

( Excerpt translation )



## *Interim Consolidated Financial Statement for Fiscal 2001*

November 19,2001

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

Code number : 6481

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

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Date of board meeting for consolidated financial settlement : November 19, 2001

Adoption of USGAAP : Not applicable

### **I. Financial performance in the six months to September 30, 2001**

#### (1) Operation results

Note: Any fractional sum less than a million yen is discarded.

( Unit : Millions of yen, yen, % )

|                              | September 30,2001 | September 30,2000 | March 31, 2001 |
|------------------------------|-------------------|-------------------|----------------|
| Net sales                    | 51,382 ( 25.3)    | 68,822 ( 37.1)    | 140,287        |
| Operating income             | 3,912 ( 70.1)     | 13,084 ( 65.4)    | 25,694         |
| Ordinary income              | 4,136 ( 66.8)     | 12,450 (111.5)    | 26,813         |
| Net Income                   | 1,850 ( 73.3)     | 6,928 (182.3)     | 14,316         |
| Net Income per share         | 15.50             | 58.27             | 120.20         |
| Diluted net income per share | 14.97             | 55.96             | 115.44         |

Note:

1. Equity earnings of unconsolidated subsidiaries and affiliates

September 30,2001 ; 76 million yen      September 30,2001 ; 249 million yen

March 31, 2001 ; 329 million yen

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

September 30,2001 ; 119,350,156 shares      September 30,2001 ; 118,901,785 shares

March 31, 2001 ; 119,104,263 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.

5. Figures with “ ” indicate negative amounts.

(2) Consolidated Financial Position

( Unit : Millions of yen,%, Yen )

|                                      | September 30,<br>2001 | September 30,<br>2000 | March 31,<br>2001 |
|--------------------------------------|-----------------------|-----------------------|-------------------|
| Total assets                         | 178,110               | 191,480               | 198,129           |
| Total shareholders' equity           | 103,493               | 95,715                | 102,611           |
| Equity ratio                         | 58.1                  | 50.0                  | 51.8              |
| Total shareholders' equity per share | 867.05                | 802.04                | 859.82            |

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

September 30, 2001 ; 119,362,996 shares    September 30, 2000 ; 119,340,296 shares

March 31, 2001 ; 119,340,496 shares

(3) Consolidated Statements of Cash Flows

( Unit : Millions of yen )

|                                      | September 30,<br>2001 | September 30,<br>2000 | March 31,<br>2001 |
|--------------------------------------|-----------------------|-----------------------|-------------------|
| Cash flows from operating activities | 5,862                 | 7,742                 | 23,003            |
| Cash flows from investing activities | 7,713                 | 1,152                 | 7,321             |
| Cash flows from financing activities | 3,617                 | 14,704                | 23,384            |
| Cash and cash equivalents            | 46,939                | 50,719                | 52,047            |

(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: Not applicable

## II. Forecast of financial performance for the year ending March 31, 2002

( Unit : Millions of yen )

|                  | Year ending March 31, 2002 |
|------------------|----------------------------|
| Net sales        | 89,700                     |
| Operating income | 3,400                      |
| Ordinary income  | 3,000                      |
| Net income       | 900                        |

Reference: Forecast net income per share (for the year): ¥7.54

### **\*CAUTION: FORECAST STATEMENTS**

Note: 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.

## Interim Consolidated Balance Sheets

As of September 30, 2000 and 2001, and March 31, 2001

(Unit / Millions of yen, %)

|  | September 30,<br>2001 |              | September 30,<br>2000 |              | March 31,<br>2001 |              |
|--|-----------------------|--------------|-----------------------|--------------|-------------------|--------------|
| <b>Assets</b>                                  |                       |              |                       |              |                   |              |
| Current assets:                                |                       |              |                       |              |                   |              |
| Cash on hand and in banks                      | 35,174                |              | 41,353                |              | 40,760            |              |
| Notes receivable and accounts receivable-trade | 33,212                |              | 46,740                |              | 46,505            |              |
| Short-term investments in securities           | 8,761                 |              | 6,366                 |              | 8,287             |              |
| Inventories                                    | 28,947                |              | 30,503                |              | 29,958            |              |
| Short-term loans                               | 4,218                 |              | 4,546                 |              | 4,679             |              |
| Deferred tax assets                            | 1,974                 |              | 1,861                 |              | 3,007             |              |
| Other current assets                           | 1,674                 |              | 1,496                 |              | 1,337             |              |
| Less: Allowance for bad debts                  | 547                   |              | 311                   |              | 387               |              |
| <b>Total current assets</b>                    | <b>113,415</b>        | <b>63.7</b>  | <b>132,557</b>        | <b>69.3</b>  | <b>134,148</b>    | <b>67.7</b>  |
| Fixed assets:                                  |                       |              |                       |              |                   |              |
| Tangible fixed assets:                         | 45,630                | 25.6         | 38,154                | 19.9         | 43,662            | 22.0         |
| Buildings and structures                       | 13,255                |              | 11,217                |              | 12,154            |              |
| Machinery, equipment and vehicles              | 16,283                |              | 14,441                |              | 14,820            |              |
| Land   | 10,145                |              | 10,060                |              | 10,090            |              |
| Construction in progress                       | 4,452                 |              | 1,259                 |              | 5,328             |              |
| Other  | 1,493                 |              | 1,174                 |              | 1,267             |              |
| Intangible fixed assets:                       | 2,825                 | 1.6          | 3,574                 | 1.9          | 3,159             | 1.6          |
| Investments and others:                        | 16,209                | 9.1          | 17,144                | 8.9          | 17,119            | 8.7          |
| Long-term investment in securities             | 10,563                |              | 12,136                |              | 10,938            |              |
| Deferred tax assets                            | 2,023                 |              | 280                   |              | 1,481             |              |
| Other investments                              | 4,289                 |              | 5,254                 |              | 5,472             |              |
| Less: Allowance for bad debts                  | 667                   |              | 527                   |              | 773               |              |
| <b>Total fixed assets</b>                      | <b>64,665</b>         | <b>36.3</b>  | <b>58,873</b>         | <b>30.7</b>  | <b>63,941</b>     | <b>32.3</b>  |
| Deferred charge                                |                       |              |                       |              |                   |              |
| Bond discount                                  | 29                    |              | 50                    |              | 39                |              |
| <b>Total deferred assets</b>                   | <b>29</b>             | <b>0.0</b>   | <b>50</b>             | <b>0.0</b>   | <b>39</b>         | <b>0.0</b>   |
| <b>Total assets</b>                            | <b>178,110</b>        | <b>100.0</b> | <b>191,480</b>        | <b>100.0</b> | <b>198,129</b>    | <b>100.0</b> |

