetically whether the decrease treatment is carried or not, by comparing the average price, financial conditions in the latest term-end and past 2 periods, and monthly closing price for the past 24 months with the acquisition cost.

2. Other investment securities sold off in the market are as follows:

➤ The year ended March 31, 2002

Since the importance of the amount of total sales amount is scarce, a publication is omitted.

➤ The year ended March 31, 2003

Since the importance of the amount of total sales amount is scarce, a publication is omitted.

3. Market value not available in investment securities is as follows:

(Millions of yen)

	As of March 31, 2002	As of March 31, 2003
	Carried amount	Carried amount
Other investment in securities		
Money management funds	2,506	2,507
Free financial funds	3,811	3,309
Discount financial bonds	999	899
Commercial papers	999	-
Unlisted equities (excluding OTC equities)	175	175
Unlisted foreign bonds	1,500	1,500
Unlisted foreign equities	819	286

4. Of other investment securities with a due date, the amount of a redemption scheduled after the settling day are as follows:

(Unit / Millions of yen)

➤ FY 2001

	Due within one year	within five years after one year	within ten years after five years	Due after more than ten years
Bond				
Public bonds	-	-	-	-
Corporate bonds	-	-	-	-
Other	2,000	-	-	-
Other	-	-	-	-
Total	2,000	-	-	-

➤ FY 2002

	Due within one year	within five years after one year	within ten years after five years	Due after more than ten years
Bond				
Public bonds	-	-	-	-
Corporate bonds	-	-	-	-
Other	900	-	-	-
Other	-	-	-	-
Total	900	-	-	-

## [Retirement benefit]

### 1. Outline of the retirement benefit system the company employs

THK Co., Ltd. and consolidated subsidiaries use the lump sum retirement system and annuity retirement system as vested benefit-type systems. Moreover, when the employee retires, our company occasionally pays surcharge retirement money.

### 2. Retirement-benefit debt

	FY2001	FY2002
a. Retirement-benefit debt	¥ 3,802 million	¥ 4,139 million
b. Plan assets	-¥ 1,801 million	-¥ 1,887 million
c. Unreserved retirement-benefit debt	¥ 2,000 million	¥ 2,251 million
d. Difference in unrecognized mathematical principle calculation	-¥ 654 million	-¥ 767 million
e. Allowance for retirement and severance benefits	¥ 1,345 million	¥ 1,483 million

Note: In calculation of retirement-benefit debt, domestic consolidated subsidiaries have adopted the simple method, and some abroad consolidated subsidiaries have adopted the regulation of the accounting standards of the country concerned.

### 3. Retirement-benefit costs

	FY2001	FY2002
a. Service cost	¥ 302 million	¥ 335 million
b. Interest cost	¥ 91 million	¥ 89 million
c. Expected return on plan assets	-¥ 49 million	-¥ 8 million
d. Amortization of difference in change of accounting standard	¥ 25 million	
e. Recognized actuarial differences	-	¥ 67 million
f. Retirement and severance benefit expenses	¥ 370 million	¥ 483 million

Note: Retirement and severance benefit expenses of domestic consolidated subsidiaries and some consolidated subsidiaries abroad are appropriated for service cost.

### 4. Basis of calculation Retirement benefit debt

	FY2001	FY2002
a. Attributing method of projected retirement and severance benefit	Straight-line amortization standard for service period	Straight-line amortization standard for service period
b. Discount rate for obligations	2.5%	2.5%
c. Expected rate of return on plan assets	3.0%	0.5%
d. Period of amortization of difference in mathematical principle calculation	10 years	10 years

Note: It is supposed that it charges off, since following consolidated fiscal year, by the straight-line method within the fixed years which the employees' average residual service period at the generating time.

( Excerpt translation )



***Non-Consolidated Financial Statement for Fiscal 2002***

May 20, 2003

Company name : **THK CO., LTD. (Listed on TSE)**

Code number : 6481

Head Office : 3-11-6 Nishi-Gotanda, Shinagawa-ku, Tokyo

Contact : Kotaro Yoshihara, Director General Manager, Corporate Strategy Department

Tel : 81-3-5434-0300

Date of board meeting for consolidated financial settlement : May 19, 2003

Interim cash dividends : applicable

Date of ordinary general meeting of shareholders : June 21, 2003

Adoption of Unit stock system : applicable ( 1unit 100 shares )

**I. Financial performance for the year ended March 31, 2003**

**(1) Operation results**

Note: Yen are shown in millions.

