



February 7, 2006

Consolidated Financial Results for the Nine Months Ended December 31, 2005

Company Name: **THK CO., LTD.**
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 URL: <http://www.thk.com>
 Stock exchange listing: Tokyo Stock Exchange 1ST Section
 Code number: 6481
 Representative: Akihiro Teramachi, CEO and President
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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: Yes
 c) Changes in scope of consolidation and application of the equity method: Yes
 Consolidated company: Additions: 2 companies Deletion: 0 company
 Companies using the equity method: Additions: 0 company Deletion: 0 company

2. Consolidated Financial Highlights (Unaudited)
 Note: All figures are rounded down to nearest million yen.

(1) Consolidated Financial Results

	Net sales		Operating income		Ordinary income		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Nine months ended December 31, 05	115,685	3.2	20,112	(5.5)	22,054	(2.2)	12,911	(5.8)
Nine months ended December 31, 04	112,146	30.5	21,285	85.5	22,561	100.3	13,700	125.8
Year ended March 31, 05	147,158		25,974		27,646		17,348	

	Net income per share	Fully diluted net income per share
	Yen	Yen
Nine months ended December 31, 05	105.50	96.58
Nine months ended December 31, 04	115.56	103.42
Year ended March 31, 05	145.31	130.05

Note: Percentages for net sales and operating 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, 05	234,310	155,660	66.4	1,208.39
As of December 31, 04	216,959	123,905	57.1	1,034.59
As of March 31, 05	220,007	127,649	58.0	1,067.42

【 Consolidated Cash flows 】

	Cash flow from operating activities	Cash flow from investing activities	Cash flow from financing activities	Cash and cash equivalents at end of period
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Nine months ended December 31, 05	13,294	(7,270)	(1,548)	81,303
Nine months ended December 31, 04	14,605	(5,794)	(1,761)	68,996
As of March 31, 05	22,378	(7,171)	(1,821)	75,987

【 Reference 】

Forecasted results for the fiscal year ending March 31, 2006 (April 1, 2005 to March 31, 2006)

	Net sales	Operating income	Ordinary income	Net income
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Year ending March 31, 06	155,000	25,400	27,100	16,000

For reference: Estimate of net income per share for the year ending March 31, 2006: 124.21 Yen

Note: The Company has not changed the forecasted figures which were announced on November 17, 2005. 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 (Consolidated)

Sales for the third quarters ended December 31, 2005 (April 1, 2005-December 31, 2005), to the machine tools, general machinery, and transport machinery sectors continued to be strong, and demand from the electronics sector (mainly for semiconductors and liquid-crystal manufacturing devices) has recovered. Total net sales increased ¥3.538 billion, or 3.2 percent, from the same quarters of the previous fiscal period, to ¥115.685 billion.

Sales costs were ¥72.787 billion, and the cost-to-sales ratio was 62.9 percent, helped by improvement in capacity utilization that resulted from sales increases, and to cost-reduction efforts, although it was badly affected by rises in materials prices. Sales and general administrative expenses rose ¥2.43 billion, to ¥22.785 billion, due to an increase in the number of consolidated subsidiaries and high physical distribution expenses caused by gains in sales. In results, operating income decreased ¥1.173 billion, or 5.5 percent, from the same quarters of a year earlier, to ¥20.112 billion, and ordinary income declined ¥507 million, or 2.2 percent, to ¥22.054 billion.

Net income for the third quarters dropped ¥788 million, or 5.8 percent, to ¥12.911 billion, due to the recognition of an impaired loss on fixed assets.

Balance Sheet (Consolidated)

(1) Balance Sheet Analysis

Total assets for the third quarter ended December 31, 2005, increased ¥14.302 billion from the previous consolidated fiscal year-end, to ¥234.310 billion. This is mainly because the outstanding balance of accounts receivable gained, helped by sales increases, and free cash flow reached ¥6.024 billion.

Liabilities stood at ¥77.171 billion, a decrease of ¥14.231 billion from the previous consolidated fiscal year-end, due mainly to a decline in the outstanding balance of bonds with warrant, caused by their conversion to common stocks.

Shareholders' equity rose ¥28.010 billion from the previous fiscal year-end, to ¥155.660 billion. This is primarily owing to increases in capital and capital surplus generated by the issuance of new stocks with stock warrants having been exercised, as well as to the posting of quarterly net income.

(2) Cash Flow Statement Analysis

Cash Flows from Operating Activities:

Income before adjustment of taxes was ¥21.312 billion, depreciation expenses were ¥4.685 billion, and payment for corporate income taxes was ¥11.743 billion for the said quarters ended December 31, 2005. As a result, net cash provided by operating activities amounted to ¥13.294 billion. (It was ¥14.605 billion for the quarters a year ago).