## Interim Consolidated Balance Sheets

As of September 30, 2000 and 2001, and March 31, 2001

(Unit / Millions of yen, %)

|   | September 30,<br>2001 |              | September 30,<br>2000 |              | March 31,<br>2001 |              |
|---|-----------------------|--------------|-----------------------|--------------|-------------------|--------------|
| <b>Liabilities</b>  |                       |              |                       |              |                   |              |
| Current liabilities:  |                       |              |                       |              |                   |              |
| Notes payable and accounts payable-trade                              | 20,679                |              | 28,431                |              | 27,060            |              |
| Short-term bank loans   | 7,403                 |              | 8,513                 |              | 7,615             |              |
| Current portion of long-term debt                                     | 5,175                 |              | 6,059                 |              | 5,913             |              |
| Corporate income taxes payable and others                             | 503                   |              | 4,304                 |              | 8,834             |              |
| Accrued bonus   | 1,215                 |              | 1,307                 |              | 1,341             |              |
| Other current liabilities   | 4,990                 |              | 6,194                 |              | 8,554             |              |
| <b>Total current liabilities</b>                                      | <b>39,967</b>         | <b>22.4</b>  | <b>54,810</b>         | <b>28.6</b>  | <b>59,321</b>     | <b>29.9</b>  |
| Fix liabilities:  |                       |              |                       |              |                   |              |
| Bonds   | 11,461                |              | 16,390                |              | 11,424            |              |
| Convertible bonds   | 13,905                |              | 13,966                |              | 13,966            |              |
| Long-term debt  | 5,731                 |              | 8,952                 |              | 7,314             |              |
| Allowance for retirement and severance benefits                       | 1,331                 |              | 1,299                 |              | 1,333             |              |
| Reserve for directors' and auditor's retirement benefits              | 1,469                 |              | -                     |              | 1,424             |              |
| Other   | 408                   |              | 98                    |              | 429               |              |
| <b>Total Fix liabilities</b>  | <b>34,306</b>         | <b>19.3</b>  | <b>40,707</b>         | <b>21.3</b>  | <b>35,893</b>     | <b>18.1</b>  |
| <b>Total liabilities</b>  | <b>74,274</b>         | <b>41.7</b>  | <b>95,518</b>         | <b>49.9</b>  | <b>95,214</b>     | <b>48.0</b>  |
| <b>Minority interest</b>  |                       |              |                       |              |                   |              |
| Minority interest   | 341                   | 0.2          | 247                   | 0.1          | 303               | 0.2          |
| <b>Shareholders' equity:</b>  |                       |              |                       |              |                   |              |
| Common stock  | 23,106                | 13.0         | 23,075                | 12.1         | 23,075            | 11.6         |
| Additional paid-in capital  | 30,962                | 17.4         | 30,931                | 16.2         | 30,931            | 15.6         |
| Consolidated surplus  | 50,510                | 28.3         | 43,123                | 22.5         | 49,615            | 25.0         |
| Valuation adjustment for marketable securities                        | 547                   | 0.3          | 1,007                 | 0.5          | 267               | 0.2          |
| Foreign-currency translation adjustments                              | 536                   | 0.3          | 2,422                 | 1.3          | 1,278             | 0.6          |
| Treasury stock  | 0                     | 0.0          | 1                     | 0.0          | 0                 | 0.0          |
| <b>Total shareholders' equity</b>                                     | <b>103,493</b>        | <b>58.1</b>  | <b>95,715</b>         | <b>50.0</b>  | <b>102,611</b>    | <b>51.8</b>  |
| <b>Total liabilities, minority interests and shareholders' equity</b> | <b>178,110</b>        | <b>100.0</b> | <b>191,480</b>        | <b>100.0</b> | <b>198,129</b>    | <b>100.0</b> |

## *Interim Consolidated Statements of Income*

For Six Months to September 30, 2000 and 2001, and Year Ended March 31, 2001

(Unit / Millions of yen, %)

|  | <b>September 30,<br/>2001</b> |       | <b>September 30,<br/>2000</b> |       | <b>March 31,<br/>2001</b> |       |
|--|-------------------------------|-------|-------------------------------|-------|---------------------------|-------|
| Net sales  | 51,382                        | 100.0 | 68,822                        | 100.0 | 140,287                   | 100.0 |
| Cost of sales  | 35,110                        | 68.3  | 44,801                        | 65.1  | 91,447                    | 65.2  |
| Gross profit   | 16,272                        | 31.7  | 24,021                        | 34.9  | 48,839                    | 34.8  |
| Sales, general and administrative expenses   | 12,359                        | 24.1  | 10,937                        | 15.9  | 23,144                    | 16.5  |
| Operating income   | 3,912                         | 7.6   | 13,084                        | 19.0  | 25,694                    | 18.3  |
| Non-operating income:  | 897                           | 1.8   | 762                           | 1.1   | 3,175                     | 2.3   |
| Interest income and dividend income  | 254                           |       | 245                           |       | 550                       |       |
| Foreign-exchange gain  | 167                           |       | -                             |       | 1,740                     |       |
| Equity earnings of non-consolidated subsidiaries and affiliates                                  | 76                            |       | 249                           |       | 329                       |       |
| Other  | 398                           |       | 267                           |       | 554                       |       |
| Non-operating expenses:  | 673                           | 1.3   | 1,395                         | 2.0   | 2,056                     | 1.5   |
| Interest expenses  | 457                           |       | 579                           |       | 1,139                     |       |
| Other  | 215                           |       | 815                           |       | 916                       |       |
| Ordinary income  | 4,136                         | 8.1   | 12,450                        | 18.1  | 26,813                    | 19.1  |
| Extraordinary income   | 32                            | 0.1   | 39                            | 0.1   | 159                       | 0.1   |
| Gain on sales of property and equipment  | 32                            |       | 34                            |       | 144                       |       |
| Other  | -                             |       | 5                             |       | 15                        |       |
| Extraordinary loss   | 737                           | 1.5   | 876                           | 1.3   | 2,643                     | 1.9   |
| Loss on sales/disposal of property and equipment   | 89                            |       | 350                           |       | 615                       |       |
| Loss on liquidation of non-consolidated subsidiaries   | 525                           |       | -                             |       | -                         |       |
| One-time provision for allowance for directors' and auditors' retirement benefits in prior years | -                             |       | -                             |       | 1,308                     |       |
| Other  | 123                           |       | 525                           |       | 719                       |       |
| Income before income taxes and other   | 3,431                         | 6.7   | 11,614                        | 16.9  | 24,330                    | 17.3  |
| Corporate income taxes, residence taxes and business taxes                                       | 675                           | 1.3   | 4,556                         | 6.6   | 11,750                    | 8.3   |
| Adjustment of corporate income taxes and other   | 868                           | 1.7   | 63                            | 0.1   | 1,861                     | 1.3   |
| Minority interest in income of consolidated subsidiaries   | 37                            | 0.1   | 65                            | 0.1   | 124                       | 0.1   |
| Net income   | 1,850                         | 3.6   | 6,928                         | 10.1  | 14,316                    | 10.2  |

### **Interim Consolidated Statements of Retained Earnings**

For Six Months to September 30, 2000 and 2001, and Year Ended March 31, 2001

(Unit / Millions of yen)

|   | <b>September 30,<br/>2001</b> | <b>September 30,<br/>2000</b> | <b>March 31,<br/>2001</b> |
|---|-------------------------------|-------------------------------|---------------------------|
| <b>Consolidated retained earnings at beginning of period</b>      | 49,615                        | 37,109                        | 37,109                    |
| <b>Decrease in consolidated retained earnings</b>                 | 955                           | 914                           | 1,810                     |
| Cash dividends  | 895                           | 884                           | 1,780                     |
| Bonuses to directors  | 60                            | 30                            | 30                        |
| <b>Net income</b>   | 1,850                         | 6,928                         | 14,316                    |
| <b>Balance of consolidated retained earnings at end of period</b> | 50,510                        | 43,123                        | 49,615                    |

