

## Consolidated Financial Review For the First Quarter Ended June 30, 2006

Company Name: **THK CO., LTD.**  
 Head Office: Tokyo, Japan (Tel: +81-3-5434-0300)  
 URL: <http://www.thk.com>  
 Stock exchange listing: Tokyo Stock Exchange 1<sup>st</sup> Section  
 Code number: 6481  
 Representative: Akihiro Teramachi, President and CEO  
 Contact: Hideyuki Kiuchi, Director/General Manger

### 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: No

#### c) Changes in scope of consolidation and application of the equity method: No

### 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	%
Three months ended June 30, 06	44,612	20.6	9,066	39.3	9,599	38.0	5,689	59.0
Three months ended June 30, 05	36,988	(1.8)	6,509	(22.4)	6,954	(21.6)	3,578	(35.3)
Year ended March 31, 06	158,412		27,079		29,606		18,584	

	Net income per share	Fully diluted net income per share
	Yen	Yen
Three months ended June 30, 06	42.84	42.51
Three months ended June 30, 05	29.93	26.81
Year ended March 31, 06	148.42	137.97

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

#### (2) Consolidated Financial Positions

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of June 30, 06	246,748	173,811	69.8	1,308.51
As of June 30, 05	217,817	130,882	60.1	1,091.65
As of March 31, 06	244,384	168,272	68.9	1,266.39

#### 【Consolidated Cash flows】

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at the end of the period
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Three months ended June 30, 06	497	(2,806)	(2,017)	82,090
Three months ended June 30, 05	433	(1,825)	(440)	74,032
Year ended March 31, 06	20,206	(9,343)	(1,741)	86,307

#### 【Reference】

Forecasted results for the fiscal year ending March 31, 2007 (April 1, 2006 to March 31, 2007)

	Net sales	Operating income	Ordinary income	Net income
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Six months ending September 30, 06	87,500	17,000	17,500	10,600
Year ending March 31, 07	175,000	34,000	35,000	21,300

For reference: Estimate of net income per share for the year ending March 31, 2007: 160.35 Yen

Note: 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)**

Total net sales for the first quarter ended June 30, 2006 (April 1, 2006-June 30, 2006) increased ¥7,624 million, or 20.6 percent, from the same quarter of the previous fiscal year, to ¥44,612 million. Demands to the electronics sector (mainly for semiconductors and liquid-crystal manufacturing devices), machine tools, and general machinery sectors continued to be strong in all areas.

The cost-to-sales ratio was 61.6 percent, a 1.3 percent decrease compared with the same quarter of the previous fiscal year, helped by improvement in capacity utilization that resulted from sales increases, and to cost-reduction efforts. Operating income was 9,066 million, increased 2,557 million, or 39.3 percent, and operating margin was 20.3 percent, a 2.7 percent increase.

## **Financial Condition (Consolidated)**

### **(1) Balance Sheet Analysis**

Total assets for the first quarter ended June 30, 2006, were 246,748 million, and increased ¥2,363 million from the previous consolidated fiscal year-end. This is mainly because the outstanding balance of accounts receivable gained, helped by sales increases.

Liabilities stood at ¥72,936 million, a decrease of ¥1,656 million from the previous consolidated fiscal year-end, due mainly to a decline in current liabilities caused by payments of corporate income taxes.

Net assets for the first quarter ended June 30, 2006, were 173,811 million. This is due mainly to the posting of quarterly net income. An equity ratio was 69.8 percent.

### **(2) Cash Flow Statement Analysis**

#### ***Cash Flows from Operating Activities:***

Although income before adjustment of taxes was ¥9,523 million, because of payment for corporate income taxes and increase of sales credit, as a result, net cash provided by operating activities amounted to ¥497 million. (It was ¥433 million for the same quarter of the previous fiscal year).

#### ***Cash Flows from Investing Activities:***

Net cash used in investing activities amounted to ¥2,806 million (it was ¥1,825 million for the same quarter of the previous fiscal year), due to purchases of tangible fixed assets to expand production facilities.

