



On behalf of THK CO., LTD., I would like to express my heartfelt condolences to all those who lost a family member to the Great East Japan Earthquake that struck the nation on March 11, 2011, and my deepest sympathies to those who suffered as a result of this disaster. It is my sincere wish that all devastated areas will experience a quick and complete recovery.

Despite these most difficult of circumstances, the Company celebrated its 40th anniversary on April 10, 2011. Our ability to achieve this milestone is by no small means due to the support and understanding of all stakeholders including shareholders. I would like to take this opportunity to extend my sincere appreciation to all concerned.

Looking Back on Our Business Environment and Performance in Fiscal 2010

Achieved Higher Revenue and Earnings Against the Backdrop of a Recovery in Demand

Following the Lehman Brothers shock of autumn 2008, the global economy entered a period of significant difficulty with the environment in which THK operates suffering a sharp and dramatic deterioration. Buoyed by the swift action taken by various countries to implement pump-priming measures aimed at stimulating the economy, capital investment improved steadily. As a result, a strong sense of recovery in THK's orders from the second half of fiscal 2009 became increasingly clear.

Entering fiscal 2010, the fiscal year ended March 31, 2011, the speed of activity throughout the global economy was returning to stable levels. On this basis, the Company projected a complete return to firm operating conditions. In reality, however, global demand for THK's products substantially exceeded anticipated levels of recovery. This was largely driven by the sharp upswing in economic growth rates in developing nations including China as well as the positive turnaround in economic activity in developed countries on the back of the aforementioned economies.

Under these circumstances, the Company was successful

in channeling the increase in demand toward steady sales growth. In fiscal 2010, THK reported a substantial improvement in revenue with consolidated net sales totaling ¥190.6 billion, an increase of 65.3% compared with the previous fiscal year. From a profit perspective, operating income witnessed a positive turnaround of ¥31.3 billion to ¥21.8 billion. Net income also surged ¥28.2 billion year on year to ¥13.9 billion representing a major improvements in performance.

Looking Back on Our Policies and Business Initiatives in Fiscal 2010

Various Measures that Helped Secure Performance Growth

Underlying the Company's ability to produce such favorable results is its policies underpinned by growth strategies that formed the basis of wide-ranging initiatives following the Lehman Brothers shock.

Amid an extremely harsh operating environment, THK worked diligently to eliminate waste and inconsistency. The Company was able to maintain a constant level of operations without cutting back on its business base and the human, technological and financial capital capabilities that provide the wellspring for future growth potential. As a result, in fiscal 2010, a period during which THK was able to secure a considerable advantage over its competitors, the Company was successful in steadfastly capturing demand by making full use of its production capacity at each production base amid the rapid recovery in demand.

In China, the country that was expected to most quickly experience an upswing in demand, THK continued to strengthen its production capabilities by increasing productivity and quality. At the same time, the Company actively upgraded and expanded its sales network. This in turn led to a substantial jump in orders allowing the Group to more than double its net sales year on year. In addition, in terms of profit margins by region, China surpassed Japan as the most profitable geographic segment.

On the domestic front, THK continued to promote the P25 Project, an initiatives that transcends business boundaries aimed at strengthening the Company's business base. In this manner, THK was able to further enhance profitability. The P25 Project entails the thorough analysis of issues confronting mainstay and related operations. By developing and implementing improvement measures, THK is endeavoring to enhance the marginal profit ratio, enhance fixed cost efficiency and lower the break-even sales point. Despite launching this initiative in fiscal 2009, a period during which conditions were extremely harsh, THK was successful in producing steady results thank to the hard work of all concerned.

Buoyed by these efforts, THK was able to link the upswing in demand directly to sales growth while improving profit margins. These results reflect the efficacy of measures implemented since the Lehman Brothers shock and provide the basis for steady growth in the future.