## Interim Consolidated Statements of Cash Flows

For Six Months to September 30, 2000 and 2001, and Year Ended March 31, 2001

(Unit / Millions of yen)

|   | September 30,<br>2001 | September 30,<br>2000 | March 31,<br>2001 |
|---|-----------------------|-----------------------|-------------------|
| <b>I . Cash Flows from operating activities</b>                         |                       |                       |                   |
| Income before income tax and minority interests                         | 3,431                 | 11,614                | 24,330            |
| Depreciation and amortization   | 2,800                 | 2,652                 | 5,812             |
| Loss on sales or disposal of property and equipment                     | 56                    | 315                   | 471               |
| (Increase)/Decrease in allowance for bad debts                          | 42                    | 556                   | 2,352             |
| Interest and dividend income  | 254                   | 245                   | 550               |
| Interest expenses   | 457                   | 579                   | 1,139             |
| Foreign exchange gain (loss)  | 21                    | 10                    | 379               |
| Equity earnings of unconsolidated subsidiaries and affiliates           | 76                    | 249                   | 329               |
| (Increase)/Decrease in accounts and trade receivables                   | 13,494                | 10,468                | 9,831             |
| (Increase)/Decrease in inventories                                      | 1,468                 | 4,427                 | 5,556             |
| Increase in accounts and notes payable                                  | 6,634                 | 4,055                 | 1,649             |
| Other   | 298                   | 1,019                 | 397               |
| Subtotal  | 14,977                | 12,230                | 30,618            |
| Interest income and dividend income received                            | 255                   | 281                   | 586               |
| Interest expenses paid  | 434                   | 606                   | 1,260             |
| Income taxes paid   | 8,936                 | 4,162                 | 6,940             |
| <b>Net cash provided by operating activities</b>                        | 5,862                 | 7,742                 | 23,003            |
| <b>II . Cash Flows from investing activities</b>                        |                       |                       |                   |
| Payments for purchases of short-term investments in securities          | 999                   | 998                   | 1,548             |
| Proceeds from sales of short-term investments in securities             | 985                   | 3,384                 | 4,286             |
| Payments for purchases of property, plants and equipment                | 7,647                 | 4,008                 | 11,076            |
| Proceeds from sales of property, plants and equipment                   | 25                    | 561                   | 1,286             |
| Payments for purchases of long-term investments in securities           | 360                   | 60                    | 249               |
| Proceeds from sales of long-term investments in securities              | 276                   | 75                    | 131               |
| Increase in short-term loans  | 175                   | 496                   | 688               |
| Collection of short-term loans receivable                               | 182                   | 390                   | 536               |
| <b>Net cash provided by investing activities</b>                        | 7,713                 | 1,152                 | 7,321             |
| <b>III . Cash Flows from financing activities</b>                       |                       |                       |                   |
| Increase/(Decrease) in short-term bank loans                            | 308                   | 4,171                 | 5,178             |
| Borrowings of long-term debt  | 1,160                 | -                     | 900               |
| Repayments of long-term debt  | 3,573                 | 2,489                 | 5,172             |
| Redemption of bonds   | -                     | 9,770                 | 14,855            |
| Proceeds from issuance of bonds   | -                     | 2,617                 | 2,704             |
| Cash dividends  | 895                   | 890                   | 1,783             |
| Other   | 0                     | 0                     | 1                 |
| <b>Net cash provided by (used for) financing activities</b>             | 3,617                 | 14,704                | 23,384            |
| <b>IV . Effect of exchange-rate change on cash and cash equivalents</b> | 359                   | 33                    | 884               |
| <b>V . Net increase in cash and cash equivalents</b>                    | 5,108                 | 8,146                 | 6,818             |
| <b>VI . Cash and cash equivalents at the beginning of the period</b>    | 52,047                | 58,866                | 58,866            |
| <b>VII . Cash and cash equivalents at the end of the period</b>         | 46,939                | 50,719                | 52,047            |



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

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

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

THK (the "Company") had 21 subsidiaries as of September 30, 2001. 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, were 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 Europe B.V., THK G.m.b.H., THK Manufacturing of Europe S.A.S., PGM Ballscrews Ltd., PGM Ballscrews Ireland Ltd., THK International Finance (UK) Ltd., and THK TAIWAN CO., LTD. (THK and these consolidated subsidiaries as the "Companies")

#### **(2) The eight non-consolidated subsidiaries**

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

### **2. Accounting for Investments in Unconsolidated Subsidiaries and Affiliates**

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

The Company had four affiliates as of September 30, 2001. However, the equity method was applied only to the investments in Daito Seiki Co., Ltd., since the investments in the unconsolidated subsidiaries and the remaining affiliates would not have a material effect on consolidated net income and retained earnings in the consolidated financial statements, had they been accounted for using the equity method.

#### **(2) Eight non-consolidated subsidiaries and three affiliate were not accounted for by the equity method.**

Eight non-consolidated subsidiaries, including Nihon Slide Kogyo Co., Ltd., and three affiliates, including Samick LMS Co., Ltd., were not accounted for by the equity method. These subsidiaries and affiliates were 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 Europe B.V., THK G.m.b.H., THK Manufacturing of Europe S.A.S., THK International Finance (UK) Ltd., PGM Ballscrews Ltd., PGM Ballscrews Ireland Ltd. and THK TAIWAN CO., LTD. close their books of account for the interim period on June 30. 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 listed on stock exchanges were 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 were stated at cost via the moving-average method. Derivatives are stated at fair market value. Money trusts for the purpose of trading were stated at fair market value.

###### B) Inventories

| Company Name                       | Asset Evaluation Method | Evaluation Standard     |
|------------------------------------|-------------------------|-------------------------|
| Parent company                     | 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 G.m.b.H.                       | 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 was computed in principal by using declining-balance method. However, depreciation of property and buildings (excluding building fixtures) acquired after April 1, 1998, was 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 were recognized in total when incurred.

Premiums to the book value of issued bonds were amortized via the straight-line method during the period until maturity.

**(4) Leases**

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

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

a. Allowance for bad debts:

To prepare against credit losses, the allowance for bad debts was recorded. For bad loans, the allowance for bad debts was recorded based on financial evaluations of individual borrowers. For other loans, the allowance was calculated based on historical loss ratios.

b. 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 was provided.

c. 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 were recorded as reserves 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 were equally divided over a certain number of years (10 years) within the period of average remaining years of service of employees, and was accounted for as expenses.

d. 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, was provided.

**(6) Hedge Accounting**

a. Method of hedge accounting:

Of interest-swap transactions, those meeting the conditions for special treatment were treated accordingly.

b. Means of hedging and hedged items

Interest swaps: Fluctuating interest on borrowing.

c. Policy for hedge transactions:

Hedge transactions relating to interest were entered basically for the purpose of avoiding risks of market fluctuations in interest.

d. Method of evaluating hedge effectiveness:

The evaluation of hedge effectiveness was omitted, since hedge accounting applies only to those interest-swap transactions that meet the conditions for special treatment.

**(7) Treatment of national and local consumption taxes**

The tax-exclusion accounting method was applied.

