

# GEOGRAPHIC BUSINESS REVIEW

## Japan

To achieve its Long-Term Management Target THK is working to optimize production by locating facilities closer to demand centers. To this end, we are strengthening our integrated manufacturing and sales systems in the four key geographic regions of Japan, the Americas, Europe, and Asia.

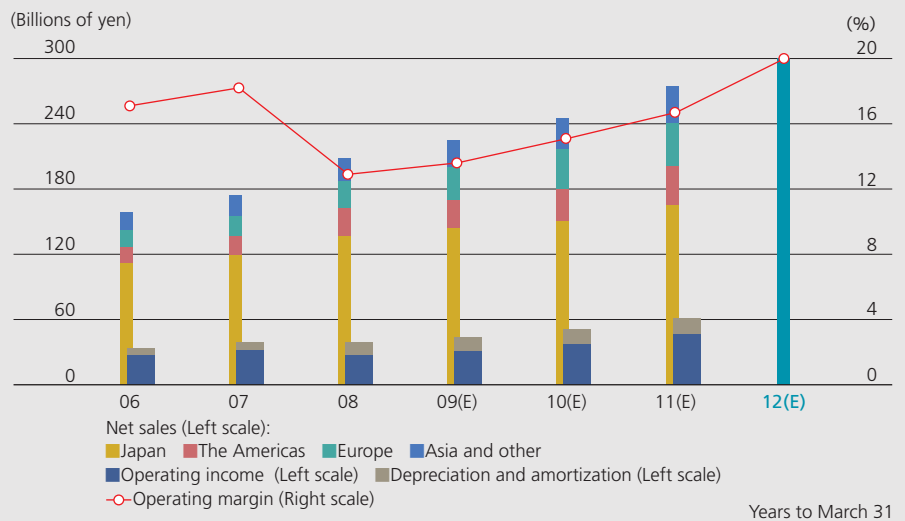
In fiscal 2007, sales in our core business of parts for machine tools and general machinery were generally strong in Japan, the Americas, Europe, and Asia. In addition, there was an increase in the number of consolidated subsidiaries, and the Company achieved continued sales growth in all regions.

## The Americas

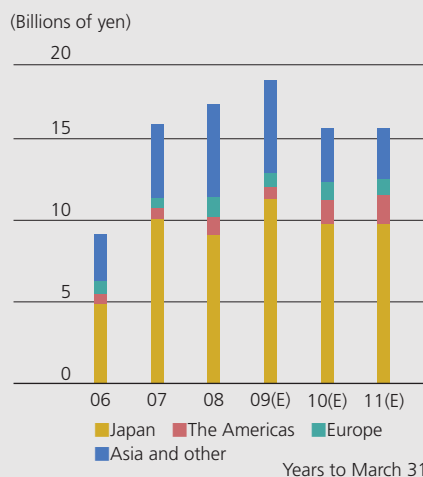
## Europe

## Asia

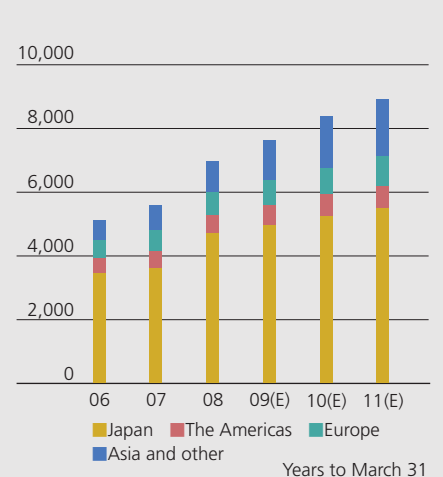
### Principal Indices: Results and Forecast



### Capital Expenditures



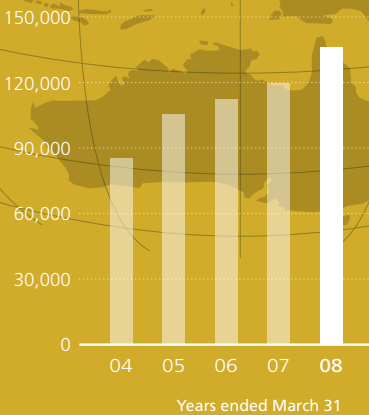
### Number of Employees



# Japan

## Sales in Japan

(Millions of yen)



Sales offices .....	50
Plants .....	12
Distribution centers.....	3

- 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.

As of March 31, 2008

Note: Please refer to p. 78 for details of the principal business activities of THK Group companies.

