1.Basis of Consolidated Financial Statements

The accompanying consolidated financial statements have been prepared based on the accounts maintained by THK CO., LTD. (the "Company") and its subsidiaries in accordance with the provisions set forth in the Commercial Code of Japan and the Securities and Exchange Law of Japan, and in conformity with accounting principles and practices generally accepted in Japan, which are different in certain respects from the application and disclosure requirements of International Financial Reporting Standards.

Certain items presented in the consolidated financial statements submitted to the Director of Kanto Financial Bureau in Japan have been reclassified in these financial statements for the convenience of readers outside Japan.

The accompanying consolidated financial statements are not intended to present the consolidated financial position, results of operations and cash flows in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than Japan.

Amounts in U.S. dollars are included solely for the convenience of readers outside Japan. The rate of ¥120.20=U.S.$1, the rate of exchange on March 31, 2003 has been used in translation. The inclusion of such amounts is not intended to imply that Japanese yen have been or could be readily converted, realized or settled in U.S. dollars at this or any other rate.

2.Basis of Consolidation

(a) Scope of Consolidation

The Company had 21 subsidiaries ("controlling companies"–companies whose decision making is controlled) as at March 31, 2003 (22 as at March 31, 2002). The consolidated financial statements for the year ended March 31, 2003 include the accounts of the Company and 13 (13 for 2002) of its subsidiaries. The 13 major subsidiaries, which have been consolidated with the Company, are listed below (the Company and these consolidated subsidiaries are together, referred to as the "Companies"):

Name of subsidiary	Percentage owned by the Company (directly or indirectly)	Fiscal year ended
THK Holdings of America, L.L.C. (USA)	100%	Dec.31, 2002
THK America, Inc. (USA)	100	Dec.31, 2002
THK Manufacturing of America, Inc. (USA)	100	Dec.31, 2002
THK Neturen America L.L.C.(USA)	50	Dec.31, 2002
THK Europe B.V. (the Netherlands)	100	Dec.31, 2002
THK GmbH (Germany)	100	Dec.31, 2002
PGM Ballscrews Ltd. (UK)	100	Dec.31, 2002
PGM Ballscrews Ireland Ltd. (Ireland)	98.97	Dec.31, 2002
THK Manufacturing of Europe,S.A.S. (France)	100	Dec.31, 2002
THK TAIWAN Co., Ltd.(Taiwan)	94.99	Dec.31, 2002
THK Yasuda Co., Ltd. (Japan)	70	Mar.31, 2003
Talk System Co., Ltd. (Japan)	98.90	Mar.31, 2003
Beldex Corporation (Japan)	94.73	Mar.31, 2003

The accounts for the year ended March 31,2003 of the remaining 8 (9 for 2002) subsidiaries are insignificant, meaning that these accounts have not been consolidated with the Company since combined assets, net sales, net income and retained earnings of these companies, in the aggregate, are not significant in relation to those of the Companies.

(b) Elimination of Inter-company Transactions

For the purposes of preparing the consolidated financial statements of the Companies, all significant inter-company transactions, account balances and unrealized profits among the Companies have been entirely eliminated.

(c) Accounting for Investments in Unconsolidated Subsidiaries and Affiliates

At March 31, 2003, the Company had 3 (4 for 2002) affiliates ("influencing companies"–companies whose financial and operating or business decision making can be influenced by the Companies in material degree, and are not subsidiaries) . The equity method is applied only to the investment in Daito Seiki Co., Ltd., since the investments in other unconsolidated subsidiaries and affiliates do not have material effects on consolidated net income and retained earnings in the consolidated financial statements, had they been accounted for using the equity method. Thus the investments in the unconsolidated subsidiaries and affiliates are carried at cost or less.

(d) Translation of Foreign Currency Financial Statements (Accounts of Overseas Subsidiaries)

Until the year ended March 31, 2000, the translations of foreign currency financial statements of overseas subsidiaries into yen for consolidation purposes were performed by applying the current exchange rate method. Under this method, all assets, liabilities, revenues, costs and expenses are translated into yen at exchange rates prevailing at the end of each fiscal year and the common stock and additional paid-in capital accounts are translated at historical rates.

