



TOP MESSAGE



**Pursuit of the two pillars of our growth strategy,
“Full-Scale Globalization” and the “Development of
New Business Areas”**

THK CO., LTD.
President and CEO

Akihiro Teramachi

Looking Back on Fiscal 2014

Looking at the operating environment in fiscal 2014, ended March 31, 2015, overall demand in Japan increased against the backdrop of robust capital investment. Turning to overseas markets, demand in such countries and regions as the Americas, Europe, and China was firm. Taking into account these and other factors including movements in foreign currency exchange rates and the year-on-year downturn in the value of the yen, consolidated net sales climbed 17.4% compared with the previous fiscal year, to ¥217.6 billion. From a profit perspective, operating income increased 63.4% year on year, to ¥28.3 billion while net income grew 45.6%, to ¥22.7 billion. This was largely attributable to the upswing in net sales as well as the impact of fluctuation in foreign currency exchange rates.

Amid these circumstances, the THK Group continued to promote the two core growth strategies of Full-Scale Globalization and the Development of New Business Areas as a part of efforts to expand the market for its products including LM guides. With regard to Full-Scale Globalization, we anticipate market growth on the back of advances in factory automation (FA) in developing countries. At the same time, the range of

users is also expected to widen in developed countries. In order to steadfastly capture demand from emerging markets and developed countries, we will therefore work to upgrade and expand our global sales network. In the Development of New Business Areas, we will strive to boost sales not only of existing products, but also of newly developed offerings amid the growing use of our products in such new fields as medical equipment, aircraft, robots, and renewable energy. In addition to activities aimed at expanding operations in each of these business fields, we will work to increase profitability by vigorously promoting a variety of measures that are designed to improve the efficiency of fixed expenses as well as the ratio of variable expenses to total expenses.

Drawing on the fruits of these endeavors, THK was successful in securing a year-on-year increase in both revenue and earnings in fiscal 2014. In addition to exceeding plans, which were revised in November 2014, the Company reported record high results in terms of net sales and net income. Based on the aforementioned, THK has made a solid start toward achieving the objectives set out under its medium-term management plan.

Looking at fiscal 2015, ending March 31, 2016, the external operating environment is shrouded in considerable uncertainty. This reflects

Medium-term Management Plan

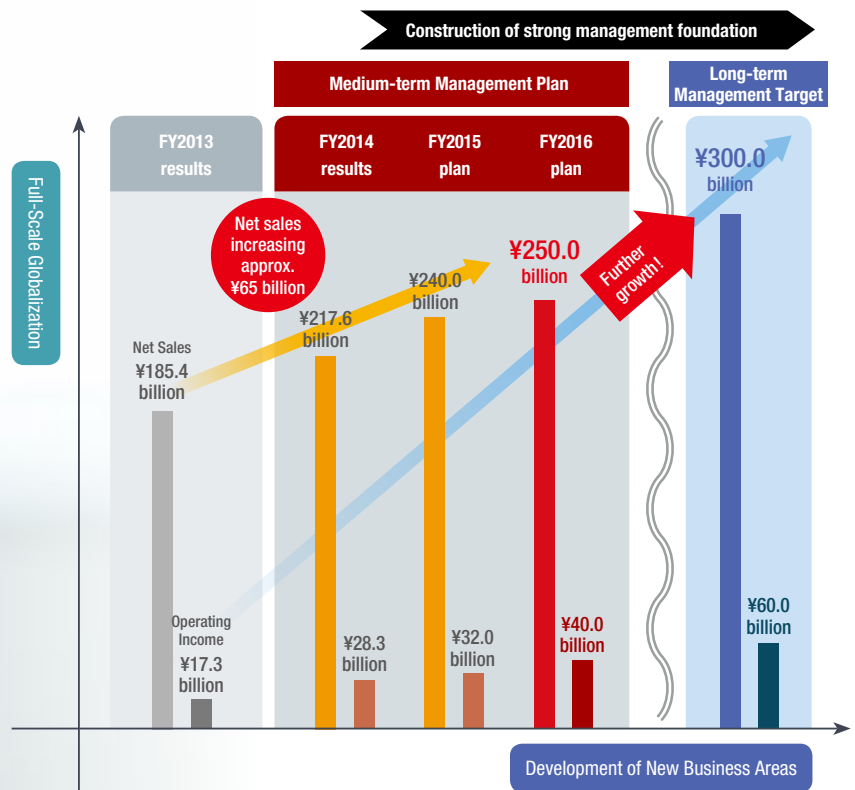
Numerical targets for FY2016

Consolidated Net Sales	¥250.0 billion
Operating Income	¥40.0 billion
ROE	Over 10%