( Unit : Millions of yen, yen, % )

	FY 2002	FY2001
Net sales	75,921(12.7)	67,344(-43.9)
Operating income	6,757(161.4)	2,584(-88.2)
Ordinary income	7,291(147.9)	2,940(-87.2)
Net income	4,277(1,002.9)	387(-96.8)
Net income per share	35.59	3.25
Diluted net income per share	34.11	-
Return on equity	4.4	0.4
Ordinary income to total assets	4.2	1.7
Ordinary income to net sales	9.6	4.4

Note:

1. Average number of shares during the period ended:

March 31, 2003 : 119,356,771 shares    March 31, 2002 : 119,355,598 shares

2. Change in accounting policy: Not applicable

3. Figures in parentheses (net sales, operating income, ordinary income and net income) represent changes in percentages from the previous period.

4. Diluted net income per share for the year ended March 31, 2002 is not indicated in order that net income per share may not decrease by calculation which adjusted the potential stocks of convertible bonds.

**(2) Cash dividends**

( Unit : yen, millions of yen, % )

		FY 2002	FY2001
Cash dividends per share	Annual	15.00	15.00
	Interim	7.50	7.50
	Year-end	7.50	7.50
Total amount of cash dividends (annual)		1,790	1,790
Payout ratio		41.9	461.6
Payout on equity		1.8	1.9

**(3) Finance position**

( Unit : Millions of yen, %, yen )

	FY 2002	FY2001
Total assets	183,196	165,865
Total shareholders' equity	98,894	96,476
Equity ratio	54.0	58.2
Total shareholders' equity per share	828.36	808.27

Note: Number of shares of common stock at the period ended :

March 31, 2003 : 119,350,553 shares    March 31, 2002 : 119,361,210 shares

Number of shares of treasury stock at the period ended :

March 31, 2003 : 12,465 shares    March 31, 2002 : 1,808 shares



## II. Forecast of financial performance for the year ending March 31, 2004

( Unit : Millions of yen, yen )

	For the six month to September 30, 2003	For the year ending March 31, 2004
Net sales	41,000	83,000
Operating income	4,400	9,000
Ordinary income	4,500	9,200
Net income	2,550	5,200
Cash dividends per share for the half-year	Interim 7.50	Year end 7.50
Cash dividends per share for the full year	-	15.00

Reference: Forecast net income per share (for the full year) : ¥43.64 ( calculated by the expected average number of stock for the year )

### **Caution : Forecast Statements**

This document contains forecast statements based on the assumptions and beliefs of the Company's management in light of information currently available.

Such statements involve uncertainties and have risks of volatility that would result from the Company's operations in the future, as well as from changes in the domestic and international environments. Therefore, the Company cannot guarantee the accuracy of such statements and wishes to caution readers that actual operational and financial results may differ from such statements.

## Non-Consolidated Balance Sheets

As of March 31, 2002 and 2003

(Unit / Millions of yen, %)

