

>>> Consolidated Financial Statements

THK CO., LTD. AND CONSOLIDATED SUBSIDIARIES

Consolidated Balance Sheets

as of March 31, 2002 and 2003

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2002	2003	2003
ASSETS			
Current Assets:			
Cash and bank deposits (Notes 6 and 13)	¥ 43,368	¥ 66,460	\$ 552,911
Short-term investments in securities (Notes 6 and 13)	9,137	7,004	58,267
Accounts and notes receivable-			
Trade	23,817	33,115	275,495
Unconsolidated subsidiaries and affiliates	1,055	1,949	16,213
Other	6,024	456	3,802
	30,896	35,520	295,510
Less: allowance for bad debts	(470)	(384)	(3,195)
	30,426	35,136	292,315
Inventories (Note 5)	26,431	23,748	197,568
Short-term advances (Note 13)-			
Unconsolidated subsidiaries and affiliates	215	252	2,100
Other	4,000	8	67
Deferred tax assets (Note 12)	2,521	2,249	18,710
Other current assets	514	756	6,296
Total current assets	116,612	135,613	1,128,234
Investments and Other:			
Long-term investments in securities (Notes 4 and 6)	4,766	3,845	31,984
Investments in unconsolidated subsidiaries and affiliates (Note 4)	5,753	4,667	38,825
Deferred tax assets (Note 12)	2,446	2,134	17,754
Other investments	3,478	2,504	20,834
	16,443	13,150	109,397
Property, Plant and Equipment (Notes 6 and 8):			
Buildings and structures	27,553	27,405	227,998
Machinery and equipment	67,026	67,436	561,030
	94,579	94,841	789,028
Less: accumulated depreciation	(61,369)	(64,012)	(532,545)
	33,210	30,829	256,483
Land	10,253	10,258	85,341
Construction in progress	587	1,304	10,846
	44,050	42,391	352,670
Deferred Charges and Intangibles	2,600	2,043	16,998
Total assets	¥ 179,705	¥ 193,197	\$1,607,299

The accompanying notes are an integral part of these statements.

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2002	2003	2003
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current Liabilities:			
Short-term bank loans (Note 6)	¥ 6,551	¥ 3,306	\$ 27,503
Current portion of long-term debt (Note 6)	12,168	19,755	164,354
Accounts and notes payable-			
Trade	10,559	14,941	124,301
Unconsolidated subsidiaries and affiliates	1,306	2,096	17,436
Other	395	688	5,727
	12,260	17,725	147,464
Income taxes payable	108	1,668	13,880
Accrued expenses	3,640	4,842	40,286
Other current liabilities	1,253	853	7,092
Total current liabilities	35,980	48,149	400,579
Long-term Liabilities:			
Long-term debt (Note 6)	36,610	39,192	326,059
Reserve for employees' retirement benefits (Note 11)	1,346	1,484	12,343
Reserve for directors' and statutory auditors' retirement benefits	1,512	1,194	9,933
Other liabilities (Note 12)	142	390	3,243
Total long-term liabilities	39,610	42,260	351,578
Minority Interest	367	310	2,578
Shareholders' Equity:			
Common stock, no par value for 2002 and 2003:			
Authorized: 465,877,700 shares for 2002 and 2003:			
Issued: 119,363,018 shares for 2002 and 2003:	23,106	23,106	192,232
Additional paid-in capital	30,962	30,962	257,589
Retained earnings	48,585	48,687	405,049
Net unrealized gain on other securities (Note 4)	45	(355)	(2,954)
Foreign currency translation adjustments	1,053	481	4,002
Treasury stock, at cost: 1,800 shares and 347,765 shares for 2002 and 2003, respectively	(3)	(403)	(3,354)
Total shareholders' equity	103,748	102,478	852,564
Contingent Liabilities (Note 7)			
Total liabilities and shareholders' equity	¥ 179,705	¥ 193,197	\$ 1,607,299

