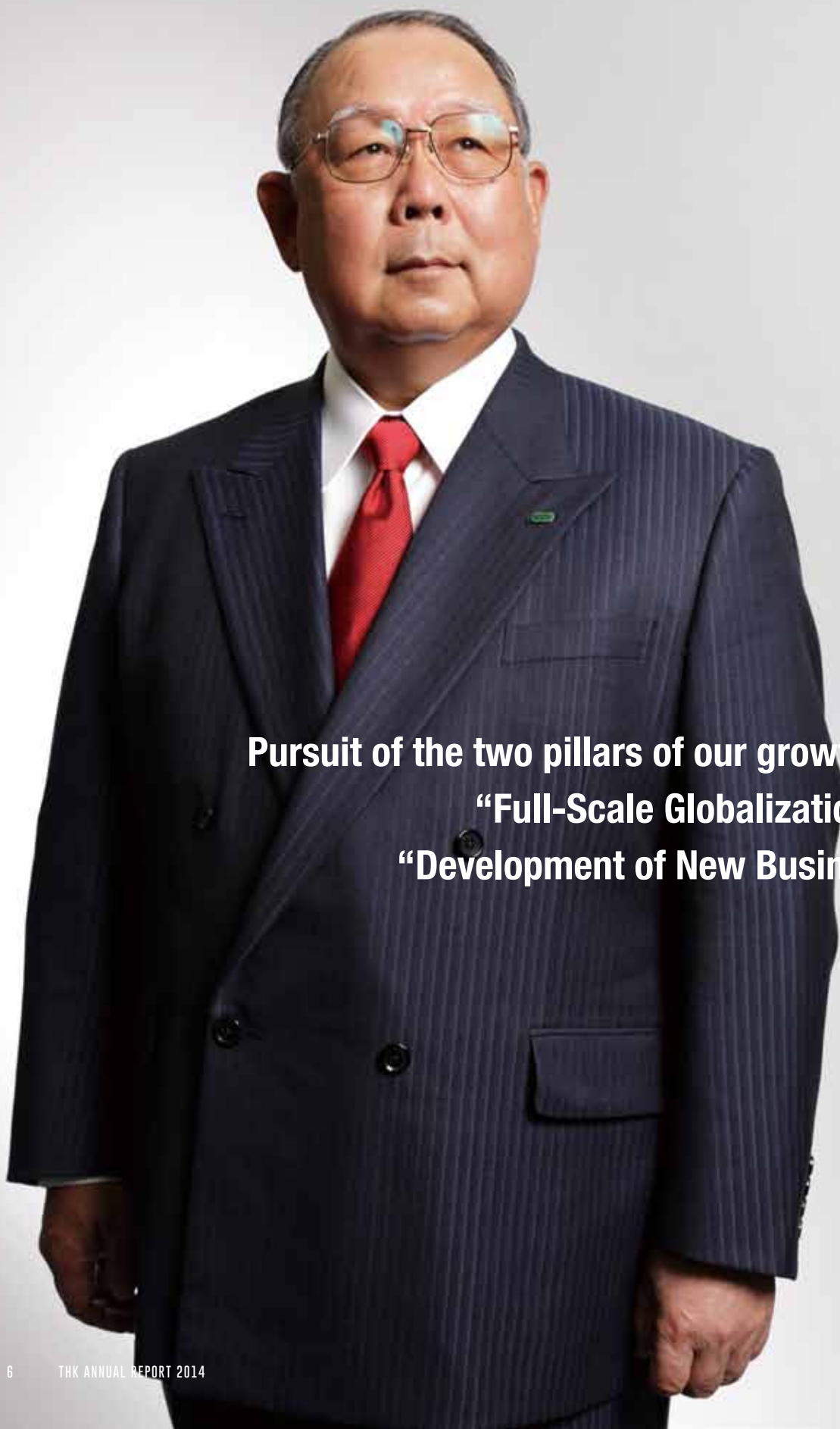


TO OUR STAKEHOLDERS



**Pursuit of the two pillars of our growth strategy,
“Full-Scale Globalization” and the
“Development of New Business Areas”**

