



February 8, 2005

Consolidated Financial Review for the Third Quarter Ended December 31, 2004

Company Name:

THK CO., LTD.

Head Office:

Tokyo, Japan (Tel: +81-3-5434-0300)

URL:

<http://www.thk.co.jp/en/>

Stock exchange listing:

Tokyo Stock Exchange 1st Section

Code number:

6481

President and CEO:

Akihiro Teramachi

Director/General Manger of Corporate Strategy Department:

Kotaro Yoshihara

Application of U.S. GAAP:

None

1. Matters relating to prepare quarterly consolidated financial statements

a) Adoption of simplified accounting method: Yes

The company applied the simplified methods to the following points for this reporting:

- calculating the income and business taxes
- calculating and recognizing standard for allowance items

b) Changes in the accounting method from the most recent fiscal year: None

c) Changes in scope of consolidation and application of the equity method: Yes

New consolidated companies:1 Consolidated companies removed:1

New companies accounted for by the equity method: - Companies accounted for by the equity method removed:1

d) No comparison with the 3rd quarter of FY03(ended March 31, 2003) are available

2. Consolidated Financial Highlights (Unaudited)

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

(1) Consolidated Operating results of operation

	Net sales		Operating income		Ordinary income		Net income	
	Millions of yen		Millions of yen		Millions of yen		Millions of yen	
Third quarter ended December 31, 04	112,146	30.5	21,285	85.5	22,561	100.3	13,700	125.8
Third quarter ended December 31, 03	85,933	-	11,473	-	11,263	-	6,067	-
Year ended March 31, 04	119,253		16,231		15,892		8,583	

	Net income per share	Fully diluted net income per share
	Yen	Yen
Third quarter ended December 31, 04	115.56	103.42
Third quarter ended December 31, 03	51.35	45.38
Year ended March 31, 04	72.27	63.69

Note: Percentages for net sales, operating income, ordinary income and net income indicated changes from the third quarter of the previous term.

(2) Consolidated financial positions

	Total assets	Shareholders' equity	Equity ratio	Shareholders' equity per share
	Millions of yen	Millions of yen	%	Yen
As of December 31, 04	216,959	123,905	57.1	1,034.59
As of December 31, 03	183,398	106,255	57.9	900.34
As of March 31, 04	191,105	109,181	57.1	923.35

[Consolidated statements of cash flows]

	Net cash provided by operating activities	Net cash used in investing activities	Net cash used in financing activities	Cash and cash equivalents at end of period
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
As of December 31, 04	14,605	(5,794)	(1,761)	68,996
As of December 31, 03	11,961	(3,654)	(26,945)	53,638
As of March 31, 04	15,735	(3,681)	(27,132)	57,037

(Reference)

Forecasted results for the fiscal year ending March 31, 2005 (April 1, 2004 to March 31, 2005)

	Net sales	Operating income	Ordinary income	Net income
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Year ending March 31, 05	143,000	25,400	26,700	16,500

For reference: Forecasted net income per share for the year ending March 31, 2005: 137.77 yen
(calculated based on average number of common stock outstanding during the period)

Note: The company has not changed the forecasted figures which were announced on November 18, 2004.

However, this release contains forward-looking statements that are based on available data at the time of release.

Some factors could cause actual results to differ from expectations.

Business Performance for the Third Quarter (Ending December 31, 2004)

Consolidated sales increased 30.5 percent for the third quarter, which ended December 31, 2004, over the corresponding quarter of the previous year. Domestic sales to the machine tool and general machinery industries rose due to increased demand of machineries in China, and to large capital investments by the automobile industry. Domestic sales to the electronics industry also gained, driven by increased sales to the flat-panel and semiconductor industries. Sales in the US increased as well, with rapid turnover to the electronics and transportation equipment industries, despite the adverse effects of the strong yen against dollars. Sales in Europe increased, due to gains mainstay machine tool and general machinery industries. Sales in Asia increased, helped by strong sales to the machine tool and electronics industries. As a result, this company marked sales increases all over the world.

This company posted an 85.5-percent year-on-year increase in consolidated operating income for the third quarter, and the operating income margin increased by 5.6 percent, to 18.9 percent. The cost-to-sales ratio improved by 2.4 percent, helped by productivity enhancements that resulted in the improved profitability of overseas plants and shortened lead times at domestic plants. The ratio of sales and general administrative expenses to sales also improved by 3.2 percentage points, as a result of efforts to reduce them.

Consolidated Financial Standing

(1) Analysis of Balance Sheets

Total assets as of December 31, 2004, were ¥216,959 million, an increase by ¥25,854 million from the previous consolidated fiscal year-end. This is mainly because of increases in notes and accounts receivable, and of increases cash and cash equivalents gained by making Daito Seiki Company Limited a wholly-owned subsidiary. Shareholders' equity to total assets was about the same level as the previous fiscal year-end, at 57.1 percent, because liabilities gained due to increased notes and accounts payable caused by increased materials procurement, even though retained earnings showed an increase helped by a growth in net income.

