

Realizing Potential

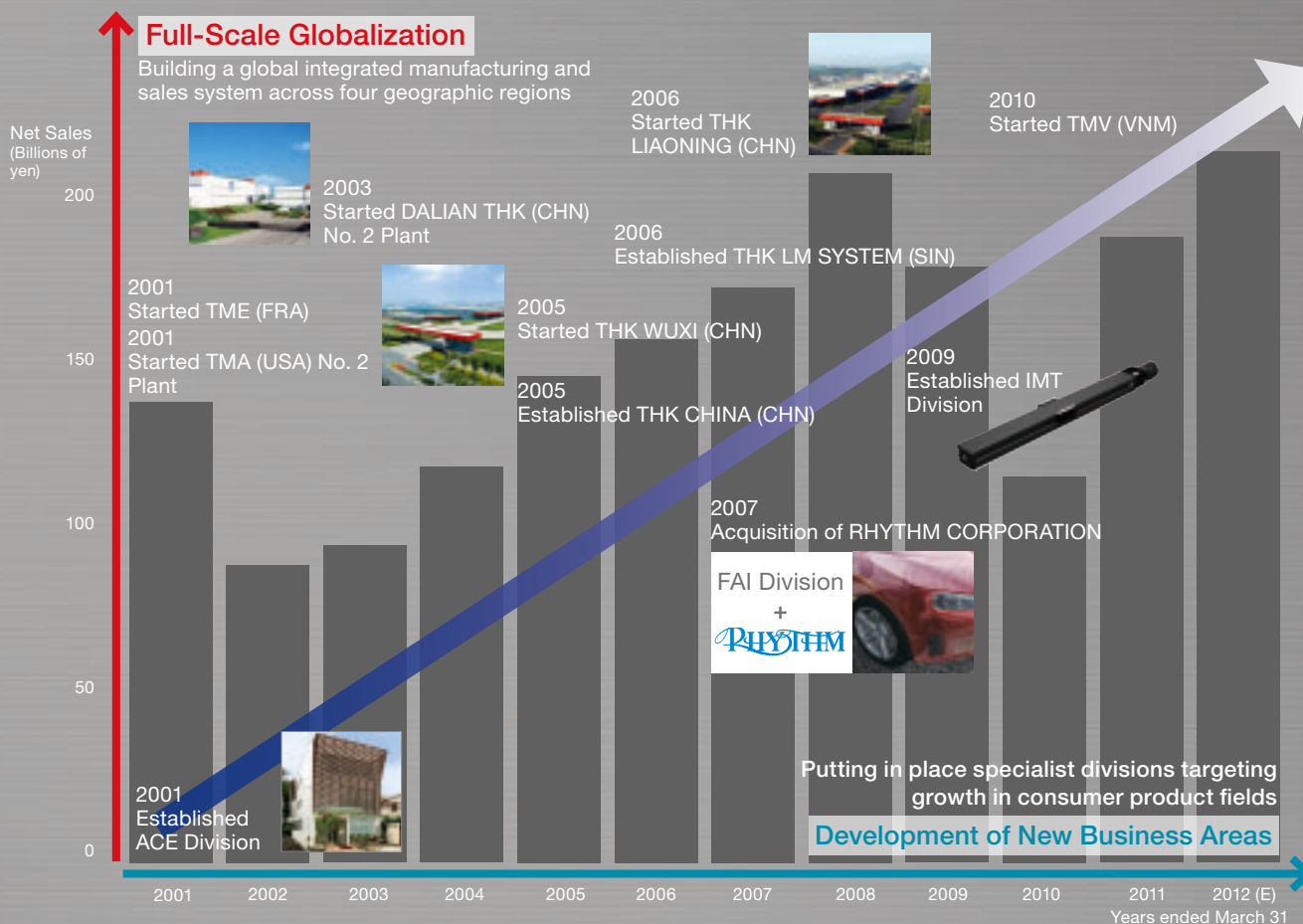
- Increase in the demand for machinery in emerging countries
- Progress toward electric-powered living

Two Basic Strategies

In heralding the Company's 30th anniversary since establishment in fiscal 2001, THK identified "Full-Scale Globalization" and "Development of New Business Areas" as its underlying growth strategies aimed at realizing the vast potential of its products including LM guides. At the same time, the Company raised the numerical target of doubling its consolidated net sales to ¥300 billion. In its efforts to achieve this target, and in the context of pursuing Full-Scale Globalization encompassing the expanded use of THK products geographically, the Company actively strengthened its integrated manufacturing and sales systems across the four core locations of Japan, the Americas, Europe and Asia guided by the understanding that optimal production is best served by locating facilities close to demand centers. Working to Development of New Business Areas, THK set up specialist divisions with the responsibility of expanding applications of THK products in fields close to consumer products.