[Assumptions]
Exchange rate \$1= ¥100
IMF Global economic growth rate of 3.8% on average
The market growth rate of 5% on average in the production goods industry

The point of medium-term management plan

- Fixed plan with FY2016 as the final fiscal year
- Break the past record-high net sales and record-high profits
- Continue and further strengthen the basic strategy
- Establishment of management foundation toward the long-term management target
Net sales: 300.0 billion yen; and
Operating Income Margin: 20%



a variety of factors including sovereign risk across certain regions including Southern Europe. Despite these uncertainties, however, the global economy is projected to benefit from continued positive conditions in overall terms. As a result, and taking into consideration the status of current orders, THK announced details of its plan for fiscal 2015 in May 2015. In specific terms, the Company anticipates it will post record high operating income of ¥32 billion, up 12.7%, on net sales of ¥240 billion, up 10.3% year on year. Net income is expected to reach ¥23.1 billion, an increase of 1.7%.

Medium-term Management Plan

In May 2014, THK announced details of its medium-term management plan. Under this plan, the Company identified the overarching goal of strengthening its management foundation together with the long-term management targets of ¥300 billion in consolidated net sales and a consolidated operating income margin of 20%. Over the three-year period of the fixed medium-term management plan, which ends in fiscal 2016, we will work to achieve the more immediate consolidated net

sales, operating income, and ROE numerical targets of ¥250 billion, ¥40 billion, and over 10%, respectively. The basic strategies put forward to achieve the plan remain unchanged. Accordingly, we are ramping up efforts to promote Full-Scale Globalization and the Development of New Business Areas. Amid the ongoing upgrade and expansion of its global sales network, THK is reaching out to customers around the world and listening to their feedback as a part of efforts to deliver THK's value while lending a keen ear to and absorbing contact from customers. There are indications that these efforts are bearing fruit with the steady emergence of new demand. At the same time, we are channeling our energies toward expanding net sales, commonly referred to as the top line, by strengthening efforts to acquire a greater share of the volume zone and reinforcing the marketing and strategy functions.

Full-Scale Globalization

In addition to developed countries, THK is placing considerable emphasis on upgrading and expanding its sales network in developing countries focusing mainly on China as a part of efforts to promote Full-Scale

Globalization.

In China, the THK Group has steadily expanded its presence with the number of offices totaling 36 as of the end of March 2015. As the trend toward FA continues to advance, and the user base widens, we are building a robust indirect sales network while striving to definitely capture demand.

In the ASEAN region, we set up the ASEAN Customer Support in order to better assist the efforts of Japanese companies seeking to enter local markets. The scope of this support structure has broadened to cover six countries. Moving ahead, we will extend this coverage to other countries within the ASEAN region and take steadfast steps to garner demand.