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

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

## Notes

### [Interim Consolidated Balance Sheets]

|   | September 30, 2001           | September 30, 2000           | March 31, 2001               |
|---|------------------------------|------------------------------|------------------------------|
| 1. Accumulated depreciation of property, plants and equipment               | ¥ 59,187 million             | ¥56,692 million              | ¥57,512 million              |
| 2. Discounts on notes receivable  | ¥ 1,774 million              | ¥2,922 million               | ¥2,581 million               |
| 3. Liabilities for guarantee, etc.  |                              |                              |                              |
| Liabilities for guarantee   | ¥ 453 million                | ¥167 million                 | ¥410 million                 |
| Guarantee engagement, etc.  | ¥ 200 million                | ¥750 million                 | ¥370 million                 |
| 4. Contingent liabilities with respect to debt assumption contract of bonds | ¥ 5,057 million              | ¥- million                   | ¥5,114 million               |
| 5. Amount of treasury stocks  | ¥ 0 million<br>( 22 shares ) | ¥1 million<br>( 272 shares ) | ¥ 0 million<br>( 72 Shares ) |

### [Interim Consolidated Statements of Cash Flows]

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

|  | September 30, 2001 | September 30, 2000 | March 31, 2001   |
|--|--------------------|--------------------|------------------|
| Cash on hand and in banks                        | ¥ 35,174 million   | ¥ 41,353 million   | ¥ 40,760 million |
| Short-term investments in securities             | ¥ 8,761 million    | ¥ 6,366 million    | ¥ 8,287 million  |
| Short-term loans                                 | ¥ 4,218 million    | ¥ 4,546 million    | ¥ 4,679 million  |
| Total  | ¥ 48,153 million   | ¥ 52,266 million   | ¥ 53,727 million |
| Short-term investments in securities, except MMF | ¥ 999 million      | ¥ 998 million      | ¥ 999 million    |
| Short-term loans, except repurchase agreement    | ¥ 215 million      | ¥ 548 million      | ¥ 680 million    |
| Cash and cash equivalents                        | ¥ 46,939 million   | ¥ 50,719 million   | ¥ 52,047 million |

2. Significant non-capital transactions

|  | September 30, 2001 | September 30, 2000 | March 31, 2001 |
|--|--------------------|--------------------|----------------|
| Conversion of convertible bonds                      |                    |                    |                |
| Increase in common stock by conversion               | ¥ 30 million       | ¥ 33 million       | ¥ 33 million   |
| Increase in additional paid-in capital by conversion | ¥ 30 million       | ¥ 33 million       | ¥ 33 million   |
| Decrease in convertible bonds by conversion          | ¥ 61 million       | ¥ 67 million       | ¥ 67 million   |

**[Lease Transactions]**

1. Financial leases, except for lease agreements that stipulate the transfer of ownership of leased property to the lessee

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

|                          | September 30, 2001      | September 30, 2000      | March 31, 2001          |
|--------------------------|-------------------------|-------------------------|-------------------------|
|                          | Machinery and equipment | Machinery and equipment | Machinery and equipment |
| Acquisition costs        | ¥ 68 million            | ¥68 million             | ¥68 million             |
| Accumulated depreciation | ¥ 41 million            | ¥30 million             | ¥36 million             |
| Net leased property      | ¥ 26 million            | ¥37 million             | ¥32 million             |
|                          | Other                   | Other                   | Other                   |
| Acquisition costs        | ¥ 2,983 million         | ¥3,015 million          | ¥3,024 million          |
| Accumulated depreciation | ¥ 1,256 million         | ¥1,019 million          | ¥1,005 million          |
| Net leased property      | ¥ 1,726 million         | ¥1,996 million          | ¥2,018 million          |
|                          | Intangible fix assets   | Intangible fix assets   | Intangible fix assets   |
| Acquisition costs        | ¥ 71 million            | ¥ 122 million           | ¥ 40 million            |
| Accumulated amortization | ¥ 12 million            | ¥ 98 million            | ¥ 4 million             |
| Net leased property      | ¥ 59 million            | ¥ 24 million            | ¥ 35 million            |
|                          | Total                   | Total                   | Total                   |
| Acquisition costs        | ¥ 3,123 million         | ¥3,207 million          | ¥ 3,132 million         |
| Accumulated depreciation | ¥ 1,310 million         | ¥1,148 million          | ¥ 1,046 million         |
| Net leased property      | ¥ 1,813 million         | ¥2,058 million          | ¥ 2,086 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

|                     | September 30, 2001 | September 30, 2000 | March 31, 2001  |
|---------------------|--------------------|--------------------|-----------------|
| Due within one year | ¥ 611 million      | ¥ 630 million      | ¥ 653 million   |
| Due after one year  | ¥ 1,201 million    | ¥ 1,428 million    | ¥ 1,433 million |
| Total               | ¥ 1,813 million    | ¥ 2,058 million    | ¥ 2,086 million |

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

(3) Lease payments and implied depreciation

|                | September 30, 2001 | September 30, 2000 | March 31, 2001 |
|----------------|--------------------|--------------------|----------------|
| Lease payments | ¥ 354 million      | ¥ 315 million      | ¥ 637 million  |
| Depreciation   | ¥ 354 million      | ¥ 315 million      | ¥ 637 million  |

(4) Depreciation

Depreciation was computed via the straight-line method.

## 2. Transactions of operating leases

### Future minimum lease payments under operating leases

|                     | September 30, 2001 | September 30, 2000 | March 31, 2001  |
|---------------------|--------------------|--------------------|-----------------|
| Due within one year | ¥ 493 million      | ¥ 249 million      | ¥ 416 million   |
| Due after one year  | ¥ 2,125 million    | ¥ 1,074 million    | ¥ 1,777 million |
| Total               | ¥ 2,618 million    | ¥ 1,324 million    | ¥ 2,193 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 was not required that industry segment information be disclosed. The Company and consolidated subsidiaries were 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 six months to September 30, 2001 and 2000, and the year ended March 31, 2001 classified by geographic segments are summarized as follows:

[Six months to September 30, 2001]

(Millions of yen)

|                    | Japan  | America | Europe | Asia and other | Total  | Elimination or corporate assets | Consolidated |
|--------------------|--------|---------|--------|----------------|--------|---------------------------------|--------------|
| Net sales :        |        |         |        |                |        |                                 |              |
| Customers          | 35,961 | 6,807   | 7,608  | 1,005          | 51,382 | -                               | 51,382       |
| Inter-segment      | 6,826  | 109     | 67     | -              | 7,003  | (7,003)                         | -            |
| Total              | 42,788 | 6,916   | 7,675  | 1,005          | 58,385 | (7,003)                         | 51,382       |
| Operating expenses | 39,558 | 6,436   | 7,562  | 972            | 54,530 | (7,060)                         | 47,469       |
| Operating income   | 3,229  | 479     | 113    | 33             | 3,855  | 57                              | 3,912        |

[Six months to September 30, 2000]

(Millions of yen)

|                    | Japan  | America | Europe | Asia and other | Total  | Elimination or corporate assets | Consolidated |
|--------------------|--------|---------|--------|----------------|--------|---------------------------------|--------------|
| Net sales :        |        |         |        |                |        |                                 |              |
| Customers          | 54,757 | 7,518   | 5,525  | 1,021          | 68,822 | -                               | 68,822       |
| Inter-segment      | 8,663  | 228     | 71     | -              | 8,962  | (8,962)                         | -            |
| Total              | 63,421 | 7,746   | 5,596  | 1,021          | 77,785 | (8,962)                         | 68,822       |
| Operating expenses | 52,191 | 6,821   | 5,070  | 1,047          | 65,131 | (9,392)                         | 55,738       |
| Operating income   | 11,229 | 924     | 525    | △25            | 12,654 | 429                             | 13,084       |

[Year ended March 31, 2001]

(Millions of yen)

|                    | Japan   | America | Europe | Asia and other | Total   | Elimination or corporate assets | Consolidated |
|--------------------|---------|---------|--------|----------------|---------|---------------------------------|--------------|
| Net sales :        |         |         |        |                |         |                                 |              |
| Customers          | 111,640 | 15,610  | 10,994 | 2,041          | 140,287 | -                               | 140,287      |
| Inter-segment      | 18,985  | 403     | 128    | -              | 19,517  | (19,517)                        | -            |
| Total              | 130,626 | 16,014  | 11,122 | 2,041          | 159,804 | (19,517)                        | 140,287      |
| Operating expenses | 107,771 | 14,144  | 10,458 | 2,038          | 134,413 | (19,820)                        | 114,592      |
| Operating income   | 22,855  | 1,869   | 664    | 2              | 25,391  | 303                             | 25,694       |