The Path Taken to Date

Guided by its two basic underlying growth strategies, THK has steadily expanded its operating performance as it works toward achieving its established objectives by actively engaging in business development. Impacted, however, by the Lehman Brothers shock in autumn 2008, operating conditions deteriorated dramatically resulting in a substantial decline in demand. Under these circumstances, the Company was forced to amend the initially established target date (fiscal 2010) by which time it would achieve its objectives. Despite a harsh business climate since autumn 2008, THK has worked diligently to implement its growth strategies. To this end, and in addition to eliminate waste and inconsistency, the Company has continued to maintain and strengthen its operating activities without dampening its business platform and the human, technological and financial capital capabilities that provide the wellspring for its growth. Thereafter, and amid the significant recovery in global demand led by economic growth in developing countries from the second half of fiscal 2009, THK has successfully captured and channeled this sharp and dramatic improvement in conditions toward substantial improvements in its operating performance.



Expanding Growth Potential

The structure of the global economy underwent significant change following the Lehman Brothers shock.

It has become increasingly evident that the global economy is being driven by economic growth in developing countries and particularly China. In this context, demand for machinery is projected to increase considerably throughout the region going forward. At the same time, interest and concerns regarding global environmental protection are gathering momentum with measures aimed at reducing CO₂ emissions an integral component of today's business activities. Taking these trends into consideration, the shift toward electric powered machinery and equipment is also anticipated to gain impetus across a wide variety of fields in the pursuit of increased energy efficiency.

Buoyed by the upswing in demand for machinery in developing countries and the shift toward electric-powered living, demand for the Company's products is rising substantially further lifting THK's growth potential.

Moving forward, THK will continue to link these changes with steady growth by accelerating its Full-Scale Globalization and Development of New Business Areas strategies. In this manner, the Company will work steadily toward achieving the milestone of consolidated net sales totaling ¥300 billion.

INCREASE IN THE DEMAND FOR MACHINERY IN EMERGING COUNTRIES



— Steadfast strides in the China market

Takashi Okubo

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President of THK MANUFACTURING OF
CHINA (LIAONING) CO., LTD.

An Expanding China Market

From the latter half of 2009, the Chinese economy experienced renewed growth. Entering 2011, this growth has gathered significant pace. Throughout this period, demand for THK's products has also remained extremely robust. This sharp and dramatic surge in demand has come from a wide range of sectors including large-scale machinery-related fields such as wind power generation and railways, reflecting ongoing infrastructure development in China, and compact devices including smart phones on the back of digital consumer electronics market expansion. Under these circumstances, THK (CHINA) CO., LTD. is taking steps to increase the use of its products by existing customers while at the same time promoting the application of new models to a fresh customer base. As a result of these endeavors, THK (CHINA) CO., LTD. reported two consecutive quarters of record high orders for the January to March 2011 and April to June 2011 quarters.

Compared with such developed countries as Japan, the use of advanced numerical control (NC) machine tools remains low in China. As these machine tools gain wider acceptance, THK plans to channel this interest toward further increases in demand for its products. Moreover, the natural progression away from hand-operated tools has clearly triggered ongoing advances in NC machine tools. Taking this scenario into consideration, the need to complement the substantial power required for machine tools to process metals and related materials with LM guides that provide more precise and intricate power coupled with movement in a straight line became increasingly essential. Currently, the production ratio of numerically controlled machine tools (the NC ratio) in Japan stands at around 90%, compared with slightly in excess of 30% in China. Against the backdrop of a Chinese economy that is experienc-