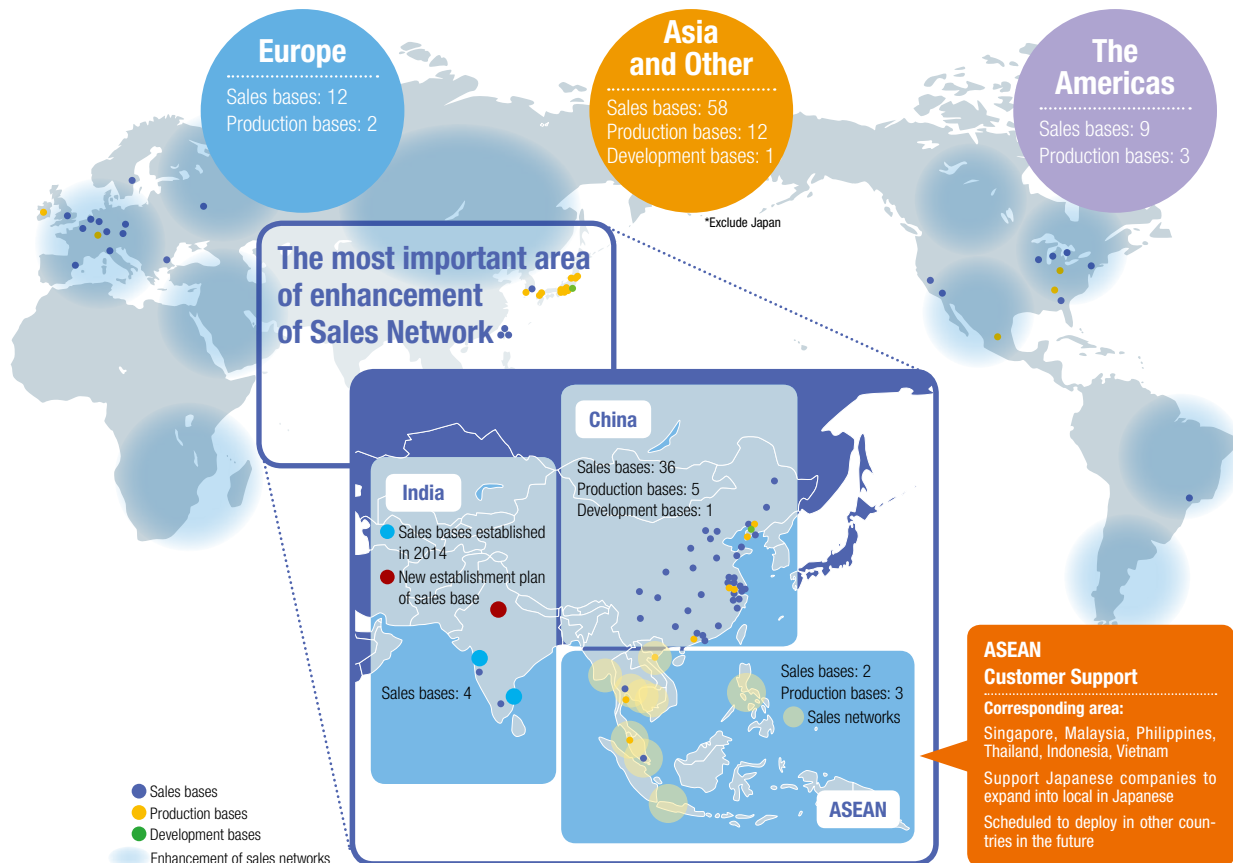
Following the path taken by China, India is exhibiting signs of considerable market growth. In 2012, THK established a sales company and opened a sales base in Bangalore. This was followed by a steady succession of bases in Pune, Chennai, and Ahmedabad. Sales and marketing personnel have already been assigned to our office in Delhi with plans to open sales bases in the near future. Our goal is to win over a robust share of the increase in demand.

In addition to upgrading and expanding its sales network, THK is working to boost sales by effectively applying a variety of tools including catalogs, exhibitions, the media, and the Internet. In developed regions and countries including Europe and the United States, the Company's