#### ***Cash Flows from Financing Activities:***

Net cash used in financing activities was ¥2,017 million (It was ¥440 million for the same quarter of the previous fiscal year). It was caused by payment for dividends.

As a result, the outstanding balance of cash and cash equivalents as of this fiscal quarter-end decreased from that of the previous fiscal year-end by ¥4,216 million, to ¥82,090 million.

【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	%
Three months ended June 30, 06	36,359	18.8	7,233	30.7	7,480	30.3	4,338	43.7
Three months ended June 30, 05	30,604	(2.4)	5,535	(25.6)	5,739	(27.7)	3,019	(38.5)
Year ended March 31, 06	130,767		23,843		25,563		16,264	

	Net income per share	Fully diluted net income per share
	Yen	Yen
Three months ended June 30, 06	32.67	32.42
Three months ended June 30, 05	25.18	22.57
Year ended March 31, 06	129.78	120.64

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

(2) Financial Positions

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of June 30, 06	226,230	162,261	71.7	1,221.55
As of June 30, 05	203,546	126,438	62.1	1,054.59
As of March 31, 06	225,568	160,061	71.0	1,204.66

2. Forecasted results for the fiscal year ending March 31, 2007 (April 1, 2006 to March 31, 2007)

	Net sales	Operating income	Ordinary income	Net income
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Six months ending September 30, 06	72,000	14,300	14,200	8,400
Year ending March 31, 07	144,000	28,600	28,300	16,800

For reference: Estimate of net income per share for the year ending March 31, 2007: 126.48 Yen

Note: 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 June 30, 2006		As of June 30, 2005		As of March 31, 2006	
	Amount	%	Amount	%	Amount	%
<b>Assets</b>						
<b>Current assets :</b>						
Cash on hand and in banks	84,210		73,870		87,911	
Notes and accounts receivable-trade	61,352		51,415		58,482	
Inventories	25,217		23,487		24,949	
Other	5,634		4,623		4,936	
<b>Total current assets</b>	176,414	71.5	153,396	70.4	176,280	72.1
<b>Fixed assets :</b>						
Tangible fixed assets	58,644		51,836		56,402	
Intangible fixed assets	876		1,084		852	
Investments and other assets	10,812		11,499		10,849	
<b>Total fixed assets</b>	70,333	28.5	64,420	29.6	68,104	27.9
<b>Total assets</b>	246,748	100.0	217,817	100.0	244,384	100.0
<b>Liabilities</b>						
<b>Current liabilities :</b>						
Notes and accounts payable-trade	31,237		24,764		30,323	
Current portion of bonds	10,000		—		10,000	
Other	18,961		16,356		21,334	
<b>Total current liabilities</b>	60,199	24.4	41,120	18.9	61,657	25.2
<b>Long-term liabilities :</b>						
Bonds	5,000		15,000		5,000	
Convertible bonds	1,640		23,000		1,745	
Other	6,097		6,787		6,190	
<b>Total long-term liabilities</b>	12,737	5.2	44,787	20.5	12,935	5.3
<b>Total liabilities</b>	72,936	29.6	85,907	39.4	74,593	30.5
<b>Minority interest</b>						
Minority interest	—	—	1,026	0.5	1,518	0.6
<b>Shareholders' equity</b>						
Common stock	—		23,106		33,733	
Capital surplus	—		32,842		43,470	
Earned surplus	—		73,346		87,090	
Valuation adjustment for marketable securities	—		943		1,357	
Foreign currency translation adjustments	—		674		2,668	
Treasury stock	—		(30)		(48)	
<b>Total shareholders' equity</b>	—	—	130,882	60.1	168,272	68.9
<b>Total liabilities, minority interest, and shareholders' equity</b>	—	—	217,817	100.0	244,384	100.0
<b>Net assets</b>						
Common stock	33,786		—		—	
Capital surplus	43,523		—		—	
Earned surplus	90,653		—		—	
Treasury stock	(52)		—		—	
<b>Total Shareholders' equity</b>	167,909	68.1	—	—	—	—
<b>Adjustments for valuation, foreign currency translation and others</b>						
Valuation adjustment for marketable securities	1,232		—		—	
Foreign currency translation adjustments	3,058		—		—	
<b>Total Adjustments for valuation, foreign currency translation and others</b>	4,291	1.7	—	—	—	—
<b>Minority interests</b>	1,610	0.6	—	—	—	—
<b>Total net assets</b>	173,811	70.4	—	—	—	—
<b>Total liabilities and total net assets</b>	246,748	100.0	—	—	—	—