>>> Consolidated Financial Statements

THK CO., LTD. AND CONSOLIDATED SUBSIDIARIES

Consolidated Statements of Income

for the years ended March 31, 2001, 2002 and 2003

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2001	2002	2003	2003
Net Sales				
	¥ 140,287	¥ 89,340	¥ 94,600	\$ 787,021
Cost of Sales	91,447	63,294	66,647	554,465
Gross profit	48,840	26,046	27,953	232,556
Selling, General and Administrative Expenses (Note 10)	23,145	23,870	23,060	191,849
Operating income	25,695	2,176	4,893	40,707
Non-Operating Income/(Expenses):				
Interest and dividend income	550	356	219	1,820
Interest expenses	(1,139)	(1,041)	(888)	(7,388)
Loss on sales of long-term investments in securities	(219)	—	—	—
Amortization of bond discount	(114)	—	—	—
Loss on sales/disposal of property and equipment	(471)	(153)	(403)	(3,350)
Foreign exchange gain, net	1,741	801	352	2,925
Equity earnings (losses) of unconsolidated subsidiaries and affiliates	330	8	(12)	(101)
Rental income	125	132	149	1,236
One-time provision for directors' and statutory auditors' retirement benefits for the period prior to April 1, 2000 (Note 3)	(1,309)	—	—	—
Loss on write-down of long-term investments in securities	(6)	(875)	(510)	(4,243)
Loss on write-down of other investments	(389)	—	—	—
Liquidation loss of unconsolidated subsidiaries	—	(466)	—	—
Loss on change in interest in affiliated company	—	(136)	(318)	(2,649)
Other, net	(464)	31	115	964
	(1,365)	(1,343)	(1,296)	(10,786)
Income before income taxes and minority interest	24,330	833	3,597	29,921
Income Taxes (Note 12)	9,889	15	1,773	14,751
Income before minority interest	14,441	818	1,824	15,170
Minority interest in (income)/loss of consolidated subsidiaries	(125)	2	68	569
Net income	¥ 14,316	¥ 820	¥ 1,892	\$ 15,739

Per Share Data:	Yen			U.S. dollars (Note 1)
Net income - basic	¥ 120.20	¥ 6.88	¥ 15.65	\$ 0.130
- diluted	¥ 115.44	—	¥ 15.12	\$ 0.126

The accompanying notes are an integral part of these statements.

Consolidated Statements of Shareholders' Equity

for the years ended March 31, 2001, 2002 and 2003

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2001	2002	2003	2003
Common Stock				
At beginning of year	¥ 21,733	¥ 23,076	¥ 23,106	\$ 192,232
Conversion of convertible bonds to common stock	34	30	—	—
Exercise of stock warrants to common stock	1,309	—	—	—
At end of year	¥ 23,076	¥ 23,106	¥ 23,106	\$ 192,232
Additional Paid-In Capital				
At beginning of year	¥ 29,220	¥ 30,932	¥ 30,962	\$ 257,589
Conversion of convertible bonds to common stock	34	30	—	—
Exercise of stock warrants to common stock	1,678	—	—	—
At end of year	¥ 30,932	¥ 30,962	¥ 30,962	\$ 257,589
Retained Earnings				
At beginning of year	¥ 37,109	¥ 49,614	¥ 48,585	\$ 404,205
Net income	14,316	820	1,892	15,739
Cash dividends	(1,781)	(1,789)	(1,790)	(14,895)
Directors' bonuses	(30)	(60)	—	—
At end of year	¥ 49,614	¥ 48,585	¥ 48,687	\$ 405,049
Net Unrealized Gain on Other Securities				
At beginning of year	¥ —	¥ 268	¥ 45	\$ 375
Change in the year	268	(223)	(400)	(3,329)
At end of year	¥ 268	¥ 45	¥ (355)	\$ (2,954)
Foreign Currency Translation Adjustments				
At beginning of year	¥ —	¥ (1,278)	¥ 1,053	\$ 8,766
Change in the year	(1,278)	2,331	(572)	(4,764)
At end of year	¥ (1,278)	¥ 1,053	¥ 481	\$ 4,002
Treasury Stock, at cost				
At beginning of year	¥ (1)	¥ (0)	¥ (3)	\$ (31)
Purchase of treasury stock	(49)	(6)	(17)	(143)
Sales of treasury stock	50	3	—	—
Change in the year of treasury stock held by an affiliated company	—	—	(383)	(3,180)
At end of year	¥ (0)	¥ (3)	¥ (403)	\$ (3,354)
Total Shareholders' Equity at end of year	¥102,612	¥103,748	¥ 102,478	\$ 852,564

The accompanying notes are an integral part of these statements.