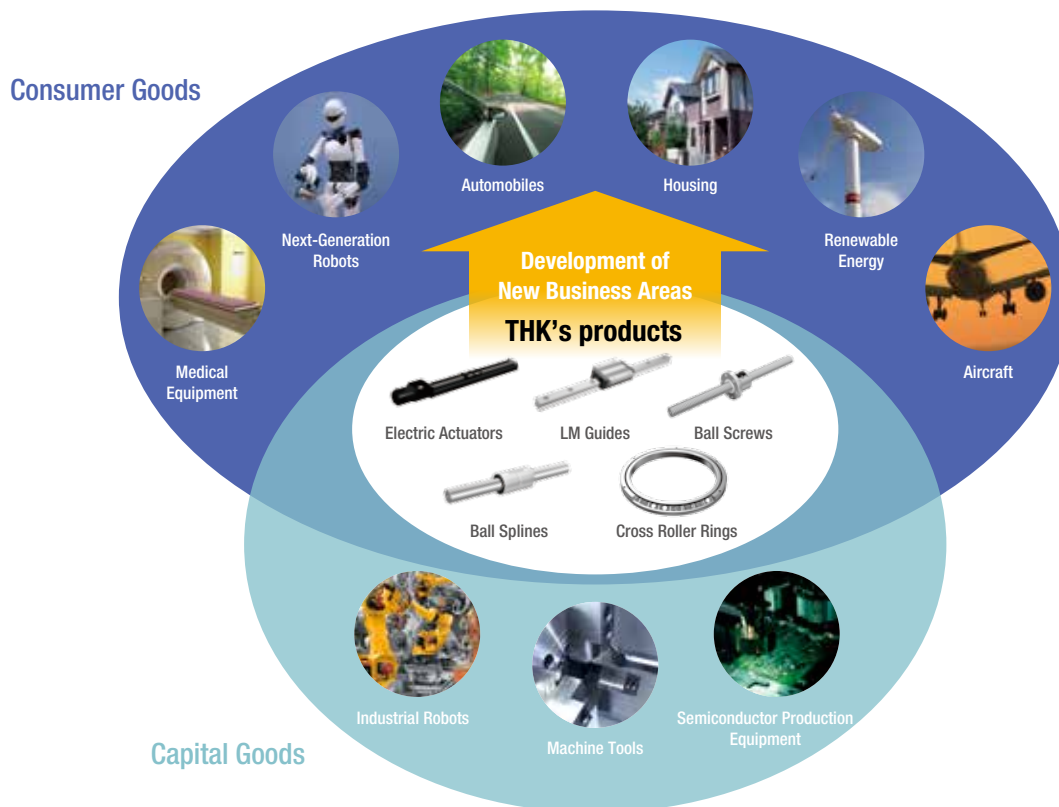
participation in exhibitions revolves mainly around specific sectors such as machine tools, semiconductors, and robotics. We are, however, looking at new areas in which to participate and plan to increase our exposure the medical equipment and aircraft fields. With exhibitions held in each of the regions and countries throughout Asia, we are strengthening our support capabilities. THK is also taking progressive steps to bolster its homepage. Building on the extremely high 35 countries that our homepage can currently accommodate, we will increase the scope of this coverage as and when required. Working beyond efforts aimed at increasing the number of countries, we will place equal emphasis on reinforcing mechanisms that allow customers to more easily access and use website when undertaking and Internet search.

The THK Group remains committed to expanding its global production structure as a part of efforts to increase its top line. In January 2014, operations commenced at THK RHYTHM MEXICANA, S.A. DE C.V. with the aim of bolstering the Group's supply of automotive parts to North and South America. In China, DALIAN THK CO., LTD. moved to a site that is more than four times the size of its previous location with three times the production space. Production commenced from February 2015. Construction on the Group's sixth production facility in China has also commenced at THK MANUFACTURING OF CHINA (CHANGZHOU) CO., LTD. China is experiencing a growing trend toward the use of robots and automation. This is on the back of an increase in wages and a shortage of

Expansion of Top Line: Full-Scale Globalization



Expansion of Top Line: Development of New Business Areas



labor as well as growing demand for higher quality products. The THK Group will look to address these needs by enhancing its ability to newly design businesses for set as opposed to single unit items.

Development of New Business Areas

In our second growth strategy pillar that entails the Development of New Business Areas, we set up three specialist divisions: the Future Automotive Industry (FAI) Division, which is charged with the responsibility of expanding use of the Company's transportation equipment-related products; the Amenity Creation Engineering (ACE) Division, which handles seismic isolation and damping systems that protect people's lives and possessions from the threat of earthquakes; and the Innovation Mechatronics Technology (IMT) Division, which is engaged in efforts aimed at expanding the Company's unit products, equipment, and electric actuator businesses. Through each of these divisions, the THK Group is working diligently to not only expand sales through existing products, but also through the development of new products.

In the FAI Division, product use is expanding steadily worldwide. In areas outside existing businesses such as stabilizer link balls, the division is striving to expand linear motion related product applications across a variety of automotive mechanical components including next-generation steering, brakes, suspension, and car interiors.

Following the Great East Japan Earthquake in 2011, which trig-

gered increased awareness toward the dangers that earthquakes present, we are increasing the number of applications for our products in the Amenity Creation Engineering (ACE) Division. Awareness toward the importance of business continuity plans (BCPs) in particular continues to rise. Against this backdrop, the ACE Division is experiencing an upswing in demand for seismic isolation platforms that protect specific pieces of equipment. This reflects the corporate sector's growing understanding of the need to protect vital assets including servers and manufacturing equipment from the threat of earthquakes. In order to capture this demand, THK is engaging vigorously in sales and marketing activities while promoting the competitive advantage of the Company's products. At the same time, we are working to develop new products that address market needs. Under these circumstances, THK introduced a new mass damper to the market in fiscal 2014. With the increase in business inquiries from such wide-ranging fields as automated warehouses and precision equipment, we are actively endeavoring to expand sales.