THK CO., LTD.
President and CEO

Akihiro Teramachi

Looking Back on Fiscal 2013

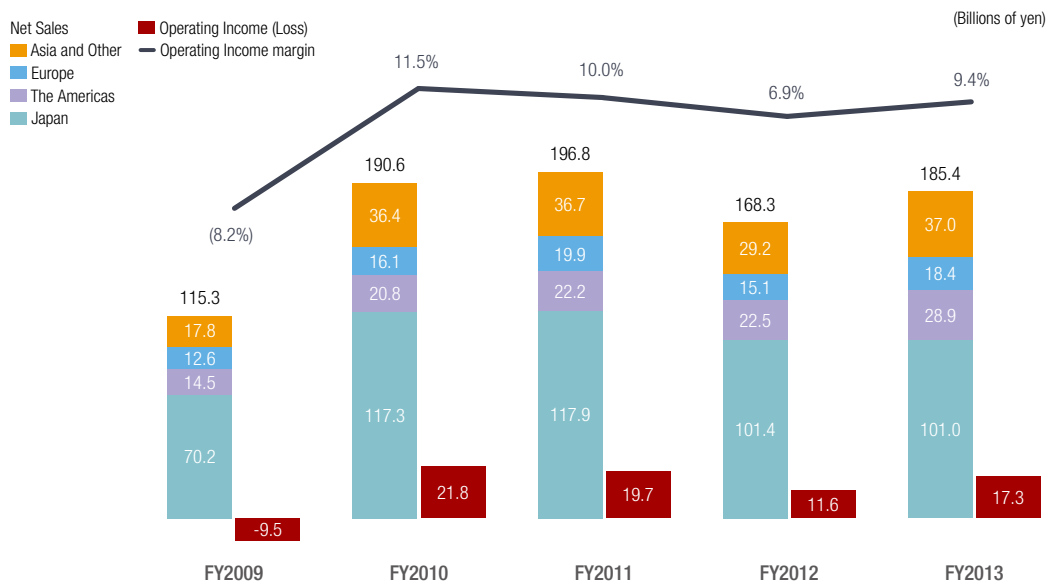
Looking at the operating environment in fiscal 2013, ended March 31, 2014, capital investment-related demand in Japan trended toward a recovery from the second half of the fiscal year. Turning to overseas markets, demand in the Americas, Europe, and China also exhibited an overall underlying strength. In addition, compared with the previous fiscal year, movements in foreign currency exchange rates were favorable largely on the back of the downturn in the value of the yen. Buoyed by these factors as well as by revenue growth across each region overseas, consolidated net sales for the fiscal year under review amounted to ¥185.4 billion, an increase of 10.2% compared with the previous fiscal year. From a profit perspective, operating income increased 48.6% year on year, to ¥17.3 billion, and net income increased 59.0%, to ¥15.5 billion. In addition to the upswing in net sales, this improvement in profits was largely attributable to fluctuations in foreign currency exchange rates.

Amid these circumstances, the Group continued to promote the two core growth strategies of Full-Scale Globalization and the Development of New Business Areas as a part of its efforts to expand the market for its products including LM guides. Recognizing the potential for new growth drivers to emerge in wake of the Lehman crisis, we took the opportunity to accelerate the pace of growth strategy implementation in a bid to capture new demand. Turning our eyes to avenues for business outside Japan, in developing countries, where rates of economic growth have outstripped those of

developed markets, there is an expectation of an upswing in machinery demand and growth in factory automation (FA) activity. Under these circumstances, the Group has worked diligently to strengthen its sales, production, and development structure in China while also aggressively undertaking investments designed to generate growth. Among a host of investments, we have continued to channel resources into upgrading and expanding our sales networks in India and the ASEAN region. In developed countries, the forecast of progress toward electric-powered living across a variety of fields as well as heightened awareness toward the need for disaster-related contingency measures has stimulated demand for the Company's products in the consumer goods sector. Under these circumstances, we have pursued a number of activities aimed at increasing the use of our products including linear motion systems and focused on cultivating new markets. In addition to these endeavors geared toward expanding business areas, we have actively pushed forward such improvement measures as the P25 Project, a cross-sectional initiative designed to strengthen the Company's earnings base. Through these and other means, we have placed considerable emphasis on increasing profitability.