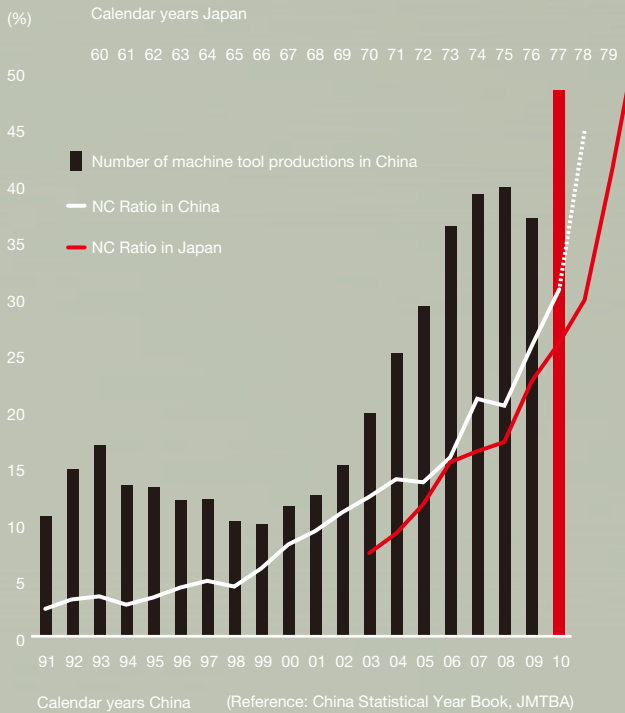
ing strong growth, the trend toward automation amid rising personnel expenses and need for increased industrial machinery precision is anticipated to steadily fuel a higher ratio of numerically controlled machine tools in China. In fact, this trend is clearly evident among major machine tool manufacturers, and in particular, the ratio of numerically controlled high-end machinery for use in automobile production lines is improving.

Establishing a Business Platform

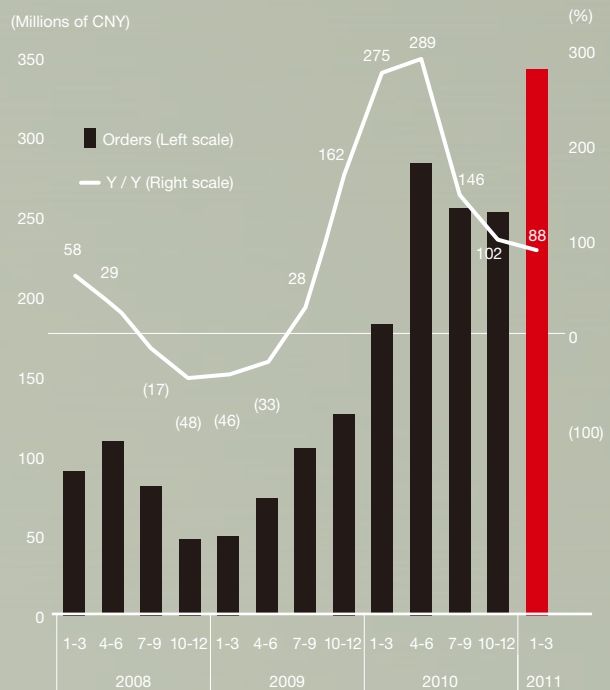
Recognizing the benefits to accrue in China, a nation enjoying high rates of economic growth, THK first entered the Chinese market during the 1990s. In the ensuing period, the Company has actively built an integrated production and sales structure with facilities and operations closer to centers of local demand.

In 1996, the Company established DALIAN THK CO., LTD. Later, steps were taken to commence the manufacture and sale of precisions ball screws and actuators. Later, steps were taken to establish THK (SHANGHAI) CO., LTD. as a part of efforts to upgrade and cultivate new customers in 2003. The following year, in 2004, THK MANUFACTURING OF CHINA (WUXI) CO., LTD. was established as China's first LM guide production base. Furthermore, amid an upswing in demand for machine tools, the Group established THK MANUFACTURING OF CHINA (LIAONING) CO., LTD., THK's third production base in 2005. In the same year, THK (CHINA) CO., LTD. was established to oversee the Group's operations in China while bolstering sales and marketing capabilities as well as strengthening management. Running parallel with this initiative to establish several core local subsidiaries in China, THK promoted the expansion of its sales network in an effort to provide tailor-made customer services.

Trends in the number of machine tool productions in China and the NC ratio



Trends in THK CHINA's orders received (Sales subsidiary)



Today, the THK Group is marshalling the full effects of its integrated manufacturing and sales systems to ensure the stable supply of high-quality products that match the needs of customers, to garner the resounding trust of local customers and to secure a high market share.

