

Consolidated Financial Review For the Nine Months Ended December 31, 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-First Section
 Code number: 6481
 Representative: Akihiro Teramachi, Chief Executive Officer and President
 Contact: Hideyuki Kiuchi, Director/General Manger

1. Notes related to the preparation of consolidated financial statements

(1) 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

(2) Changes in the accounting method from the most recent fiscal year: Yes

(3) Changes in reporting entities: Yes

Number of consolidated companies added: 1

2. Consolidated financial highlights for the nine months ended December 31, 2006

(April 1, 2006 to December 31, 2006) - Unaudited

Note: Amounts are rounded off to nearest one 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, 2006	131,766	13.9	25,268	25.6	27,514	24.8	15,941	23.5
Nine months ended December 31, 2005	115,685	3.2	20,112	(5.5)	22,054	(2.2)	12,911	(5.8)
Year ended March 31, 2006	158,412		27,079		29,606		18,584	

	Basic net income per share	Diluted net income per share
	Yen	Yen
Nine months ended December 31, 2006	120.02	119.13
Nine months ended December 31, 2005	105.50	96.58
Year ended March 31, 2006	148.42	137.97

Note: Percentage for net sales, operating income, ordinary income, and net income in the above tables represents changes compared to the corresponding previous periods.

(2) Consolidated Financial Positions

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of December 31, 2006	254,142	183,081	71.3	1,363.79
As of December 31, 2005	234,310	155,660	66.4	1,208.39
As of March 31, 2006	244,384	168,272	68.9	1,266.39

Note: For December 31, 2005 and March 31, 2006, the figures for the former Shareholders' Equity and Shareholders' Equity per Share are used for Net Assets and Net Assets per Share, respectively.

【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
Nine months ended December 31, 2006	17,327	(6,454)	(13,821)	83,396
Nine months ended December 31, 2005	13,294	(7,270)	(1,548)	81,303
Year ended March 31, 2006	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
Year ending March 31, 2007	Millions of yen 175,000	Millions of yen 32,300	Millions of yen 34,600	Millions of yen 20,500

(Reference) Forecasted earnings per share for the year ending March 31, 2007: 154.28 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.

This is summarized and translated financial information that the Company posted to the Tokyo Stock Exchange in accordance with their rules that governs the disclosure of financial information. These information translated in English language will be disclosed as soon as reasonably practicable after disclosing materials in Japanese language. In the event of any deviations to these translated materials due to a different language translation, the Japanese language should prevail in all respects.

Business Performance (Consolidated)

Total net sales for the three quarters ended December 31, 2006, increased ¥16,081 million (or 13.9%) from the same quarters of the previous fiscal period, to ¥131,766 million. Domestic sales to the electronics industry remained strong, and those to the machine tool and general machinery industries continued, also firm. In the overseas sales front, sales to the electronic industry in North America grew, and sales to the general machinery industry in Europe continued favorably, and those to makers of machine tools in Asia and other regions also increased. All in all, sales remained robust in entire regions.

The cost to sales ratio declined 0.9%, to 62.0%, from 62.9% of the same quarters a year earlier, due to improvement in capacity utilization, helped by a sales increase and enhanced productivity in overseas production bases. Sales and general administrative expenses increased ¥1,956 million, because personnel expenses went up due to the grown employees in overseas consolidated subsidiaries, and the logistics cost climbed due to gains in sales. Such expenses as a percentage of sales, however, fell 0.9%, to 18.8%, from 19.7% of the same quarters a year earlier. As a result, operating income increased ¥5,155 million (or 25.6%) from the same quarters in the previous fiscal period, to ¥25,268 million. The ratio of operating income to sales increased 1.8 percentage points, to 19.2%, from 17.4% of the same quarters a year earlier.

Financial Positions (Consolidated)

(1) Analysis of Balance Sheet

Total assets for the third quarter ended December 31, 2006, increased ¥9,758 million from the previous consolidated fiscal year-end, to ¥254,142 million. This is mainly because the outstanding balance of accounts receivable gained, attributing it to the increase in sales.