Toward the end of fiscal 2010, Japan was devastated by the Great East Japan Earthquake. In the immediate aftermath of the disaster, THK was confronted with disruptions to certain domestic production bases as well as basic infrastructure. As a matter of course, the Company was quick to secure a swift and full resumption and recovery. Employees of the Group were extremely conscientious in their efforts despite difficulties in traveling to and from work and the impact of rolling black-outs. Buffeted by these conditions, the Group was forced to urgently implement shift systems. In addition to the aforementioned support of all employees, bases in areas not affected by the disaster provided significant assistance. Thanks to these endeavors, and despite the affects of the earthquake, THK recorded its second highest production level on a non-consolidated basis for March 2011. Amid expectations of ongoing restrictions in the supply of electric power, the THK Group will secure alternative sources of power. Accordingly, the Group does not anticipate any major difficulties in production moving forward.

Outlook in Fiscal 2011

Toward Record High Net Sales

While the global economy has witnessed a rapid recovery, the THK Group remains conscious of the lingering impact of the earlier economic shock. Amid anxieties over the financial standing and status of certain countries in Europe and signs of economies overheating in developing countries, claims of the complete revitalization and recovery of the global economy are premature.

Based on the aforementioned and amid expectations of continued robust trends in orders, THK will take full advantage of its existing managing resources to make the most of current favorable operating conditions while preparing for future downside risk by adhering strictly to eliminate waste and inconsistency.

Despite concerns surrounding the future of the global economy, based on current positive trends in orders, the Company announced forecasts of operating results for fiscal 2011 in May 2011. For the fiscal year ending March 31, 2012, THK is projecting record high consolidated net sales of ¥215.0 billion, an increase of 12.8% compared with fiscal 2010. From a profit perspective, operating income is forecast to improve 32.8% year on year to ¥29.0 billion. This is largely attributable to the increase in net sales and proactive efforts including the P25 Project to bolster the Group's business base.

Medium-to-Long-Term Business Strategies: Changes in the Operating Environment

Embracing Two New Growth Opportunities

Looking ahead, THK's operating environment is expected to experience change in the short-term. Over the medium-to-long-term, however, demand for THK's products is projected to remain robust. The principal factor underpinning this favorable scenario is the effort made by the Group to realize two new growth opportunities following the change to its external operating environment in the aftermath of the Lehman Brothers shock.

First, recognizing the role played by developing countries in driving the global economy forward, THK is projecting a substantial increase in demand for machinery in these regions. Furthermore, amid growing interest in global environmental protection endeavors, the Company is forecasting expanding attention toward electric powered living across wide-ranging fields reflecting the need for increased energy efficiency. Against this backdrop, THK is working diligently to ensure that these changes are linked directly to growth. Accordingly, the Company is placing a great deal more emphasis on accelerating Full-Scale Globalization, Development of New Business Areas and expansion of its business domain.

Medium-to-Long-Term Business Strategies: Full-Scale Globalization

Accelerating Business Development in Newly Emerging Countries

In its efforts to promote Full-Scale Globalization, THK will place increased weight on developing business in newly emerging countries while positioning China as its most important market.

Machine tools, a mainstay field for THK's products in China, are experiencing rapid growth in terms of production amount. With its vast population and expectations of continued high rates of economic expansion, machine tool production volumes and amounts are forecast to increase. In addition to higher volumes of machine tools in China, the wider acceptance of NC machine tools is anticipated to significantly drive demand for THK's products. Looking ahead, the need for higher quality and advanced NC machine tools is expected to climb, stimulating increased demand also in China.

