

JAPAN

FY08

Operating conditions

- During the first half of the year, capex-related demand for products used in flat panel-related applications was firm despite an overall softening in levels of business investment.
- Entering the second half, the Japanese economy fell into a recession due to a variety of factors including the decline in both exports and capital investment. General demand for THK products fell sharply as a result.

Performance overview

- Sales in Japan fell 19.6% in year-on-year terms to ¥109.5 billion.
- Sales to the three main industrial sectors were lower than in the previous year. Sales growth rates by sector were -30.7% in machine tools, -21.4% in general machinery and -24.6% in electronics.

Operating activities

- **Sales** -
 - THK continued implementing the "TAP 1" skills development program for sales personnel as part of broader efforts to deepen relationships with existing customers and develop new customers. Besides promoting the characteristics of the product range, this program trains salespeople to take the initiative by making customer proposals to apply THK products in solving specific issues.
 - THK focused new customer development efforts on the mainstay capital goods sector, applying a combination of specific targeting and effective sales promotion activities. Other efforts focused on trying to expand THK's business domain by actively developing new business sectors such as automotive parts and seismic isolation devices.
- **Production** -
 - Efforts focused on boosting production margins by responding dynamically to variations in order levels, based on the efficient production system that had been developed previously through the "TAP 2" program of activities.
 - The expansion of the technical engineering facilities at the Yamaguchi Plant was completed, with operations starting in January 2009. The new set-up includes capabilities for high-precision product-related measurements on a nanometer scale.

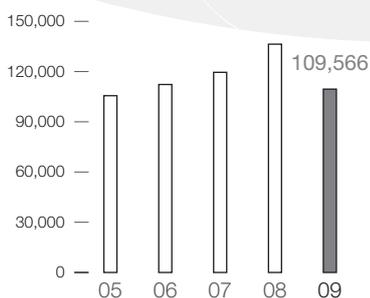
FY09

Operating initiatives

- **Sales** -
 - With demand from capital goods manufacturers and other core customers expected to fall, THK will leverage solution-oriented sales proposals based on using THK products to both generate sales and focus on developing new business sectors such as automotive parts and seismic isolation devices.
- **Production** -
 - In anticipation of a recovery in demand, worksite programs will be used to upgrade workforce skills and increase productivity.
- **General outlook** -
 - THK will strive to lower costs further while business conditions remain harsh. In addition, ahead of a projected sharp revival in demand, a cross-functional project was launched in April 2009 aimed at boosting profitability by lowering the level of break-even sales. Under this project, each function will undertake detailed operational reviews to identify any areas of waste or inconsistency. In its second phase, the project aims to reinforce THK's business platform by adopting proposed measures for improvement.

Sales in Japan

(Millions of yen)



Years ended March 31

Bases

Japan	Sales offices	50
	Plants	15
	Distribution centers	3

Group companies

As of March 31, 2009

- THK CO., LTD.
- DAITO SEIKI CO., LTD.
- TALK SYSTEM CORPORATION
- Beldex Corporation
- THK NIIGATA CO., LTD.
- RHYTHM CORPORATION
- Rhythm Kyushu Co., Ltd.
- Rhythm L Co., Ltd.
- L Tool Co., Ltd.
- L Trading Co., Ltd.
- L Engineering Co., Ltd.

Note: Please refer to p. 68 for details of the principal business activities of THK Group companies.

THE AMERICAS

FY08

Operating conditions

- The downward correction that began in the previous year in the electronics and automotive sectors continued.
- Demand declined sharply toward the end of the year and the yen gained substantially in value.

Performance overview

- Regional sales fell 10.5% in year-on-year terms to ¥23.2 billion.
- As in Japan, sales to the three main industrial sectors were lower than in the previous year. Sales growth rates by sector were -9.6% in machine tools, -25.7% in general machinery and -35.8% in electronics.