Liabilities stood at ¥71,061 million, down ¥3,531 million from the balance as of the previous consolidated year-end. This is due mainly to a decline in the outstanding balance of corporate bonds, caused by the redemption of ¥10,000 million at maturity.

Net assets grew to 183,081 million due to the recognition of net income 15,941 million.

(2) Analysis of Statement of Cash Flow

Cash Flows from Operating Activities:

Net cash provided by operating activities for the three quarters ended December 31, 2006 amounted to ¥17,327 million (¥13,294 million for the quarters a year ago), mainly because ¥27,404 million was posted as net income before taxes, and corporate taxes of ¥13,793 million were paid.

Cash Flows from Investing Activities:

Net cash used in investing activities for the three quarters ended December 31, 2006 registered ¥6,454 million (¥7,270 million for the quarters a year earlier), due to the purchase of tangible assets to expand production facilities.

Cash Flows from Financing Activities:

Net cash used in financing activities for the three quarters ended December 31, 2006 was ¥13,821 million (¥1,548 million for the quarters a year earlier), caused by a dividend payment of ¥3,757 million and redemption of a corporate bond for ¥10,000 million.

As a result, the outstanding balance of cash and cash equivalents as of this consolidated fiscal quarter-end decreased ¥2,910 million from that of the previous fiscal year-end, to ¥83,396 million.

【Reference】

1. Non Consolidated financial highlights for the nine months ended December 31, 2006
(April 1, 2006 to December 31, 2006) - Unaudited

Note: Amounts are rounded off to nearest one 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, 2006	108,401	13.9	21,915	27.1	23,383	26.5	13,299	23.6
Nine months ended December 31, 2005	95,153	3.3	17,238	(8.0)	18,485	(6.2)	10,758	(7.2)
Year ended March 31, 2006	130,767		23,843		25,563		16,264	

	Net income per share	Fully diluted net income per share
	Yen	Yen
Nine months ended December 31, 2006	100.13	99.39
Nine months ended December 31, 2005	87.82	80.40
Year ended March 31, 2006	129.78	120.64

Note: Percentage for net sales, operating income, ordinary income, and net income in the above tables represents changes compared to the corresponding previous periods.

(2) Financial Positions

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of December 31, 2006	230,446	169,489	73.5	1,275.53
As of December 31, 2005	217,151	149,074	68.6	1,157.26
As of March 31, 2006	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
Year ending March 31, 2007	142,000	26,800	28,000	16,500

(Reference) Forecasted earnings per share for the year ending March 31, 2007: 124.17 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 December 31, 2006		As of December 31, 2005		As of March 31, 2006	
	Amount	%	Amount	%	Amount	%
Assets						
Current assets :						
Cash on hand and in banks	83,350		81,189		87,911	
Notes and accounts receivable-trade	61,656		56,213		58,482	
Inventories	26,348		24,321		24,949	
Other	6,418		4,604		4,936	
Total current assets	177,773	70.0	166,329	71.0	176,280	72.1
Fixed assets :						
Tangible fixed assets	64,231		53,299		56,402	
Intangible fixed assets	967		1,152		852	
Investments and other assets	11,169		13,529		10,849	
Total fixed assets	76,369	30.0	67,980	29.0	68,104	27.9
Total assets	254,142	100.0	234,310	100.0	244,384	100.0
Liabilities						
Current liabilities :						
Notes and accounts payable-trade	35,177		31,452		30,323	
Current portion of bonds	—		10,000		10,000	
Other	23,424		15,972		21,334	
Total current liabilities	58,602	23.1	57,424	24.5	61,657	25.2
Long-term liabilities :						
Bonds	5,000		5,000		5,000	
Convertible bonds	1,560		8,270		1,745	
Other	5,899		6,476		6,190	
Total long-term liabilities	12,459	4.9	19,746	8.5	12,935	5.3
Total liabilities	71,061	28.0	77,171	33.0	74,593	30.5
Minority interest						
Minority interest	—	—	1,478	0.6	1,518	0.6
Shareholders' equity						
Common stock	—		30,471		33,733	
Additional paid in capital	—		40,207		43,470	
Retained earnings	—		81,418		87,090	
Valuation adjustment for marketable securities	—		2,390		1,357	
Foreign currency translation adjustments	—		1,215		2,668	
Treasury stock	—		(43)		(48)	
Total shareholders' equity	—	—	155,660	66.4	168,272	68.9
Total liabilities, minority interest, and shareholders' equity	—	—	234,310	100.0	244,384	100.0
Net assets						
Common stock	33,826		—		—	
Additional paid in capital	43,563		—		—	
Retained earnings	99,178		—		—	
Treasury stock	(59)		—		—	
Total Shareholders' equity	176,508	69.5	—	—	—	—
Adjustments for valuation, foreign currency translation and others						
Valuation adjustment for marketable securities	1,150		—		—	
Foreign currency translation adjustments	3,558		—		—	
Total Adjustments for valuation, foreign currency translation and others	4,709	1.8	—	—	—	—
Minority interests	1,863	0.7	—	—	—	—
Total net assets	183,081	72.0	—	—	—	—
Total liabilities and total net assets	254,142	100.0	—	—	—	—