	FY2001		FY2002	
<b>Assets</b>				
Current assets:				
Cash on hand and in banks	39,101		58,726	
Notes receivable-trade	9,042		13,698	
Accounts receivable-trade	13,569		20,043	
Short-term investments in securities	8,317		6,716	
Finished goods	111		109	
Merchandise	7,568		6,831	
Raw materials	3,694		3,531	
Work in process	4,255		3,394	
Inventories-other	340		336	
Advances	17		-	
Prepaid expenses	171		136	
Deferred tax assets	957		1,092	
Short-term loans	4,000		-	
Short-term loans on subsidiaries	1,891		4,279	
Accrued corporate tax	5,023		-	
Accounts receivable-other	203		192	
Other	144		106	
Less: Allowance for bad debts	-205		-157	
<b>Total current assets</b>	<b>98,207</b>	<b>59.2</b>	<b>119,040</b>	<b>65.0</b>
Fixed assets:				
Tangible fixed assets:	33,245	20.0	30,969	16.9
Buildings	9,266		8,618	
Structures	449		462	
Machinery, equipment, and other	12,766		11,156	
Vehicles	29		23	
Implements, tools and furniture	1,069		1,013	
Land	9,222		9,169	
Construction in progress	440		525	
Intangible fixed assets:	2,416	1.5	1,826	1.0
Patent	2,329		1,772	
Software	32		0	
Other	54		53	
Investments and other:	31,976	19.3	31,359	17.1
Long-term investments in securities	4,426		3,807	
Investment in share of subsidiaries	11,580		13,061	
Investment in members equity	278		236	
Investment in subsidiaries	5,506		5,506	
Long-term loans	271		265	
Long-term loans on subsidiaries	5,394		4,344	
Claim in bankruptcy, reorganization claim and others	513		361	
Long-term prepaid expenses	37		97	
Deferred tax assets	2,365		2,028	
Other	2,203		2,047	
Less: Allowance for bad debts	-601		-397	
<b>Total fixed assets</b>	<b>67,638</b>	<b>40.8</b>	<b>64,155</b>	<b>35.0</b>
Deferred assets:				
Bond discount	19		0	
<b>Total deferred assets</b>	<b>19</b>	<b>0.0</b>	<b>0</b>	<b>0.0</b>
<b>Total assets</b>	<b>165,865</b>	<b>100.0</b>	<b>183,196</b>	<b>100.0</b>

## Non-Consolidated Balance Sheets

As of March 31, 2002 and 2003

(Unit / Millions of yen, %)

	FY2001		FY2002	
<b>Liabilities</b>				
Current liabilities:				
Notes payable	7,015		3,922	
Accounts payable-trade	3,532		11,202	
Short-term debt	3,990		1,605	
Current portion of long-term debt	4,103		2,163	
Current portion of bonds	8,000		3,000	
Current portion of convertible bonds	-		13,905	
Accounts payable-other	372		639	
Accrued expenses	1,707		2,808	
Corporate income taxes payable and other	25		1,591	
Consumption taxes payable and other	-		128	
Advance receipt	23		18	
Deposits received	162		60	
Accrued bonus	1,028		1,125	
Accounts payable-equipment and other	815		461	
Other	79		17	
<b>Total current liabilities</b>	<b>30,856</b>	<b>18.6</b>	<b>42,649</b>	<b>23.3</b>
Non-current liabilities:				
Bonds	18,000		15,000	
Convertible bonds	13,905		-	
Bond with subscription warrant	-		23,000	
Long-term debt	3,951		1,170	
Allowance for retirement and severance benefits	1,147		1,279	
Allowance for directors' and auditors' retirement benefits	1,512		1,193	
Other	16		8	
<b>Total non-current liabilities</b>	<b>38,532</b>	<b>23.2</b>	<b>41,651</b>	<b>22.7</b>
<b>Total liabilities</b>	<b>69,389</b>	<b>41.8</b>	<b>84,301</b>	<b>46.0</b>
<b>Shareholders' equity:</b>				
Common stock	23,106	13.9	-	-
Additional paid-in capital	30,962	18.7	-	-
Earned reserve	1,958	1.2	-	-
Surplus	40,640	24.5	-	-
Voluntary reserve	39,298		-	
Unappropriated retained earnings	1,342		-	
Valuation adjustment for marketable securities	-187	-0.1	-	-
Treasury stocks	-3	-0.0	-	-
<b>Total shareholders' equity</b>	<b>96,476</b>	<b>58.2</b>	<b>-</b>	<b>-</b>
Common stock	-	-	23,106	12.6
Capital surplus	-	-	30,962	16.9
Surplus	-	-	45,086	24.6
Earned reserve	-		1,958	
Voluntary reserve	-		37,426	
Unappropriated retained earnings	-		5,701	
Valuation adjustment for marketable securities	-	-	-239	-0.1
Treasury stocks	-	-	-20	-0.0
<b>Total shareholders' equity</b>	<b>-</b>	<b>-</b>	<b>98,894</b>	<b>54.0</b>
<b>Total liabilities and shareholders' Equity</b>	<b>165,865</b>	<b>100.0</b>	<b>183,196</b>	<b>100.0</b>

## **Non-Consolidated Statements of Income**

For the years ended March 31, 2002(FY2001) and 2003(FY2002)