Operating activities

- **Sales** -
 - Amid an ongoing downward correction in demand among existing customers, THK focused on developing and securing business in new areas and markets.
 - With demand tending to shift from supplying individual components toward hybrid units, THK concentrated resources on expanding sales of hybrid units.
 - Rationalization and consolidation of sales bases continued with the aim of building a more effective and efficient sales set-up.
- **Production** -
 - To strengthen demand-servicing capabilities for hybrid units, THK installed production capacity and recruited design personnel to facilitate the supply of high-value-added products that meet customer requirements.
 - Efforts continued to improve productivity, including programs to enhance operational transparency, to evaluate the technical skills of individual workers and to provide practical skills training where necessary. These moves helped to accelerate production by shortening individual processes.

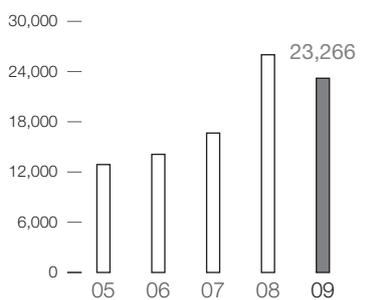
FY09

Operating initiatives

- **Sales** -
 - Amid declining demand among existing customers, THK plans to continue focusing on developing new markets and expanding sales of hybrid units. This will involve efforts to upgrade sales force skills while improving sales systems through measures such as organizing joint sales visits with engineering staff.
 - As part of constructing a more efficient sales set-up, THK plans to review the sales management structure within the U.S. Midwest region.
- **Production** -
 - Plans call for making the production of existing product lines more efficient and expanding the range of locally produced items. At the same time, THK will focus on trying to reduce manufacturing expenses through more detailed cost management under the prevailing harsh operating conditions.

Sales in the Americas

(Millions of yen)



Years ended March 31

Bases

United States	Sales offices	10
	Plants	2
Canada	Sales office	1
Mexico	Sales office	1
Brazil	Sales office	1

Group companies

As of March 31, 2009

- THK Holdings of America, L.L.C.
- THK America, Inc.
- THK Manufacturing of America, Inc.
- Rhythm North America Corporation

Note: Please refer to p. 68 for details of the principal business activities of THK Group companies.

EUROPE

Operating conditions

- Strong demand from the aerospace, automotive and energy-related industries persisted in the first half of the year. Demand in the machine tool sector also remained firm, supported by increased production levels as European manufacturers continued to establish new facilities in Central and Eastern Europe.
- Demand declined sharply across the board toward the end of the year. The yen appreciated substantially in value on currency markets.

Performance overview

- Sales in Europe declined 1.3% in year-on-year terms to ¥24.9 billion.
- Sales growth rates by industrial sector were +5.1% in machine tools, –5.8% in general machinery and –11.1% in electronics.

FY08

Operating activities

- Sales —
- As part of the ongoing drive to strengthen the sales set-up in Europe, THK set up a new branch in the Netherlands and opened a branch office in the Czech Republic to service anticipated future growth in Central and Eastern Europe. Alongside development of regional sales infrastructure, THK also targeted the development of new markets by forming project teams to undertake strategic sales activities.
- Making maximal use of the operational start-up of a new distribution center in April 2008, THK aims to supply high-quality products to customers with short delivery lead-times.
- Production —
- THK made organizational changes to ensure the continued close alignment of manufacturing with customer requirements, including changes aimed at reinforcing quality control systems. In particular, THK established a dedicated department for hybrid units and set up a joint production-sales project team to strengthen supply capabilities for original high-value-added THK products.

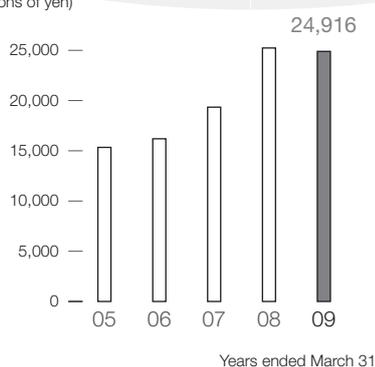
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Operating initiatives

- Sales —
- Amid an ongoing downward correction in demand among existing customers, THK plans to focus on creating revenue-generating opportunities through development of new areas and aggressive expansion of the regional sales agent network.
- Production —
- With demand falling across the region, THK plans to continue developing its production management set-up to realize a consistent supply of high-quality products with short delivery lead-times. Efforts are also continuing to broaden the range of products manufactured locally and to maintain capacity utilization through a higher local production ratio.