## Consolidated Statements of Income (Unaudited)

(Millions of yen)

	For the three months ended June 30, 2006		For the three months ended June 30, 2005		For the year ended March 31, 2006	
	Amount	%	Amount	%	Amount	%
Net sales	44,612	100.0	36,988	100.0	158,412	100.0
Cost of sales	27,498	61.6	23,254	62.9	100,490	63.4
<b>Gross profit</b>	<b>17,114</b>	<b>38.4</b>	<b>13,734</b>	<b>37.1</b>	<b>57,921</b>	<b>36.6</b>
Sales, general and administrative expenses	8,047	18.1	7,224	19.5	30,841	19.5
<b>Operating income</b>	<b>9,066</b>	<b>20.3</b>	<b>6,509</b>	<b>17.6</b>	<b>27,079</b>	<b>17.1</b>
Non-operating income	665	1.5	552	1.5	2,898	1.8
Non-operating expenses	132	0.3	106	0.3	371	0.2
<b>Ordinary income</b>	<b>9,599</b>	<b>21.5</b>	<b>6,954</b>	<b>18.8</b>	<b>29,606</b>	<b>18.7</b>
Extraordinary income	1	0.0	333	0.9	2,715	1.7
Extraordinary loss	78	0.2	1,157	3.2	1,755	1.1
<b>Income before income taxes and minority interest</b>	<b>9,523</b>	<b>21.3</b>	<b>6,130</b>	<b>16.5</b>	<b>30,565</b>	<b>19.3</b>
Income taxes and other	3,751	8.4	2,503	6.8	11,636	7.4
Minority interest in income of consolidated subsidiaries	82	0.2	47	0.1	345	0.2
<b>Net income</b>	<b>5,689</b>	<b>12.7</b>	<b>3,578</b>	<b>9.6</b>	<b>18,584</b>	<b>11.7</b>

## Consolidated Statements of Cash Flows (Unaudited)

(Millions of yen)

	For the three months ended June 30, 2006	For the three months ended June 30, 2005	For the year ended March 31, 2006
	Amount	Amount	Amount
<b>Cash flows from operating activities:</b>			
Income before income taxes and minority interest	9,523	6,130	30,565
Depreciation and amortization	1,594	1,455	6,562
(Increase) in accounts and notes receivable	(2,802)	(1,746)	(8,461)
(Increase) decrease in inventories	(210)	769	(219)
Increase (decrease) in accounts and notes payable	850	(719)	4,565
Other	(1,353)	665	(986)
<b>Subtotal</b>	7,601	6,555	32,025
Income taxes paid	(7,103)	(6,121)	(11,819)
<b>Net cash provided in operating activities</b>	497	433	20,206
<b>Cash flows from investing activities :</b>			
Payments for purchases of fixed assets, marketable securities and investment securities	(2,601)	(2,712)	(12,533)
Proceeds from sale of fixed assets, marketable securities and investment securities	9	883	5,188
Other	(214)	4	(1,999)
<b>Net cash used in investing activities</b>	(2,806)	(1,825)	(9,343)
<b>Cash flows from financing activities:</b>			
Repayment of long-term debt	(18)	(78)	(352)
Cash dividends	(1,995)	(1,258)	(2,512)
Proceeds from sale of treasury stock	0	898	898
Other	(4)	(1)	224
<b>Net cash used in financing activities</b>	(2,017)	(440)	(1,741)
<b>Effect of exchange rate changes on cash and cash equivalents</b>	109	(122)	1,198
<b>Net increase (decrease) in cash and cash equivalents</b>	(4,216)	(1,954)	10,319
<b>Cash and cash equivalents at beginning of period</b>	86,307	75,987	75,987
<b>Cash and cash equivalents at end of period</b>	82,090	74,032	86,307