Drawing on the fruits of these endeavors, the Company was successful in securing an increase in both revenue and earnings in FY2013 compared with the previous fiscal year. Looking at results against initial plans, however, we were unable to achieve established targets for net sales and operating income. This was largely attributed to the level of demand, particularly in Japan and Asia, which was lower than originally forecast. Despite these less than satisfactory results, I am confident that we have put in place a structure that is capable of securing definitive improvements on profit margins

Financial Condition



on increased net sales. This confidence is based on the benefits that have emerged through the implementation of a wide range of improvement measures including the P25 project.

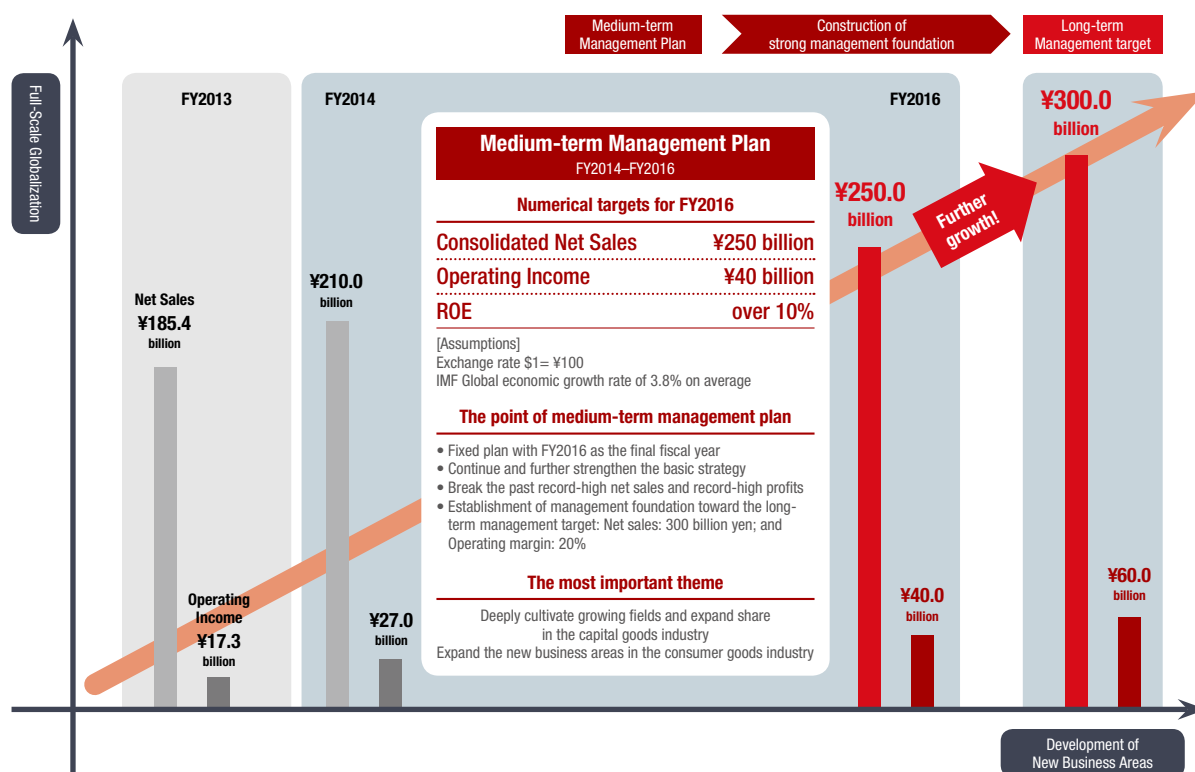
Again looking back on conditions in the business markets in which we have operated since the Lehman crisis, and despite dramatic changes in our external environment, the market has witnessed steady growth in areas related to the Company's products, most notably in developing countries. Amid the entry into developing countries by home appliance, automobiles, and other set manufacturers, we have again become aware of growth in the repair and maintenance market, which has exceeded expectations. Furthermore, the range of users is widening in developed countries and regions including Europe and the United States. Regrettably, the Group has fallen short with efforts to capture a large share of this demand. Accordingly, we are yet to achieve the ¥208.7 billion record level of net sales reported in fiscal 2007. Moving forward, we therefore recognize that extending our sales network to every corner of the world and capturing a major portion of demand is our number one priority for the future.

