



Increasing Our Corporate Value through Mid- to Long-Term Growth

THK CO., LTD.
President and CEO

Akihiro Teramachi

Looking Back on the Fiscal Year 2016

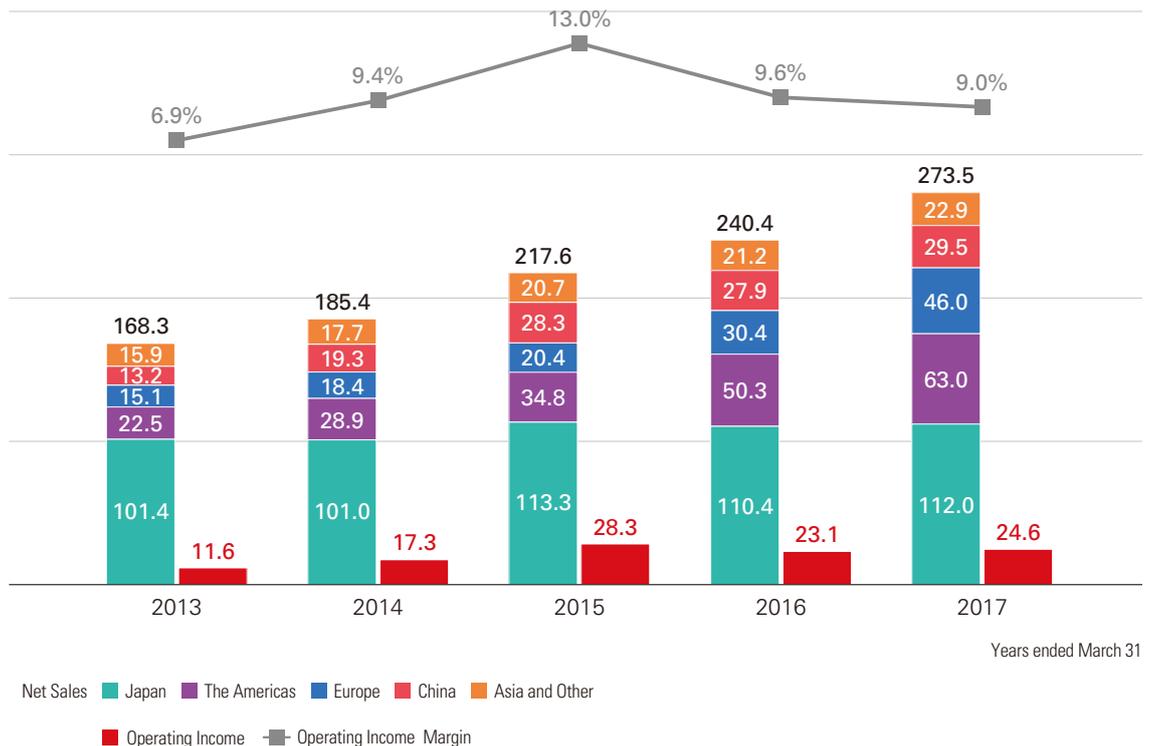
In the fiscal year 2016, which ended March 31, 2017, a moderate recovery continued in the global economy, led by Europe and the United States and other developed countries, despite a slowdown in the economic growth of China and other emerging countries. Although Japan experienced a weakness in exports due to the increased value of the yen, the economy improved overall, moderately recovering through the second half of the year. Under these circumstances, the THK Group worked vigorously to expand sales on a global scale, harnessing the results of prolonged efforts to strengthen our business structure. Furthermore, four THK RHYTHM AUTOMOTIVE (TRA) companies were added to the scope of consolidation after August 31, 2015, with the aim of further expanding our automotive and transportation business. Four months of results were included in the scope of consolidation for the fiscal year ended March 2016, but twelve months of results were included for the fiscal year ended March 2017. As a result, consolidated net sales reached ¥273.5 billion, an increase of 13.8% from the previous fiscal year. In terms of profits, even with the exchange rates shifting with the increased value of the yen compared to last year, due to an

increase in sales and other factors, operating income rose to ¥24.6 billion, an increase of 6.4% compared to the previous fiscal year, and the net income attributable to shareholders of THK CO., LTD., increased 23.2%, to ¥16.7 billion. We achieved more than our plan, which had been revised in February 2017 to reflect higher expectations.

The end of our fiscal year is changing to December, which means that the end-of-year results in December 2017 will be calculated based on a modified reporting period. They will reflect the 9-month period of April to December for the companies whose fiscal years currently end in March, and the 12-month period of January to December for the companies whose fiscal years currently end in December. Based on this premise and a favorable trend in received orders, we plan to achieve consolidated net sales of ¥273.5 billion and an operating income of ¥28 billion. For the sake of comparison, calculating based on a fiscal year that ends in March, as it has until now, we expect to achieve record-high levels for our consolidated net sales at ¥305 billion, an increase of 11.5% compared to the previous year, and for our operating income at ¥34.5 billion, a year-on-year increase of 39.9%.