Sales in Europe

(Millions of yen)



Bases

Germany	Sales offices	4
United Kingdom	Sales office	1
Ireland	Plant	1
Italy	Sales offices	2
Sweden	Sales office	1
Austria	Sales office	1
Spain	Sales office	1
France	Sales office	1
	Plant	1
Turkey	Sales office	1
Czech Republic	Sales office	1
Netherlands	Sales office	1
Russia	Sales office	1

Group companies

As of March 31, 2009

- THK Europe B.V.
- THK GmbH
- THK France S.A.S.
- THK Manufacturing of Europe S.A.S.
- PGM Ballscrews Ireland Ltd.

Note: Please refer to p. 68 for details of the principal business activities of THK Group companies.

ASIA

Operating conditions

- Demand from the mainstay machine tool sector remained strong in China during the first half of the year, reflecting the continued expansion of capital investment amid sustained high economic growth. Favorable growth in demand in South Korea for products used in flat panel-related applications was another positive factor.
- Demand fell sharply across the entire region toward the end of the year, led by a slowdown in the machine tool sector.

Performance overview

- Sales in Asia increased 1.8% in year-on-year terms to ¥21.5 billion.
- Sales growth rates by territory were -10.3% in South Korea, -2.8% in Taiwan and -0.5% in China (for the industrial equipment-related business).

FY08

Operating activities

- Sales —
- Seeking to tap into robust demand in China, where growth is being driven by sectors such as machine tools, THK made further progress in developing the sales network while also upgrading sales activities in line with the needs of local customers.
- In Taiwan, besides targeting demand in the machine tool sector, THK also actively sought to expand revenue-generating opportunities. This included organizing technical seminars by THK engineers to try to raise the proportion of sales generated by hybrid units.
- Production —
- Production commenced of linear motion products other than LM guides, enabling THK to target new regional earnings opportunities.
- THK's production capacity in China increased following the completion of a plant upgrade at Dalian.
- THK continued to focus on raising profitability and productivity through the supply of high-quality products while at the same time focusing on heightening cost-consciousness among employees.

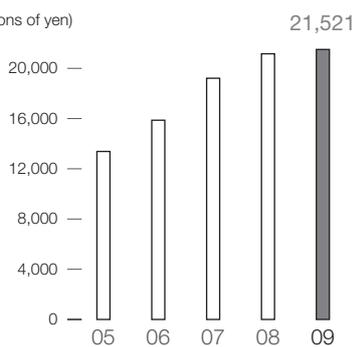
FY09

Operating initiatives

- Sales —
- In China, where there is considerable untapped demand, THK aims to build its presence within the market while making the most of its brand's reputation for high reliability. To this end, in addition to further expanding and upgrading the sales network, THK plans to tap latent demand among existing customers while at the same time aggressively developing new customers outside of the mainstay machine tool sector. In Taiwan, amid an ongoing downward correction in demand among existing customers in the machine tool sector, which remains the mainstay of the business, THK plans to develop new areas such as environmental and energy-related applications.
- Production —
- A rotating four-squad triple-shift production system has now been set up at each plant. THK plans to continue preparing for an anticipated recovery in demand by developing flexible response capabilities while also seeking to raise productivity and cultivate workforce skills at each site.

Sales in Asia

(Millions of yen)



Years ended March 31

Bases

China	Sales offices	17
	Plants	4
Taiwan	Sales offices	3
Singapore	Sales office	1
India	Sales office	1
Thailand	Plant	1
Korea	Sales offices	13
	Plants	2

Group companies

As of March 31, 2009

- THK TAIWAN CO., LTD.
- THK (CHINA) CO., LTD.
- THK (SHANGHAI) CO., LTD.
- DALIAN THK CO., LTD.
- THK MANUFACTURING OF CHINA (WUXI) CO., LTD.
- THK MANUFACTURING OF CHINA (LIAONING) CO., LTD.
- Beldex KOREA Corporation
- THK LM SYSTEM Pte. Ltd.
- RHYTHM GUANGZHOU CORPORATION
- THK RHYTHM (THAILAND) CO., LTD.
- SAMICK THK CO., LTD.

Note: Please refer to p. 68 for details of the principal business activities of THK Group companies.