place a new medium-term management plan in May 2014 that covers the three-year period from fiscal 2014 to fiscal 2016. Under the plan, we have set the targets of achieving ¥250 billion in net sales, ¥40 billion in operating income, and an ROE of over 10% by the final year of the plan. In the past, we have announced details of our medium-term plans on a rolling three-year basis. Since the Lehman crisis, subsequent uncertainty surrounding the external environment put this practice on hold. However, cognizant of the necessity to avoid an approach that is excessively weighted toward the short term and recognizing the importance of measures aimed at securing medium-to-long-term growth, we decided to again put forward a medium-term vision and plan for our future. In this instance, we have again abandoned the rolling approach and adopted a fixed plan to better clarify the need to definitively implement measures designed to secure our continued growth and development.

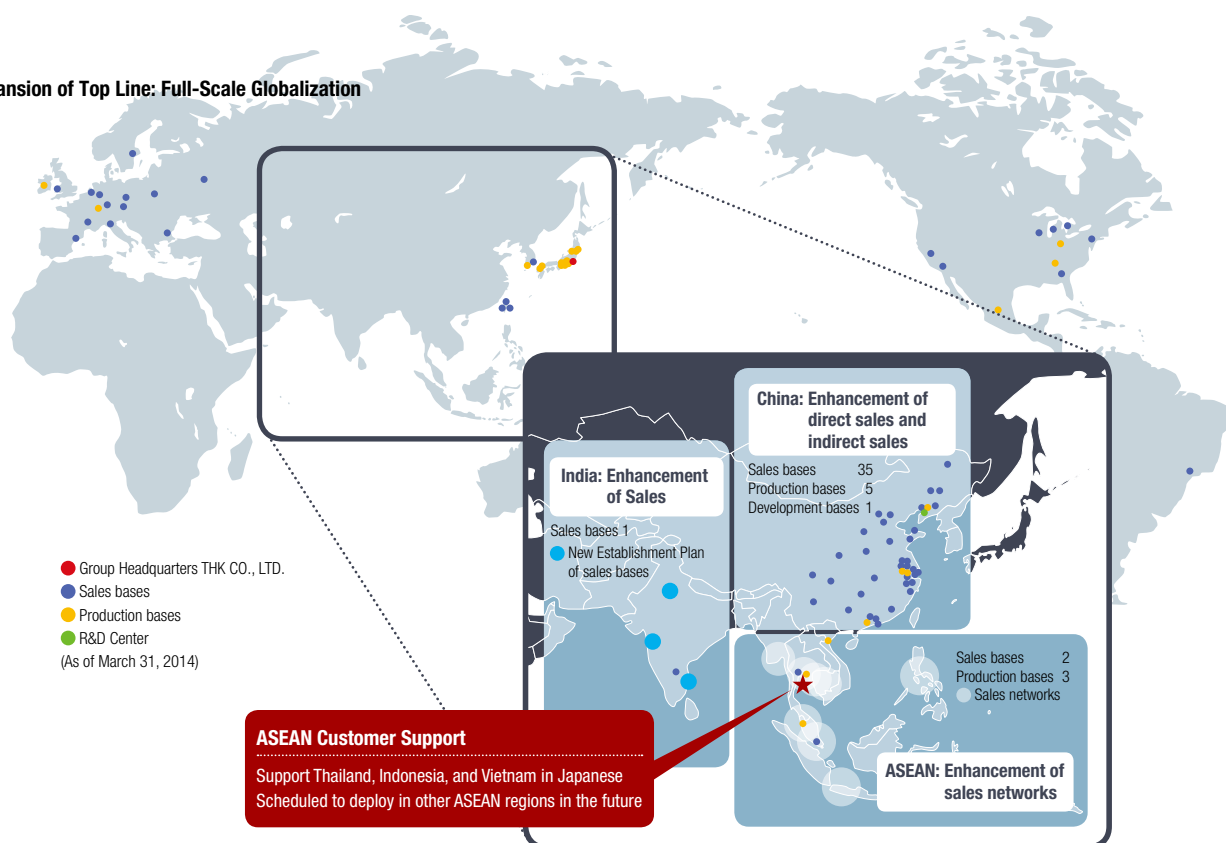
The basic strategies put forward to achieve the plan remain unchanged. Looking ahead, we will continue to focus on Full-Scale Globalization and the Development of New Business Areas. More importantly, we will place additional weight on accelerating the pace at which these strategies are carried out. The Group understands that an increase in net sales is paramount to securing earnings growth. Under this thinking, expanding net sales, commonly referred to as the top line, is our number one priority in as we work to achieve the plan.

