

## Consolidated Financial Review

### For the three Months Ended June 30, 2007

Company Name : THK CO., LTD.  
 Head Office : Tokyo, Japan (Tel: +81-3-5434-0300)  
 URL : <http://www.thk.com/jp/>  
 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. Consolidated financial highlights for the three month ended June 30, 2007

(April 1, 2007 to June 30, 2007) – Unaudited

##### (1) Consolidated Operation Results (for the three month ended June 30, 2006 and 2007) (Millions of Yen)

Month ended	Net Sales		Operating Income		Ordinary Income		Net Income	
June 30, 2007	¥ 49,700	11.4%	¥ 7,837	(13.6)%	¥ 9,256	(3.6)%	¥ 5,578	(1.9)%
June 30, 2006	44,612	20.6	9,066	39.3	9,599	38.0	5,689	59.0
Year ended March 31, 2007	174,710	10.3	31,815	17.5	34,955	18.1	21,038	13.2

(Yen)

Month ended	Net income per share	Diluted net income per share
June 30, 2007	¥ 41.98	¥ 41.70
June 30, 2006	42.84	42.51
Year ended March 31, 2007	158.36	157.22

##### (2) Consolidated Financial Condition (for as of June 30, 2006 and 2007)

Month ended	Total Assets (millions of yen)	Net Assets (millions of yen)	Equity ratio	Shareholders' Equity per Share (yen)
June 30, 2007	¥282,656	¥192,193	67.3 %	¥1,432.34
June 30, 2006	246,748	173,811	69.8	1,308.51
Year ended March 31, 2007	263,280	189,039	71.1	1,407.84

##### (3) Consolidated Cash Flows

(Millions of Yen)

Month ended	Cash Flow from Operating Activity	Cash Flow from Investing Activity	Cash Flow from Financing Activity	Cash and Cash Equivalents
June 30, 2007	¥ 1,949	¥(15,301)	¥ (2,734)	¥75,849
June 30, 2006	497	(2,806)	(2,017)	82,090
Year ended March 31, 2007	29,933	(10,884)	(13,839)	91,953

#### 2. Forecast of Consolidated Financial Results (April 1, 2007 to March 31, 2008)

2008	Net sales (millions of yen)		Operating income (millions of yen)		Ordinary income (millions of yen)		Net income (millions of yen)		Net income per share(yen)
1 <sup>st</sup> Half	¥102,000	16.0%	¥16,000	(6.2)%	¥17,000	(7.3)%	¥10,000	(8.9)%	75.20
Whole Year	217,000	24.2	33,000	3.7	35,000	0.1	20,800	(1.1)	156.41

(By forecasted average number of shares of common stock year of period)

#### 3. Other

- (1) Changes in reporting entities: Yes  
[ Added : 1 Rhythm Corporation ]
- (2) Adoption of simplified accounting method: Yes
- (3) Changes in accounting policies from most recent consolidated financial reports: None

#### \*Forward-Looking Statements:

This release contains forward-looking statements that are based on management's estimates, assumptions and projections at the time of release. Some factors, which include, but are not limited to, the risks and uncertainty associated with the worldwide economy, competitive activity and currency fluctuation could cause actual results to differ materially from expectations.

**【Reference】**

**1. Non Consolidated financial highlights for the three months ended June 30, 2007**

(April 1, 2007 to June 30, 2007) – Unaudited

Note: Amounts are rounded off to nearest one million yen.

**(1) Operation Results (for the three month ended June 30,2006 and 2007)** (Millions of Yen)

Month ended	Net sales		Operating income		Ordinary income		Net income	
June 30, 2007	¥ 34,409	(5.4)%	¥ 5,769	(20.2)%	¥ 6,884	(8.0)%	¥ 4,045	(6.8)%
June 30, 2006	36,359	18.8	7,233	30.7	7,480	30.3	4,338	43.7
Year ended March 31,2007	143,870		28,681		30,642		17,993	

Month ended	(Yen)	
	Net income per share	Diluted net income per share
June 30,2007	30.44	30.24
June 30,2006	32.67	32.42
Year ended March 31,2007	135.45	134.47

