

# BUSINESS REVIEW: GEOGRAPHIC BUSINESS REVIEW



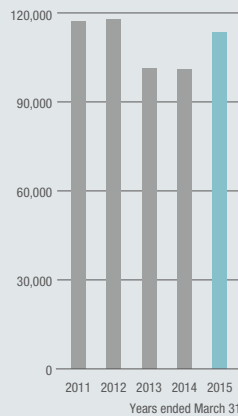
## Japan

### Year-on-year Net Sales

# 12.2%

UP

### Net Sales (Millions of yen)



### Bases (As of March 31, 2015)

Japan	Sales offices	45
	Plants	12
	Distribution centers	3

### Group Companies (As of March 31, 2015)

- THK CO., LTD.
- THK INTECHS CO., LTD.
- TALK SYSTEM CORPORATION
- THK NIIGATA CO., LTD.
- THK RHYTHM CO., LTD.
- L Trading Co., Ltd.
- NIPPON SLIDE CO., LTD.

## Operating Conditions and Performance Overview

Sales in Japan increased 12.2% year on year, to ¥113.3 billion.

During the first half of the fiscal year under review, the economy in Japan showed signs of weakness due to such factors as the downturn in personal consumption following the rush in demand in the lead-up to the consumption tax rate hike. On a positive note, there were indications of a modest recovery in the economy during the second half. From the company's perspective, demand increased for machine tools. At the same time, electronics-related products also enjoyed demand on the back of investments in the smartphone, tablet PC, and related markets. Under these circumstances, THK worked proactively to further develop its business and cultivated new business fields in such markets as seismic isolation and damping systems. As a result, the THK Group recorded an increase in revenue owing mainly to the increase in sales to the machine tools, general machinery, and electronics industries.

## Year ended March 31, 2015 (FY2014) Operating Activities (Results)

### Sales

- THK increased its focus on aggressive sales and marketing activities while cultivating such new business areas as automotive parts and seismic isolation and damping systems as a part of its efforts to definitely link demand with sales.
- THK continued to promote the "TAP 1" skills development program for sales personnel in order to improve their skills. At the same time, the Company took steps to deepen relationships with existing customers and nurture new customers. In concrete terms, THK not only focused on showcasing the unique characteristics of its products, but also worked to actively develop sales proposals inviting customers to apply THK products as an answer to specific issues.
- THK reviewed its existing sales network with a view to comprehensively incorporating a variety of factors including the attributes of regions in which customers operate, different industries as well as product fields, and sales configurations.

### Production

- In addition to building a production structure that is capable of both flexibly and immediately addressing changes in demand, THK continued to adhere strictly to its policy of providing the highest quality, cost and delivery (QCD).
- THK channeled its energies toward further enhancing operating skills and boosting productivity in order to lift cost competitiveness.

### General Overview

- THK strove to build a business base that is capable of withstanding global competition. To this end, the Company undertook a variety of improvement measures including the promotion of the P25 Project, which aims to strengthen the Company's earnings base.

## Year ending March 31, 2016 (FY2015) Operating Activities (Plan)

### Sales

- While continuing to strengthen "TAP 1" activities, THK will work diligently to uncover opportunities in such existing fields as machine tools and semiconductor production equipment. At the same time, every effort will be made to cultivate new business fields including medical equipment, aircraft, and 3D printers.
- THK will work to strengthen its marketing and strategic planning performance through a variety of measures including the effective application of customer and sales information. In this manner, the Company will strive to link its endeavors to increased sales.

### Production

- THK will improve productivity by promoting a variety of measures including automation and the use of robotics across its production process. At the same time, the Company will lift its cost competitiveness by promoting in-house operations and engaging in various activities that help to improve the production process.

### General Overview

- In order to increase the efficiency of its operations and improve the quality of its services, THK consolidated the operating and accounting function between certain bases in the east Japan region in April 2015. Looking ahead, THK will increase sales and definitively improve profit margins by continuing to adopt a proactive stance toward various improvement activities and further strengthening its business base.

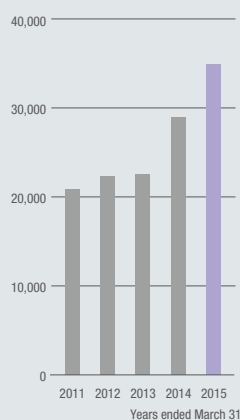
## The Americas

Year-on-year Net Sales

# 20.6%

UP

### Net Sales (Millions of yen)



### Bases (As of March 31, 2015)

United States	Sales offices	7
	Plants	2
Canada	Sales offices	1
Mexico	Plants	1
Brazil	Sales offices	1

### Group Companies (As of March 31, 2015)

- THK Holdings of America, L.L.C.
- THK America, Inc.
- THK Manufacturing of America, Inc.
- THK RHYTHM NORTH AMERICA CO., LTD.
- THK RHYTHM MEXICANA, S.A. DE C.V.
- THK BRAZIL INDUSTRIA E COMERCIO LTDA.