Medium-Term Management Plan—Achieve Record-High Net Sales and Operating Income

Accounting for each of the aforementioned factors, we put in



Expansion of Top Line: Full-Scale Globalization



With regard to Full-Scale Globalization, we anticipate market growth on the back of advances in FA in developing countries. At the same time, the range of users is also expected to widen in developed countries. In order to steadfastly capture this demand, we will therefore work to upgrade and expand our global sales network. In the Development of New Business Areas, we will strive to boost sales not only of existing products, but also of newly developed offerings amid the growing use of our products in such new fields as medical equipment, aircraft, robots, and renewable energy. Buoyed by each of these activities, we will set a new record for net sales and operating income while strengthening our management foundation and setting ourselves in the position to reach the long-term management target of ¥300 billion in net sales over the three years of the plan.

Full-Scale Globalization

While accelerating the pace of business development in developing countries, the Group will channel all of its energies toward building a robust sales network as it pursues Full-Scale Globalization.

In China, direct sales network has continued to expand steadily and the number of offices totaled 35 as of the end of March 2014. Despite this extensive network, we recognize the need to work beyond a direct structure in order to cope

with continued FA development and a widening user base. Amid efforts to establish a robust indirect sales network, we will endeavor to definitively capture demand.

As set makers of home electric appliances, automobiles, and related products continue to make inroads into the ASEAN region, demand for repair and maintenance parts is expanding. In order to capture this demand, we are bolstering our network of agents and authorized distributors. In addition, we set up an ASEAN Customer Support structure in Thailand, Indonesia, and Vietnam in 2014 with the aim of providing finely tuned solutions to companies entering each market. We have also appointed designated personnel for each country and are making it a point to provide on-site services. Looking ahead, we will expand these endeavors into other countries within the ASEAN region and take steady steps to garner demand.

In India, we opened a sales office in Bangalore in 2012. Since then, we have also assigned staff to Pune, Delhi, and Chennai. We plan to establish additional sales bases in these cities in the not too distant future. Our goal is to win over a robust share of the increase in demand.

In Europe and the United States, new businesses in such wide-ranging fields as robotics and 3D printers continue to emerge. With this widening of our potential user base, we are renewing efforts to expand the distribution network.

The Group will continue to upgrade and expand its global production structure as a part of efforts to strengthen

its sales network and expand its top line.

In Mexico, operations commenced at THK RHYTHM MEXICANA, S.A. DE C.V. in fiscal 2013. While initially engaging in the production of automotive parts, the possibility exists for this facility to produce linear motion-related products including LM guides for use in automobile-related devices at some time in the future.

In China, the Group is taking steps to move DALIAN THK CO., LTD. to a site more than four times the size of its current location and to expand operations. The new plant is scheduled to come online in December 2014. While monitoring demand trends, we will work to enhance our production capabilities.

These activities are not limited to developing countries. We will place equal emphasis on enhancing productivity in such developed countries and regions as Japan, Europe, and the United States on an ongoing basis.

people's lives and possessions from the threat of earthquakes; and the Innovation Mechatronics Technology (IMT) Division, which is engaged in efforts aimed at expanding the Company's unit products, equipment, and electric actuator businesses. The Group is working diligently to increase the use of its products in each business field.

