

Fulfilling Our Responsibility to Provide Satisfying Products

Our surrounding environment and growth strategies

During the 2017 fiscal year, a moderate recovery continued in the global economy, led by a trend of recovery in Europe and the United States and other developed countries, as well as signs of economic revival in China and other emerging countries. As a result, the Japanese economy moderately recovered, with widespread improvements appearing amid favorable trends in exports and capital investment.

The THK Group has identified *full-scale globalization*, the *development of new business areas*, and a *change in business style* as cornerstones of our growth strategy to expand markets for our products, including LM (Linear Motion) Guides.

Under our full-scale globalization strategy, we are striving to expand our global sales and production structures to capture demand from China and other emerging countries, where the market is growing due to developments in factory automation (FA) and other areas, as well as the demand from developed countries, where the user base is expanding.

With our development of new business areas, we are working to further increase sales revenue as the use of our products expands in such consumer goods-related fields as automotive parts, seismic isolation and damping systems, medical equipment, aircraft, robotics, and renewable energy.

Additionally, in order to promote these strategies, we are making full use of new technologies such as AI and robots in our sales, production, development, and other activities, thereby realizing a change in business style and further expanding our business domains.

Achieving ¥500 billion in consolidated net sales in the 2022 fiscal year

We have established new management targets to achieve ¥500 billion in consolidated net sales and ¥100 billion in operating income in the 2022 fiscal year. In an effort to

achieve our targets, we are working to expand our top line and strengthen our bottom line as we construct an integrated production and sales structure that enables us to produce and sell products locally and thereby fulfill our responsibility as a machine component manufacturer to supply our customers with high-quality products.

To expand our top line, we are pursuing strategic sales to a wide range of customers in our industrial machinery business, and we are promoting active and efficient sales and marketing activities. Through the use of new methods to attract customers at global exhibitions, we are increasing our interactions with customers and deepening their understanding of THK's products. We launched Omni THK, an e-commerce website, in Singapore, Malaysia, Thailand, Indonesia, and Vietnam in 2017, and approximately 7,700 users registered on the website by the end of the year. At every step of the process, from first learning about our products to actually placing an order, customers can use Omni THK to effortlessly purchase our products at any time and from any location, even if they are in a region where we do not have any sales branches. In 2018, Omni THK was expanded to cover China and Brazil.

For our automotive and transportation business, by continuing to demonstrate synergy between THK, THK RHYTHM, and TRA's mutual sales and production facilities, we will work to further expand our L&S (Linkage and Suspension) business and develop and expand sales of new products that make use of our core linear motion technology.

In terms of our production, as demand for our products is expected to increase over the medium to long term, we have invested in an approximately 7,000 m² expansion at THK MANUFACTURING OF CHINA (CHANGZHOU) CO., LTD. (which began operation in January 2018); a 16,000 m² expansion at TMV (Vietnam), which celebrated its 10th anniversary this year (to begin operation in October 2018); and a 32,000 m² expansion at the Yamagata plant (to begin operation in November 2018). In August 2018, we began constructing a new plant in India, which is scheduled to

open for business in January 2020.

In last year's report, we introduced the Eagle System, which clearly displays the operating conditions of production equipment at each facility in Japan, the United States, Europe, and China as a means to increase our profitability. To strengthen our bottom line, we have implemented a system that transmits information from the Eagle System to handheld devices used by operators and managers to alert them when certain situations occur, such as when a process is complete or when an emergency stop has been initiated. This system encourages them to promptly determine the next step and will thereby improve our overall machine utilization. Through these kinds of activities, we will strive for a dramatic increase in production.

Sincere efforts

Through the Japan Machine Accessory Association, I was awarded the Medal with Blue Ribbon at the fall 2017 decoration ceremony. Part of the reason for the award was for contributions made through that association, but I believe the most important factor is the advancement of industry and of the THK Group itself as the pioneer that was the first in the world to achieve linear motion through rolling motion. This was made possible entirely through the support of our customers and other business partners and through the successful efforts of THK employees. I sincerely thank all of you.

We will continue to enhance the corporate value we report to our stakeholders through advancing our business activities, and as we do, we will never forget our original goal of achieving the creation of an affluent society. We understand the weight of our mission as we expand our operations in the industrial machinery and automotive fields, and we will continue to put forth our sincere efforts in order to contribute to the development of the manufacturing industry.



THK CO., LTD. President and CEO

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