Financial Condition

(Billions of yen)



Years ended March 31

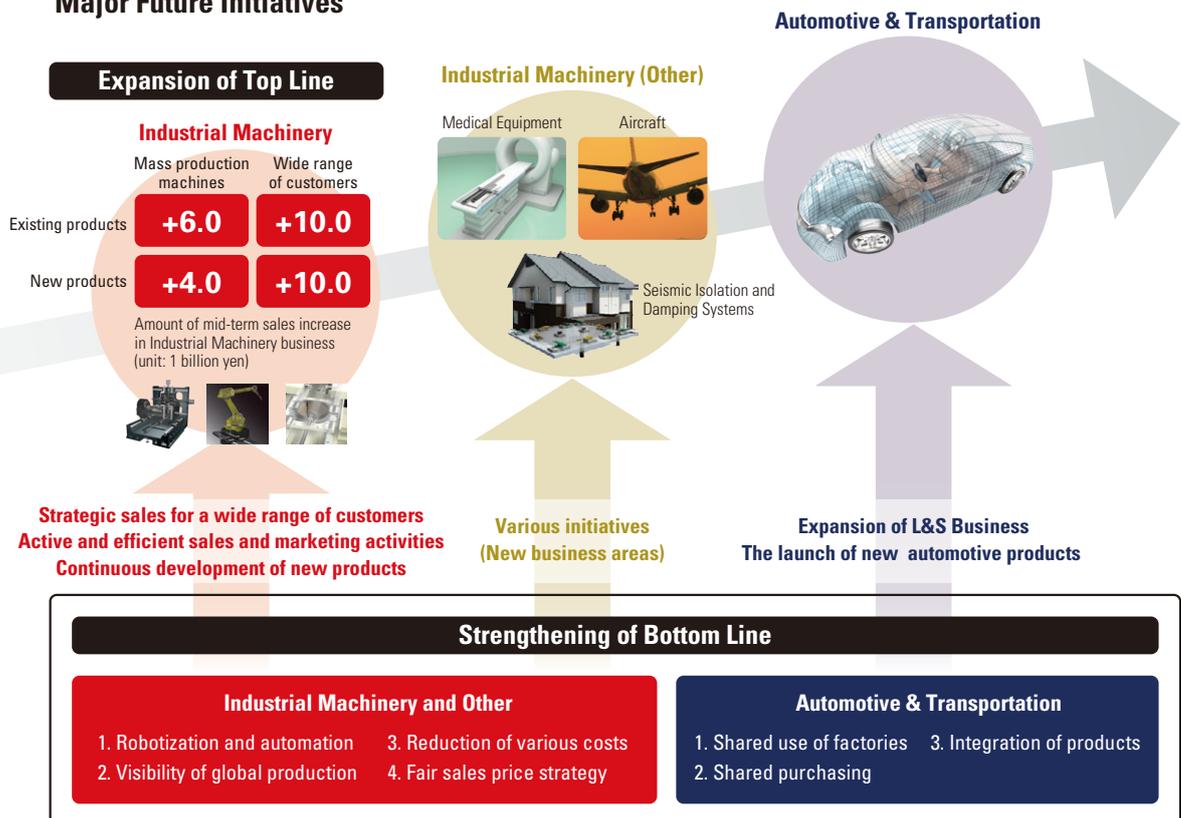
Growth Strategies and Activities to Foster Mid- to Long-Term Growth

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 guides. Under our *full-scale globalization* strategy, we are striving to expand our sales and production structures globally 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. Under the *development of new business areas* strategy, we are working to increase sales revenue from not only existing products, but also newly developed products, buoyed by the growing use of our products 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 striving to make full use of the IoT, cloud computing, AI, and robots in a variety of different areas such as sales, production, and development, thereby expanding our business domains by realizing a

change in business style.

Amid these efforts, we are promoting activities that will enable us to expand the top line of our industrial machinery business, other industrial machinery business, and automotive and transportation business, and thereby foster mid- to long-term growth. For our industrial machinery business, we will achieve a mid-term increase in sales of ¥30 billion by means of *strategic sales for a wide range of customers, active and efficient sales and marketing activities, and continuous development of new products.* In our other industrial machinery business, we will continue to work toward expanding the use of our products in new consumer goods-related fields. For our automotive and transportation business, by demonstrating synergy between THK, THK RHYTHM, and TRA, 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. We will also pursue increased profitability by engaging in activities that will strengthen the bottom line of each of these business areas.

Major Future Initiatives



Industrial Machinery Business Activities

It has become clear that the result of our prolonged efforts to strengthen our marketing activities for our industrial machinery business is a great demand not only for products that will go into the mass production equipment manufactured by makers of machine tools and semiconductor production equipment, but also for special, custom-made equipment, in-house production equipment, equipment related to automation, and repair parts used by end users of equipment. This *wide range of customers* constitutes a market where we can expect higher profit margins than we earn from the products we make for the aforementioned mass production equipment, so we are developing various policies in order to acquire business in this market.