Effective from the year ended March 31, 2001, the Company and its domestic subsidiaries adopted the new Japanese accounting standards for foreign currency translation, which are effective for periods beginning on or after April 1, 2000. Under the new standards, assets and liabilities of the foreign subsidiaries and affiliates are translated into Japanese yen at the exchange rates prevailing at the balance sheet date. The shareholders' equity at beginning of the year is translated into Japanese yen at the historical rates. Profit and loss accounts for the year are translated into Japanese yen using the average exchange rate during the year. Differences in yen amounts arising from the use of different rates are presented as "Foreign currency translation adjustments" in the shareholders' equity. The adoption of the new standards did not have a material impact on the consolidated financial statements of the company.

3.Summary of Significant Accounting Policies

(a) Inventories

Inventories held by the Company, THK Yasuda Co., Ltd., Talk System Co., Ltd. and THK Manufacturing of Europe S.A.S. are valued at cost, cost being determined using the annual average cost method. Inventories held by THK America, Inc., THK Manufacturing of America, Inc., PGM Ballscrews Ltd. and PGM Ballscrews Ireland Ltd. are valued at the lower of cost or market value, cost being determined using the first-in first-out method. Inventories held by THK Europe B.V., THK GmbH and THK TAIWAN Co., Ltd. are valued at the lower of cost or market value, cost being determined using the moving-average method. Inventories held by Beldex Corporation are valued at cost, cost being determined using identified cost method.

(b) Financial Instruments

Until the year ended March 31, 2000, short-term investments in securities (current portfolio) and long-term investments in securities (non-current portfolio) listed on stock exchanges were valued at the lower of cost or market value, cost being determined using the moving average method.
Appropriate write-downs were recorded for unlisted securities that experience substantial decline in value and where such impairments of value are considered not to be temporary.

Effective from the year ended March 31, 2001, the Company and its domestic subsidiaries adopted the new Japanese accounting standards for financial instruments, which are effective for periods beginning on or after April 1, 2000. As a result of adopting of the new standards, income before income taxes and minority interest for the year ended March 31, 2001 has decreased by ¥1,189 million, compared to the amount which would have been reported if the previous standards had been applied consistently. The effect of adopting the new standards on segment information is discussed in Note 14.

(i) Derivatives

All derivatives are stated at fair value, with changes in fair values included in net profit or loss for the period in which they arise.

(ii) Securities

Securities held by the Company and its subsidiaries are classified into the following categories;

Investments of the Company in equity securities issued by unconsolidated subsidiaries and affiliates are accounted for by the equity method. Exceptionally, investments in certain unconsolidated subsidiaries and affiliates are stated at cost because the effect of applying the equity method would be immaterial.

Other securities, for which market quotations are available, are stated at fair value. Net unrealized gains or losses on these securities are reported as a separate item in the shareholders' equity at a net-of-tax amount.

Other securities, for which market quotations are not available, are stated at cost, except as stated in the paragraph below.

In cases where the fair value of equity securities issued by unconsolidated subsidiaries and affiliates, or other securities has declined significantly and such impairment of the value is not deemed temporary, those securities are written down to the fair value and the resulting losses are included in net profit or loss for the period.

Under the standards, 'other securities' such as bonds that mature within one year or less and those categorized as cash equivalents in the cash flow statements are presented as "current" and the other securities excluding the above are presented as "non-current".

(c) Property, Plant and Equipment

For the Company and its domestic subsidiaries, depreciation is computed using the declining-balance method at the rates based on the estimated useful lives of assets. For its overseas subsidiaries, depreciation is computed using the straight-line and accelerated methods in accordance with their local accounting standards and regulations. The range of useful lives is principally from 5 to 50 years for buildings and structures and from 4 to 10 years for machinery and equipment.

Normal repairs and maintenance, including minor renewals and improvements, are charged to income as incurred.

(d) Amortization

Amortization of intangible assets (included in "Deferred Charges and Intangibles" account) is computed using the straight-line method over 8 to 15 years.

