

Looking Back on Our Business Environment and Performance in Fiscal 2011

Achieved Revenue Growth Against the Backdrop of a Volatile Business Environment

During the first half of fiscal 2011, the fiscal year ended March 31, 2012, the global economy continued along its path of recovery buoyed by economic growth in developing countries. Under these circumstances, trends in orders received were extremely robust in each of THK's operating regions. Particularly in China, the Company reported two consecutive quarters (January to March and April to June) of record-high orders received.

From the summer months, however, operating conditions throughout Asia shifted dramatically as the Chinese government pushed forward measures to tighten the supply of money. Taking into consideration this turnaround and the decline in electronics demand which resulted in a downturn in orders received mainly in Japan and Asia, THK revised downward its full fiscal year forecasts at the time of its interim results announcement in November 2011. In the period following this downward revision, the Company was successful in capturing a greater than

expected level of orders. Reflecting the positive flow-on effects to net sales, consolidated top-line results in fiscal 2011 increased 3.3% compared with the previous fiscal year, to ¥196.8 billion. Accordingly, this year-on-year upswing in revenues resulted in an improvement on the revised plan.

From a profit perspective, operating income declined 9.6% compared with the previous fiscal year, to ¥19.7 billion, while net income contracted 9.4% year on year, to ¥12.6 billion. This largely reflected continued appreciation in the value of the yen, the impact of changes to accounting policies and expenses incurred as a part of efforts to build up the Company's systems to bolster its business continuity plan (BCP).

Despite this downturn, THK takes great stock in the results achieved under its P25 Project, an initiative that transcends business boundaries aimed at strengthening the Company's business base. Thanks to each improvement activity beginning with the P25 Project, we have limited the depth of profit decline to an absolute minimum and secured a profit performance that exceeds our revised plan. This augurs well for the future moving into the following business terms.

Looking Back on Our Policies and Business Initiatives in Fiscal 2011

Secured an Improvement in Our Earnings Base through a Variety of Improvement Measures

Our ability to secure an improvement in our earnings base is essentially attributable to our commitment to and unwavering implementation of a comprehensive growth strategy.

THK continues to engage in business development activities by expanding its business domains with the dual growth strategies of “Full-Scale Globalization” and the “Development of New Business Areas.” Getting the jump on its rivals, THK is adopting a particularly aggressive approach toward building, upgrading and expanding its sales network in China, which is enjoying prolonged high rates of economic growth. At the same time, the Company is ramping up its production capabilities. As a result, I am confident that we successively captured a significant share of demand in regions throughout China during the first half of the period. On the earnings front, China proved to be the most profitable of the countries in which we operate for the second consecutive year. This is also a measure of the initiatives that we have employed to date and has allowed us to reap considerable rewards.

Turning to the Company’s activities in Japan, THK continued to promote its P25 Project, an initiative that transcends business boundaries aimed at strengthening the Company’s business base in Japan. Under the P25 Project, we conduct thoroughgoing analyses of individual department issues across all related departments to apply improvement measures. This allows us to not only enhance our marginal profit ratio but also to increase the efficiency of fixed costs and lower the break-even sales point. In fiscal 2011, we implemented a variety of initiatives including the P25 Project. As a result, we were able to successfully enhance profitability.

Outlook for Fiscal 2012

Targeting an Increase in Revenues and Earnings

Conditions during fiscal 2012 are expected to remain unstable. This is attributable to a variety of external factors including uncertainties surrounding issues in South Europe and a slowdown in growth rates in China. Despite some measure of anxiety, the overall business environment in fiscal 2012 is projected to remain firm on the back of pump-priming initiatives implemented in such major countries as the United States and China as a result of presidential elections and a change in leadership.

Under these circumstances, orders received, which continued to climb from the October to December 2011 quarter to the January to March 2012 quarter, are anticipated to increase. On this basis, THK announced its consolidated forecasts in May 2012. For the fiscal year ending March 31, 2013, the Company is projecting consolidated net sales of ¥200.0 billion, an upswing of 1.6% compared with the fiscal year under review. From a profit perspective, we will continue to actively promote measures including the P25 Project aimed at strengthening our

revenue base. Driven by these endeavors, operating income is expected to climb 13.9% year on year, to ¥22.5 billion.

Our Policies and Business Initiatives in Fiscal 2012

Further Accelerating the Implementation of Two Basic Strategies

While changes in the external environment are clearly evident over the short term, our forecast of steady growth in demand for THK products over the medium to long term remains unchanged. Our confidence is derived from the new growth drivers that continue to emerge amid current volatile fluctuations in the external environment.

First, the shift toward production of capital goods in developing countries continues to gather momentum, reflecting clear indications of economic growth in these countries. In addition, the ongoing trend toward execution of free-trade agreements in various regions throughout the world is prompting increased demand for machinery in these regions considered ideal as bases of operations for export activity. Turning to trends in developed countries, growing awareness toward disaster prevention countermeasures and interest in electric-powered equipment and devices is anticipated to fuel demand for THK products in the consumer goods field. In addressing each of the aforementioned changes, THK will accelerate efforts to implement Full-Scale Globalization and the Development of New Business Areas in an effort to generate new growth and expand its business domain.

