



FINANCIAL RESULTS BRIEFING FOR FISCAL 2017

February 15th 2018

THK CO., LTD.

President & CEO

AKIHIRO TERAMACHI

This presentation material contains forward looking statements that reflect the Company's business plans, performance projections, and management strategy. Such statements are based on information currently available to the Company. However, changes in the operating environment may cause actual results and achievements to differ from those anticipated in this corporate presentation material. Also, please let you know that this presentation material includes reference information that are not exactly accounts indication matters.

Contents

I . Financial Results for Fiscal 2017

II . Management Targets

III . Financial Forecast for Fiscal 2018



I . Financial Results for Fiscal 2017

Financial Highlights



*Growth rate is calculated based on an irregular accounting period for reference.

Net sales increased by 18.7% year on year to 286.6 billion yen *Geographic sales is based on where our customers are located.

- In Japan, businesses for general machinery and machine tools have remained very strong against the background of accelerating automation and robotization, besides electronics, leading to overall favorable results.
- As for overseas markets, overall demand has been growing in China, against the background of accelerating automation and robotization, besides electronics. Electronics and machine tools business is good in the Americas; and there is steady demand for general machinery and machine tools in Europe.

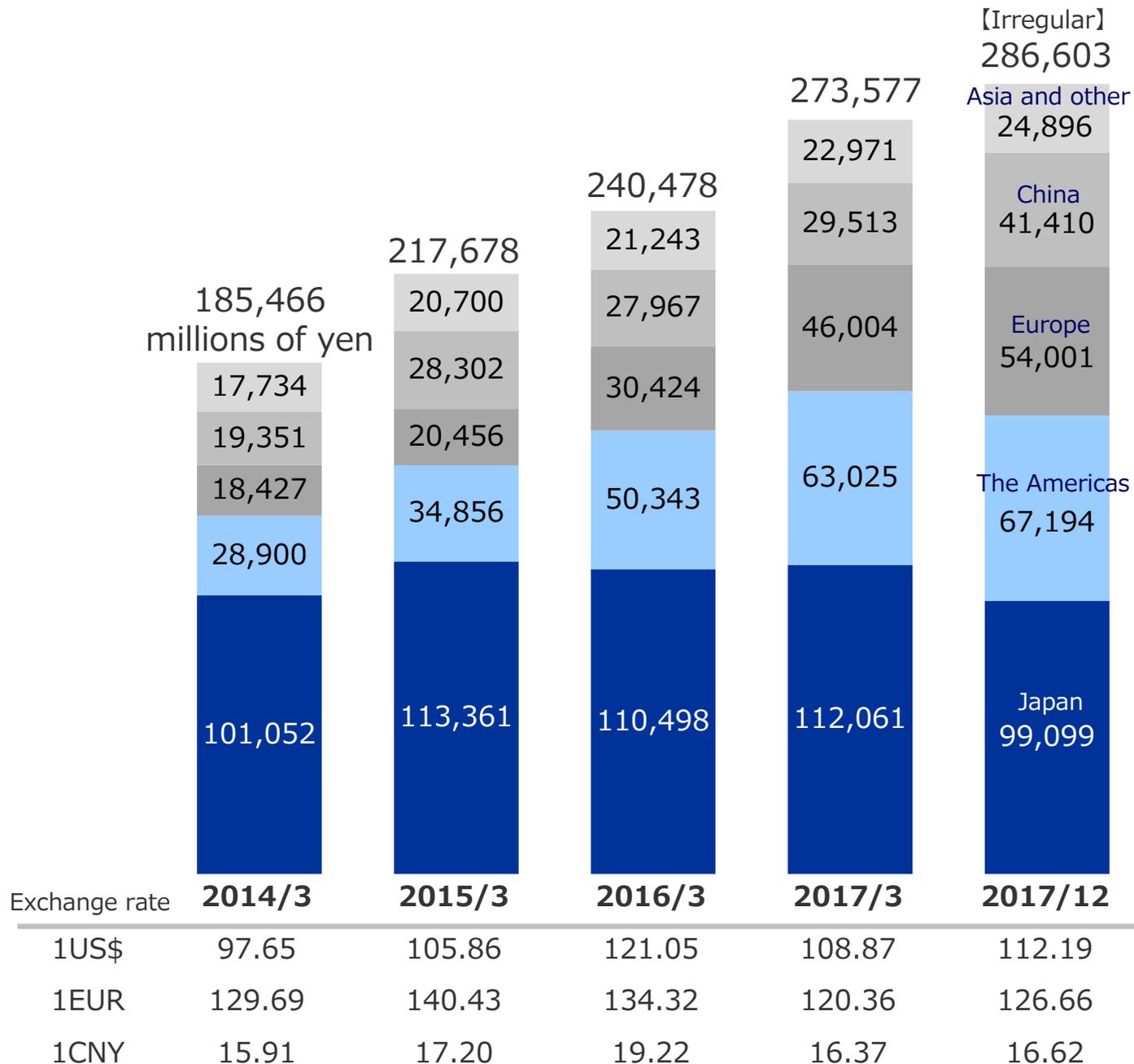
Operating income increased by 64.1% year on year to 29.2 billion yen