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 Condition (for as of June 30,2006 and 2007)**

Month ended	Total Assets (millions of yen)	Net Assets (millions of yen)	Equity ratio	Shareholders' Equity per Share (yen)
June 30, 2007	¥233,025	¥175,861	75.5 %	¥1,323.50
June 30, 2006	226,230	162,261	71.7	1,221.55
Year ended March31,2007	237,209	174,245	73.4	1,310.26

**2. Forecast of Non Consolidated Financial Results (April 1, 2007 to March 31, 2008)**

2008	Net sales (millions of yen)		Operating income (millions of yen)		Ordinary income (millions of yen)		Net income (millions of yen)		Net income per share(yen)
1 <sup>st</sup> Half	¥ 71,000	(0.4)%	¥13,800	(0.4)%	¥14,300	(2.3)%	¥ 8,500	(2.6)%	63.92
Whole Year	150,000	4.3	30,000	4.6	31,100	1.5	18,500	(2.8)	139.11

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 Operation and Financial Results

### 1. Consolidated Operation Results

Total net sales for the first quarter ended June 30, 2007, increased by ¥5,088 million (or 11.4%) to ¥49,700 million from the same quarter of the previous fiscal period. Domestic sales to the electronics industry go down slightly from the last quarter, while those to the machine tool and general machinery industries in China and other emerging countries continued strong. And sales to the transportation equipment industry increased, due to increase the number of subsidiary.

In the overseas sales front, sales to the general machinery and machine tool industry in North America and Europe continued favorable, due to the collaborative efforts of sales and production in cultivating new customers and increasing business of existing customers.

The cost to sales ratio increased by 2.2% to 63.8%, due to increasing the amortization expenses of full-fledged operation of newly established production facilities in Japan and other countries.

Sales and general administrative expenses increased by ¥2,094 million (or 26.0%) to ¥10,141 million, due to increased number of subsidiary and amortization of goodwill. Such expenses as a percentage of sales, increased by 2.4% to 20.4% from the same quarter a year earlier. As a result, operating income decreased by ¥1,228 million (or 13.6%) to ¥7,837 million from the same quarter in the previous fiscal period. The ratio of operating income to sales decreased by 4.5 percentage points to 15.8%, from the same quarter a year earlier.

### 2. Consolidated Financial Positions

#### (1) Analysis of Balance Sheet

Total assets for the first quarter ended June 30, 2007, increased by ¥19,375 million to ¥282,656 million from the previous fiscal year-end, mainly because of increasing the accounts receivable, tangible fix assets and goodwill of newly acquired subsidiary.

Liabilities increased by ¥16,221 million to ¥90,463 million, mainly because of accounts payable and debts payable of newly acquired subsidiary.

Net assets increased to ¥192,193 million due to the recognition of net income ¥5,578 million.

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

##### Cash Flows from Operating Activities:

Net cash provided by operating activities for the first quarter ended June 30, 2007 amounted to ¥1,949 million (¥497 million for the quarter a year earlier), mainly because ¥9,219 million was posted as net income before taxes, and corporate taxes of ¥7,756 million were paid.

##### Cash Flows from Investing Activities:

Net cash used in investing activities for the first quarter ended June 30, 2007 amounted to ¥15,301 million (¥2,806 million for the quarter a year earlier), due to the purchase of tangible assets to expand production facilities and acquisition of new subsidiary.

##### Cash Flows from Financing Activities:

Net cash used in financing activities for the first quarter ended June 30, 2007 was ¥2,734 million (¥2,017 million for the quarter a year earlier), caused by a dividend payment of ¥2,660 million.

As a result, the outstanding balance of cash and cash equivalents as of first quarter ended June 30, 2007, decreased by ¥16,103 million to ¥75,849 million from that of the previous fiscal year-end.