### Operating Conditions and Performance Overview

Regional sales increased 20.6% year on year, to ¥34.8 billion.

In the Americas, where economies continued to expand on the back of increased capital investments supported by steady personal consumptions, the THK Group strove to expand transactions with existing customers and develop new business areas in the medical equipment, aircraft, energy-related and other fields by integrating production and sales. As a result, revenue in this region increased with sales of electronic products, machine tools and transportation equipment climbing. The Group's performance in the region was also buoyed by the continued downturn in the value of the yen compared with levels reported in the previous fiscal year.

#### Year ended March 31, 2015 (FY2014) Operating Activities (Results)

##### Sales

- With capital goods manufacturers shifting their production activities overseas, particularly to Asia, the THK Group worked diligently to uncover opportunities in fresh fields—such as the medical equipment, aircraft and energy-related areas—and to cultivate new markets, including Mexico and Canada.
- Demand in such new business fields as medical equipment, aircraft and energy-related areas is projected to be robust. Demand is also expected to grow in other new business fields including 3D printers and humanoid robots. Against this backdrop, the THK Group made every effort to aggressively undertake PR activities and participate in exhibitions while focusing on increasing net sales.

##### Production

- In addition to undertaking a variety of improvements across the production process, the THK Group took steps to enhance productivity and its cost competitiveness by adhering strictly to a policy of inventory management.

#### Year ending March 31, 2016 (FY2015) Operating Activities (Plan)

##### Sales

- In addition to expanding its market share by further cultivating existing customers and taking over the competition, the THK Group will review and rebuild its distribution and sales network.
- Together with efforts to cultivate new markets in such areas as Mexico and Canada, the THK Group will expand sales in new fields by participating in exhibitions and engaging in advertising and promotions across a wide range of fields.

##### Production

- THK will take full advantage of its position as the only company in its industry to maintain a production platform in North America. At the same time, the Company will expand its product lineup to match market needs.
- The THK Group will work to enhance productivity as well as its cost competitiveness by undertaking a variety of improvements including improving the operating skills of its employees and promoting the trend toward automation across the production process.



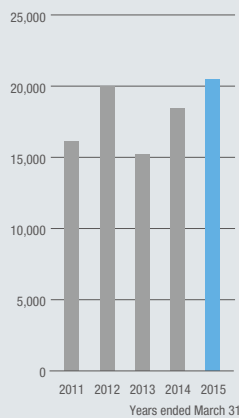
## Europe

Year-on-year Net Sales

# 11.0%

UP

### Net Sales (Millions of yen)



### Bases (As of March 31, 2015)

Germany	Sales offices	2
United Kingdom	Sales offices	1
Ireland	Plants	1
Italy	Sales offices	1
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
Netherlands	Sales offices	1
Russia	Sales offices	1

### Group Companies (As of March 31, 2015)

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

### Operating Conditions and Performance Overview

Regional sales increase 11.0% year on year, to ¥20.4 billion.

Amid signs of an ongoing recovery in Europe, the THK Group worked diligently to deepen transactions with existing customers through integrated production and sales while aggressively engaging in sales and marketing activities in an effort to cultivate opportunities in a wide range of medical equipment, aircraft, railway-related, and other new business fields. As a result, the THK Group reported an upswing in revenue owing mainly to successful efforts to increase sales, especially to the machine tools and general machinery industries, and the favorable effects of foreign currency exchange rate movements including the year-on-year depreciation in the value of the yen.

### Year ended March 31, 2015 (FY2014) Operating Activities (Results)

#### Sales

- In addition to further cultivating existing customers in the machine tools, general machinery, FA, robotics, and related fields, the THK Group placed particular weight on uncovering business opportunities in such areas as the medical equipment, aircraft and railway-related fields, which are projected to experience robust demand going forward.
- In order to ensure that the Group captures demand, the THK Group worked beyond Western Europe and upgraded and expanded its distribution and sales network in Eastern Europe and Russia, which is expected to witness demand growth.

#### Production

- Amid the growing entry into the European market by competitor manufacturers from Asia, the THK Group strove to increase its cost competitiveness by promoting increased automation across the production process and optimizing product items. At the same time, the Group took steps to engage in innovative manufacturing.

### Year ending March 31, 2016 (FY2015) Operating Activities (Plan)

#### Sales

- In addition to deepening transaction with existing customers through PR activities including various advertising and participation in exhibitions, the THK Group will work to upgrade and expand its indirect sales network focusing mainly on cultivating new distributors.
- The THK Group will focus its sales and marketing activities toward new areas including the aircraft, railway, and household goods as well as the space and defense fields.

#### Production

- In addition to undertaking a variety of improvement activities across its production process, the THK Group will promote automation and the use of robotics. Through these means, the Group will endeavor to expand production output and lower manufacturing costs.