Cash Flows from Investing Activities:

Net cash used in investing activities amounted to ¥7.270 billion (it was ¥5.794 billion for the quarters a year earlier), due to purchases of tangible fixed assets to expand production facilities.

Cash Flows from Financing Activities:

Net cash used in financing activities was ¥1.548 billion. (It was ¥1.761 billion for the quarters a year earlier) It is caused by 2.523 billion yen dividend payment, 898 million yen proceeds from sales of treasury stock (held by subsidiary), and other incomes.

As a result, the outstanding balance of cash and cash equivalents as of this fiscal quarter-end increased from that of the previous fiscal year-end by ¥5.316 billion, to ¥81.303 billion.

【Reference】

1. Non Consolidated Financial Highlights (Unaudited)

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

(1) Financial Results

	Net sales		Operating income		Ordinary income		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Nine months ended December 31, 05	95,153	3.3	17,238	(8.0)	18,485	(6.2)	10,758	(7.2)
Nine months ended December 31, 04	92,093	32.2	18,732	61.2	19,701	68.8	11,597	72.2
Year ended March 31, 05	120,541		22,973		24,069		14,510	

	Net income per share	Fully diluted net income per share
	Yen	Yen
Nine months ended December 31, 05	87.82	80.40
Nine months ended December 31, 04	97.71	87.46
Year ended March 31, 05	121.16	108.47

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

(2) Financial Positions

	Total assets	Shareholders' equity	Equity ratio	Shareholders' equity per share
	Millions of yen	Millions of yen	%	Yen
As of December 31, 05	217,151	149,074	68.6	1,157.26
As of December 31, 04	204,570	121,534	59.4	1,013.66
As of March 31, 05	205,668	124,877	60.7	1,040.73

2. Forecasted result for the fiscal year ending March 31, 2006 (April 1, 2005 to March 31, 2006)

	Net sales	Operating income	Ordinary income	Net income
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Year ending March 31, 06	127,000	22,000	22,800	13,300

For reference: Estimate of net income per share for the year ending March 31, 2006: 103.25 Yen

Note: The Company has not changed the forecasted figures which were announced on November 17, 2005. 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, 2005		As of December 31, 2004		As of March 31, 2005	
	Amount	%	Amount	%	Amount	%
Assets						
Current assets :						
Cash on hand and in banks	81,189		68,644		75,842	
Notes and accounts receivable-trade	56,213		53,675		49,604	
Inventories	24,321		24,471		24,208	
Other	4,604		6,035		4,530	
Total current assets	166,329	71.0	152,827	70.4	154,185	70.1
Fixed assets :						
Tangible fixed assets	53,299		47,606		53,494	
Intangible fixed assets	1,152		1,126		1,239	
Investments and other	13,529		15,399		11,088	
Total Fixed assets	67,980	29.0	64,132	29.6	65,822	29.9
Total assets	234,310	100.0	216,959	100.0	220,007	100.0
Liabilities						
Current liabilities :						
Notes and accounts payable – trade	31,452		29,481		25,391	
Current portion of bonds	10,000		-		-	
Other	15,972		18,167		20,965	
Total current liabilities	57,424	24.5	47,649	22.0	46,356	21.1
Long-term liabilities :						
Bonds	5,000		15,000		15,000	
Convertible bonds	8,270		23,000		23,000	
Other	6,476		6,997		7,045	
Total long-term liabilities	19,746	8.5	44,997	20.7	45,045	20.5
Total liabilities	77,171	33.0	92,646	42.7	91,402	41.6
Minority interest						
Minority interest	1,478	0.6	407	0.2	955	0.4
Shareholders' equity						
Common stock	30,471		23,106		23,106	
Capital surplus	40,207		32,651		32,651	
Earned surplus	81,418		67,711		71,130	
Valuation adjustment for marketable securities	2,390		607		1,041	
Foreign currency translation adjustments	1,215		432		327	
Treasury stock	(43)		(603)		(607)	
Total shareholders' equity	155,660	66.4	123,905	57.1	127,649	58.0
Total liabilities, minority interest, and shareholders' equity	234,310	100.0	216,959	100.0	220,007	100.0

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

Consolidated Statements of Income (Unaudited)

(Millions of yen)