## 5. (Summary) First Quarter Financial Reports

## (1) (Summary) First Quarter Consolidated Balance Sheets (Unaudited)

(Millions of yen)

	As of June 30, 2006		As of June 30, 2007		Increase (Decrease)		As of March 31, 2007	
	Amount	%	Amount	%	Amount	%	Amount	%
<b>[Assets]</b>								
<b>I Current assets :</b>								
Cash on hand and bank deposits	84,210		75,695		(8,514)		91,857	
Notes and accounts receivable-trade	61,352		63,562		2,209		59,596	
Inventories	25,217		29,367		4,149		25,845	
Others	5,634		6,994		1,360		6,462	
<b>Total current assets</b>	<b>176,414</b>	<b>71.5</b>	<b>175,620</b>	<b>62.1</b>	<b>(794)</b>	<b>(0.4)</b>	<b>183,762</b>	<b>69.8</b>
<b>II Fixed assets :</b>								
Tangible fixed assets	58,644		81,302		22,658		66,738	
Intangible fixed assets	876		13,546		12,670		845	
Investments and other assets	10,812		12,186		1,374		11,934	
<b>Total fixed assets</b>	<b>70,333</b>	<b>28.5</b>	<b>107,036</b>	<b>37.9</b>	<b>36,702</b>	<b>52.1</b>	<b>79,518</b>	<b>30.2</b>
<b>Total assets</b>	<b>246,748</b>	<b>100.0</b>	<b>282,656</b>	<b>100.0</b>	<b>35,908</b>	<b>14.5</b>	<b>263,280</b>	<b>100.0</b>
<b>[Liabilities]</b>								
<b>I Current liabilities :</b>								
Notes and accounts payable-trade	31,237		37,729		6,491		34,769	
Short-term loans	—		450		450		—	
Current portion of long-term debt	72		996		924		72	
Current portion of bonds	10,000		—		(10,000)		—	
Current portion of convertible bonds	—		1,380		1,380		1,380	
Others	18,889		22,793		3,904		27,271	
<b>Total current liabilities</b>	<b>60,199</b>	<b>24.4</b>	<b>63,348</b>	<b>22.4</b>	<b>3,149</b>	<b>5.2</b>	<b>63,493</b>	<b>24.1</b>
<b>II Long-term liabilities :</b>								
Bonds	5,000		5,000		—		5,000	
Convertible bonds	1,640		—		(1,640)		—	
Others	6,097		22,114		16,016		5,748	
<b>Total long-term liabilities</b>	<b>12,737</b>	<b>5.2</b>	<b>27,114</b>	<b>9.6</b>	<b>14,376</b>	<b>112.8</b>	<b>10,748</b>	<b>4.1</b>
<b>Total liabilities</b>	<b>72,936</b>	<b>29.6</b>	<b>90,463</b>	<b>32.0</b>	<b>17,526</b>	<b>24.0</b>	<b>74,241</b>	<b>28.2</b>
<b>[Net assets]</b>								
<b>I Shareholders' Equity</b>								
Common stock	33,786		33,916		129		33,916	
Additional paid-in capital	43,523		43,653		130		43,653	
Retained earnings	90,653		107,194		16,540		104,275	
Treasury stock	(52)		(69)		(16)		(63)	
<b>Paid-In Capital and Retained Earnings</b>	<b>167,909</b>	<b>68.1</b>	<b>184,694</b>	<b>65.3</b>	<b>16,784</b>	<b>9.9</b>	<b>181,781</b>	<b>69.0</b>
<b>II Adjustments for valuation, foreign currency translation and others</b>								
Valuation adjustment for marketable securities	1,232		1,274		42		1,037	
Foreign currency translation adjustments	3,058		4,355		1,296		4,403	
<b>Total Adjustments for valuation, foreign currency translation and others</b>	<b>4,291</b>	<b>1.7</b>	<b>5,630</b>	<b>2.0</b>	<b>1,338</b>	<b>31.1</b>	<b>5,441</b>	<b>2.1</b>
<b>III Minority interests</b>	<b>1,610</b>	<b>0.6</b>	<b>1,868</b>	<b>0.7</b>	<b>258</b>	<b>16.0</b>	<b>1,816</b>	<b>0.7</b>
<b>Total net assets</b>	<b>173,811</b>	<b>70.4</b>	<b>192,193</b>	<b>68.0</b>	<b>18,381</b>	<b>10.5</b>	<b>189,039</b>	<b>71.8</b>
<b>Total liabilities and total net assets</b>	<b>246,748</b>	<b>100.0</b>	<b>282,656</b>	<b>100.0</b>	<b>35,908</b>	<b>14.5</b>	<b>263,280</b>	<b>100.0</b>