### Business environment and earnings

Fiscal 2007 sales in Japan were up 14.1% year-on-year to ¥136.3 billion. In Japan, sales to the machine tool industry increased while sales to the electronics industry declined, reflecting the fact that the electronics industry's recovery began later and was weaker than expected. Sales to the transport equipment sector rose sharply as a result of auto parts manufacturer RHYTHM becoming a consolidated subsidiary. As a result, total domestic sales increased year-on-year.

### Continuing to strengthen each area of business

To ensure the sustained growth of the THK group going forward, we continued to work in fiscal 2007 to strengthen each area of our business, including production, sales, and development.

On the production side, we brought into full production two plants that went into operation in fiscal 2006: the third plant at the Yamagata facility and the third plant at THK NIIGATA. In July 2007, a new block of plants commenced operation at DAITO SEIKI's Sendai facility, which manufactures equipment and unit products for use within the THK group. At the Mie facility, which manufactures cross roller rings (demand for which is increasing), we increased manufacturing capacity by building new offices and converting existing office space to manufacturing space.

On the sales side, we continued to extend and strengthen the "TAP 1" in-house skills development initiative for sales personnel. This initiative has helped THK's sales force to steadily develop more effective skills in problem-solving and proposal-oriented sales activities, allowing them to both deepen ties with existing customers and win business from new customers. In addition, we leveraged our new distribution system, which centers on the Chubu Distribution Center (completed in January 2007), and conducted sales activities in an assertive manner.

On the development side, we carried out R&D activities under the main theme of the "E<sup>3</sup> Concept" (the "E<sup>3</sup>" stands for Ecological, Economical, and Endless), and developed products that will lead to new applications for THK's products.

### Development of new business areas

The FAI Division, together with RHYTHM, worked to expand operations as a single unit (the Transportation Equipment-Related business segment). Specifically, the FAI Division moved its operations to RHYTHM's headquarters factory and they began holding sectional meetings aimed at achieving. In these and other ways, they created a new business management structure aimed at achieving further growth.

The ACE Division finished fabricating a seismic isolation testing vehicle by installing a THK seismic isolation system in a vehicle that simulates the shaking of an earthquake. The Company uses this vehicle as part of its PR activities, taking it to housing exhibitions in major cities nationwide. In the area of seismic isolation equipment for enterprise-level servers, the Company engaged in marketing activities that strengthened the advantageous position of THK's products. Demand is increasing for equipment to disaster-protect such servers. As a result, the Company was able to steadily add to its record of results in seismic isolating and dampening equipment, with clients increasingly adopting its products.

In its CAP Project, THK increased the size of the development staff and expanded the number of proposals. It also carried out effective promotional efforts, including private shows. As a result, it was able to win new mass-production projects. In the robotics sector, which THK considers a highly promising market, the Company aggressively participated in the planning of public robotics-related projects, promoted R&D on elemental components, and carried out basic research on a robotic hand.

### Continually striving for improvement on every level

In fiscal 2008, THK expects domestic sales to rise for a previous year. In the machine tools sector, the Company expects demand to remain high, particularly in Asia and Eastern Europe. In the general machinery and electronics sectors, it does expect FPD-related demand to remain robust.

In terms of efforts to achieve its sales-growth targets, on the sales side THK plans to extend the "TAP 1" skills training initiative to enable both the deepening of ties with existing customers and the winning business from new customers. To that end, THK intends to strengthen its proposal-style sales activities, through which it promotes not only the characteristics and appeal of THK products, but also emphasizes how they can help solve the customer's problems. To develop new customers, the Company plans to conduct efficient, precisely targeted sales activities. Hence, while striving to secure steady gains in orders from capital goods sectors, the mainstay of its current business, THK plans to accelerate the expansion of its business domain by continuing to aggressively develop new areas of business.

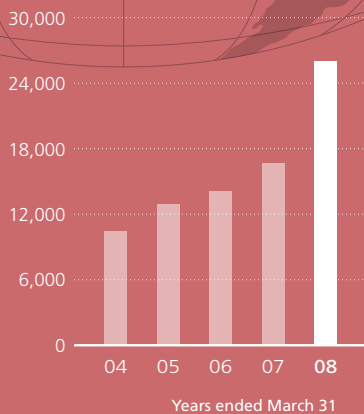
On the production side, following the original implementation of the "TAP 2" initiative in 2001, THK has been able to establish flexible, efficient production systems that can respond to fluctuating order levels. In fiscal 2008, THK plans to reinforce such capabilities further. Despite an expected increase in materials costs, THK intends to continue "TAP 2" activities with the aim of achieving further gains in terms of productivity and quality, thus ensuring that growth in sales translates into higher profits. In addition, THK plans to make capital investments in RHYTHM to increase productivity there, and will establish an efficient system for manufacturing transportation equipment-related business.