Software costs for internal use are amortized over their estimated useful lives (less than 5 years) on a straight-line basis.

Premiums or discounts on debt securities are amortized over the period that bonds remain outstanding.

(e) Allowance for Bad Debts

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

(f) Reserve for Employees' Retirement Benefits

Until the year ended March 31, 2000, the Company recorded a reserve for employees' retirement benefits based on tax regulations. The balance of the liability at March 31, 2000 was the amount which would be required to be paid if all employees voluntarily terminated their employment at those dates.

Effective from the year ended March 31, 2001, the Company and its domestic subsidiaries adopted the new Japanese accounting standards for employees' retirement benefits, which are effective for periods beginning on or after April 1, 2000. In accordance with the new standards, the reserve for employees' retirement benefits represents the estimated present value of projected benefit obligations in excess of the fair value of the plan assets except for the unrecognized actuarial differences which are amortized on a straight-line basis over the period of 10 years from the next year in which they arise. As permitted under the new standards, the transition liability arising from adopting the standards at April 1, 2000 was charged to income.

The adoption of the new standards did not have a material impact on the accompanying consolidated financial statements.

(g) Reserve for Directors' and Statutory Auditors' Retirement Benefits

Until the year ended March 31, 2000, the Company had recognized the retirement benefits for directors and statutory auditors on a cash basis.

Effective from the year ended March 31, 2001, the Company has changed its accounting policy to record a reserve for directors' and statutory auditors' retirement benefits equivalent to the liability the Company would have to pay if all eligible directors and statutory auditors resigned at the balance sheet date.

The change was made in line with the revision of the internal regulations for directors' and statutory auditors' retirement benefits and the general prevalence of such accounting practices in Japan. The change was made for the purpose of appropriate matching of revenue and related costs by allocating the cost of reserve for directors' and statutory auditors' retirement benefits to each term in office.

As a result of the change, for the year ended March 31, 2001, selling, general and administrative expenses and non-operating expense increased by ¥115 million and ¥1,309 million, respectively, and income before income taxes and minority interest decreased by ¥1,424 million, compared with the previous basis. The effect of this change on segment information is discussed in Note 14.

(h) Lease

Leases that transfer substantially all the risks and rewards of ownership of the assets are accounted for as capital leases, except that leases that do not transfer ownership of the assets at the end of the lease term are accounted for as operating leases, in accordance with accounting principles and practices generally accepted in Japan.

(i) Foreign Currency Translation

Until the year ended March 31, 2000, monetary assets and liabilities, except long-term accounts, denominated in foreign currencies were translated into Japanese yen at the current exchange rates prevailing at the respective balance sheet dates. Resulting translation gains or losses were included in the determination of net income for the year.

Effective from the year ended March 31, 2001, the Company and its domestic subsidiaries adopted the new Japanese accounting standards for foreign currency translation, which are effective for periods beginning on or after April 1, 2000. Under the new standards, all monetary assets and liabilities denominated in foreign currencies, whether long-term or short-term, are translated into Japanese yen at the exchange rates prevailing at the balance sheet date. Resulting gains and losses are included in net profit or loss for the period. The adoption of the new method had no impact on the accompanying consolidated financial statements.

(j) Accounting for Consumption Tax

Consumption tax is levied at the flat rate of 5% on all domestic consumption of goods and services (with certain exemptions). The consumption tax withheld upon sale is not included in the amount of "net sales" in the accompanying consolidated statements of income but is recorded as a liability. The consumption tax paid by the Company and domestic subsidiaries on the purchases of goods and services is not included either in the amounts of costs or expenses in the consolidated statements of income, but is recorded as an asset and the net balance of liability less asset is included in "other current liabilities" in the consolidated balance sheets.

(k) Income Taxes

Income taxes of the Company and its domestic subsidiaries consist of corporate income taxes, local inhabitants' taxes and enterprise taxes.

The provision for income taxes is computed based on the pretax income included in the consolidated statements of income. Deferred income taxes were determined using the asset and liability approach, whereby deferred tax assets and liabilities were recognized in respect of temporary differences between the tax basis of assets and liabilities and those as reported in the financial statements.