(2) Analysis of Statements of Cash Flows

Cash Flows from Operating Activities:

Accounts receivable increased by ¥6,843 million, due to increased sales, and ¥10,016 million in corporate income tax was paid. Net cash provided by operating activities was ¥14,605 million, however, because income before taxes was ¥21,994 and depreciation expenses were ¥4,130 million for the three months ending December 31, 2004, and accounts payable rose by ¥7,254 million due to an increase in sales.

Cash Flows from Investing Activities: Net cash used in investing activities was ¥5,794 million, mainly because ¥5,531 million was spent for capital investments to improve the efficiency of domestic plants.

Cash Flows from Financial Activities: Net cash used in financial activities amounted to ¥1,761 million, due mainly to dividend payments of ¥1,733 million.

As a result, the outstanding balance of cash and cash equivalents as of December 31, 2004, increased over that of the previous fiscal year-end by ¥11,959 million, to ¥68,996 million.

(Reference)

1. Non Consolidated Financial Highlights (Unaudited)

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

(1) Operating results

	Net sales		Operating income		Ordinary income		Net income	
	Millions of yen		Millions of yen		Millions of yen		Millions of yen	
Third quarter ended December 31, 04	92,093	32.2	18,732	61.2	19,701	68.8	11,597	72.2
Third quarter ended December 31, 03	69,642	-	11,624	-	11,668	-	6,736	-
Year ended March 31, 04	97,740		16,186		16,099		8,831	

	Net income per share		Fully diluted net income per share	
	Yen		Yen	
Third quarter ended December 31, 04	97.71		87.46	
Third quarter ended December 31, 03	56.89		50.22	
Year ended March 31, 04	74.18		65.39	

Note: Percentages for net sales, operating income, ordinary income and net income indicated changes from the third quarter of the previous term.

(2) Financial position

	Total assets	Shareholders' equity	Equity ratio	Shareholders' equity per share
	Millions of yen	Millions of yen	%	Yen
As of December 31, 04	204,570	121,534	59.4	1,013.66
As of December 31, 03	175,060	103,391	59.1	873.63
As of March 31, 04	181,983	105,760	58.1	893.23

2. Forecasted result for the fiscal year ending March 31, 2005 (April 1, 2004 to March 31, 2005)

	Net sales	Operating income	Ordinary income	Net income
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Year ending March 31, 05	117,000	22,700	23,600	14,000

For reference: Forecasted of net income per share for the year ending March 31, 2005: 116.77Yen
(calculated based on average number of common stock outstanding during the period)

Note: The company has not changed the forecasted figures which were announced on November 18, 2004.

However, this release contains forward-looking statements that are based on available data at the time of release.

Some factors could cause actual results to differ from expectations.

Consolidated Balance Sheets (Unaudited)

(Millions of yen)

	As of December 31, 2004		As of December 31, 2003		Increase/ (Decrease)		As of March 31, 2004	
	Amount	%	Amount	%	Amount	%	Amount	%
Assets								
Current assets:								
Cash on hand and in bank	68,644		53,387		15,257		56,550	
Notes and accounts receivable-trade	53,675		42,800		10,875		46,285	
Short-term investments in securities	351		280		70		516	
Inventories	24,471		23,084		1,387		23,108	
Other	5,683		4,137		1,546		4,246	
Total current assets	152,827	70.4	123,690	67.4	29,136	23.6	130,706	68.4
Fixed assets:								
Tangible fixed assets	47,606	22.0	42,695	23.3	4,910	11.5	42,982	22.5
Intangible fixed assets	1,126	0.5	1,579	0.9	(453)	(28.7)	1,482	0.8
Investments and other	15,399	7.1	15,432	8.4	(33)	(0.2)	15,933	8.3
Total Fixed assets	64,132	29.6	59,707	32.6	4,424	7.4	60,398	31.6
Total assets	216,959	100.0	183,398	100.0	33,561	18.3	191,105	100.0
Liabilities								
Current liabilities:								
Notes and accounts payable-trade	29,481		22,946		6,535		24,219	
Other	18,167		12,679		5,488		16,098	
Total current liabilities	47,649	22.0	35,625	19.4	12,023	33.8	40,318	21.1
Long-term liabilities:								
Bonds	38,000		38,000		-		38,000	
Other	6,997		3,172		3,824		3,247	
Total long-term liabilities	44,997	20.7	41,172	22.5	3,824	9.3	41,247	21.6
Total liabilities	92,646	42.7	76,798	41.9	15,848	20.6	81,565	42.7
Minority interests								
Minority interests	407	0.2	345	0.2	62	18.1	357	0.2
Shareholders' equity								
Common stock	23,106	10.7	23,106	12.6	-	-	23,106	12.0
Capital surplus	32,651	15.0	30,962	16.8	1,689	5.5	30,962	16.2
Earned surplus	67,711	31.2	53,320	29.0	14,391	27.0	55,836	29.2
Valuation adjustment for marketable securities	607	0.3	464	0.3	142	30.7	721	0.4
Foreign currency translation adjustment	432	0.2	(47)	(0.0)	479	(1,018.2)	(120)	(0.0)
Treasury stock	(603)	(0.3)	(1,551)	(0.8)	948	(61.1)	(1,324)	(0.7)
Total shareholders' equity	123,905	57.1	106,255	57.9	17,650	16.6	109,181	57.1
Total liabilities, minority interests and Shareholders' equity	216,959	100.0	183,398	100.0	33,561	18.3	191,105	100.0