On the development side, THK will continue working to increase the speed of development, and will aggressively create new applications for its products. As a creative development-driven enterprise that has created a variety of high-added-value products, THK will develop original and highly appealing products with an eye toward the next five to ten years.

# The Americas

**Sales in the Americas**

(Millions of yen)



United States	Sales offices .....	8
	Plants .....	2
Canada	Sales offices .....	1
Brazil	Sales offices .....	1

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

As of March 31, 2008

Note: Please refer to p. 78 for details of the principal business activities of THK Group companies.

## Organization

In this region, sales subsidiary THK America, Inc. and production subsidiary THK Manufacturing of America, Inc. (TMA) undertake integrated sales and production activities under the regional holding company THK Holdings of America, L.L.C.

Besides boasting the most extensive U.S. sales network within the LM guide industry, THK is unique in having a dedicated LM guide production facility in the United States. Local manufacturing capabilities enable THK to maintain a stable supply of high-quality products. THK has leveraged this strength to develop a core base of customers in the machine tool, general machinery and electronics industries. Efforts to introduce THK products to the automotive, aerospace and other sectors have also been successful. Sales success has helped to foster a virtuous cycle by boosting capacity utilization at TMA, which has invested to increase levels of equipment familiarization among operating personnel to enable continual reinforcement of the earnings structure.

The addition of automotive components manufacturer RHYTHM to the THK Group served to expand the automotive side of the business in fiscal 2007. Going forward, THK plans to focus on realizing further benefits from synergies between production and sales.

## Fiscal 2007 operating conditions and performance

The external business environment was harsh in fiscal 2007. The electronics industry saw a correction in the semiconductor production equipment (SPE) and other sectors, while production levels declined at automakers. THK strengthened its marketing activities to existing customers through close collaboration between production and marketing departments. As a result, sales increased thanks to market share gains in the machine tool and general machinery sectors. With the addition of RHYTHM as a consolidated subsidiary, sales for transport equipment applications were also substantially higher. Regional sales increased 56.2% in year-on-year terms to ¥26.0 billion.

## Sales: Development of new sectors and markets by leveraging unique local capabilities

Against the backdrop of declining demand in electronics-related industries in the Americas, our marketing activities emphasized THK's advantages in supplying high-quality products from a local production base with short delivery lead-times. Our marketing activities emphasized the advantages that THK derives from being able to supply high-quality products from a local production base with short delivery lead-times. As a result we



**Junichi Kuwabara** *Director, THK CO., LTD.*  
 President and Representative Director, THK Holdings of America, L.L.C.  
 President and Representative Director, THK America, Inc.



**Akihiko Kanbe**  
 President and Representative Director, THK Manufacturing of America, Inc.

were able to expand our market share with existing core customers such as machine tool makers. With the aim of developing new business sectors and customers, we upgraded the TAP 1. These efforts helped us to develop and secure significant new customers in sectors ranging from aerospace to medical equipment and gaming machines.

We also continued to develop new markets such as Canada and Mexico. In Canada, we focused primarily on expanding sales of products for medical equipment applications. In Mexico, we recruited more staff to augment our local sales capabilities.

In a separate move, we reconfigured our organization to support the ongoing efforts to stimulate latent demand within the existing customer base. This included measures to enhance the sharing of information between the U.S. head office and our various branch offices across the region.

In fiscal 2008, we expect the external business environment to remain harsh, particularly within the automotive sector. Under these challenging conditions, we plan to continue the measures that we took in fiscal 2007. On the product side, we will also try to increase sales of mechatronics-related products. With SPE manufacturers, we have already seen a shift in demand from individual components toward supplying hybrid units. We expect to see a similar trend de-

velop going forward in the general machinery and aerospace sectors. In anticipation of this, we plan to expand our corps of mechatronics engineers significantly and institute related training programs. In conjunction with our ongoing moves to upgrade the sales force, these measures will help us to target further growth in sales.

We are currently integrating our sales bases with those of RHYTHM to deepen cooperation within the THK Group by transferring RHYTHM engineering staff to THK branch offices. These moves promise to generate further gains in fiscal 2008 in terms of the efficiency and effectiveness of our sales set-up.