(l) Cash and Cash Equivalents

Cash and cash equivalents in the consolidated statements of cash flows are composed of cash on hand, bank deposits that can be withdrawn on demand and short-term investments with original maturity of three months or less and which represent a minor risk of fluctuations in value.

(m) Net Income per Share

Net income per share is calculated by dividing net income, as adjusted for appropriation of retained earnings for directors' bonus, by the weighted-average number of shares outstanding during the reported period. The calculation of diluted net income per share is similar to the calculation of net income per share, except that the weighted-average number of shares outstanding includes the additional dilution from assumed conversion of convertible bonds of the Company.

4. Long-term Investments in Securities and Investments in Unconsolidated Subsidiaries and Affiliates

At March 31, 2002 and 2003, “other securities" with available market value were as follows:

	Millions of yen		
	2002		
	Cost	Carrying amount	Net unrealized gain (loss)
Carrying amounts in excess of acquisition cost:			
Equity securities	¥ 366	¥ 542	¥ 176
Other	20	28	8
Subtotal	386	570	184
Carrying amounts not in excess of acquisition cost:			
Equity securities	2,739	2,233	(506)
Total	¥ 3,125	¥ 2,803	¥ (322)

	Millions of yen		
	2003		
	Cost	Carrying amount	Net unrealized gain (loss)
Carrying amounts in excess of acquisition cost:			
Equity securities	¥ 314	¥ 376	¥ 62
Other	16	20	4
Subtotal	330	396	66
Carrying amounts not in excess of acquisition cost:			
Equity securities	2,291	1,773	(518)
Total	¥ 2,621	¥ 2,169	¥ (452)

	Thousand of U.S. dollars		
	2003		
	Cost	Carrying amount	Net unrealized gain (loss)
Carrying amounts in excess of acquisition cost:			
Equity securities	$ 2,612	$ 3,126	$ 514
Other	129	166	37
Subtotal	2,741	3,292	551
Carrying amounts not in excess of acquisition cost:			
Equity securities	19,061	14,753	(4,308)
Total	$ 21,802	$ 18,045	$ (3,757)

Proceeds and net realized gain (loss) from the sales of “other securities" for the years ended March 31, 2001, 2002 and 2003 were immaterial.

5. Inventories

Inventories at March 31, 2002 and 2003 comprised of the following:

	Millions of yen		Thousands of U.S. dollars
	2002	2003	2003
Finished goods	¥ 15,437	¥ 14,080	$ 117,134
Work in process	4,978	3,931	32,703
Raw materials and supplies	6,016	5,737	47,731
Total	¥ 26,431	¥ 23,748	$ 197,568

6. Short-term Bank Loans and Long-term Debt

The annual average interest rates applicable to short-term bank loans at March 31, 2002 and 2003 were 1.21% and 1.17%, respectively.

Long-term debt at March 31, 2002 and 2003 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2002	2003	2003
0.3%. Convertible bonds 2003, currently convertible at ¥2,717 ($22)	¥ 13,905	¥ 13,905	$ 115,682
1.95%. Straight bonds 2003	1,000	1,000	8,319
1.95%. Straight bonds 2003	1,000	1,000	8,319
2.25%. Straight bonds 2003	1,000	1,000	8,319
2.6%. Straight bonds 2003	5,000	–	–
0.52%. Euro yen straight bonds 2003	3,000	–	–
Floating rate Industrial development revenue bonds 2003 (5.15% for 2002, 4.8% for 2003) of a consolidated subsidiary	488	444	3,693
0.91%. Straight bonds 2006	10,000	10,000	83,195
1.37%. Straight bonds 2008	5,000	5,000	41,598
Zero Coupon Convertible bonds 2008, currently convertible at ¥1,650 ($14)	–	23,000	191,348
Loans from banks:			
Collateralized	6,339	2,048	17,045
Non-collateralized	2,046	1,550	12,895
	48,778	58,947	490,413
Less – current portion	12,168	19,755	164,354
	¥ 36,610	¥ 39,192	$ 326,059

At March 31, 2003, the Company and THK America, Inc. had unused committed lines of credit amounting to ¥13,599 million ($113,132 thousand).