(Unit / Millions of yen, %)

	FY 2001		FY2002	
Net sales	67,344	100.0	75,921	100.0
Cost of sales	49,981	74.2	55,304	72.8
Gross profit	17,363	25.8	20,617	27.2
Sales, general and administrative expenses	14,778	22.0	13,859	18.3
Operating income	2,584	3.8	6,757	8.9
Non-operating income:	1,499	2.3	1,415	1.9
Interest income	150		138	
Interest income (securities)	0		1	
Dividend income	73		62	
Foreign exchange gain	765		448	
Rent income	200		385	
Other income	309		378	
Non-operating expenses:	1,143	1.7	881	1.2
Interest expenses	383		138	
Bond interest	333		421	
Bond expense	95		95	
Other	330		226	
Ordinary income	2,940	4.4	7,291	9.6
Extraordinary income	44	0.0	76	0.1
Gain on sales of property and equipment	37		32	
Gain on sales of stocks of subsidiaries	7		-	
Other	-		43	
Extraordinary loss	2,962	4.4	1,173	1.5
Loss on sales and disposal of property and equipment	189		453	
Loss on long-term investments in securities	813		510	
Loss on sales of stocks of subsidiaries	-		44	
Loss on investment in share of subsidiaries	1,401		165	
Loss on liquidation of affiliates	466		-	
Other	91		-	
Income before income taxes and other	23	0.0	6,194	8.2
Corporate income taxes, Inhabitant taxes and business taxes	80		1,677	
Adjustment of corporate income taxes and other	-444	-0.5	239	2.6
Net income	387	0.5	4,277	5.6
Unappropriated retained earnings carried over from previous year	1,849		2,318	
Interim cash dividend	895		895	
Unappropriated retained earnings at the period	1,342		5,701	

### **Proposed Appropriation of Retained Earnings**

For the year ended March 31, 2002 and 2003

	<b>FY 2001</b>	<b>FY2002</b>
<b>Unappropriated retained earnings for the year</b>	1,342	5,701
<b>Reversal of allowance for special depreciation</b>	105	110
<b>Reversal of allowance for redemption of treasury stock</b>	5,000	-
<b>Total</b>	6,448	5,812
<b>To be appropriated as follows:</b>		
<b>Cash dividends</b>	895	895
<b>Bonuses to officers</b>	-	30
<b>[Bonuses to Auditors]</b>	[ - ]	[ 4 ]
<b>Allowance for special depreciation</b>	34	7
<b>Reserve for deferred taxes on lands</b>	-	0
<b>Reserve for dividends</b>	200	200
<b>General reserve</b>	3,000	3,000
<b>Unappropriated retained earnings carried forward to the next year</b>	2,318	1,679

Note:

1. Payment of interim cash dividend of 895 million yen(JPY 7.50 per share) is made on December 11, 2001.
2. Payment of interim cash dividend of 895 million yen (JPY 7.50 per share) is made on December 10, 2002.
3. Cash dividends shall not be paid on the share of the Company's treasury stock.
4. Reserve for dividends include 4 million yen and reserve for deferred taxes on lands as transferred accordance with change of tax rate.

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

### **1. Evaluation of significant assets**

#### A) Investments in securities

Other investments listed on stock exchanges are stated at fair market value as of the year-end balance-sheet date, with the sale price computed via the moving-average method. Other investments unlisted are stated at cost via the moving-average method.

#### B) Inventories

Company Name	Asset Evaluation Method	Evaluation Standard
Finished goods	Weighted average	Cost basis
Purchase	First-in first-out	Cost basis
Raw material	Weighted average	Cost basis
Work in process	Weighted average	Cost basis
Supplies	Last purchase	Cost basis

### **2. Depreciation and amortization**

Depreciation of plant and equipment is computed in principal by the declining-balance method. However, depreciation of buildings (excluding building fixtures) acquired after April 1, 1998, is computed using the straight-line method.

The amortization of intangible assets is computed in principal via the straight-line method. However, software for internal use is amortized over its estimated useful life of five years on a straight-line basis.

### **3. Deferred charges**

Bond-issuance expenses are recognized in total when incurred.

Bond discount is amortized over the outstanding period using by straight-line method.