>>> Consolidated Financial Statements

THK CO., LTD. AND CONSOLIDATED SUBSIDIARIES

Consolidated Statements of Cash Flows

for the years ended March 31, 2001, 2002 and 2003

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2001	2002	2003	2003
Cash Flows from Operating Activities:				
Income before income taxes and minority interest	¥ 24,330	¥ 833	¥ 3,597	\$ 29,921
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation and amortization	5,813	6,164	6,164	51,278
Increase/(decrease) in provisions	2,352	(128)	(390)	(3,248)
Loss on sale/disposal of property and equipment	471	153	403	3,350
Interest and dividend income	(550)	(356)	(219)	(1,820)
Interest expenses	1,139	1,041	888	7,388
Foreign exchange gain, net	(380)	(135)	(141)	(1,170)
Equity earnings (losses) of unconsolidated subsidiaries and affiliates	(330)	(8)	12	101
Loss on write-down of long-term investments in securities	6	875	510	4,243
Liquidation loss of unconsolidated subsidiaries	—	466	—	—
Loss on change in interest in affiliated company	—	136	318	2,649
Changes in assets and liabilities:				
(Increase)/decrease in accounts and notes receivable	(9,831)	22,138	(10,254)	(85,306)
Decrease in inventories	5,557	4,697	2,502	20,817
Increase/(decrease) in accounts and notes payable	1,649	(15,976)	5,221	43,433
Other, net	392	(1,285)	2,560	21,297
Subtotal	30,618	18,615	11,171	92,933
Interest and dividend income received	586	374	220	1,833
Interest expenses paid	(1,261)	(1,003)	(903)	(7,512)
Income taxes (paid)/refunded	(6,940)	(14,714)	5,524	45,959
Net cash provided by operating activities	23,003	3,272	16,012	133,213
Cash Flows from Investing Activities:				
(Increase)/decrease in time deposits due over three months	—	(498)	468	3,894
Payments for purchase of short-term investments in securities	(1,549)	(1,999)	(1,199)	(9,978)
Proceeds from sales of short-term investments in securities	4,287	2,063	1,328	11,052
Payments for purchase of property, plant and equipment	(11,076)	(9,225)	(4,760)	(39,599)
Proceeds from sales of property, plant and equipment	1,286	194	149	1,239
Payments for purchase of long-term investments in securities/investments in unconsolidated subsidiaries and affiliates	(250)	(486)	(10)	(80)
Proceeds from sales of long-term investments in securities/investments in unconsolidated subsidiaries and affiliates	132	888	104	862
Payments of short-term advances	(689)	(663)	(335)	(2,790)
Collections of short-term advances	537	1,819	345	2,872
Net cash used in investing activities	(7,322)	(7,907)	(3,910)	(32,528)
Cash Flows from Financing Activities:				
Decrease in short-term bank loans	(5,178)	(1,512)	(2,887)	(24,018)
Borrowings of long-term debt	900	1,210	—	—
Repayments of long-term debt	(5,173)	(6,038)	(4,787)	(39,821)
Proceeds from issuance of bonds	—	15,000	22,905	190,553
Redemption of bonds	(14,855)	—	(8,000)	(66,556)
Exercise of stock warrants to common stock	2,705	—	—	—
Cash dividends	(1,784)	(1,790)	(1,790)	(14,895)
Other, net	1	60	(17)	(143)
Net cash provided by (used in) financing activities	(23,384)	6,930	5,424	45,120
Effect of Exchange Rate Changes on Cash and Cash Equivalents	885	664	1	4
Net Increase/(Decrease) in Cash and Cash Equivalents	(6,818)	2,959	17,527	145,809
Cash and Cash Equivalents at Beginning of Year (Note 13)	58,866	52,048	55,007	457,633
Cash and Cash Equivalents at End of Year (Note 13)	¥ 52,048	¥ 55,007	¥ 72,534	\$ 603,442

The accompanying notes are an integral part of these statements.