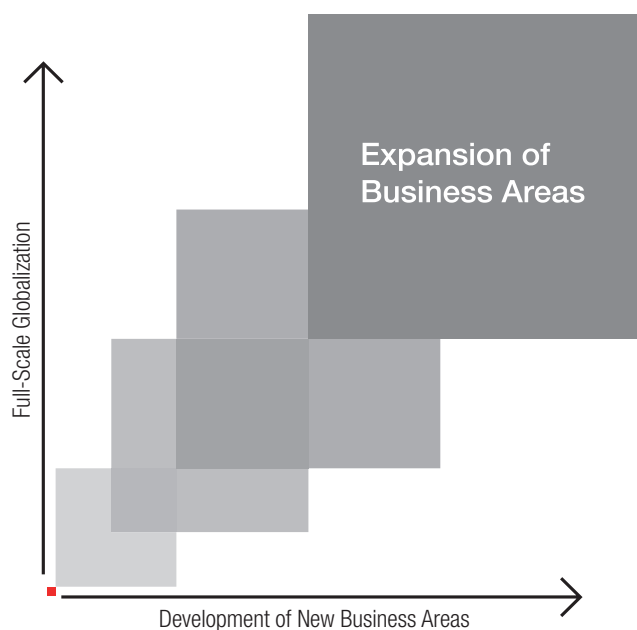
Growth Strategy: Full-Scale Globalization

Accelerating Business Development in Developing Countries

In promoting Full-Scale Globalization, THK is stepping up its efforts in developing countries, with a particular emphasis on the China market.

In China, machine tools represent the principal market for the Company’s products. After rising to the world’s top position in machine tool production by amount in 2009, China has continued to increase unit produced annually. In contrast, certain people have voiced concerns surrounding China’s economy going forward and the nation’s ability to maintain current growth rates in the machinery sector. Without a doubt, growth rates in China have slowed of late, with the government revising downward its forecasts. The country has entered a period of stable growth after an extended period of high growth. From Japan’s perspective, however, this stable growth has provided the underlying strength for continued substantial increases in GDP. Moreover, the ongoing trend toward factory automation (FA) has driven demand for advanced machine tools.

Japan experienced a period of stable growth from December 1973. Riding the wave of FA, this period saw a sharp rise in the ratio of numerically controlled (NC) machine tools, which in turn provided the momentum for steep growth in demand for the Company’s products. The NC machine tool ratio in Japan currently exceeds 90%. In China, on the other hand, this ratio stands at around 30%. Amid the shift toward domestic demand-led economic growth in China, increased demand for higher quality finished products reflecting the upswing in disposable incomes and a decline in



the labor force, China is expected to experience improved demand for advanced NC machine tools in similar fashion to the period of stable growth in Japan. For these reasons, we are confident that China will undoubtedly continue to offer significant growth potential going forward.

Against this backdrop, THK is proactively upgrading and expanding its sales network in an effort to capture a significant share of this demand. As of July 2012, the Company's branch network in China had expanded to 30 bases. Taking into account China's growth potential, 30 bases falls well short of the number required. On this basis, THK plans to double its network to 60 bases by 2014 and to further cement its position within the China market.

From the point of view of production, we are taking steps to increase capacity at each plant in order to capture growing demand. In addition to introducing machinery equipment, construction work to increase capacity at DALIAN THK CO., LTD. was completed in August 2011. At the same time, construction has been completed at THK MANUFACTURING OF CHINA (WUXI) CO., LTD. on a third plant since 2011. Operations at this new facility commenced in May 2012. Complementing these initiatives, THK established THK RHYTHM CHANGZHOU CO., LTD., the Group's fifth plant in China, focusing mainly on the production of automotive parts in China in April 2011. Deliveries to customers commenced in July 2012. Moreover, the Company established THK MANUFACTURING OF CHINA (CHANGZHOU) CO., LTD. as the Group's sixth plant in April 2012. Dealing in the production of linear motion-related materials and hybrid units, construction is scheduled to commence in October 2012.

Turning to development, THK established its first overseas R&D division within the headquarters of THK CHINA in April 2010. A specialist R&D Center at the division was brought online in April 2012. Research and development in China is proceeding in earnest, and the THK Group is

engaging in the development of products that address local needs.

In addition to its activities in China, THK is upgrading and expanding its supply network in other areas. Currently, the THK Group maintains 15 overseas production bases including China. In order to further capture demand, every effort will be made to bolster the Group's supply structure with an ongoing focus on developing countries. THK established THK RHYTHM MEXICANA, S.A. DE C.V. in Mexico in February 2012 with the aim of supplying not only the Mexican market but also the Americas. Ground was broken on construction in May 2012. Beginning with automotive parts, this facility will look toward manufacturing linear motion-related products. In India, the Company will focus on strengthening direct sales during the current fiscal year and establish a local subsidiary. Maintaining a keen eye on trends in demand for automotive parts and capital goods, THK will assess the most appropriate timing to set up a production plant. In the ASEAN region, the Company is placing considerable emphasis on establishing sales bases in each country, actively raising the Group's presence and standing and capturing inherent demand.