- Fixed costs increased as sales increased, but quantity effects exceeded that, resulting in increased profit compared to the previous term.

Net sales and operating income exceeded the plan, and increased compared to the previous term.

- More robust demands in general than the original forecast at the beginning of the fiscal year resulted in the increased net sales and operating income: net sales and operating income increased by 13.1 billion yen and 1.2 billion yen, respectively, from the previous fiscal year.

Trend in Net Sales



Asia and other

● Taiwan	Up	45.3%
● Singapore	Up	23.2%
● India	Down	8.5%

China

● Machine tools	Up	39.5%
● General machinery	Up	41.9%
● Electronics	Up	50.2%
● Automotive & Transportation	Up	13.8%

Europe

● Machine tools	Up	12.2%
● General machinery	Up	11.9%
● Electronics	Up	7.2%
● Automotive & Transportation	Up	15.0%

The Americas

● Machine tools	Up	26.4%
● General machinery	Up	0.4%
● Electronics	Up	35.9%
● Automotive & Transportation	Up	3.9%

Japan

● Machine tools	Up	53.7%
● General machinery	Up	34.3%
● Electronics	Up	33.5%
● Automotive & Transportation	Down	8.4%

*Geographic sales is based on where our customers are located.

*Growth rate by industry is based on the figures in local currency from January to December.

*Growth rate by industry in India and Japan is based on the figures from April to December.

*Growth rate for Automotive & Transportation was calculated based on the sum of net sales of THK RHYTHM and TRA.

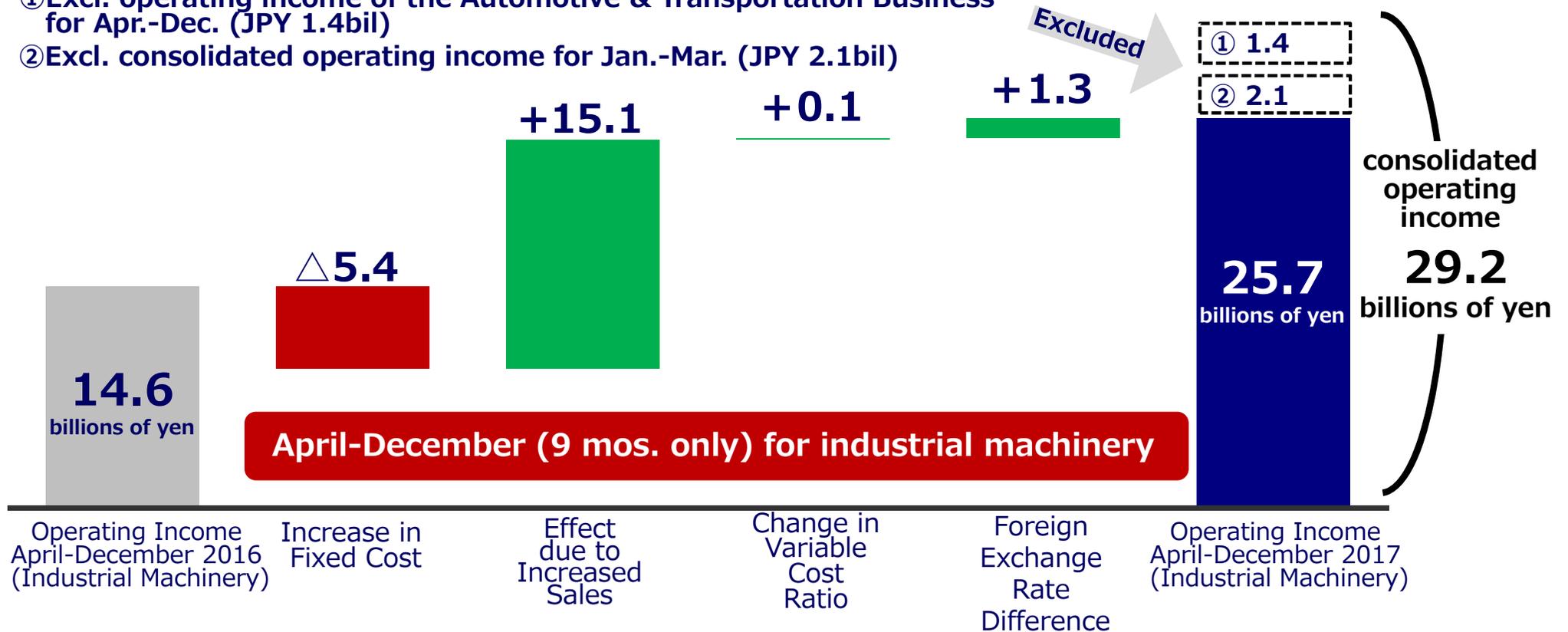
The financial results for the fiscal year ending in December 2017 is based on an irregular accounting period: 9 months for Japanese companies and 12 months for overseas companies.