Business Development that Harnesses the Group's Competitive Advantage

THK's competitive advantage in China stems from its integrated manufacturing and sales system nurtured over many years. In addition to an existing network of 26 sales bases as of June 30, 2011, by providing direct to its customers a host of tailor-made services coupled with the manufacture of industrial equipment-related products at three production facilities located in China as well as transport equipment-related products manufactured at THK RHYTHM GUANGZHOU CO., LTD., THK has built a structure that is capable of supplying a wide range of products in a timely fashion. Moreover, taking into consideration future trends in the market and in an effort to better develop products that address local needs, THK established a research and development division in China in April 2010. Through these means, the Group is strengthening its business platform in China.

As a pioneer in the development of business in China, the THK Group has had the opportunity and distinct advantage of recruiting and nurturing local staff over many years. Considerable time and effort is required when developing human resources. The fact that THK was among the first to enter the market has been and remains a major benefit. The very fact that these human resources are currently working as sales staff in each the Group's offices in China, providing tailor-made and detailed services, is a major reason for customers also posi-

tioning THK as the preferred supplier of choice in the China market. As calls for customers seeking to manufacture quality products increases with each passing year, THK plans to reinforce its emphasis on proposal capabilities moving forward. The purpose of its human resource endeavors is therefore far removed from the simplistic aim merely promoting sales. As THK goes about its daily education and training activities, the Company's goal is to both address the needs of customers and to provide marketing proposals unique to THK.

From a production perspective, THK is introducing to the China market high-performance equipment of a quality equivalent to other regions. Every effort is being made to ensure that the THK brand remains synonymous with the highest global standards.

Fiscal 2010 Results

THK (CHINA) CO., LTD. reported record high sales in fiscal 2010. In specific terms, revenue more than doubled compared with the previous fiscal year. Taking into consideration forecasts that orders will remain robust in fiscal 2011, THK is projecting year-on-year revenue growth of approximately 50%.

Demand throughout China which had stalled following the Lehman Brothers shock in 2008 recovered dramatically from the second half of 2009. Against this backdrop, THK was successful in securing the major share of this upswing in demand. Even in periods when the market has been weak, THK which boasts China's largest production capacity has maintained an unwavering confidence in the market's recovery. In addition to maintaining capacity, the Group has taken steps to enhance productivity and quality as a part of efforts to boost its production structure. At the same time, the Group has actively implemented wide-ranging sales and marketing initiatives designed



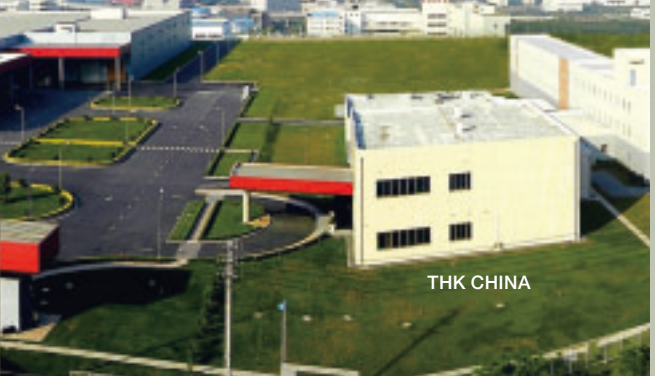
THK WUXI



DALIAN THK



THK LIAONING



THK CHINA



THK RHYTHM GUANGZHOU



THK RHYTHM CHANGZHOU

— Taking the next leap forward in the China market

to upgrade and expand its sales network.

To ensure that the Group's maximum efforts were channeled toward addressing the growth in orders throughout fiscal 2010, THK implemented a four-squad, triple shift full production system at each of its plants at DALIAN THK CO., LTD., THK MANUFACTURING OF CHINA (WUXI) CO., LTD. and THK MANUFACTURING OF CHINA (LIAONING) CO., LTD. Harnessing the collective strengths of all employees, THK worked diligently to increase production.

Not only was the Group successful in generating robust results as a consequence of these initiatives, but it also secured an increased share of the market. Standing at the forefront of the market, THK continues to accurately address this vast demand as the means by which it garners increased trust while further enhancing its position and standing in the China market.

Medium-to-Long-Term Objectives and Initiatives

The entire THK Group is committed to achieving a consolidated net sales target of ¥300 billion. In this context, THK (CHINA) CO., LTD. will play a prominent role in the Group's operations in Asia, a region expected to experience high rates of growth, providing substantial contributions toward the Group's established target. To this end, every effort will be made to strengthen the Group's integrated manufacturing and sales system.