**Production: Supplying high-value-added products to boost profitability and improve productivity**

One of our areas of focus in fiscal 2007 at TMA was to expand the lineup of large-sized LM guides that we can supply. Producing these LM guides locally not only helps us to maintain stable supplies with short delivery lead-times but also helps to raise our cost-competitiveness by cutting transportation and other expenses. These measures contributed to a significant increase in revenue in fiscal 2007 as the result of higher order volumes.

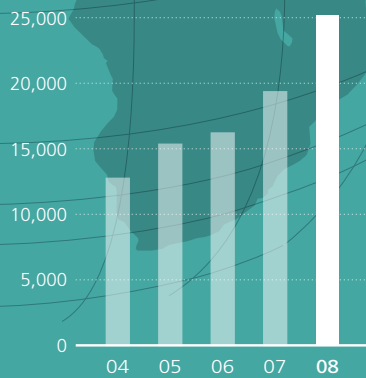
Another key achievement in fiscal 2007 was the production of link balls, which we began on a full scale after completing a new die-cast facility. This means that we can now handle all steps in link ball production in-house at TMA, from pressing to final assembly.

During fiscal 2008, we will focus on improving production of hybrid units, a product range for which we anticipate higher regional demand in the future. Specifically, we are boosting planning and design staff with the goal of satisfying increasingly stringent customer requirements for these high-value-added THK products. We also plan to pursue further initiatives aimed at raising productivity, including enhancing the visibility of each operation, evaluating the technical skills of individual workers and providing practical skills training as necessary. The result will be a significantly accelerated production process.

# Europe

## Sales in Europe

(Millions of yen)



Years ended March 31

Germany	Sales offices	4
United Kingdom	Sales offices	1
Ireland	Plants	1
Italy	Sales offices	2
Sweden	Sales offices	1
Austria	Sales offices	1
Spain	Sales offices	1
France	Sales offices	1
	Plants	1
Turkey	Sales offices	1
Czech Republic	Sales offices	1

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

As of March 31, 2008

Note: Please refer to p. 78 for details of the principal business activities of THK Group companies.

### Organization

In Europe, the regional holding company THK Europe B.V. owns and manages two sales subsidiaries, THK GmbH and THK France S.A.S. with sales offices established in nine European countries and a network of sales agencies spanning the region, THK sells products to customers in every European market.

THK's two production subsidiaries in the region are THK Manufacturing of Europe S.A.S. (TME) and PGM Ballscrews Ireland Ltd. (PGM). TME makes LM guides, ball screws, link balls, and hybrid units, while PGM is a production base for ball screws. These operations enable THK to respond flexibly to the varied needs of European customers.

### Fiscal 2007 operating conditions and performance

Operating conditions for the German machine tool industry stayed favorable in fiscal 2007 due to high levels of demand for machinery from the aerospace, automotive and energy-related industries. Machinery production levels also increased as European manufacturers continued to establish new facilities in Central and Eastern Europe.

Against this backdrop, THK focused on leveraging its integrated production and sales set-up in the region to stimulate business from existing customers and to develop

new customers. Sales to the mainstay machine tool and general machinery sectors recorded steady growth over the previous year. Sales in Europe rose 30.5% in year-on-year terms to ¥25.2 billion, setting a new record high for the second successive year.

### Sales: Leveraging THK's global capabilities to gain new business

The underlying theme of our marketing activities in fiscal 2007 was the benefit to European customers with global operations of the THK Group's worldwide production and sales set-up. We were successful in expanding sales through the increased adoption of LM guides and a broad range of other THK products.

We made progress in developing the skills of our sales force through our original in-house "TAP" training program. Our sales personnel do more than simply sell products. Their job is to help customers to solve a problem by helping them realize the benefits for the customer of using a THK product. We were also successful in reinforcing the specific skills base of our sales force.

In addition, reflecting the ongoing diversification in product-related needs, we actively undertook PR campaigns with the aim of differentiating THK's original product technology from that of rival manufacturers. This helped us to boost our share of the



**Tetsuya Hayashida** *Director, THK CO., LTD.*  
President and Representative Director, THK Europe B.V.  
President and Representative Director, THK GmbH  
President and Representative Director, THK France S.A.S.  
President and Representative Director, PGM Ballscrews  
Ireland Ltd.



**Hiroshi Imano**  
President and Representative Director, THK Manufacturing  
of Europe S.A.S.

European market. Going forward, we are expecting demand to remain especially high in the aerospace- and railway-related sectors. We plan to upgrade our efforts to secure as much of this growing demand as possible for THK.