### **4. Basis for recording allowances**

#### 1. Allowance for bad debts:

An allowance for bad debts is recorded, in amounts considered to be appropriate, based primary upon the company's past credit loss experience and an evaluation of potential losses in the receivables outstanding.

#### 2. Accrued bonus:

To prepare for bonus payment to employees, amount allocable to the fiscal year under review of the estimated amount of future payments is provided.

3. Allowance for retirement and severance benefits:

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

4. Allowance for directors' and auditors' retirement benefits:

To prepare for retirement benefits to directors and auditors, an estimated amount of required payment at the interim fiscal year end based on internal rules for directors is provided.

## **5. Leases**

The operating-lease accounting method, except lease agreements that stipulate the transfer of ownership of leased property to the lessee, is accounted for financial leases.

## **6. Hedge Accounting**

A. Method of hedge accounting:

Interest-swap transactions qualified the conditions for exceptional treatment, and those are treated as exceptional treatment.

Currency-swap transactions qualified the requirements for hedge accounting, and those are treated as assignment treatment.

B. Means of hedging and hedged items

Interest swaps: Interest fluctuating on borrowing.

Currency swaps: Money claims denominated in foreign currency.

C. Policy for hedge transactions:

Hedges related to interest are entered basically for the purpose of avoiding risks of market fluctuations in interest. And hedges related to currency are entered basically for the purpose of avoiding risks of exchange fluctuations.

D. Method of evaluating hedge effectiveness:

The evaluation of hedge effectiveness is omitted, since hedge accounting applies only to those interest-swaps that meet the conditions for exceptional treatment.

## **7. Treatment of national and local consumption taxes**

Tax-exclusion accounting method is applied.

## Notes

### [Non-Consolidated Balance Sheets]

	FY 2001	FY2002
1. Discounts on notes receivable	¥ 1,435 million	¥ - million
2. Accumulated depreciation of property, plants and equipment	¥ 57,142 million	¥ 58,565 million
3. Advanced depreciation by national subsidy	¥ 150 million	¥ 150 million
4. Security-presented assets		
Short-term investments in securities	¥ 999 million	¥ 899 million
Property, plants and equipment	¥ 15,797 million	¥ 14,723 million
Long-term investments in securities	¥ 798 million	¥ 377 million
5. Liabilities for guarantee, etc.		
Liabilities for guarantee	¥ 2,693 million	¥ 1,891 million
Guarantee engagement, etc.	¥ 610 million	¥ 500 million
6. Increase in shares of common stock (Conversion of convertible bonds)	22 thousand shares	- thousand shares
Issued shares	22 thousand shares	- thousand shares
Issue price	¥ 2,717	¥ -
Amount of recapitalization	¥ 1,359	¥ -



### [Lease Transactions]

1. Pro forma information of leased property such as acquisition costs, accumulated depreciation, future minimum lease payments that do not transfer ownership of the leased property to the lessee on "as if capitalized" basis as of March 31, 2001 and 2002 were as follows:

(1) Acquisition costs, accumulated depreciation and net leased property at end of period

	FY 2001	FY2002
	Machinery and equipment	Machinery and equipment
Acquisition costs	¥ 54 million	¥ 54 million
Accumulated depreciation	¥ 35 million	¥ 42 million
Net leased property	¥ 19 million	¥ 11 million
	Other	Other
Acquisition costs	¥ 2,979 million	¥ 2,784 million
Accumulated depreciation	¥ 1,321 million	¥ 860 million
Net leased property	¥ 1,657 million	¥ 1,923 million
	Software	Software
Acquisition costs	¥ 37 million	¥ 37 million
Accumulated depreciation	¥ 8 million	¥ 16 million
Net leased property	¥ 29 million	¥ 21 million
	Total	Total
Acquisition costs	¥ 3,071 million	¥ 2,876 million
Accumulated depreciation	¥ 1,365 million	¥ 919 million
Net leased property	¥ 1,706 million	¥ 1,957 million

Note: The amounts of acquisition costs and future minimum lease payments under finance leases include the portion of imputed interest expense.