At March 31, 2003, the following assets were pledged for collateralized short-term bank loans, current portion of long term loans, and long-term loans.

	Millions of yen	Thousands of U.S. dollars
	2003	2003
Short-term investments in securities	¥ 900	$ 7,486
Long-term investments in securities	390	3,243
Property, plant and equipment	3,300	27,452
Industrial factory foundation	11,545	96,051
Time deposit due over three months	30	250

The aggregate annual maturities of the non-current portion of long-term debt at March 31, 2003, were as follows:

	Millions of yen	Thousands of U.S. dollars
Year ending March 31	2003	2003
2005	¥ 842	$ 7,007
2006	250	2,080
2007	10,100	84,027
2008 and thereafter	28,000	232,945
	¥ 39,192	$ 326,059

7. Contingent Liabilities

Contingent liabilities at March 31, 2003 with respect to loans guaranteed (for non-consolidated subsidiaries and affiliates), amounted to ¥302 million ($2,512 thousand).

8. Leases

The Companies lease certain machinery and equipment and other assets. Total lease payments under these leases were ¥637 million, ¥697 million and ¥666 million ($5,541 thousand) for the years ended March 31, 2001, 2002 and 2003, respectively. Pro forma information of leased property such as acquisition costs, accumulated depreciation, future minimum lease payments under finance leases that do not transfer ownership of the leased property to the lessee on an "as if capitalized" basis as of March 31, 2002 and 2003 were as follows:

	Millions of yen		
	2002		
	Machinery and equipment	Other	Total
Acquisition costs	¥ 3,209	¥ 71	¥ 3,280
Accumulated depreciation	1,456	19	1,475
Net leased property	¥ 1,753	¥ 52	¥ 1,805

	Millions of yen		
	2003		
	Machinery and equipment	Other	Total
Acquisition costs	¥ 2,956	¥ 72	¥ 3,028
Accumulated depreciation	975	34	1,009
Net leased property	¥ 1,981	¥ 38	¥ 2,019

	Thousands of U.S. dollars		
	2003		
	Machinery and equipment	Other	Total
Acquisition costs	$ 24,595	$ 596	$ 25,191
Accumulated depreciation	8,115	279	8,394
Net leased property	$ 16,480	$ 317	$ 16,797

Future minimum lease payments under finance leases as of March 31, 2002 and 2003 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2002	2003	2003
Due within one year	¥ 645	¥ 607	$ 5,050
Due after one year	1,160	1,412	11,747
Total	¥ 1,805	¥ 2,019	$ 16,797

The amounts of acquisition costs and future minimum lease payments under finance leases include the imputed interest expense portion. Depreciation of the leased property, which is not reflected in the accompanying consolidated statements of income, computed by using the straight-line method, would be ¥637 million, ¥697 million and ¥666 million ($5,542 thousand) for the years ended March 31, 2001, 2002 and 2003, respectively.

Obligations under non-cancelable operating leases as of March 31, 2002 and 2003 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2002	2003	2003
Due within one year	¥ 652	¥ 711	$ 5,912
Due after one year	2,343	1,839	15,300
Total	¥ 2,995	¥ 2,550	$ 21,212

9. Derivatives and Hedging Activities

Derivative financial instruments are utilized by the Company principally to reduce interest rate and foreign exchange rate risks. The Company has established a control environment, which includes policies and procedures for risk assessments and for the approval, and reporting and monitoring of transactions involving derivative financial instruments. The Company does not hold or issue derivative financial instruments for trading purposes.

For the years ended March 31, 2002 and 2003, the Company utilized certain interest rate swap and currency swap agreements. Market value information for such swaps held by the Company at March 31, 2002 and 2003 has been omitted as such swap agreements qualified the conditions for hedge accounting under the related Japanese accounting standards and the effects of such swap agreements have been reflected on the accompanying consolidated financial statements.