Copyright THK CO., LTD. 2018. All rights reserved.

(Ref.) Operating Income – Change Factors – (Industrial Machinery: April-December)



- ① Excl. operating income of the Automotive & Transportation Business for Apr.-Dec. (JPY 1.4bil)
- ② Excl. consolidated operating income for Jan.-Mar. (JPY 2.1bil)



By type of business (Apr.-Dec. 9 mos.) (Unit: billions of yen)		FY16	FY17
Industrial Machinery	Net Sales	122.5	155.2
	Operating Income	14.6	25.7
Automotive & Transportation	Net Sales	77.9	87.0
	Operating Income	2.0	1.4

FY17 Operating Income by segment	
Japan	¥20,248 million
The Americas	¥2,738 million
Europe	¥627 million
China	¥3,126 million
Asia and Other	¥2,171 million
Adjustments	¥365 million

Assets, Liabilities and Net Assets



Total Assets
436,664 millions of yen
Up ¥21,733 million
from previous period

Cash and Cash in Account | Y/Y :

Down ¥7,424 million

Cash Flows from Operating Activities :

¥25,616 million

Cash Flows from Investing Activities :

¥(15,831) million

Cash Flows from Financing Activities :

¥(17,802) million

Foreign Currency Translation Adjustments

on Cash and Cash Equivalents :

¥ 593 million

Accounts Receivable | Y/Y :

Up ¥11,623 million

Number of months' sales receivables :

Previous period : 3.3 months

This period : 3.6 months

Inventories | Y/Y :

Up ¥6,373 million

Number of months' sales in inventory :

Previous period : 1.6 months

This period : 1.8 months

Property, Plant and Equipment | Y/Y :

Up ¥7,294 million

■ CAPEX : ¥ 16,185 million

■ Depreciation : ¥ 10,953 million

Intangibles | Y/Y :

Up ¥167 million

Investments and Other | Y/Y :

Up ¥3,124 million

Current Assets

270,975

Up ¥11,147 million
from previous period

Liabilities

154,910

Down ¥8,480 million
from previous period

Net Assets

281,754

Up ¥30,213 million
from previous period

Fixed Assets

165,689

Up ¥10,585 million
from previous period

Current Liabilities | Y/Y :

Up ¥12,316 million

■ Accounts Payable | Y/Y :

Up ¥3,564 million

Number of months' notes payable

Previous period : 1.9 months

This period : 1.9 months

■ Income Taxes Payable | Y/Y :

Up ¥2,040 million

■ Current Portion of Long-Term Bonds

| Y/Y : Up ¥7,000 million

Long-term Liabilities | Y/Y :

Down ¥20,796 million

■ Bonds | Y/Y :

Down ¥20,000 million

Net Income Attributable
to Owners of the Parent

¥25,729 million

Foreign Currency
Translation Adjustments | Y/Y :

Up ¥6,666 million

Non-controlling Interests | Y/Y :

Up ¥8,206 million

Dividends Paid : ¥(7,726) million

II. Management Targets

Management Targets

FY2022

Consolidated Net Sales	¥500 billion
Operating Income	¥100 billion
ROE	17%
EPS	¥560

[The Point] Continuation and further augmentation of the basic strategy

[Assumptions] Exchange rate US\$1 = ¥105

IMF Global economic growth rate of 3.8% on average

*The figures for the Automotive & Transportation Business are the combined figures of THK RHYTHM and TRA.