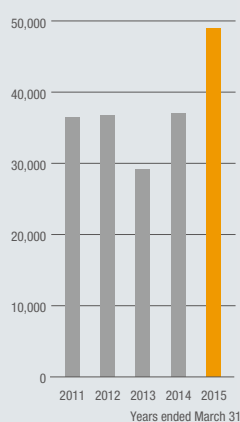
## Asia and Other

Year-on-year Net Sales

# 32.1%

UP

### Net Sales (Millions of yen)



### Bases

(As of March 31, 2015)

China	Sales offices	36
	Plants	5
	R&D Center	1
Taiwan	Sales offices	3
Singapore	Sales offices	1
India	Sales offices	2
Thailand	Sales offices	1
	Plants	1
South Korea	Sales offices	13
	Plants	4
Vietnam	Plants	1
Malaysia	Plants	1

### Group Companies

(As of March 31, 2015)

- 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.
- THK RHYTHM GUANGZHOU CO., LTD.
- THK RHYTHM CHANGZHOU CO., LTD.
- THK MANUFACTURING OF CHINA (CHANGZHOU) CO., LTD.
- THK TAIWAN CO., LTD.
- THK LM SYSTEM Pte. Ltd.
- THK RHYTHM (THAILAND) CO., LTD.
- THK MANUFACTURING OF VIETNAM CO., LTD.
- THK RHYTHM MALAYSIA Sdn. Bhd.
- THK India Private Limited
- SAMICK THK CO., LTD.

### Operating Conditions and Performance Overview

Sales in Asia and other regions grew 32.1% year on year, to ¥49.0 billion.

Developing countries including China are experiencing a slowdown in their rates of economic growth. Driven by rising investments in smartphones, tablet PCs, and related areas, increased demand centered on small machine tools. In addition, amid widening areas of demand for the Group's products in China, where progress is being made in FA in the same way as in developed countries, the Group engaged in aggressive sales and marketing activities, taking full advantage of earlier efforts to bolster its sales network. In addition to these activities, revenue increased as the Group was able to bring about an upswing in net sales across a wide range of fields—including machine tools, general machinery, and transportation equipment—due to the impact of movements in foreign currency exchange rates, most notably a weaker yen compared with the previous fiscal year.

### Year ended March 31, 2015 (FY2014) Operating Activities (Results)

#### Sales

- In addition to working to upgrade and expand its sales network in China and put in place a structure to address robust demand, including that from the ongoing progress being made in FA, the THK Group cultivated new fields and new customers.
- In Taiwan, in addition to upgrading and expanding its sales network and cultivating existing customers, the Group made progress in cultivating new fields through a variety of activities, including the promotion of the Group's seismic isolation systems to semiconductor manufacturers.
- In the ASEAN region, the THK Group introduced ASEAN Customer Support in April 2014 to build a system capable of providing support, in the Japanese language, to those Japanese companies that are entering the region. In addition, the Group made progress in cultivating new customers and in upgrading and expanding its sales network, for example by opening a sales office in Pune, India, in October 2014.

#### Production

- The THK Group worked diligently in every region to bolster its cost competitiveness by enhancing operational skills and productivity and promoting the local procurement of component parts.

#### Other

- While THK (CHINA) CO., LTD.'s technical departments collaborated with the Group's R&D operations in Japan, ongoing efforts were made in product development that reflects the local needs of developing countries.

### Year ending March 31, 2016 (FY2015) Operating Activities (Plan)

#### Sales

- In China, in addition to the ongoing upgrade and expansion of its sales network and the cultivation of new areas and new customers, the THK Group will work to expand its market share in ball screws through the completion of its new plant at DALIAN THK CO., LTD.
- In Taiwan, in addition to efforts to expand market share in existing fields and to upgrade and expand its indirect sales network, the THK Group is working to cultivate new fields, including 3D printers and seismic isolation systems.
- In the ASEAN region, the Group will steadfastly work to capture demand, for example by ongoing extensions to the areas covered under ASEAN Customer Support. In India, in addition to such initiatives as newly establishing sales offices in Chennai and Ahmedabad in April 2015, we will upgrade and expand sales networks and cultivate new customers.

#### Production

- Amid plans to enhance productivity by improving operational skills and promoting automation, the Group will expand volumes and improve profitability by augmenting its production capabilities and enhancing its volume zone response.
- To respond to increases in demand over the medium-to-long-term at a global level, the Group completed a new factory at DALIAN THK CO., LTD. Covering an area approximately four times the size of the previous location, with a production area three times the size, the new plant has commenced operations. In addition, the plan is for the THK MANUFACTURING OF CHINA (CHANGZHOU) CO., LTD. which will move into the manufacture of unit products, to commence operations in the current fiscal year. The plant will capture automation demand that is expected to be robust in the years to come.

#### Other

- While THK (CHINA) CO., LTD.'s technical departments continue to collaborate with the Group's R&D operations in Japan, efforts will be made in product development that reflects the local needs of developing countries.