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

Consolidated Statements of Income (Unaudited)

(Millions of yen)

	For the 3rd quarter ended December 31,2004		For the 3rd quarter ended December 31,2003		Increase/(Decrease)		For the year ended March 31,2004	
	Amount	%	Amount	%	Amount	%	Amount	%
Net sales	112,146	100.0	85,933	100.0	26,212	30.5	119,253	100.0
Cost of sales	70,505	62.9	56,129	65.3	14,376	25.6	77,932	65.4
Gross profit	41,640	37.1	29,804	34.7	11,836	39.7	41,321	34.6
Selling, general and administrative expenses	20,355	18.2	18,331	21.4	2,024	11.0	25,090	21.0
Operating income	21,285	18.9	11,473	13.3	9,812	85.5	16,231	13.6
Non-operating income	1,744	1.6	679	0.8	1,065	156.8	1,070	0.9
Interest and dividend income	205		98		107		147	
Other	1,538		580		958		922	
Non-operating expenses	468	0.4	889	1.0	(420)	(47.3)	1,409	1.2
Interest expenses	293		384		(91)		493	
Other	175		504		(328)		916	
Ordinary income	22,561	20.1	11,263	13.1	11,298	100.3	15,892	13.3
Extraordinary gain	155	0.1	64	0.0	91	142.2	68	0.1
Extraordinary loss	722	0.7	270	0.3	452	167.2	439	0.4
Income before income taxes	21,994	19.5	11,057	12.8	10,937	98.9	15,520	13.0
Income taxes and other	8,269	7.3	4,953	5.8	3,316	67.0	6,926	5.8
Minority interests income of consolidated subsidiaries	25	0.0	36	0.0	(11)	(31.3)	10	0.0
Net income	13,700	12.2	6,067	7.0	7,632	125.8	8,583	7.2

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

Consolidated Statements of Retained Earnings(Unaudited)

(Millions of yen)

	Nine months ended December 31, 2004	Nine months ended December 31, 2003	Year ended March 31, 2004
	Amount	Amount	Amount
Capital surplus			
Capital surplus at beginning of the period	30,962	30,962	30,962
Increase in capital surplus			
Gain on disposition of treasury stock	688	-	-
Increase resulting from consolidation of a subsidiary	1,000	-	-
Capital surplus at end of the period	32,651	30,962	30,962
Earned surplus			
Earned surplus at beginning of the period	55,836	48,686	48,686
Increase in earned surplus			
Net income	13,700	6,067	8,583
Increase in earned surplus due to decrease of an affiliate	-	378	378
Decrease in earned surplus			
Dividends	1,775	1,782	1,782
Bonuses to directors	50	30	30
Earned surplus at end of the period	67,711	53,320	55,836

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

Consolidated Statements of Cash Flows (Unaudited)

(Millions of yen)

	Nine months ended December 31, 2004	Nine months ended December 31, 2003	Year ended March 31, 2004
	Amount	Amount	Amount
Cash flows from operating activities :			
Income before income taxes and minority interests	21,994	11,057	15,520
Depreciation and amortization	4,130	4,084	5,566
Increase (decrease) in notes and accounts receivable	(6,843)	(7,802)	(11,293)
Increase (decrease) in inventories	(425)	435	395
Increase (decrease) in notes and accounts payable	7,254	6,062	7,337
Other	(1,488)	152	655
Subtotal	24,621	13,989	18,182
Income taxes paid	(10,016)	(2,028)	(2,446)
Net cash provided by operating activities	14,605	11,961	15,735
Cash flows from Investing activities :			
Payments for purchases of tangible fixed assets, marketable securities and investment securities	(6,001)	(3,802)	(5,415)
Proceeds from sales of tangible fixed assets, marketable securities and investment securities	157	1,223	2,782
Other	49	(1,075)	(1,048)
Net cash provided by investing activities	(5,794)	(3,654)	(3,681)
Cash flows from financing activities :			
Increase (decrease) in short-term debt	-	(3,310)	(3,303)
Increase (decrease) in long-term debt	(18)	(20,741)	(20,932)
Other	(1,743)	(2,893)	(2,895)
Net cash provided by financing activities	(1,761)	(26,945)	(27,132)
Effect of exchange rate changes on cash and cash equivalents	191	(256)	(418)
Net increase(decrease) in cash and cash equivalents	7,240	(18,895)	(15,496)
Cash and cash equivalents at beginning of the period	57,037	72,533	72,533
Increase in cash and cash equivalents due to initial inclusion of a consolidated subsidiary	4,734	-	-
Decrease in cash and cash equivalents due to exclusion of a consolidated subsidiary	(15)	-	-
Cash and cash equivalents at end of the period	68,996	53,638	57,037

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