Industrial Machinery Business

Billions of yen

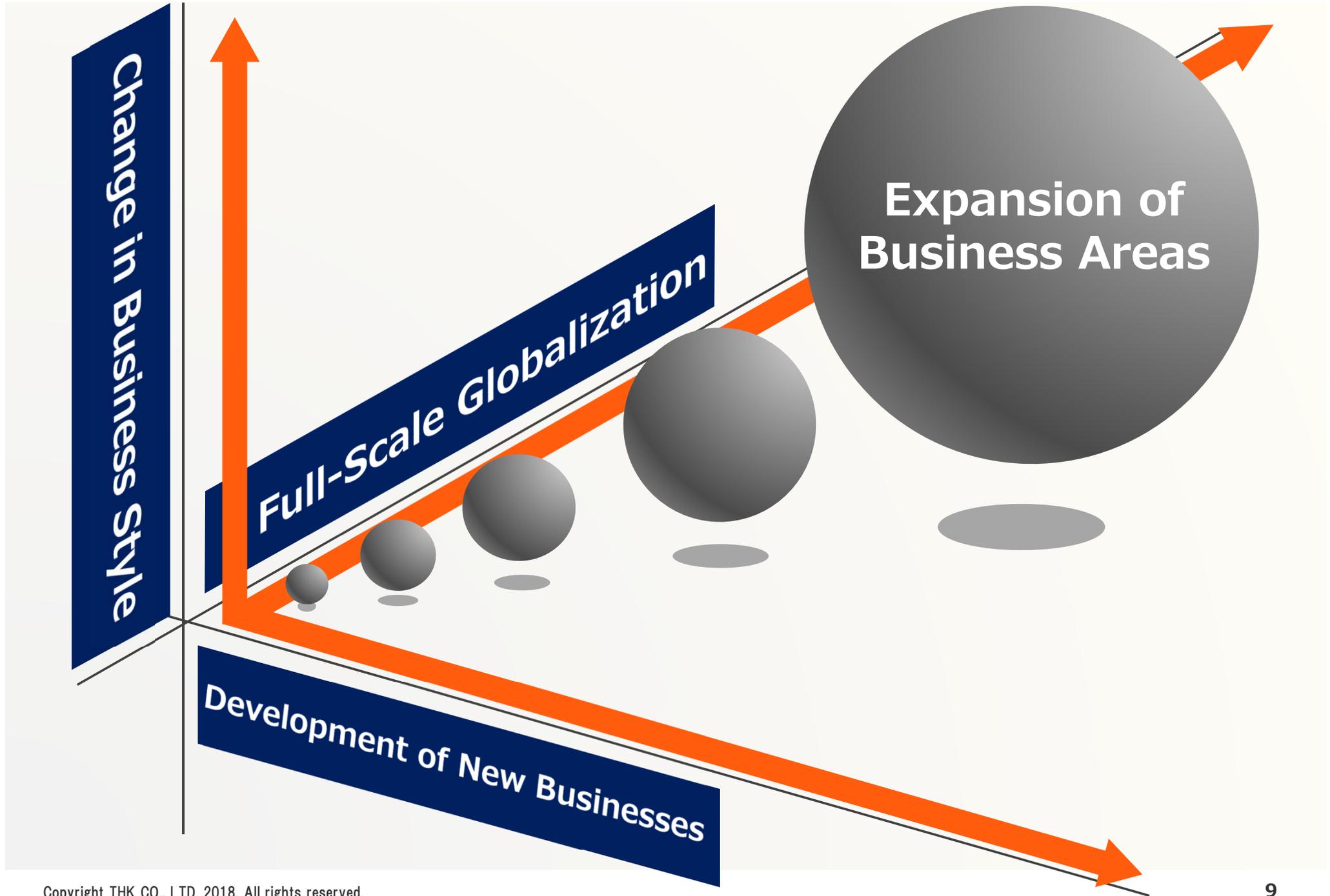
	FY17	FY18	...	FY22
Net Sales	202.2	235.0	...	350.0
Operating Income	33.2	42.5	...	90.0

Automotive & Transportation Business

Billions of yen

	FY17	FY18	...	FY22
Net Sales	116.6	115.0	...	150.0
Operating Income	3.2	2.5	...	10.0