In addition, THK will continue to promote business development targeting transportation equipment-related sectors working mainly through its FAI Division. At the same time, the Company will actively approach the automobile industry in Asia. Harnessing the capabilities of the IMT Division, established in 2009, THK will also promote increased application of

electric actuators and hybrid units. Building on these endeavors, the Company will strive to cultivate new business opportunities within the China market in these areas.

Sales Initiatives

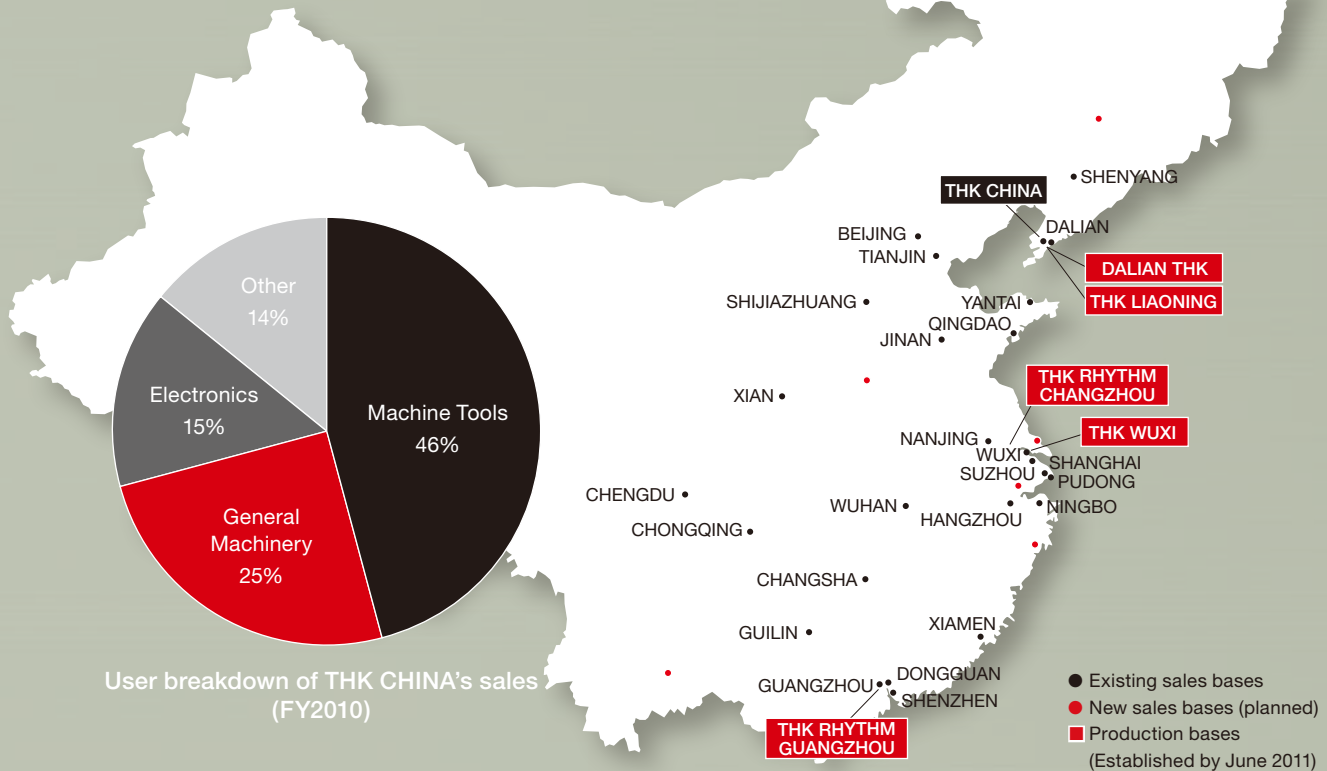
Buoyed by measures aimed at stimulating the economy implemented by the Chinese government, demand for THK products is expanding beyond the traditional coastal regions to encompass the north-east and inland areas. Amid an expanding business base, THK is ramping up efforts to upgrade and expand its sales network in order to pursue business endeavors that are deeply rooted in each region. During fiscal 2011, THK plans to open seven new bases by June bringing its network to 26 bases. Steps will also be taken to increase the sales network to over 30 bases by the end of 2011.

In strengthening its sales structure and systems, upgrading and expanding the intangible aspects of its operations is of equal importance to the tangible. With this in mind, the Group increased its local workforce by recruiting around 100 additional staff. While implementing its unique education and training programs, THK will work to lift the skills and capabilities of each and every employee moving forward.