10. Research and Development

Research and development expenses for the years ended March 31, 2001, 2002 and 2003 were ¥1,426 million, ¥1,932 million and ¥2,104 million ($17,506 thousand), respectively, and were included in "Selling, General and Administrative Expenses".

11. Reserve for Employees' Retirement Benefits

The Company, its domestic subsidiaries and certain overseas subsidiaries have both retirement lump-sum payment programs and defined benefit pension plans. Occasionally, when certain qualified employees retire, additional retirement benefits will be paid. Except for the above overseas subsidiaries, other overseas subsidiaries have mainly defined contribution plans.

The reserve for employees' retirement benefits as of March 31, 2002 and 2003 was analyzed as follows:

	Millions of yen		Thousands of U.S. dollars
	2002	2003	2003
Projected benefit obligations	¥ 3,802	¥ 4,140	$ 34,437
Plan assets	(1,801)	(1,888)	(15,706)
	2,001	2,252	18,731
Unrecognized actuarial differences	(655)	(768)	(6,388)
Reserve for employees' retirement benefit	¥ 1,346	¥ 1,484	$ 12,343

Net periodic pension and severance costs for the years ended March 31, 2001, 2002 and 2003 were as follows:

	Millions of yen			Thousands of U.S. dollars
	2001	2002	2003	2003
Service cost	¥ 262	¥ 303	¥ 336	$ 2,790
Interest cost	81	91	89	742
Expected return on plan assets	(48)	(49)	(9)	(73)
Amortization of transition amount	82	–	–	–
Recognized actuarial differences	–	25	68	566
Net periodic pension and severance costs	¥ 377	¥ 370	¥ 484	$ 4,025

Assumptions used for calculation of the above information were as follows:

	As of March 31		
	2001	2002	2003
Method of attributing the projected benefits to periods of services	Straight-line basis	Straight-line basis	Straight-line basis
Discount rate	3.0%	2.5%	2.5%
Expected rate of return on plan assets	3.0%	3.0%	0.5%
Amortization of unrecognized actuarial differences	10 years	10 years	10 years

12. Income Taxes

The statutory tax rate used for calculating deferred tax assets and deferred tax liabilities for the Company and its subsidiaries for the years ended March 31, 2001, 2002 and 2003 was 42.1%.

At March 31, 2002 and 2003, significant components of deferred tax assets and liabilities were as follows:

	Millions of yen		Thousands of U.S. dollars
	2002	2003	2003
Deferred tax assets:			
Loss on devaluation of inventories	¥ 745	¥ 951	$ 7,912
Software	796	759	6,317
Elimination of inter-company profit (inventories)	842	690	5,741
Reserve for directors' and statutory auditors' retirement benefits	636	486	4,042
Allowance for bad debts	581	474	3,945
Reserve for employees' retirement benefits	366	466	3,876
Net operating loss carried forward	1,223	411	3,419
Accrued bonuses to employees	271	409	3,401
Loss on write-down of investment securities	365	162	1,346
Enterprise tax payable	–	142	1,187
Other	961	917	7,628
Gross deferred tax assets	6,786	5,867	48,814
Less: valuation allowance	(837)	(976)	(8,120)
Total deferred tax assets	5,949	4,891	40,694
Deferred tax liabilities:			
Enterprise tax refundable	(459)	–	–
Special depreciation reserve	(327)	(239)	(1,987)
Other	(222)	(333)	(2,770)
Total deferred tax liabilities	(1,008)	(572)	(4,757)
Net deferred tax assets	¥ 4,941	¥4,319	$ 35,937

Net deferred tax assets are included in the consolidated balance sheets as follows:

	Millions of yen		Thousands of U.S. dollars
	2002	2003	2003
Current assets – Deferred tax assets	¥ 2,521	¥ 2,249	$ 18,710
Investments and other – Deferred tax assets	2,446	2,134	17,754
Long-term liabilities – Other liabilities	(26)	(64)	(527)
Net deferred tax assets	¥ 4,941	¥ 4,319	$ 35,937

For the year ended March 31, 2001, the difference between the statutory tax rate and the effective tax rate was insignificant.