The IMT Division is upgrading and expanding its product lineup in existing fields. In addition to bolstering its business structure in Japan as a matter of course, the division is promoting Full-Scale Globalization in the Americas, Europe, and Asia. Particular emphasis is being placed on building a local production and sales platform in Asia, where the market is projected to experience growth. Furthermore, in the robot-related field, we opened a next-generation industrial robot showroom in Nagoya. Among the large number of visitors to showroom, we are receiving numerous inquiries and attracting widespread interest.

The Company's products including its lineup of LM guides and ball screws are being widely adopted across fields other than the aforementioned three divisions. In the medical equipment field, for example, the Company's products offer a wide range of applications. This includes in the surgical and assisted-gait robot fields. For aircraft, the Company's products are being increasingly applied in a variety of innovative ways. THK's products can be found in table pullout mechanisms, cockpit doors, reclining seats, and control sticks. In the field of renewable energy, use of the Company's products as mechanical components is beginning to emerge. Several companies have adopted the Company's shaft units in vertical shaft-type wind power generators. THK's products in this field offer extremely high power generation efficiency prompting expectations that demand will grow in the future.

In this manner, latent demand for the Company's products exists wherever there is a need for the linear motion of mechanical components. In order to tap into this vast potential, we will continue to hone our accumulated know-how and core linear motion system technologies nurtured over a long period. Making the most of our competitive advantage, we will accelerate the pace of Development of New Business Areas.

Transfer of the L&S Business from TRW Automotive Inc.

On April 22, 2015, THK announced that the linkage and suspension business (L&S business) of TRW Automotive Inc. (TRW), a manufacturer of automotive components based in the U.S., in Europe and North America would be transferred to the Company. This initiative is positioned as a key component in THK's basic strategy to pursue Full-Scale Globalization and the Development of New Business Areas. We are confident that in acquiring this business we have taken a major step toward further growth and achieving our goal of also becoming the world's leading ball joint manufacturer.

In broad terms, there were five objectives for carrying out this business transfer. The first was to put in place a complete L&S global business network by securing a business platform in Europe and North America. The second objective was to combine the automobile-related technologies of TRW with the Company's existing core linear-motion technologies and the automotive-related technologies of THK RHYTHM CO., LTD. by bringing in TRW's development base in Germany thereby building a structure that is capable of expanding automotive applications of linear products using innovative mechanisms. In addition to expanding sales in Europe and the U.S., our third objective is to take a major leap forward by putting in place a global supply structure that will help cultivate markets in such developing countries as China and India. Fourth, we plan to extend our business into areas that have traditionally remained untouched. By bringing commercial vehicle businesses in Europe and the U.S. under the Company's control, we will be better placed to address a complete range of automotive needs from compact to large vehicles. The fifth objective is to strengthen our production technology platform. By combining the technological expertise of both THK and TRW, we will further enhance our earnings capabilities.



THK anticipates that these efforts to strengthen all of its global-level competencies in the development, manufacture, and sale of automobile under-carriage components will enable the Group to gain further business opportunities. At the same time, in bringing together the core linear motion technologies of the Company, the production technologies for automotive parts of THK RHYTHM, and the development capabilities of TRW, efforts will be made to ramp up research and development activities in order to expand the use of linear motion products including LM guides, which serve as critical automotive safety components. Meanwhile, we are looking to review our long-term management targets and medium-term management plan following the business transfer.

Toward Further Growth

As stated throughout this message to stakeholders, the THK Group will accelerate the pace of efforts to pursue Full-Scale Globalization and the Development of New Business Areas in order to increase its top line. Equal emphasis will also be placed on improving the efficiency of fixed expenses as well as the ratio of variable expenses to sales in a bid to strengthen the bottom line.

Turning to the return of profits to shareholders, THK has taken steps to progressively lift its dividend payout ratio as a part of efforts to achieve a target of 30% in fiscal 2016, the final year of the medium-term management plan. While taking into consideration the investment necessary to ensure growth, we are keen to strengthen our commitment to shareholders and to boost shareholder returns. Accordingly, we plan to bring forward our dividend payment ratio performance target one year in advance and secure a level of 30.7% in fiscal 2015.

As we work toward achieving our established goals, we kindly request the continued support and understanding of all stakeholders.

July 2015

Akihiro Teramachi

THK CO., LTD.
President and CEO

Akihiro Teramachi