### (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 six months to September 30, 2000 and 2001, and the year ended March 31, 2001 were summarized as follows:

|   | Millions of yen                  |        |                   |        |
|---|----------------------------------|--------|-------------------|--------|
|   | Six months to September 30, 2001 |        |                   |        |
|   | America                          | Europe | Asia and<br>Other | Total  |
| Overseas sales  | 6,790                            | 7,646  | 2,849             | 17,287 |
| Consolidated net sales                                      |                                  |        |                   | 51,382 |
| Overseas sales as a percentage of<br>consolidated net sales | 13.2 %                           | 14.9 % | 5.5 %             | 33.6 % |

|   | Millions of yen                  |        |                   |        |
|---|----------------------------------|--------|-------------------|--------|
|   | Six months to September 30, 2000 |        |                   |        |
|   | America                          | Europe | Asia and<br>Other | Total  |
| Overseas sales  | 7,606                            | 5,711  | 4,803             | 18,121 |
| Consolidated net sales                                      |                                  |        |                   | 68,822 |
| Overseas sales as a percentage of<br>consolidated net sales | 11.0 %                           | 8.3 %  | 7.0 %             | 26.3 % |

|   | Year Ended March 31, 2001 |        |                   |         |
|---|---------------------------|--------|-------------------|---------|
|   | America                   | Europe | Asia and<br>Other | Total   |
|   | Overseas sales            | 15,724 | 11,353            | 9,205   |
| Consolidated net sales                                      |                           |        |                   | 140,287 |
| Overseas sales as a percentage of<br>consolidated net sales | 11.2 %                    | 8.0 %  | 6.5 %             | 25.8 %  |

Note:

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

**[Investments in securities]**

1. As of September 30,2001,market value available in other investment securities was as follows:

|                                  | Millions of yen         |                |                            |
|----------------------------------|-------------------------|----------------|----------------------------|
|                                  | As of September 30,2001 |                |                            |
|                                  | Acquisition cost        | Carried Amount | Net unrealized gain (loss) |
| Other investments in securities: |                         |                |                            |
| Equity                           | 3,854                   | 3,049          | 804                        |
| Other                            | 275                     | 296            | 21                         |
| <b>Total</b>                     | <b>4,129</b>            | <b>3,346</b>   | <b>783</b>                 |

2. As of September 30, 2001, market value unavailable in investment securities was as follows:

(Millions of yen)

|  | Carried amount | Summary |
|--|----------------|---------|
| Other investment in securities             |                |         |
| Money management funds                     | 5,189          |         |
| Free financial funds                       | 1,810          |         |
| Mid term national bond funds               | 201            |         |
| Discount financial bonds                   | 999            |         |
| Unlisted equities (excluding OTC equities) | 107            |         |
| Unlisted foreign bonds                     | 1,500          |         |
| Unlisted foreign equities                  | 561            |         |

1. As of September 30,2000,market value available in other investment securities was as follows:

|                                  | Millions of yen         |                |                            |
|----------------------------------|-------------------------|----------------|----------------------------|
|                                  | As of September 30,2000 |                |                            |
|                                  | Acquisition cost        | Carried amount | Net unrealized gain (loss) |
| Other investments in securities: |                         |                |                            |
| Equity                           | 3,849                   | 4,427          | 577                        |
| Other                            | 568                     | 638            | 69                         |
| <b>Total</b>                     | <b>4,418</b>            | <b>5,065</b>   | <b>647</b>                 |

2. As of September 30, 2000, market value unavailable in investment securities was as follows:

(Millions of yen)

|  | Carried amount | Summary |
|--|----------------|---------|
| Other investment in securities             |                |         |
| Money management funds                     | 3,461          |         |
| Free financial funds                       | 1,104          |         |
| Mid term national bond funds               | 801            |         |
| Discount financial bonds                   | 998            |         |
| Unlisted equities (excluding OTC equities) | 136            |         |
| Unlisted foreign equities                  | 1,500          |         |

1. As of March 31, 2001, market value available in other investment securities was as follows:

|                                  | Millions of yen     |                |                            |
|----------------------------------|---------------------|----------------|----------------------------|
|                                  | As of March 31,2001 |                |                            |
|                                  | Acquisition cost    | Carried amount | Net unrealized gain (loss) |
| Other investments in securities: |                     |                |                            |
| Equity                           | 3,908               | 3,773          | 134                        |
| Other                            | 636                 | 674            | 38                         |
| Total                            | 4,544               | 4,448          | 96                         |

2. As of March 31, 2001, market value unavailable in investment securities was as follows:

(Millions of yen)

|  | Carried amount | Summary |
|--|----------------|---------|
| Other investment in securities             |                |         |
| Money management funds                     | 4,666          |         |
| Free financial funds                       | 1,507          |         |
| Mid term national bond funds               | 1,113          |         |
| Discount financial bonds                   | 999            |         |
| Unlisted equities (excluding OTC equities) | 108            |         |
| Unlisted foreign equities                  | 1,500          |         |

**[Issuance of straight bonds]**

The Company decided on issuance of two unsecured straight bonds by the board of directors on October 13, 2001, and published as follows.

|  |   |
|--|---|
| 1. Unsecured straight bonds (the second) |   |
| -The total issue amount                  | 10 billion yen  |
| -Issue price                             | 100 yen at face value 100 yen   |
| -Payment date                            | November 6, 2001  |
| -Term of redemption                      | November 6, 2006  |
| -Interest rate                           | 0.91%, annual rate  |
| -The purpose for spending                | Payment of bank loans, and spending for capital expenditure and working capital |
| 2. Unsecured straight bonds (the third)  |   |
| -Total issue amount                      | 5 billion yen   |
| -Issue price                             | 100 yen at face value 100 yen   |
| -Payment date                            | November 6, 2001  |
| -Term of redemption                      | November 6, 2008  |
| -Interest rate                           | 1.37%, annual rate  |
| -The purpose for spending                | Payment of bank loans, and spending for capital expenditure and working capital |

( Excerpt translation )



***Interim Non-Consolidated Financial Statement for Fiscal 2001***

November 19, 2001

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

Code number : 6481

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

Contact : Shigeru Wako, Director General Manager, Corporate Strategy Department

Tel : 81-3-5434-0300

Date of board meeting for consolidated financial settlement : November 19, 2001

Interim cash dividends : applicable

Beginning date of payment for interim cash dividends : December 10, 2001

**I. Financial performance for the six months to September 30, 2001**

**(1) Operation results**

Note: Any fractional sum less than a million yen is discarded.