	For the nine months ended December 31, 2005		For the nine months ended December 31, 2004		For the year ended March 31, 2005	
	Amount	%	Amount	%	Amount	%
Net sales	115,685	100.0	112,146	100.0	147,158	100.0
Cost of sales	72,787	62.9	70,505	62.9	93,551	63.6
Gross profit	42,897	37.1	41,640	37.1	53,606	36.4
Sales, general and administrative expenses	22,785	19.7	20,355	18.2	27,632	18.7
Operating income	20,112	17.4	21,285	18.9	25,974	17.7
Non-operating income	2,218	1.9	1,571	1.4	2,054	1.4
Non-operating expenses	276	0.2	295	0.2	381	0.3
Ordinary income	22,054	19.1	22,561	20.1	27,646	18.8
Extraordinary income	547	0.4	155	0.1	226	0.1
Extraordinary loss	1,289	1.1	722	0.7	1,028	0.7
Income before income taxes and minority interest	21,312	18.4	21,994	19.5	26,845	18.2
Income taxes and other	8,220	7.1	8,269	7.3	9,442	6.4
Minority interest in income of consolidated subsidiaries	180	0.1	25	0.0	54	0.0
Net income	12,911	11.2	13,700	12.2	17,348	11.8

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

Consolidated Statements of Retained Earnings (Unaudited)

(Millions of Yen)

	For the nine months ended December 31, 2005	For the nine months ended December 31, 2004	For the year ended March 31, 2005
	Amount	Amount	Amount
Capital surplus			
Capital surplus at beginning of period	32,651	30,962	30,962
Increase in capital surplus			
Gain on disposition of treasury stock	191	688	688
Stock issued under stock swap	-	1,000	1,000
Increase from conversion of convertible bonds	7,365	-	-
Capital surplus at end of period	40,207	32,651	32,651
Retained earnings			
Consolidated Earned surplus at beginning of period	71,130	55,836	55,836
Increase in earned surplus			
Net income	12,911	13,700	17,348
Decrease in earned surplus			
Cash dividends	2,513	1,775	1,772
Bonuses to directors	110	50	50
Decrease resulting from inclusion of consolidated subsidiaries	-	-	232
Consolidated Earned surplus at end of period	81,418	67,711	71,130

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

Consolidated Statements of Cash Flows (Unaudited)

(Millions of yen)

	For the nine months ended December 31, 2005	For the nine months ended December 31, 2004	For the year ended March 31, 2005
Cash flows from operating activities:			
Income before income taxes and minority interest	21,312	21,994	26,845
Depreciation and amortization	4,685	4,130	5,657
Increase in accounts and notes receivable	(6,469)	(6,843)	(3,202)
Increase (decrease) in inventories	93	(425)	14
Increase in accounts and notes payable	5,794	7,254	3,098
Other	(307)	(1,488)	(534)
Subtotal	25,038	24,621	31,877
Income taxes paid	(11,743)	(10,016)	(9,499)
Net cash provided in operating activities	13,294	14,605	22,378
Cash flows from investing activities :			
Payments for purchases of fixed assets, marketable securities and investment securities	(8,524)	(6,001)	(7,438)
Proceeds from sale of fixed assets, marketable securities and investment securities	1,277	157	218
Other	(23)	49	48
Net cash used in investing activities	(7,270)	(5,794)	(7,171)
Cash flows from financing activities:			
Repayment of long-term debt	(169)	(18)	(36)
Cash dividends	(2,523)	(1,733)	(1,771)
Proceeds from sales of treasury stock	898	0	0
Other	245	(10)	(14)
Net cash used in financing activities	(1,548)	(1,761)	(1,821)
Effect of exchange rate changes on cash and cash equivalents	840	191	(41)
Net increase in cash and cash equivalents	5,316	7,240	13,343
Cash and cash equivalents at beginning of period	75,987	57,037	57,037
Increase in cash and cash equivalents inclusion of consolidated subsidiaries	-	4,734	5,622
Decrease in cash and cash equivalents resulting from exclusion of a consolidated subsidiary	-	(15)	(15)
Cash and cash equivalents at end of period	81,303	68,996	75,987

Note: All figures are rounded down to nearest million yen

Change in Accounting Method

Accounting standard for impairment of fixed assets:

Effective from the nine months ended December 31, 2005, the Company adopted the accounting standard for impairment of fixed assets (“*Accounting Standards for Impairment of Fixed Assets*” issued by the Business Accounting Council on August 9, 2002) and “*Guidance on Accounting Standards for Impairment of Fixed Assets*” (ASB Guidance No.6 issued by the Accounting Standards Board of Japan on October 31, 2003).

As a result, income before income taxes and minority interest decreased by ¥1,142 million, compared with what would have been reported if the new accounting standard had not been adopted.

Change in valuation method for inventories:

Effective from the nine months ended December 31, 2005, THK TAIWAN CO., LTD., one of consolidated subsidiaries, has changed its inventory valuation method from using the moving average method to the first-in, first-out method. The effect of this change on income and loss on the consolidated financial statements for the nine months ended December 31, 2005 was immaterial.