The THK Group is pursuing every avenue in its pursuit toward Full-Scale Globalization. One such avenue is the use of agencies and distributors. THK is not however a company that merely sells products. Its overarching mission also entails supporting its customers with comprehensive solutions. Taking these factors into consideration, the Company will effectively utilize an agency network, and place the utmost emphasis on putting forward improvement proposals that customers themselves have not identified while providing solutions that harness THK's technological capabilities as part of its effort to build robust ties of trust and confidence with its customers. Through these means, the Company will endeavor to cultivate global demand.

Growth Strategy: Development of New Business Areas Striving for the Increased Use of THK Products in Consumer Goods Fields

As previously mentioned, we believe that demand will remain strong in developing countries over the medium to long term. At the same time, we are also aware that future operating conditions will fluctuate wildly, impacting demand in developed countries. It is therefore important that we not rest on our laurels and be satisfied with current steady status of our business. For this reason, we will continue to promote the second growth strategy of new business area development in the knowledge that expanding its activities into new areas is extremely important to its future.

As a first step, we are endeavoring to steadily promote the increased use of our products in the FAI Division, which is charged with the responsibility of expanding the application of THK products in transportation-related fields. In addition to boosting business activities in such traditional fields as ball joint parts, we are focusing on putting forward proposals that only THK can provide to address the change in configurations triggered by the growing demand in hybrid and electric vehicles. These proposals encompass a broad spectrum of configurations including surrounding driving, suspension and interior components. To

this end, the THK Group will accelerate product development while stepping up its approach toward customers.

In the ACE Division, which is engaged in the provision of seismic isolation and damping systems that help protect people's lives and possessions from the threat of earthquakes, the THK Group is witnessing significant growth in demand amid increased awareness toward the dangers presented by such disasters. With a substantial upswing in interest in BCPs, demand for seismic isolation platforms is surging as the corporate sector looks to better protect its valuable assets. In a major development in fiscal 2011, THK marketed the Seismic Isolation Module, Model TGS. In addition to receiving the 54th 10 Major New Products Awards sponsored by Nikkan Kogyo Shimbun Ltd., this product was highly evaluated for its performance, prompting an extremely large number of orders received. In damping system-related products, the Company developed the Inertial Rotary Damping Tube (iRDT)—a new viscous damping system designed for use in controlling the shock range of long-period ground motions in high-rise buildings. At the same time, and due to its superior damping effects, iRDT reduces the number of installation units which helps to curtail overall costs. Moreover, this new product can not only be used in the construction of new buildings, but also in renovations to strengthen the seismic resistance of existing structures.

In the future, there are serious concerns that a major earthquake will strike the area beneath the Tokyo metropolitan area, as well as the three linked Tokai, Tonankai and Nankai regions of Japan. Accordingly, Japan's national government is considering earthquake countermeasures for all existing structures. Against this backdrop, THK has an extremely important role to play and is taking proactive ongoing sales and marketing steps to promote the increased use of its products. At the same time, the Company is endeavoring to contribute to society by raising awareness toward the importance of earthquake countermeasures by providing first-hand experience through its proprietary Seismic Isolation Experience Car.

The IMT Division is working diligently to expand its hybrid unit and equipment as well as electric actuator businesses. Looking ahead, the trend toward electric-powered devices is projected to expand across a variety of areas from capital to consumer goods. This in turn is fueling expectations of an increase in demand for the Company's electric actuators. In the fiscal year ended March 31, 2012, THK augmented its lineup and brought to market new products in four series. Harnessing the advanced product technologies the Company has nurtured over a lengthy period, the IMT Division is also pursuing research and development aimed at supplying components for such next-generation fields as robotics including humanoid robots. Looking ahead, THK will continue to promote the development of new proposals while working to further expand the potential of its products.

In addition to its activities through each of the aforementioned three divisions, THK will strive to expand the application of its products to such wide-ranging fields as renewable energy, including wind, hydraulic and solar power, as well as platform doors used in subways. Moving forward, every effort will be made to develop products that are capable of excelling



across a wide variety of fields and that contribute to the creation of an affluent society. Through these means, the Company will continue to expand its business.

Enhancing Corporate Value

Striving for Further Growth

As previously mentioned, there are numerous inherent opportunities for investment with the potential to deliver to the Company renewed growth. Accordingly, there is considerable promise to further expand THK's business domain by promoting Full-Scale Globalization and Development of New Business Areas. Moving forward, THK will continue to steadfastly implement these two growth strategies and work diligently toward achieving its medium-term targets of consolidated net sales of ¥300.0 billion as well as an operating margin of 20% and ROA of 15%. In this regard, the Company will further enhance its corporate value and address the expectations of stakeholders including shareholders.

As we work toward fulfilling these stated targets, we kindly request the continued support and understanding of all concerned parties.

July 2012

A handwritten signature in black ink that reads "Akihiro Teramachi".

Akihiro Teramachi
President and CEO
THK CO., LTD.