For the year ended March 31, 2002 and 2003, the reconciliation of the statutory tax rate to the effective tax rate was as follows:

	2002	2003
Statutory tax rate	42.1%	42.1%
Increase (reduction) in taxes resulting from:		
Permanent differences	3.1	1.0
Net operating losses of consolidated subsidiaries for which valuation allowances were fully provided	50.2	25.6
Changes in tax consequences related to devaluation of investments in consolidated subsidiaries and affiliates	(110.6)	(21.8)
Equalization inhabitant taxes	7.0	1.7
Tax rate differences between domestic and overseas	9.3	(0.7)
Change in tax rate resulting from enactment of income tax regulations	–	2.0
Others	1.7	(0.6)
Effective income tax rate	2.8%	49.3%

Due to changes in Japanese tax regulations, effective April 1, 2004, the statutory rate was reduced to approximately 40.69%, and such rate was used to calculate the future expected tax effects of temporary differences, which are expected to be realized on and after April 1, 2004.

13. Reconciliation of Cash and Cash Equivalents per Consolidated Cash Flow Statements with Account Balances on Consolidated Balance Sheets

Cash and cash equivalents at March 31, 2002 and 2003 consisted of:

	Millions of yen		Thousands of U.S. dollars
	2002	2003	2003
Cash and bank deposits	¥ 43,368	¥ 66,460	$ 552,911
Short-term investments in securities	9,137	7,004	58,267
Short-term advances	4,215	–	–
	56,720	73,464	611,178
Less:			
Time deposit due over three months	(498)	(30)	(250)
Short-term investments in securities excluding M.M.F. and others	(1,000)	(900)	(7,486)
Short-term advances excluding repurchase agreement	(215)	–	–
	¥ 55,007	¥ 72,534	$ 603,442

14. Segment Information

(1) Industry Segment Information

As the sales, operating income and assets of the machinery parts segment are over 90% of total sales, total operating income and total assets of the Company and consolidated subsidiaries, industry segment information is not required to be disclosed. The Company and consolidated subsidiaries are operating in one industry segment: production and sales of linear motion systems.

(2) Geographical Segment Information

Net sales of the Companies for the years ended March 31, 2001, 2002 and 2003 classified by geographic segments were summarized as follows:

	Millions of yen						
	2001						
	Japan	America	Europe	Asia and other	Total	Eliminations and corporate assets	Consolidated
I. Net sales and operating income-							
Net Sales:							
Customers	¥ 111,641	¥ 15,610	¥ 10,994	¥ 2,042	¥ 140,287	¥ –	¥ 140,287
Inter-segment	18,985	404	129	–	19,518	(19,518)	–
Total	130,626	16,014	11,123	2,042	159,805	(19,518)	140,287
Operating expenses	107,771	14,144	10,459	2,039	134,413	(19,821)	114,592
Operating income	¥ 22,855	¥ 1,870	¥ 664	¥ 3	¥ 25,392	¥ 303	¥ 25,695
II. Assets -							
Assets	¥ 167,859	¥ 19,575	¥ 12,157	¥ 1,867	¥ 201,458	¥ (3,328)	¥ 198,130

As discussed in Note 3(g), the Company, during the year ended March 31, 2001, changed its accounting policy to record a reserve for directors' and statutory auditors' retirement benefits, in an amount equal to the liability the Company would have to pay if all eligible directors and statutory auditors resigned at the balance sheet date. As a result of the change, operating expenses in Japan in the above table increased by ¥115 million and operating income in Japan decreased by the same amount compared with the previous basis.

As discussed in Note 3(b), effective from the year ended March 31, 2001, the Company and its subsidiaries adopted the new Japanese accounting standards for financial instruments, which are effective for periods beginning on or after April 1, 2000. As a result of adopting of the new standards, operating expense in Japan for the year ended March 31, 2001 has increased by ¥438 million and operating income in Japan has decreased by the same amounts as compared with the amount which would have been reported if the previous standards had been applied consistently.