In order to better capture this extremely robust demand in China, THK will increase the number of its sales bases to at least 30 by the end of 2011. Given the vast expanse of the nation, the Company recognizes that this initiative alone is insufficient to ensure success. Accordingly, THK will upgrade and expand its sales structure over the medium term and establish

an increasingly strong foothold and presence in China. Turning to its production structure, THK will augment the production capacity at each plant in an effort to steady capture the upswing in demand. At THK MANUFACTURING OF CHINA (WUXI) CO., LTD., the Company introduced machinery facilities in 2011. This was complemented by the construction of a third plant. At THK MANUFACTURING OF CHINA (LIAONING) CO., LTD., THK substantially augmented machinery facilities. With the aim of better securing its share of robust demand, the Company is also considering the construction of a third plant. In addition to introducing machinery facilities at DALIAN THK CO., LTD., THK is also undertaking production extension work. Building on each of these initiatives, the Group established THK RHYTHM CHANGZHOU CO., LTD., as its fifth plant in China in April 2011. In its initial stages, this plant will produce automotive parts moving on to the manufacture of such linear motion products as LM guides at some point in the future.

The Group will expand its production structure in locations other than China. In Korea, construction of a new plant was completed at SAMICK THK CO., LTD. Shipments also commenced at THK Manufacturing of Vietnam in January 2011. THK Manufacturing of Vietnam is currently charged with the responsibility of manufacturing slide packs which provide simplified linear motion. Moving forward, consideration is being given to the production of LM guides. In Thailand, a second plant is under construction at THK RHYTHM (THAILAND) CO., LTD. This facility is to be completed shortly with plans in place to commence production.

Drawing on its success in China, THK recognizes the importance of gaining a foothold in other developing countries. While taking into consideration the most appropriate timing, the Group will proactively pursue opportunities for business development in other emerging regions.

In the developed markets of Japan, the U.S. and Europe, the Group will expand transactions with customers working to promote cutting-edge machinery as well as in new fields including automobiles and aircrafts. While time is still required to further nurture these fields, the THK Group holds high expectation for substantial future growth.

Medium-to-Long-Term Business Strategies: the Development of New Business Areas

Activities in Search of Increased Product Potential

In the context of the Development of New Business Areas, another major pillar underpinning the Group's growth strategies, the THK Group will actively promote business development harnessing the potential inherent in the Company's products and its unique technologies.

As a part of efforts to cultivate the transportation equipment field, the Company established the FAI Division as a specialist organization. While expanding business opportunities focusing mainly on ball joint parts, the FAI Division will put forward proposals that only THK can provide to address the change in configurations triggered by the growing interest in hybrid and electric vehicles. These proposals will encompass a broad spectrum of configurations encompassing drive, exterior and interior components. To this end, the THK Group will accelerate product development while stepping up its approach toward customers.

The ACE Division, which is responsible for activities in the residential housing field, is experiencing a succession of inquiries from both inside and outside Japan following the recent earthquake disaster for its seismic isolation devices and dampening systems. Looking ahead, the Division will engage in educational activities to promote earthquake disaster countermeasures using such media as the website in an effort to expand sales. In addition, and amid growing interest in the home toward energy conservation, the Division will consider promoting product development in home appliance and facility automation-related fields.

The IMT Division established in 2009 is active in the development and successive release of products that address electric-powered needs in the industrial equipment field. Looking ahead, the Division will ramp up its efforts in this area. Extending beyond the industrial equipment domain, the Division will pursue opportunities for product and business development across wide-ranging electric-powered needs and fields in collaboration with the FAI and ACE divisions. Harnessing the advanced product technologies the Company has nurtured over a lengthy period, THK will also pursue research and development aimed at supplying components for such next-generation fields as robotics including humanoid robots. While continuing to promote the development of robot-related components, THK will work to further expand the potential of its products.

Medium-to-Long-Term Business Strategies: 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. Taking this scenario into consideration, the Company will actively reinvest profits. At the same time, THK will



strengthen its business base that serves as the source of these profits by aggressively pushing forward various endeavors beginning with the P25 Project. Based on the aforementioned, the Company will work diligently toward achieving its established milestone of ¥300 billion in consolidated net sales 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 achieving our established milestone, we kindly request the continued support and understanding of all concerned parties.

July 2011

A handwritten signature in black ink that reads "Akihiro Teramachi". The signature is written in a cursive, flowing style.

Akihiro Teramachi
President and CEO
THK CO., LTD.