( Unit : Millions of yen, yen, % )

|                      | September 30,<br>2001 | September 30,<br>2000 | March 31,<br>2001 |
|----------------------|-----------------------|-----------------------|-------------------|
| Net sales            | 38,688( 33.2)         | 57,955( 43.7)         | 119,981           |
| Operating income     | 3,039( 71.3)          | 10,591(108.5)         | 21,951            |
| Ordinary income      | 3,015( 69.5)          | 9,886(164.0)          | 22,910            |
| Net income           | 1,310( 76.0)          | 5,453(194.3)          | 12,030            |
| Net income per share | 10.98                 | 45.86                 | 101.01            |

Note:

1. Average number of shares during the period ended:

September 30, 2001: 119,350,156 shares      September 30, 2000: 118,902,125 shares

March 31, 2001: 119,104,483 shares

2. Change in accounting policy: Not applicable

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

2. Figures with “ ” indicate negative amounts.

**(2) Cash dividends**

( Unit : yen )

|  | September 30,2001 | September 30, 2000 | March 31, 2001 |
|--|-------------------|--------------------|----------------|
| Cash dividends per share applicable for the year | Interim 7.50      | Interim 7.50       | -              |
|  | -                 | -                  | Year end 15.00 |

**(3) Finance position**

( Unit : Millions of yen, yen )

|                                      | September 30,<br>2001 | September 30,<br>2000 | March 31,<br>2001 |
|--------------------------------------|-----------------------|-----------------------|-------------------|
| Total assets                         | 158,427               | 177,986               | 184,239           |
| Total shareholders' equity           | 98,028                | 92,738                | 97,997            |
| Equity ratio                         | 61.9                  | 52.1                  | 53.2              |
| Total shareholders' equity per share | 821.26                | 777.09                | 821.16            |

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

September 30, 2001: 119,363,018 shares      September 30, 2000: 119,340,568 shares

March 31, 2001: 119,340,568 shares

**II. Forecast of financial performance for the year ending March 31, 2002**

( Unit : Millions of yen, yen )

|  | For the year ending March 31, 2002 |
|--|------------------------------------|
| Net sales                                  | 67,000                             |
| Operating income                           | 3,800                              |
| Ordinary income                            | 3,400                              |
| Net income                                 | 1,500                              |
| Cash dividends per share for the half-year | Year end 7.50                      |
| Cash dividends per share for the full year | 15.00                              |

Reference: Forecast net income per share (for the full year), ¥ 12.57

**\*CAUTION: FORECAST STATEMENTS**

Note: 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.

## Interim Non-Consolidated Balance Sheets

As of September 30, 2000 and 2001, and March 31, 2001

(Unit / Millions of yen, %)

|                                      | September 30,<br>2001 |              | September 30,<br>2000 |              | March 31,<br>2001 |              |
|--------------------------------------|-----------------------|--------------|-----------------------|--------------|-------------------|--------------|
| <b>Assets</b>                        |                       |              |                       |              |                   |              |
| Current assets:                      |                       |              |                       |              |                   |              |
| Cash on hand and in banks            | 24,648                |              | 33,137                |              | 29,459            |              |
| Notes receivable                     | 13,688                |              | 19,183                |              | 20,045            |              |
| Accounts receivable-trade            | 15,675                |              | 25,561                |              | 27,566            |              |
| Short-term investments in securities | 7,999                 |              | 6,337                 |              | 7,957             |              |
| Inventories                          | 17,695                |              | 21,866                |              | 20,311            |              |
| Short-term loans                     | 5,288                 |              | 5,629                 |              | 5,248             |              |
| Deferred tax assets                  | 370                   |              | 559                   |              | 1,399             |              |
| Other                                | 1,983                 |              | 954                   |              | 3,433             |              |
| Less: Allowance for bad debts        | 216                   |              | 135                   |              | 218               |              |
| <b>Total current assets</b>          | <b>87,133</b>         | <b>55.0</b>  | <b>113,095</b>        | <b>63.5</b>  | <b>115,204</b>    | <b>62.5</b>  |
| Fixed assets:                        |                       |              |                       |              |                   |              |
| Tangible fixed assets:               |                       |              |                       |              |                   |              |
| Buildings and structures             | 9,970                 |              | 9,203                 |              | 10,149            |              |
| Machinery, equipment, and other      | 13,277                |              | 13,178                |              | 13,655            |              |
| Land                                 | 9,222                 |              | 9,172                 |              | 9,171             |              |
| Other                                | 1,792                 |              | 2,117                 |              | 1,611             |              |
| Intangible fixed assets:             | 2,722                 | 1.7          | 3,451                 | 1.9          | 3,060             | 1.7          |
| Patent                               | 2,608                 |              | 3,190                 |              | 2,886             |              |
| Software                             | 64                    |              | 209                   |              | 122               |              |
| Other                                | 50                    |              | 52                    |              | 51                |              |
| Investments and other:               | 34,279                | 21.7         | 27,716                | 15.6         | 31,346            | 17.0         |
| Long-term investments in securities  | 4,896                 |              | 6,296                 |              | 5,623             |              |
| Investment in share of subsidiaries  | 13,005                |              | 10,212                |              | 11,135            |              |
| Investment in subsidiaries           | 5,506                 |              | 6,346                 |              | 6,346             |              |
| Long-term loans                      | 6,698                 |              | 2,488                 |              | 4,608             |              |
| Deferred tax assets                  | 1,954                 |              | 186                   |              | 1,395             |              |
| Other                                | 2,765                 |              | 2,687                 |              | 2,921             |              |
| Less: Allowance for bad debts        | 547                   |              | 500                   |              | 684               |              |
| <b>Total fixed assets</b>            | <b>71,264</b>         | <b>45.0</b>  | <b>64,840</b>         | <b>36.4</b>  | <b>68,995</b>     | <b>37.5</b>  |
| Deferred assets:                     |                       |              |                       |              |                   |              |
| Bond discount                        | 29                    |              | 50                    |              | 39                |              |
| <b>Total deferred assets</b>         | <b>29</b>             | <b>0.0</b>   | <b>50</b>             | <b>0.1</b>   | <b>39</b>         | <b>0.0</b>   |
| <b>Total assets</b>                  | <b>158,427</b>        | <b>100.0</b> | <b>177,986</b>        | <b>100.0</b> | <b>184,239</b>    | <b>100.0</b> |



## Interim Non-Consolidated Balance Sheets

As of September 30, 2000 and 2001, and March 31, 2001

(Unit / Millions of yen, %)