	Millions of yen						
	2002						
	Japan	America	Europe	Asia and other	Total	Eliminations and corporate assets	Consolidated
I. Net sales and operating income -							
Net sales:							
Customers	¥ 63,316	¥ 11,632	¥ 12,726	¥ 1,666	¥ 89,340	¥ –	¥ 89,340
Inter-segment	11,396	190	130	–	11,716	(11,716)	–
Total	74,712	11,822	12,856	1,666	101,056	(11,716)	89,340
Operating expenses	72,059	11,876	13,641	1,673	99,249	(12,085)	87,164
Operating income/(loss)	¥ 2,653	¥ (54)	¥ (785)	¥ (7)	¥ 1,807	¥ 369	¥ 2,176
II. Assets -							
Assets	¥ 154,625	¥ 16,219	¥ 13,530	¥ 1,242	¥ 185,616	¥ (5,911)	¥179,705

	Millions of yen						
	2003						
	Japan	America	Europe	Asia and other	Total	Eliminations and corporate assets	Consolidated
I. Net sales and operating income -							
Net sales:							
Customers	¥ 71,060	¥ 10,732	¥ 10,982	¥ 1,826	¥ 94,600	¥ –	¥ 94,600
Inter-segment	12,193	148	98	–	12,439	(12,439)	–
Total	83,253	10,880	11,080	1,826	107,039	(12,439)	94,600
Operating expenses	76,434	11,502	12,849	1,759	102,544	(12,837)	89,707
Operating income/(loss)	¥ 6,819	¥ (622)	¥ (1,769)	¥ 67	¥ 4,495	¥ 398	¥ 4,893
II. Assets -							
Assets	¥ 173,615	¥ 15,830	¥ 15,551	¥ 1,471	¥ 206,467	¥ (13,270)	¥ 193,197

	Thousands of U.S. dollars						
	2003						
	Japan	America	Europe	Asia and other	Total	Eliminations and corporate assets	Consolidated
I. Net sales and operating income -							
Net sales:							
Customers	$ 591,180	$ 89,289	$ 91,363	$ 15,189	$ 787,021	$ –	$ 787,021
Inter-segment	101,443	1,229	815	–	103,487	(103,487)	–
Total	692,623	90,518	92,178	15,189	890,508	(103,487)	787,021
Operating expenses	635,891	95,696	106,891	14,631	853,109	(106,795)	746,314
Operating income/(loss)	$ 56,732	$ (5,178)	$ (14,713)	$ 558	$ 37,399	$ 3,308	$ 40,707
II. Assets -							
Assets	$ 1,444,380	$ 131,701	$ 129,379	$ 12,234	$ 1,717,694	$ (110,395)	$ 1,607,299

(3) Export Sales and Sales by Overseas Subsidiaries

Overseas sales of the Companies (referring to the amounts of exports made by the Company plus the sales by the overseas consolidated subsidiaries) for the years ended March 31, 2001, 2002 and 2003 were summarized as follows:

	Millions of yen			
	2001			
	America	Europe	Asia and other	Total
Overseas sales	¥ 15,725	¥ 11,354	¥ 9,205	¥ 36,284
Consolidated net sales				¥ 140,287
Overseas sales as a percentage of consolidated net sales	11.2%	8.1%	6.6%	25.9%

	Millions of yen			
	2002			
	America	Europe	Asia and other	Total
Overseas sales	¥ 11,629	¥ 12,863	¥ 5,203	¥ 29,695
Consolidated net sales				¥ 89,340
Overseas sales as a percentage of consolidated net sales	13.0%	14.4%	5.8%	33.2%

	Millions of yen / (Thousands of U.S. dollars)			
	2003			
	America	Europe	Asia and other	Total
Overseas sales	¥ 10,775	¥ 10,780	¥ 7,765	¥ 29,320
	($ 89,643)	($ 89,686)	($ 64,597)	($ 243,926)
Consolidated net sales				¥ 94,600
				($ 787,021)
Overseas sales as a percentage of consolidated net sales	11.4%	11.4%	8.2%	31.0%