## (2) (Summary) First Quarter Consolidated Income Statements (Unaudited)

(Millions of yen)

	For the three months ended June 30, 2006		For the three months ended June 30, 2007		Increase (Decrease)		For the year ended March 31, 2007	
	Amount	%	Amount	%	Amount	%	Amount	%
I Net sales	44,612	100.0	49,700	100.0	5,088	11.4	174,710	100.0
II Cost of goods sold	27,498	61.6	31,721	63.8	4,233	15.4	109,568	62.7
<b>Gross profit</b>	17,114	38.4	17,979	36.2	865	5.1	65,142	37.3
III Selling, general and administrative expenses	8,047	18.1	10,141	20.4	2,094	26.0	33,326	19.1
<b>Operating income</b>	9,066	20.3	7,837	15.8	(1,228)	13.6	31,815	18.2
IV Non-operating income	665	1.5	1,706	3.4	1,041	156.6	3,397	1.9
V Non-operating expenses	132	0.3	288	0.6	155	117.8	257	0.1
<b>Ordinary income</b>	9,599	21.5	9,256	18.6	(343)	(3.6)	34,955	20.0
VI Extraordinary income	1	0.0	15	0.0	13	754.3	50	0.0
VII Extraordinary loss	78	0.2	53	0.1	(25)	(32.4)	482	0.3
<b>Income before provision for tax and minority interest</b>	9,523	21.3	9,219	18.5	(303)	(3.2)	34,524	19.7
Income taxes and other	3,751	8.4	3,589	7.2	(161)	(4.3)	13,317	7.6
Minority interest in income of consolidated subsidiaries	82	0.2	50	0.1	(31)	(38.6)	168	0.1
<b>Net income</b>	5,689	12.7	5,578	11.2	(110)	(1.9)	21,038	12.0

## (3) (Summary) First Quarter Consolidated Statements of Cash Flows (Unaudited)

(Millions of yen)

	For the three months ended June 30, 2006	For the three months ended June 30, 2007	For the year ended March 31, 2007
	Amount	Amount	Amount
<b>Cash flows from operating activities:</b>			
Income before income taxes and minority interest	9,523	9,219	34,524
Depreciation and amortization	1,594	2,276	7,130
(Increase) in accounts and notes receivable	(2,802)	2,245	(636)
(Increase) decrease in inventories	(210)	(1,646)	(339)
Increase in accounts and notes payable	850	(1,881)	3,835
Other	(1,353)	(507)	(1,297)
<b>Subtotal</b>	7,601	9,705	43,216
Income taxes paid	(7,103)	(7,756)	(13,283)
<b>Net cash provided by operating activities</b>	497	1,949	29,933
<b>Cash flows from investing activities :</b>			
Payments for purchases of fixed assets, marketable securities and investment securities	(2601)	(15,305)	(13,363)
Proceeds from sale of fixed assets, marketable securities and investment securities	9	28	123
Others	(214)	(24)	2,356
<b>Net cash used in investing activities</b>	(2,806)	(15,301)	(10,884)
<b>Cash flows from financing activities:</b>			
Short term debt Increase(decrease)	—	(50)	—
Repayment of long-term debt	(18)	(18)	(72)
Redemption of bonds	—	—	(10,000)
Dividends paid to shareholders	(1,995)	(2,660)	(3,752)
Others	(4)	(5)	(15)
<b>Net cash used in financing activities</b>	(2,017)	(2,734)	(13,839)
<b>Effect of exchange rate changes on cash and cash equivalents</b>	109	(17)	436
<b>Net increase (decrease) in cash and cash equivalents</b>	(4,216)	(16,103)	5,646
<b>Cash and cash equivalents, beginning of period</b>	86,307	91,953	86,307
<b>Cash and cash equivalents, end of period</b>	82,090	75,849	91,953