|  | September 30,<br>2001 |       | September 30,<br>2000 |       | March 31,<br>2001 |       |
|--|-----------------------|-------|-----------------------|-------|-------------------|-------|
| <b>Liabilities</b>   |                       |       |                       |       |                   |       |
| Current liabilities:                                       |                       |       |                       |       |                   |       |
| Notes payable  | 9,989                 |       | 17,296                |       | 18,036            |       |
| Accounts payable-trade                                     | 3,224                 |       | 7,321                 |       | 6,565             |       |
| Short-term debt  | 3,890                 |       | 4,510                 |       | 3,990             |       |
| Current portion of long-term debt                          | 5,088                 |       | 5,777                 |       | 5,863             |       |
| Accounts payable-other                                     | 517                   |       | 889                   |       | 1,308             |       |
| Corporate income taxes payable and other                   | 312                   |       | 3,934                 |       | 8,480             |       |
| Consumption taxes payable and other                        | 121                   |       | 161                   |       | 70                |       |
| Accrued expenses   | 1,600                 |       | 2,087                 |       | 2,116             |       |
| Accrued bonus  | 1,122                 |       | 1,230                 |       | 1,240             |       |
| Accounts payable-equipment and other                       | 1,088                 |       | 1,440                 |       | 2,548             |       |
| Other  | 458                   |       | 530                   |       | 1,344             |       |
| Total current liabilities                                  | 27,412                | 17.3  | 45,179                | 25.4  | 51,564            | 28.0  |
| Non-current liabilities:                                   |                       |       |                       |       |                   |       |
| Bonds  | 11,000                |       | 16,000                |       | 11,000            |       |
| Convertible bonds  | 13,905                |       | 13,966                |       | 13,966            |       |
| Long-term debt   | 5,444                 |       | 8,932                 |       | 7,104             |       |
| Allowance for retirement and severance benefits            | 1,147                 |       | 1,140                 |       | 1,157             |       |
| Allowance for directors' and auditors' retirement benefits | 1,469                 |       | -                     |       | 1,424             |       |
| Other  | 20                    |       | 29                    |       | 25                |       |
| Total non-current liabilities                              | 32,987                | 20.8  | 40,068                | 22.5  | 34,677            | 18.8  |
| Total liabilities  | 60,399                | 38.1  | 85,247                | 47.9  | 86,242            | 46.8  |
| <b>Shareholders' equity:</b>                               |                       |       |                       |       |                   |       |
| Common stock   | 23,106                | 14.6  | 23,075                | 13.0  | 23,075            | 12.5  |
| Additional paid-in capital                                 | 30,962                | 19.6  | 30,931                | 17.4  | 30,931            | 16.8  |
| Earned reserve   | 1,958                 | 1.2   | 1,773                 | 1.0   | 1,863             | 1.0   |
| Surplus  | 42,459                | 26.8  | 36,606                | 20.6  | 42,198            | 22.9  |
| Voluntary reserve  | 39,298                |       | 28,921                |       | 28,921            |       |
| Unappropriate retained earnings                            | 3,160                 |       | 7,684                 |       | 13,277            |       |
| [Of which net income for the year]                         | [1,310]               |       | [5,453]               |       | [12,030]          |       |
| Valuation adjustment for marketable securities             | 458                   | 0.3   | 351                   | 0.1   | 72                | 0.0   |
| Treasury stocks  | 0                     | 0.0   | -                     |       | -                 |       |
| Total shareholders' equity                                 | 98,028                | 61.9  | 92,738                | 52.1  | 97,997            | 53.2  |
| Total liabilities and shareholders' Equity                 | 158,427               | 100.0 | 177,986               | 100.0 | 184,239           | 100.0 |

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

For Six Months to September 30, 2000 and 2001, and Years Ended March 31, 2001

(Unit / Millions of yen, %)

|  | <b>September 30,<br/>2001</b> |       | <b>September 30,<br/>2000</b> |       | <b>March 31,<br/>2001</b> |       |
|--|-------------------------------|-------|-------------------------------|-------|---------------------------|-------|
| Net sales  | 38,688                        | 100.0 | 57,955                        | 100.0 | 119,981                   | 100.0 |
| Cost of sales  | 28,098                        | 72.6  | 40,044                        | 69.1  | 82,622                    | 68.9  |
| Gross profit   | 10,590                        | 27.4  | 17,911                        | 30.9  | 37,359                    | 31.1  |
| Sales, general and administrative expenses   | 7,550                         | 19.5  | 7,319                         | 12.6  | 15,408                    | 12.8  |
| Operating income   | 3,039                         | 7.9   | 10,591                        | 18.3  | 21,951                    | 18.3  |
| Non-operating income:  | 525                           | 1.3   | 405                           | 0.7   | 2,608                     | 2.2   |
| Interest and dividend income   | 140                           |       | 161                           |       | 341                       |       |
| Foreign exchange gain  | 103                           |       | -                             |       | 1,715                     |       |
| Other income   | 281                           |       | 244                           |       | 552                       |       |
| Non-operating expenses:  | 550                           | 1.4   | 1,111                         | 1.9   | 1,649                     | 1.4   |
| Interest expenses  | 226                           |       | 323                           |       | 613                       |       |
| Bond interest  | 124                           |       | 161                           |       | 341                       |       |
| Other expenses   | 199                           |       | 626                           |       | 694                       |       |
| Ordinary income  | 3,015                         | 7.8   | 9,886                         | 17.1  | 22,910                    | 19.1  |
| Extraordinary income   | 42                            | 0.1   | 34                            | 0.1   | 156                       | 0.1   |
| Extraordinary loss   | 736                           | 1.9   | 727                           | 1.3   | 2,598                     | 2.2   |
| Loss on sales/disposal of property and equipment   | 88                            |       | 342                           |       | 586                       |       |
| Loss on liquidation of affiliates  | 525                           |       | -                             |       | -                         |       |
| One-time provision for allowance for directors' and auditors' retirement benefits in prior years | -                             |       | -                             |       | 1,308                     |       |
| Other  | 122                           |       | 385                           |       | 703                       |       |
| Income before income taxes and other   | 2,321                         | 6.0   | 9,193                         | 15.9  | 20,468                    | 17.1  |
| Corporate income taxes, Inhabitant taxes and business taxes                                      | 260                           | 0.7   | 3,830                         | 6.6   | 10,269                    | 8.6   |
| Adjustment of corporate income taxes and other   | 750                           | 1.9   | 89                            | 0.1   | 1,832                     | 1.5   |
| Net income   | 1,310                         | 3.4   | 5,453                         | 9.4   | 12,030                    | 10.0  |
| Unappropriate retained earnings carried over from previous year                                  | 1,849                         |       | 2,231                         |       | 2,231                     |       |
| Interim cash dividend  | -                             |       | -                             |       | 895                       |       |
| Transfer to earned reserve of interim cash dividend  | -                             |       | -                             |       | 89                        |       |
| Unappropriate retained earnings at the period  | 3,160                         |       | 7,684                         |       | 13,277                    |       |

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

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

#### A) Investments in securities

Other investments listed on stock exchanges were 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 were 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          |

C) Derivatives are stated at fair market value. Money trusts for the purpose of trading were stated at fair market value.

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

Depreciation of plant and equipment was computed in principal by the declining-balance method. However, depreciation of and buildings (excluding building fixtures) acquired after April 1, 1998, was 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 were recognized in total when incurred.

Premiums to the book value of issued bonds were amortized via the straight-line method during the period until maturity.

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

#### a. Allowance for bad debts:

To prepare against credit losses allowance for bad debts was recorded. For bad loans, allowance for bad debt was recorded based on financial evaluation of individual borrowers. For other loans, the allowance was calculated based on the historical loss ratios.

#### b. Accrued bonus:

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

c. 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 were 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 were 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.

d. 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 was provided.

## **5. Leases**

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

## **6. Hedge Accounting**

a. Method of hedge accounting:

Of interest swap transactions, those interest swap transactions that meet conditions for special treatment were treated accordingly.

b. Means of hedging and hedged items

Interest swaps: Fluctuating interest on borrowings.

c. Policy for hedge transactions:

Hedge transactions related to interest were entered basically for the purpose of avoiding risks of market fluctuations in interest.

d. Method of evaluating hedge effectiveness:

Evaluation of hedge effectiveness was omitted as the hedge accounting applies only to those interest swap transactions that meet conditions for special treatment.

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

Tax-exclusion accounting method was applied.

**Additional information**

Based on the 3rd article proviso of Cabinet Office's prescript for reforming a part of Cabinet Office's prescripts with respect to transactions and its guarantee which specified 2 of Article 161, the Securities Exchange Act (No. 76, a prescript by Cabinet Office, dated September 25, 2001) were applied starting the interim fiscal year under review, the Company applied the summary of the rule about usage, style, and drawing method of interim financial statements.

As a result, "Treasury stocks", had been recorded as short-term investments in securities" among current assets by last interim fiscal period, was recorded as deduction from at the bottom of shareholders' equity from the interim fiscal period under review.