In addition to expanding transactions with existing customers including major machine tool manufacturers, THK will focus on actively cultivating new customers. In specific terms, the Company will initiate such wide-ranging promotional activities as exhibitions conducted in each region and the effective use of its website.

Moreover, the Group will consolidate its head office functions distributed between Dalian City and Shanghai to Dalian, and bolster collaborative ties between the Research and De-

Business development in China



velopment, Application Engineering as well as Sales divisions. Leveraging its advanced specialist expertise, THK will pursue proposal-based sales and marketing to lift to the next level its sales capabilities in China.

Production Initiatives

In order to steadily capture its share of expanding demand, THK will work to increase the production capacity of its three plants in China. First, construction of a third plant at THK MANUFACTURING OF CHINA (WUXI) CO., LTD. commenced in August 2011. At THK MANUFACTURING OF CHINA (LIAONING) CO., LTD. steps will be taken to more effectively use space while augmenting production facilities. At DALIAN THK CO., LTD. work was completed on increasing capacity in August 2011. Operations commenced the following month in September. Looking ahead, DALIAN THK CO., LTD. plans to relocate to a site measuring approximately three times its current size. In addition, THK RHYTHM CHANGZHOU CO., LTD. was established in April 2011 as the Group's fifth plant in China. Beginning with the manufacture of automotive parts, consideration is being given to manufacturing linear motion products including LM guides at some time in the future.

The Group's efforts will not be limited to increasing production capacity. THK will also focus on enhancing efficiency. In this context, steps will be taken to visualize onsite production processes as well as individual employee skills. To this end, the Company will implement improvement activities as well as skills training. Moreover, and in order to reduce the ratio of direct input costs, THK will diversify its procurement processes and material suppliers while maintaining its strict adherence to product quality. At the same time, the Company will further increase its cost competitiveness in the China market.

Development Initiatives

The Group's first overseas research and development division was established within THK (CHINA) CO., LTD. in April 2010. In line with a market that continues to exhibit growth, customer needs in China are becoming increasingly diverse. Looking ahead, THK recognizes the critical importance of providing high value-added products that meet these needs. Placing the newly established Engineering and Development Division at the heart of its business development endeavors, THK will work to develop wide-ranging product applications.

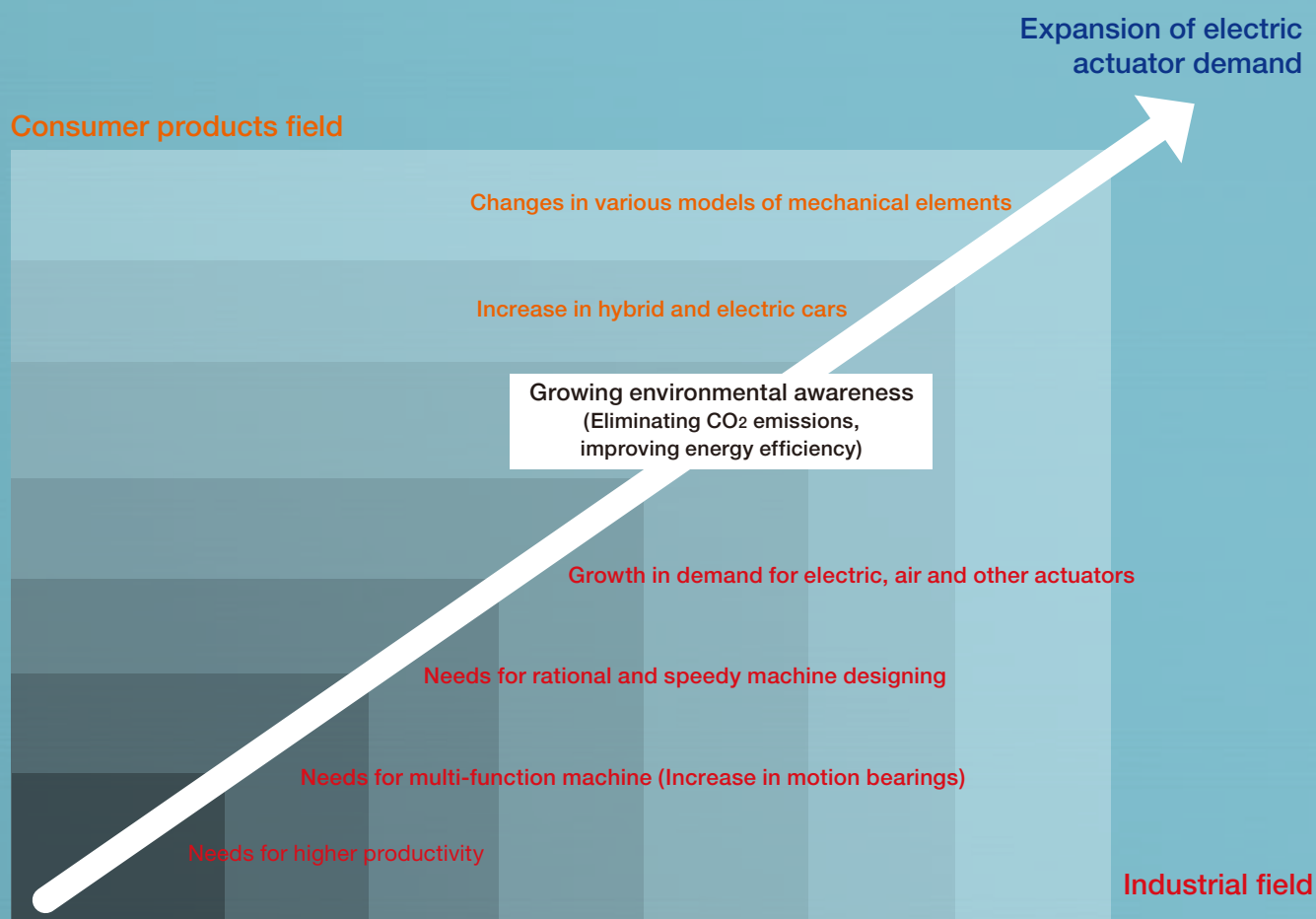
Initially, operating with a workforce of around 20, plans are in place to increase staff number to 150 in the future. In addition, the building housing the Engineering and Development Division is scheduled for completion during 2011. Moving forward, THK will continue to put in place a structure and systems that is capable of undertaking broad research and development activities in China.