In the FAI Division, product use is expanding steadily worldwide. In areas outside existing businesses such as stabilizer link balls, the division is striving to expand linear motion related product applications across a variety of automotive mechanical components including next-generation steering, brakes, suspension, and car interiors.

Amid increased awareness of the dangers that earthquakes present, we are increasing the number of applications for our products in the Amenity Creation Engineering (ACE) Division. Awareness toward the importance of business continuity plans (BCPs) in particular continues to rise. Against this backdrop, the ACE Division is experiencing an upswing in demand for seismic isolation platforms that protect specific pieces of equipment. This reflects the growing understanding of the corporate sector of the need to protect vital assets including servers and manufacturing equipment from the threat of earthquakes. In order to capture this demand, THK is engaging vigorously in sales and marketing activities while promoting the competitive advantage of the Company's products. At the same time, we are working to develop new products that address market needs. Under these circumstances, the Seismic Isola-

Development of New Business Areas

In our second growth strategy pillar that entails the Development of New Business Areas, we set up three specialist divisions: the Future Automotive Industry (FAI) Division, which is charged with the responsibility of expanding use of the Company's transportation equipment-related products; the Amenity Creation Engineering (ACE) Division, which handles seismic isolation and damping systems that protect

Expansion of Top Line: Development of New Business Areas



tion Module, Model TGS, which were introduced in fiscal 2011, and the Inertial Rotary Damping Tube (IRDT), which controls the degree of shaking caused by prolonged ground motion released in fiscal 2012, are attracting wide acclaim from customers. THK's seismic isolation and damping system business continues to maintain its high rate of annual growth. Through this business, we will steadfastly capture increasing demand and aim for steady growth in the future.

The IMT Division is upgrading and expanding its product lineup in existing fields. In addition to bolstering its business structure in Japan as a matter of course, the division is promoting Full-Scale Globalization in the Americas, Europe, and Asia. Particular emphasis is being placed on building a local production and sales platform in Asia, where the market is projected to experience growth.

The Company's products including its lineup of LM guides and ball screws are being widely adopted across fields other than the aforementioned three divisions. In the medical equipment field, for example, the Company's products can be found in CT scanners and surgical robots. For aircraft, the Company's products are being used in control sticks as well as aircraft interiors including reclining chairs. Our products are enjoying extensive application in air conditioning systems. Moving forward, we will work diligently to advance fresh proposals. In the field of renewable energy, use of the Company's products as mechanical components is beginning to emerge. Our actuators are already being applied in solar and thermal power generation equipment. Recently, we have seen our products picked up by the wind and hydroelectric power generation sectors with expectations that demand will grow in the future. Robotics is also a field of considerable potential. We are endeavoring to improve the performance and functionality of our products to optimally serve the requirements of this field. From a long-term perspective, the day is expected when our work will extend into components that allow robots to coexist with humans.

In this manner, latent demand for the Company's products exists wherever there is a need for the linear motion of mechanical components. In order to tap into this vast potential, we will continue to hone our accumulated know-how and core linear motion system technologies nurtured over a long period. Making the most of our competitive advantage, we will accelerate the pace of Development of New Business Areas.

lion in net sales, a year-on-year increase of 13.2%, ¥27.0 billion in operating income, a substantial improvement of 55.4%, and ¥19.0 billion in net income, up 21.9%, announced in May 2014. Fiscal 2014 is the first year of our new medium-term management plan, and as such plays an important role in placing us on the right track to achieve the plan. We will definitely achieve this plan, and are committed to building a robust business base for further growth. To this end, as we achieve the goals set under the plan, we will bring the next target of ¥300 billion in net sales well within our sight. As a further indication of the fruits of our labor, we will look to lift our dividend payout ratio, which stood at 21.1% in fiscal 2013, to 30% as a function of growth by the final year of the plan.

As we work toward achieving these goals, we kindly request the continued support and understanding of all stakeholders.



July 2014

Akihiro Teramachi

THK CO., LTD.
President and CEO **Akihiro Teramachi**

Toward Future Growth

In fiscal 2014, the global economy is expected to remain firm. Under these circumstances, we have identified the fiscal 2014 consolidated numerical targets of ¥210 bil-