## Notes

### [Interim Non-Consolidated Balance Sheets]

|   | September 30, 2001        | September 30, 2000         | March 31, 2001             |
|---|---------------------------|----------------------------|----------------------------|
| 1. Discounts on notes receivable  | ¥ 1,774 million           | ¥ 2,922 million            | ¥ 2,581 million            |
| 2. Accumulated depreciation of property, plants and equipment               | ¥ 55,821 million          | ¥ 53,977 million           | ¥ 54,479 million           |
| 3. Advanced depreciation by national subsidy                                | ¥150 million              | ¥150 million               | ¥150 million               |
| 4. Security-presented assets  |                           |                            |                            |
| Short-term investments in securities  | ¥999 million              | ¥998 million               | ¥999 million               |
| Property, plants and equipment  | ¥16,034 million           | ¥15,299 million            | ¥16,429 million            |
| Long-term investments in securities   | ¥1,068 million            | ¥1,753 million             | ¥1,386 million             |
| Stock of subsidiaries   | ¥180 million              | ¥180 million               | ¥180 million               |
| 5. Liabilities for guarantee, etc.  |                           |                            |                            |
| Liabilities for guarantee   | ¥ 3,347 million           | ¥3,905 million             | ¥4,263 million             |
| Guarantee engagement, etc.  | ¥ 820 million             | ¥1,740 million             | ¥1,200 million             |
| 6. Contingent liabilities with respect to debt assumption contract of bonds | ¥ 5,057 million           | ¥- million                 | ¥5,114 million             |
| 7. Increase in shares of common stock (Exercise of stock warrants)          | 22 thousand shares        | 1,401 thousand shares      | 1,401 thousand shares      |
| Issued shares   | -                         | 1,376 thousand shares      | 1,376 thousand shares      |
| Issue price   | -                         | ¥1,902                     | ¥1,902                     |
| Recapitalization price  | -                         | ¥951                       | ¥951                       |
| (Conversion of convertible bonds)   |                           |                            |                            |
| Issued shares   | 22 thousand shares        | 24 thousand shares         | 24 thousand shares         |
| Issue price   | 2,717 yen                 | ¥2,717                     | ¥2,717                     |
| Amount of recapitalization  | 1,359 yen                 | ¥1,359                     | ¥1,359                     |
| 8. Amount of treasury stocks  | ¥- million<br>( - shares) | ¥1 million<br>(272 shares) | ¥ 0 million<br>(72 Shares) |

### [Lease Transactions]

Financial leases, except lease agreements that stipulate the transfer of ownership of leased property to the lessee

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

|                          | September 30, 2001      | September 30, 2000      | March 31, 2001          |
|--------------------------|-------------------------|-------------------------|-------------------------|
|                          | Machinery and equipment | Machinery and equipment | Machinery and equipment |
| Acquisition costs        | ¥ 54 million            | ¥ 54 million            | ¥ 54 million            |
| Accumulated depreciation | ¥ 31 million            | ¥ 23 million            | ¥ 27 million            |
| Net leased property      | ¥ 23 million            | ¥ 31 million            | ¥ 27 million            |
|                          | Other                   | Other                   | Other                   |
| Acquisition costs        | ¥ 2,791 million         | ¥ 2,847 million         | ¥ 2,831 million         |
| Accumulated depreciation | ¥ 1,156 million         | ¥ 950 million           | ¥ 924 million           |
| Net leased property      | ¥ 1,634 million         | ¥ 1,896 million         | ¥ 1,907 million         |
|                          | Software                | Software                | Software                |
| Acquisition costs        | ¥ 37 million            | ¥ 101 million           | ¥ 6 million             |
| Accumulated depreciation | ¥ 4 million             | ¥ 98 million            | ¥ 1 million             |
| Net leased property      | ¥ 32 million            | ¥ 3 million             | ¥ 5 million             |
|                          | Total                   | Total                   | Total                   |
| Acquisition costs        | ¥ 2,883 million         | ¥ 3,003 million         | ¥ 2,892 million         |
| Accumulated depreciation | ¥ 1,192 million         | ¥ 1,071 million         | ¥ 952 million           |
| Net leased property      | ¥ 1,690 million         | ¥ 1,931 million         | ¥ 1,939 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

|                     | September 30, 2001 | September 30, 2000 | March 31, 2001  |
|---------------------|--------------------|--------------------|-----------------|
| Due within one year | ¥ 567 million      | ¥ 590 million      | ¥ 605 million   |
| Due after one year  | ¥ 1,122 million    | ¥ 1,340 million    | ¥ 1,333 million |
| Total               | ¥ 1,690 million    | ¥ 1,931 million    | ¥ 1,939 million |

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

(3) Lease payments and implied depreciation

|                | September 30, 2001 | September 30, 2000 | March 31, 2001 |
|----------------|--------------------|--------------------|----------------|
| Lease payments | ¥ 330 million      | ¥ 297 million      | ¥ 596 million  |
| Depreciation   | ¥ 330 million      | ¥ 297 million      | ¥ 596 million  |

(4) Depreciation

Depreciation was computed using the straight-line method.

**[Investments in securities]**

1. At September 30,2001,market value available in stocks subsidiaries and affiliates were as follows:

|                        | Millions of yen         |              |                            |
|------------------------|-------------------------|--------------|----------------------------|
|                        | As of September 30,2001 |              |                            |
|                        | Carried amount          | Market value | Net unrealized gain (loss) |
| Stocks of subsidiaries | -                       | -            | -                          |
| Stocks of affiliates   | 1,364                   | 1,229        | 134                        |
| Total                  | 1,364                   | 1,229        | 134                        |

2. At September 30,2000,market value available in stocks subsidiaries and affiliates were as follows

|                        | Millions of yen         |              |                            |
|------------------------|-------------------------|--------------|----------------------------|
|                        | As of September 30,2000 |              |                            |
|                        | Carried amount          | Market value | Net unrealized gain (loss) |
| Stocks of subsidiaries | -                       | -            | -                          |
| Stocks of affiliates   | 1,362                   | 1,890        | 527                        |
| Total                  | 1,362                   | 1,890        | 527                        |

3. At March 31,2001,market value available in stocks subsidiaries and affiliates were as follows:

|                        | Millions of yen     |              |                            |
|------------------------|---------------------|--------------|----------------------------|
|                        | As of March 31,2001 |              |                            |
|                        | Carried amount      | Market value | Net unrealized gain (loss) |
| Stocks of subsidiaries | -                   | -            | -                          |
| Stocks of affiliates   | 1,362               | 2,187        | 825                        |
| Total                  | 1,362               | 2,187        | 825                        |



**[Issuance of straight bonds]**

The Company decided on issuance of two unsecured straight bonds by the board of directors on October 13, 2001, and published as follows.

|  |   |
|--|---|
| 1. Unsecured straight bonds (the second) |   |
| -The total issue amount                  | 10 billion yen  |
| -Issue price                             | 100 yen at face value 100 yen   |
| -Payment date                            | November 6, 2001  |
| -Term of redemption                      | November 6, 2006  |
| -Interest rate                           | 0.91%, annual rate  |
| -The purpose for spending                | Payment of bank loans, and spending for capital expenditure and working capital |
| 2. Unsecured straight bonds (the third)  |   |
| -Total issue amount                      | 5 billion yen   |
| -Issue price                             | 100 yen at face value 100 yen   |
| -Payment date                            | November 6, 2001  |
| -Term of redemption                      | November 6, 2008  |
| -Interest rate                           | 1.37%, annual rate  |
| -The purpose for spending                | Payment of bank loans, and spending for capital expenditure and working capital |