Growth Strategy

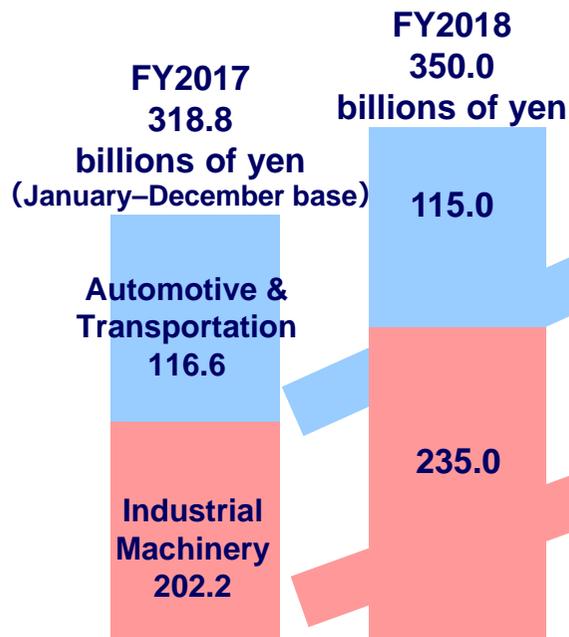


Major Measures

Expansion of Top Line

[Assumption]

The growth rate of 8% on average in the Industrial Machinery Business
⇒ Up 95.0 billions of yen



Automotive & Transportation Business



Increase to approx. 35 billions of yen

Expansion of L&S Business

The launch of new products for Automobile

Industrial Machinery Business



Increase to approx. 150 billions of yen

Strategic sales for a wide range of customers
Active and efficient sales and marketing activities
Continuous development of new products
Development of New Business Areas
Enhancement of the Global Manufacturing Structure

FY2021
50th anniversary

FY2022
500.0

Automotive & Transportation
150.0

Industrial Machinery
350.0

Strengthening of Bottom Line

[Industrial Machinery Business]

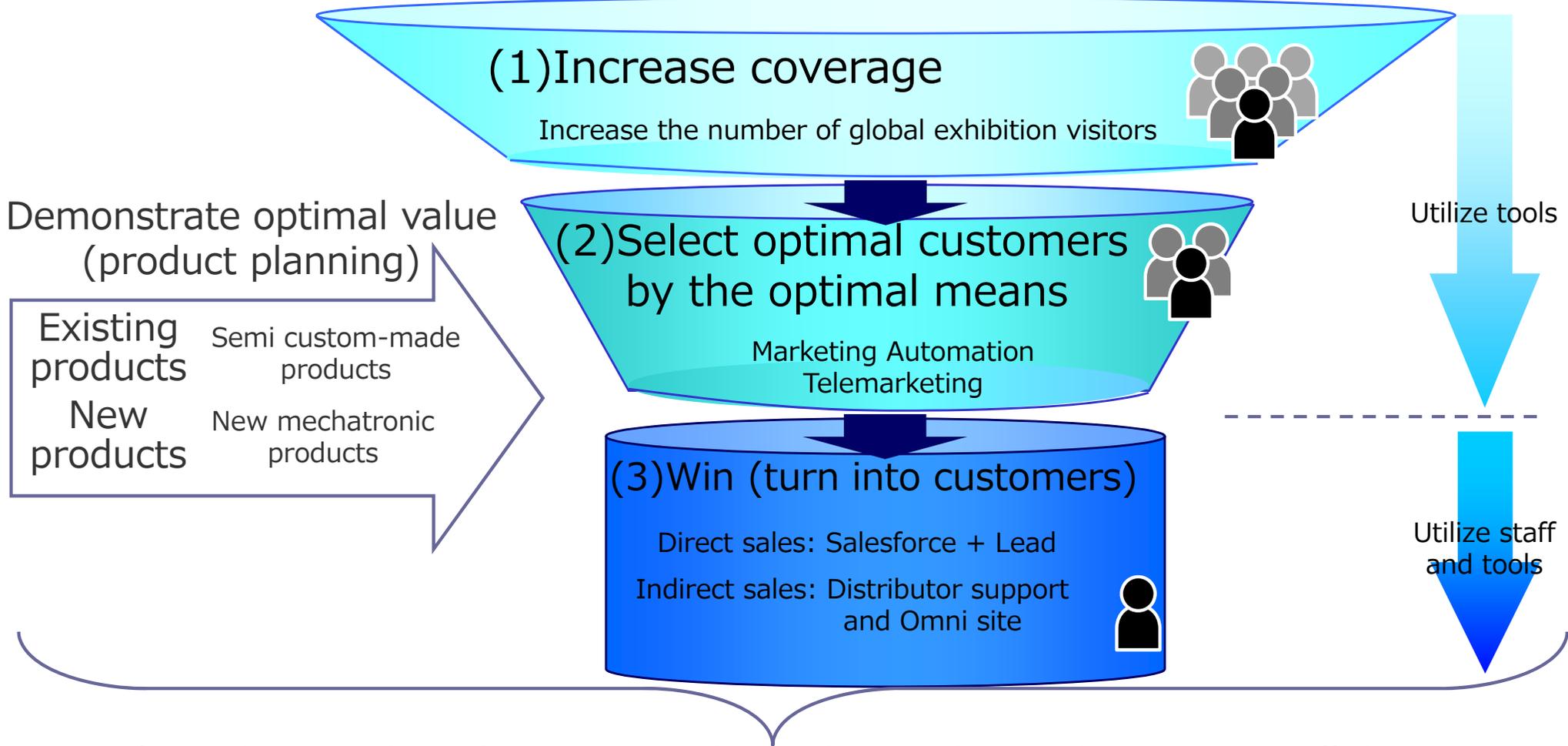
1. Robotization and automation
2. Visualization of global production
3. Reduction of various costs
4. Strategy on fair sales prices