Consolidated Statements of Income (Unaudited)

(Millions of yen)

	For the nine months ended December 31, 2006		For the nine months ended December 31, 2005		For the year ended March 31, 2006	
	Amount	%	Amount	%	Amount	%
Net sales	131,766	100.0	115,685	100.0	158,412	100.0
Cost of goods sold	81,756	62.0	72,787	62.9	100,490	63.4
Gross profit	50,010	38.0	42,897	37.1	57,921	36.6
Selling, general and administrative expenses	24,742	18.8	22,785	19.7	30,841	19.5
Operating income	25,268	19.2	20,112	17.4	27,079	17.1
Non-operating income	2,442	1.8	2,218	1.9	2,898	1.8
Non-operating expenses	196	0.1	276	0.2	371	0.2
Ordinary income	27,514	20.9	22,054	19.1	29,606	18.7
Extraordinary income	40	0.0	547	0.4	2,715	1.7
Extraordinary loss	149	0.1	1,289	1.1	1,755	1.1
Income before income taxes and minority interest	27,404	20.8	21,312	18.4	30,565	19.3
Income taxes and other	11,222	8.5	8,220	7.1	11,636	7.4
Minority interest in income of consolidated subsidiaries	240	0.2	180	0.1	345	0.2
Net income	15,941	12.1	12,911	11.2	18,584	11.7

Consolidated Statements of Cash Flows (Unaudited)

(Millions of yen)

	For the nine months ended December 31, 2006	For the nine months ended December 31, 2005	For the year ended March 31, 2006
	Amount	Amount	Amount
Cash flows from operating activities:			
Income before income taxes and minority interest	27,404	21,312	30,565
Depreciation and amortization	5,099	4,685	6,562
(Increase) in accounts and notes receivable	(2,910)	(6,469)	(8,461)
(Increase) decrease in inventories	(1,121)	93	(219)
Increase in accounts and notes payable	4,556	5,794	4,565
Other	(1,907)	(377)	(986)
Subtotal	31,120	25,038	32,025
Income taxes paid	(13,793)	(11,743)	(11,819)
Net cash provided by operating activities	17,327	13,294	20,206
Cash flows from investing activities :			
Payments for purchases of fixed assets, marketable securities and investment securities	(8,845)	(8,524)	(12,533)
Proceeds from sale of fixed assets, marketable securities and investment securities	87	1,277	5,188
Other	2,303	(23)	(1,999)
Net cash used in investing activities	(6,454)	(7,270)	(9,343)
Cash flows from financing activities:			
Repayment of long-term debt	(54)	(169)	(352)
Redemption of bonds	(10,000)	—	—
Dividends paid to shareholders	(3,757)	(2,523)	(2,523)
Proceeds from sale of treasury stock	1	898	898
Other	(11)	245	236
Net cash used in financing activities	(13,821)	(1,548)	(1,741)
Effect of exchange rate changes on cash and cash equivalents	38	840	1,198
Net increase (decrease) in cash and cash equivalents	(2,910)	5,316	10,319
Cash and cash equivalents, beginning of period	86,307	75,987	75,987
Cash and cash equivalents, end of period	83,396	81,303	86,307