(2) Future minimum lease payments under finance leases

	FY 2001	FY2002
Due within one year	¥ 607 million	¥ 576 million
Due after one year	¥ 1,098 million	¥ 1,380 million
Total	¥ 1,706 million	¥ 1,957 million

Note: The amounts equivalent to acquisition costs and future minimum lease payments under finance leases include the portion of imputed interest expense.

(3) Lease payments and implied depreciation

	FY 2001	FY2002
Lease payments	¥ 649 million	¥ 629 million
Depreciation	¥ 649 million	¥ 629 million

(4) Depreciation

Depreciation is computed using the straight-line method.

2. Operating lease transactions

Future minimum lease payments under operating lease

	FY 2001	FY2002
Due within one year	¥ 2 million	¥ 2 million
Due after one year	¥ 6 million	¥ 4 million
Total	¥ 9 million	¥ 6 million

**[Investments in securities]**

1. At March 31, 2003, market value in subsidiaries stocks and affiliates are as follows:

Classification	Millions of yen		
	As of March 31,2002		
	Carried amount	Market value	Net unrealized gain (loss)
Stocks of subsidiaries	-	-	-
Stocks of affiliates	1,229	1,255	25
Total	1,229	1,255	25

2. At March 31, 2002, market value in subsidiaries stocks and affiliates are as follows:

Classification	Millions of yen		
	As of March 31,2003		
	Carried amount	Market value	Net unrealized gain (loss)
Stocks of subsidiaries	-	-	-
Stocks of affiliates	1,085	822	-263
Total	1,085	822	-263

**[Tax-effect accounting]**

**1. Reason for the occurrence of deferred tax assets and deferred tax liabilities**

<Deferred tax assets>	FY 2001	FY2002
Software	¥ 795 million	¥ 712 million
Allowance for directors' and auditor's retirement benefits	¥ 635 million	¥ 485 million
Write-down of inventories	¥ 94 million	¥ 451 million
Allowance for retirement and severance benefits	¥ 331 million	¥ 418 million
Accrued bonus	¥ 264 million	¥ 393 million
Allowance for bad debt	¥ 310 million	¥ 219 million
Write-down of long-term investment in securities	¥ 365 million	¥ 161 million
Amount of loss carried forward	¥ 914 million	¥ - million
Accrued enterprise tax	¥ - million	¥ 141 million
Other	¥ 574 million	¥ 596 million
<b>Total deferred tax assets Subtotal</b>	<b>¥ 4,286 million</b>	<b>¥ 3,580 million</b>
<Deferred tax liabilities>	FY 2001	FY2002
Allowance for special depreciation	-¥ 299 million	-¥ 215 million
Accrued enterprise tax	-¥ 454 million	¥ - million
Other	-¥ 208 million	-¥ 242 million
<b>Total deferred tax liabilities</b>	<b>-¥ 962 million</b>	<b>-¥ 458 million</b>
Net deferred tax assets	<b>¥ 3,323 million</b>	<b>¥ 3,121 million</b>

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

	FY 2001	FY2002
Legal effective tax rate	42.1 %	42.1 %
(Adjustment)		
Accounts not permanently counted in to loss-Entertainment expenses,etc	192.0 %	0.9 %
Accounts not permanently counted in to gain-dividend income,etc	- 89.8 %	- 0.3 %
Investments between consolidated subsidiaries unconsolidated companies to which the equity method is applied	-2,028.1 %	-13.5 %
Equalization inhabitant tax	232.8 %	0.9 %
Adjustment of decrease of deferred tax assets at end of period calculated due to the change of tax rate	-%	1.1 %
Other	95.8 %	- 0.3%
<b>Corporate income tax rate after adoption of tax-effect accounting</b>	<b>-1,555.2 %</b>	<b>30.9 %</b>

3. An amendment to the Local Tax Law, in which taxation of corporations by the size of their business will be added to enterprise tax from April 2004, will affect legal effective tax rates used for calculating deferred tax assets and deferred tax liabilities of the Company and its domestic consolidated subsidiaries. The post-amendment rate has been applied to the portion of the temporary difference (arising from the difference in the new rate and that used at the end of the year under review) that will disappear after April 1, 2004. As a result of the amendment, net deferred tax assets (after deducting deferred tax liabilities) at fiscal year-end declined 70 million, and an adjustment of corporate taxes increased the same amount.