Cultivating New Markets in Other Developing Countries

As previously stated, THK pioneered business development in China working diligently to build and expand an integrated manufacturing and sales system. Accordingly, the Company has secured steady results, buoyed by the benefits to accrue from its position as a front runner.

Building on this success, THK will assess the best timing for the Group to expand its wings to other developing countries. On this basis, every effort will be made to adopt a proactive stance toward future business development.

PROGRESS TOWARD ELECTRIC-POWERED LIVING



Steady Growth in Electric-Powered Needs

In the industrial machinery and equipment field, calls by machinery and equipment users for increased productivity continue to grow. These calls have led to significant advances in a wide variety of industrial machinery performance and functionality. Against this backdrop, the need for increased economy in machinery architecture and design has risen in recent times triggering an upswing in demand for such solutions as module products including actuators as opposed to individual unit components.

Looking ahead, developing countries are expected to play a dominant role in leading the global economy forward. At the same time, global environmental protection concerns are anticipated to gain in importance. Under these circumstances, ongoing economic growth in concert with reductions in energy consumption is forecast to become an increasingly major theme for humankind. In this context, eliminating CO₂ emissions will also become a key issue for the business community. Amid the accelerated shift toward clean energy use and activities aimed at improving energy efficiency, hybrid and electric vehicles will undoubtedly gain in prominence. As a result, mechanical components including electric actuators that offer

higher levels of energy efficiency will attract wider interest over and above automobile drive components. In similar fashion, demand for electric actuators distinguished by their outstanding energy efficiency will experience increased demand for use in the industrial machinery used to manufacture components.

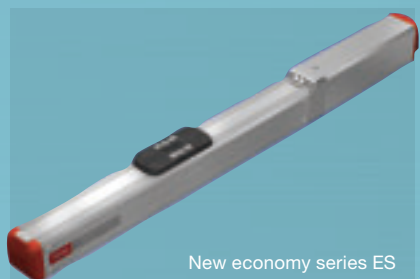
From the perspective of humankind coexisting with the global environment, THK's products, which help deliver high machinery performance together with reduced energy consumption, will provide an increasingly higher level of benefits.

Expanding Business Utilizing the Company's Inherent Competitive Advantage

LM guides and ball screws, which are critical to electric actuators, are also THK's core products. As a pioneer in the development of LM guides, THK has continued to deliver the highest quality products over many years leveraging its unrivalled accumulated know-how as a global manufacturer. The Company's electric actuators are therefore comprised of these high-quality LM guides and ball screws and as such boast substantial competitive advantage throughout worldwide markets.