To prepare for expanding our sales to a wide range of customers, we are promoting efficient sales activities that utilize various IT tools in order to handle a massive volume of customers. We will first heighten our brand recognition and increasingly interact with customers through exhibitions and other means. We will then use marketing tools to analyze these customers, classify them by purchasing phase, and automatically provide them with the optimal kind of information. Then we will actually begin doing business with them at the optimal time. We will also analyze customer needs gathered during this continuous process, which will lead to THK developing new products and establishing new sales methods.

To give an example, semi-custom LM Guide Actuator Model SKR/KR products began being sold in August 2016 as the result of such activities. We took five custom products with high customer demand and made them into semi-custom products, allowing us to shorten the lead time to a minimum of 10 days. We are also able to shorten lead times by

making it possible for customers to use our newly launched, web-exclusive optimal product selection tools and easily calculate service life, select models, and even place orders without ever going through a salesperson. As a result of these kinds of efforts, we have seen a healthy increase in the number of semi-custom product orders received largely from the wide range of customers I previously mentioned. We will continue to invest more in other semi-custom order products with all due haste. In addition, we launched Omni THK in March 2017. This service allows customers to effortlessly select and order our products online at any time or from anywhere. Omni THK presents a different experience for every step of the process, from our customers first learning about our products to their actually placing an order. Whereas this process used to take place only during meetings with sales representatives or exclusively through our website, Omni THK allows customers to use our automated system to effortlessly purchase our products at any time or from any location, even if the customer is in a region where we do not have any sales branches. This website was initially made available for Singapore, Malaysia, and Thailand, but we will also be expanding it to other countries in stages.

In addition to these activities for expanding our top line, we are also working to strengthen our bottom line. In March 2017, we finished installing the Eagle System, which enables us to see the operation conditions of our machines at each facility in Japan, the Americas, Europe, and China at a glance. This will allow us to standardize global production. In the future, we will pursue dramatic improvements in productivity by connecting not just machines, but also products and our production employees to the network so that we can achieve visibility for every process.

Industrial Machinery Business Activities (Other)

In our other industrial machinery business, we will continue to actively pursue sales and development activities to expand the use of our products in new consumer goods-related fields. With regard to the field of seismic isolation and damping systems, the use of our seismic isolation products for buildings and equipment has expanded due to increased BCP (business continuity plan) awareness. In the medical equipment field, the high precision found only in THK

products has garnered praise, and our products have been increasingly utilized in various types of equipment such as robotic surgical systems and walking assist devices. When it comes to aircraft, with items such as folding tables and reclining seats required to be safe and lightweight, our compact and highly rigid products are being put to ever greater use. In the field of robotics, we have been working to expand our lineup of SEED Solutions, which are a series

of components for robot technology systems. At the same time, we have also started providing educational institutions with basic sets of TRX robot hands that can grasp objects of various shapes and sizes at a special price. For the wind power generator segment of our business related to the

renewable energy field, we have begun selling low-torque shaft units for vertical-axis wind turbines. Meanwhile, we continue to expand our hydroelectric generator business, and we're starting to perform trials in rivers in several regions of Japan.

Automotive and Transportation Business Activities

With regard to our automotive and transportation business, as a global supplier with independently operating sales, production, and development structures established around the globe, we are working to expand our L&S business with a wide variety of automotive makers and expand the use of our linear motion products in the automotive industry. We are striving for further expansion of our L&S business through activities that make use of both THK RHYTHM's and TRA's sales and production structures to obtain orders. As part of that effort, the automotive parts business from THK America and THK Europe has been

integrated with THK RHYTHM and TRA, respectively. We are also making use of THK RHYTHM's business foundation to expand our business in China and other emerging markets. With regard to linear motion products for automotive applications, we plan to use this year to test the mass production lines we built in 2016 and begin selling these products in 2018. We will take advantage of the momentum provided by the development of self-driving car technology and the increasing incorporation of electrical components in automobiles to further expand the use of our products.

Toward Future Growth

As I have outlined, we are confident that THK will continue to enjoy substantial opportunities for future growth. We are equally confident in our ability to expand the scope of our business through *full-scale globalization*, the *development of new business areas*, and a *change in business style*. In order to increase our profitability, we will continue to strengthen our initiatives to improve the efficiency of our fixed costs and our variable expense ratio in addition to accelerating our growth strategies. Toward the same end, we will also establish a solid business foundation that will allow us to continue growing no matter what happens in the external environment. These efforts will enable us to increase our corporate value, thereby meeting the expectations of our shareholders and other stakeholders. As we work toward achieving our established goals, we kindly request the continued support and understanding of all our stakeholders.

July 2017



Akihiro Teramachi

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