Since we expect demand to remain high in fiscal 2008, we are planning to strengthen our sales and distribution systems to support a further expansion in sales activities.

Specifically, we plan to bolster our sales network by establishing new sales offices in Germany and expanding our sales force. We are also planning to develop the sales network by opening branch offices in the Czech Republic and Russia to service anticipated future growth within markets in Central and Eastern Europe. At the same time, we are forming special project teams to undertake strategic marketing activities in order to develop THK's presence in these emerging markets.

Our new distribution center commenced full-scale operations in March 2008. This facility's proximity to our main European factory and central geographical location within Europe will support our efforts to build an extremely efficient regional distribution system capable of supplying customers high-quality products with short delivery lead-times.

### **Production: Upgrading capacity to serve rising local demand**

With orders on the rise, we were able to achieve steady growth in production volumes in fiscal 2007 by instituting a full-scale mass-production set-up based on capacity upgrades and comprehensive management of capacity utilization. As a result, we were able to achieve a local production ratio of around 40%.

We also made progress in terms of procuring more materials from suppliers based in the region. We plan to intensify these efforts going forward with the aim of reducing input costs and material inventories to boost profitability.

We became the only LM guide manufacturer in Europe to gain certification from a third-party institution for our testing equipment and related procedures. This has provided objective verification of THK's claims to deliver superior product performance. It also promises to help further establish the reliability of THK products within the marketplace.

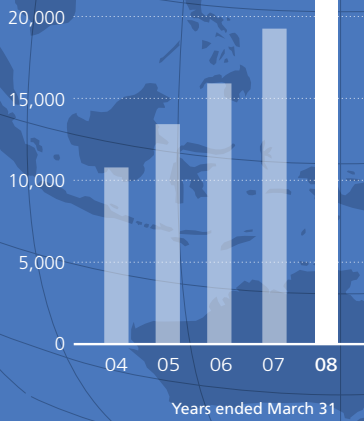
In fiscal 2008, we plan to make organizational changes so that manufacturing is more closely aligned to customer requirements. In particular, we plan to set up a dedicated department for hybrid units and create a joint project team with sales so we can focus on supplying original high-value-added THK products.

As a region, Europe contains many different countries and cultures, which means that the European market generates a wide variety of customer needs. Our aim is to raise the regional profile of THK products and broaden the range of products that we make locally so that we can realize a consistent supply of high-quality products with short delivery lead-times.

# Asia

## Sales in Asia

(Millions of yen)



China	Sales offices .....	12
	Plants .....	4
Taiwan	Sales offices .....	3
Singapore	Sales offices .....	1
India	Sales offices .....	1
Thailand	Plants .....	1
Korea	Sales offices .....	13
	Plants .....	1

- 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.

As of March 31, 2008

Note: Please refer to p. 78 for details of the principal business activities of THK Group companies.



**Takashi Okubo** Director, THK CO., LTD.  
President, THK (CHINA) CO., LTD.  
President, THK MANUFACTURING OF CHINA (LIAONING) CO., LTD.



**Naoki Kinoshita**  
President, THK (SHANGHAI) CO., LTD.

### Organization

THK's first move into the Asian region was the establishment of THK TAIWAN CO., LTD. in 1989. THK also entered the Chinese market during the same year, followed by South Korea in 1991.

THK (CHINA) CO., LTD. manages all THK operations in China, a market with high growth potential. THK (CHINA) CO., LTD. and THK (SHANGHAI) CO., LTD. together handle sales of THK products in China. On the production side, THK has three local subsidiaries: DALIAN THK CO., LTD., THK MANUFACTURING OF CHINA (WUXI) CO., LTD. and THK MANUFACTURING OF CHINA (LIAONING) CO., LTD. THK continues to strengthen its organization in China in anticipation of rising demand going forward.

Elsewhere in the region, THK established THK LM SYSTEM Pte. Ltd. as a Singapore-based sales subsidiary in December 2006.

### Fiscal 2007 operating conditions and performance

Capital investment expanded strongly in China, reflecting a continued high rate of economic growth. Demand for products in the mainstay machine tool sector increased due to higher production volumes along with a rising proportion of numerical control (NC) models. Demand in this sector remained strong in Taiwan as well.

Amid favorable market conditions, sales increased in both the machine tool and general machinery sectors. Regional sales rose 10.1% in year-on-year terms to ¥21.1 billion.