[Automotive & Transportation Business]

1. Mutual use of factories
2. Shared purchase
3. Integration of products

Expand Sales to a Wide Range of Customers through Efficient Sales Operations

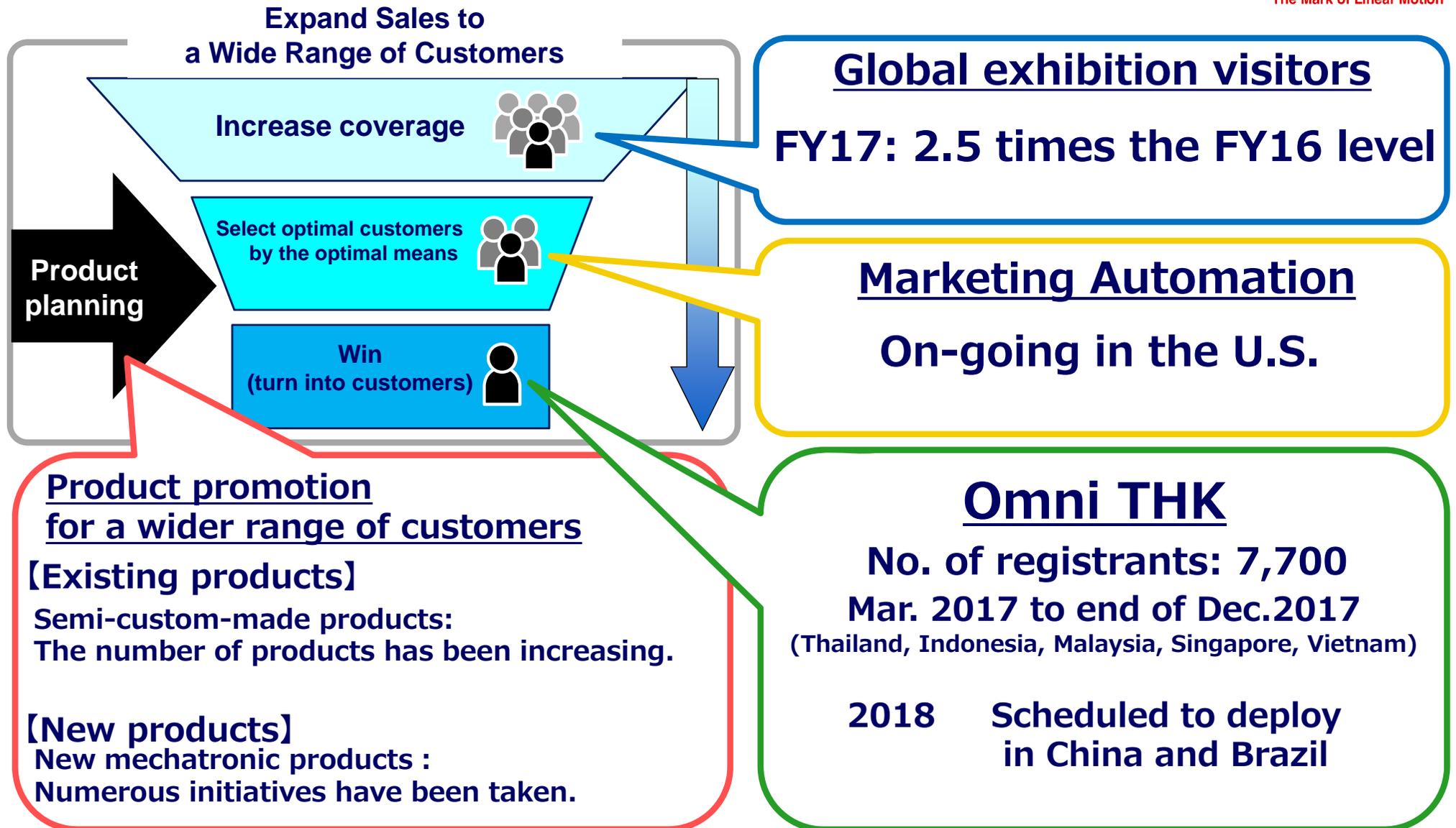
Contact optimal customers at the optimal timing to correctly communicate THK's strengths to them and ascertain their needs