In particular, THK's compact series, offering high rigidity and precision in a compact package, is attracting high praise

Electric Actuators Series



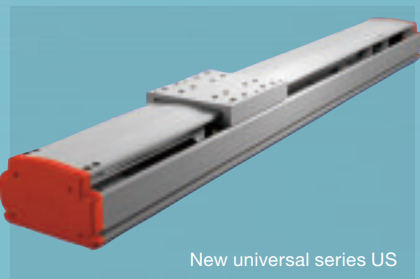
New economy series ES



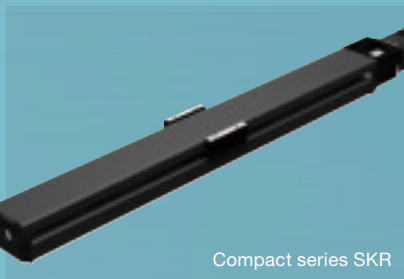
New economy series EC



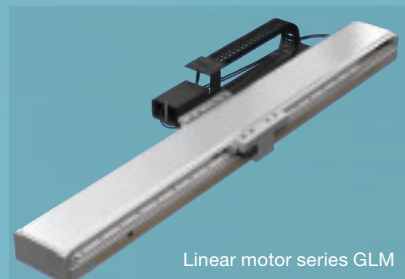
New driver controller TSC



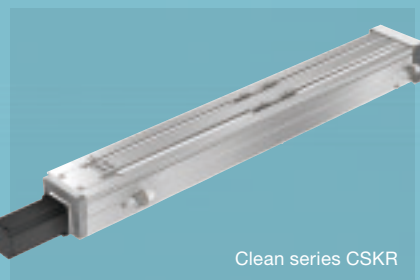
New universal series US



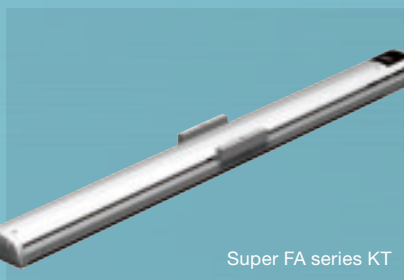
Compact series SKR



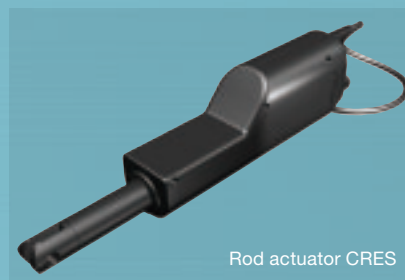
Linear motor series GLM



Clean series CSKR



Super FA series KT



Rod actuator CRES

within a highly competitive market. Moving forward, THK is upgrading and expanding its lineup of outstanding products while further increasing applications across such areas as semiconductor and flat-panel production equipment as well as industrial machinery including industrial robots. At the same time, the Company is bolstering efforts to develop drivers and controllers, the control devices for electric actuators, and expanding sales as a module unit.

In promoting the development of electric actuators, THK is moving beyond the capital goods field including industrial machinery promoting applications that are closer to consumer goods. The Company's CRES series is already being applied across such wide ranging fields as automobile roof boxes, toll parking gates and household unit kitchens. Moving forward, THK will continue to develop products that harness its unique product technologies while expanding the potential of electric actuators.

Product Technologies Distinguished by Their Unlimited Potential

A wide variety of machinery is expected to play an increasingly coexistent role with daily human life 10 years hence. As this

coexistence between machines and humankind becomes closer knit, the need for diverse specifications encompassing safety and thrust force is forecast to become more and more important. For this very reason, individual components will play an increasingly vital role.

Amid expectations that the application of new generation robots, and particularly humanoid robots, will grow within people's daily living environments, THK will harness its individual component technologies nurtured in wide-ranging industrial equipment fields to deliver the components essential to next generation robots including new generation actuators.

THK has already presented its lineup of ultra-compact, high-power actuators and other components for use in new generation robots at exhibitions in Japan, attracting high praise and interest.

Looking ahead, THK will work to steadily address robust electric-powered needs in industrial equipment fields as a machinery components manufacturer. At the same time, the Company will take into consideration next generation requirements, working to cultivate the electric-powered needs inherent in humankind living environments and to further expand its business areas.