### Sales: Developing the business base to serve buoyant local demand

#### • THK (CHINA) CO., LTD.

Since its establishment in 2005 as THK's leading subsidiary in China, THK (CHINA) CO., LTD. has worked to secure direct sales rights within the Chinese market. After the transfer of domestic sales functions to the company from THK (SHANGHAI) CO., LTD., full-scale business development within the Chinese market under this set-up began in fiscal 2006. We have since opened four new branch offices in China.

In fiscal 2007, we established new sales bases and recruited more personnel to reinforce our sales infrastructure sufficiently to be able to cater to growing demand in the Chinese market.

Based on this system, we focused on activities aimed at developing the THK brand within the machine tool industry, which is our principal target market in China. We participated in trade fairs across the country and upgraded THK's local online presence as part of the development of an aggressive program to promote sales. We also focused on developing sales for new applications such as robots, printing presses and the automotive-related sector.

We expect demand in the machine tool sector to remain robust in fiscal 2008. As well as upgrading our network of sales bases further, we plan to reinforce our sales infrastructure to develop closer relationships with customers.





**Susumu Ogami**  
President, THK TAIWAN CO., LTD.



**Kazushige Ohno**  
President, DALIAN THK CO., LTD.



**Akira Furihata**  
President, THK MANUFACTURING OF CHINA (WUXI) CO., LTD.



**Yoshiyuki Yamashita**  
President and Representative Director, THK LM SYSTEM Pte. Ltd.

• **THK TAIWAN CO., LTD.**

Amid a general resurgence within the machine tool sector, Taiwan's machine tool manufacturers expanded their exports beyond the traditional destination of China to include other BRICs nations and Europe. Our sales development activities in fiscal 2007 emphasized the global capabilities of the THK Group in providing technical support around the world. Attentive sales and technical support activities for key customers helped us to gain awards from a number of customers recognizing THK's excellence as a supplier.

In fiscal 2008, we plan to target further steady growth in sales by tapping into continued strong demand within the machine tool sector. We are actively seeking to expand profitable business opportunities in Taiwan. In addition, we will organize a series of technical seminars by THK engineers to try to raise the proportion of hybrid units within our local sales.

• **THK LM SYSTEM Pte. Ltd.**

The company was established in December 2006. Based in Singapore, our goals are to develop a sales system for ASEAN markets as well as India and Oceania and to develop new customers within these parts of the region.

Demand is projected to increase in these markets going forward. Since they comprise a relatively undeveloped part of the world for the THK Group, there is considerable potential for future growth. Building on the

sales platform that was developed in fiscal 2007, we plan to pursue an aggressive program of business development in fiscal 2008 by leveraging the high degree of trust in the THK brand worldwide.

**Production: Steady progress in upgrading capacity and raising quality**

• **DALIAN THK CO., LTD.**

Amid growing demand in China for ball screws and other key products made by this subsidiary, in fiscal 2007 we focused on upgrading production capacity and workforce skills. We also made some organizational changes with the aim of creating a set-up to maintain consistently high quality levels as production volumes continue to rise.

The recent completion of a plant expansion has boosted production capacity. During fiscal 2008, we plan to focus on installing more equipment and on improving production jigs and tools so that we can continue to consistently produce competitive, high-quality products.

• **THK MANUFACTURING OF CHINA (WUXI) CO., LTD.**

THK commenced production in January 2005 at this facility, which at that time was the first LM guide plant in China. Work was finished on a second phase in November 2006 to expand plant capacity to accommodate rising demand in the Chinese market.

During fiscal 2007, we invested in production systems to improve capacity utilization and undertook activities for all employees to deepen awareness of the importance of product quality. Initiatives undertaken to date have steadily reinforced the company's earnings base. Responding to continued growth in demand, plans in fiscal 2008 call for efforts to improve profitability further by supplying competitively priced, high-quality THK products while also focusing on heightening cost-consciousness among employees.

• **THK MANUFACTURING OF CHINA (LIAONING) CO., LTD.**

Established in 2005, this facility supplies high-end LM guides to Chinese machine tool manufacturers based in the northeast of the country as well as Japanese-owned machine tool makers that have set up factories in China. Shipments commenced in September 2006. Work was completed on the second phase of the plant in December 2007 to broaden the product lineup and increase production volumes.

In fiscal 2008, responding to the needs of the machine tool industry, we plan to develop the production set-up further to enable production of a wide variety of items other than LM guides. This promises to expand profitable business opportunities for the THK Group within the region.