Analyze data and perform PDCA through a web-SFA/CRM-ERP collaboration

Develop new business areas further and enhance profitability

Actions for Sales Expansion to a Wider Range of Customers



Actions being taken to steadily expand sales to a wider range of customers while responding vigorously to orders from the existing customers

Enhancement of the Global Manufacturing Structure (Industrial Machinery Business)

Major investment projects for production increase in 2018

THK MANUFACTURING OF CHINA (CHANGZHOU) Full-scale operation in Jan. 2018

- Target products:
LM Guide
- Floor space :
About 7,000m²



Yamagata Plant (Japan)

New plant extension
Planned operation in Nov. 2018



- Target products :
Electric Actuator
Ball Screw
LM Guide
- Floor space :
About 32,000m²

THK MANUFACTURING OF VIETNAM New plant extension Planned operation in Oct. 2018

- Target products :
Miniature LM Guide
- Floor space :
About 16,000m²



Development of New Business Areas



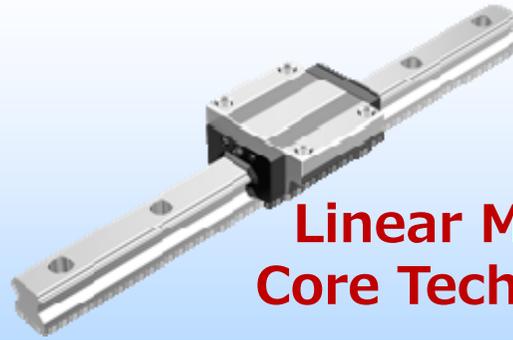
Aircraft



Reclining Seats



Control Stick

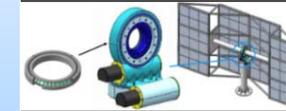


Linear Motion
Core Technology

Renewable Energy



Hydroelectric
Generator



Solar Light
Generator



Wind Power
Generator

Robots



Humanoid Robot



Robot
Hand



Support Robot
Used in Plant

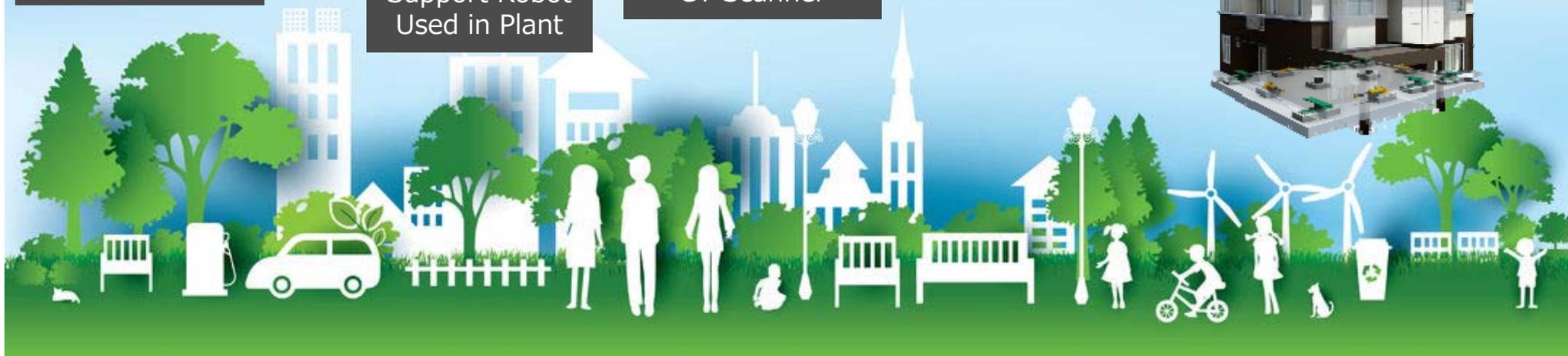
Medical Equipment



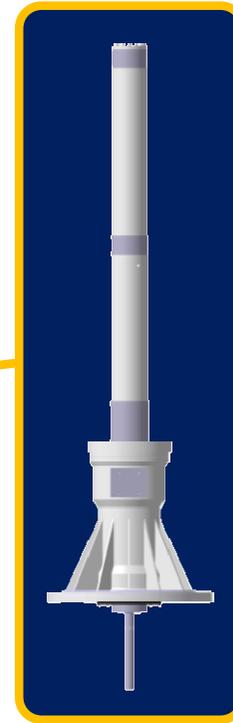
Surgical Robot

CT Scanner

Seismic Isolation and Damping System



【Case of Installation】 Shaft Unit for Wind Power Generator



**Shaft Unit
for Wind Power Generator**

Delivered to : Challenergy Inc.

World-first “Magnus VAWT (Vertical axis wind turbine)” under development for the market

What is Magnus VAWT?

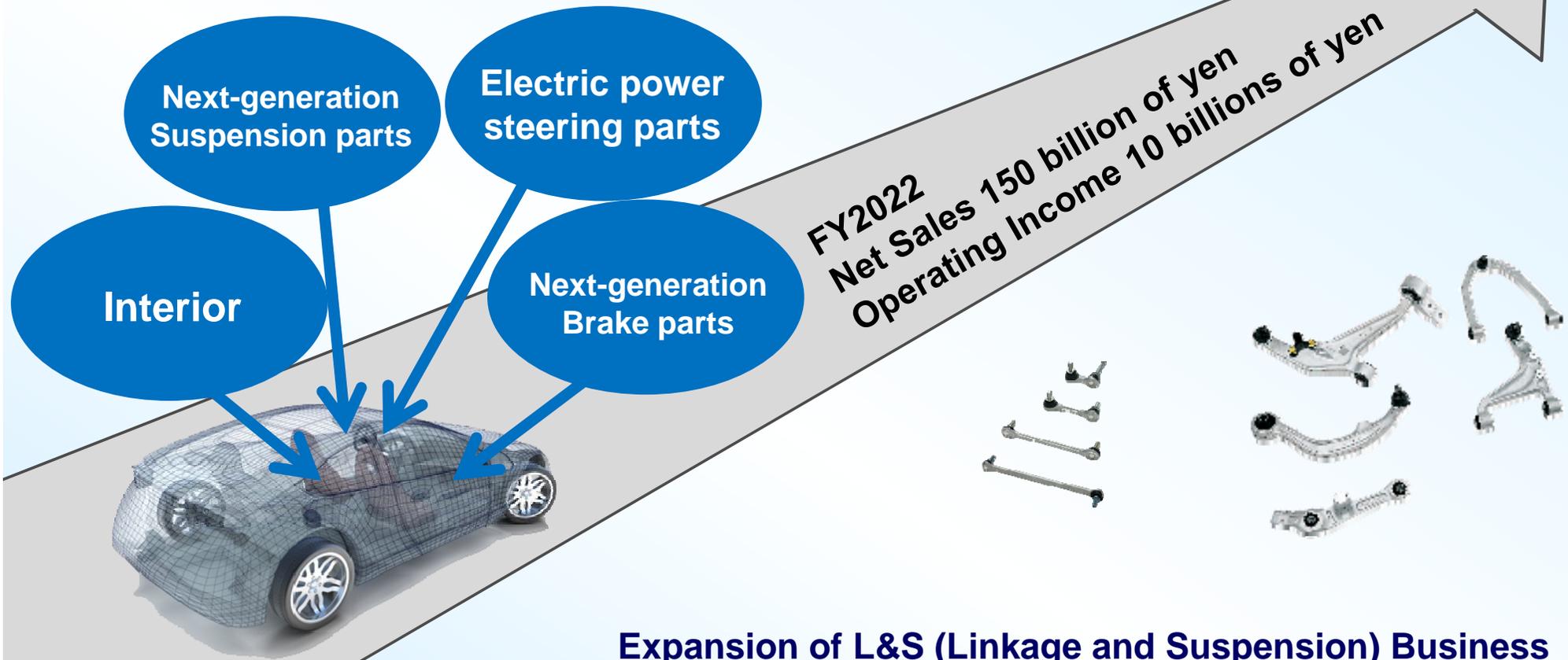
Generate power by turning windmills with Magnus Force produced when a rotating cylinder wing, instead of a propeller, catches the wind

Magnus VAWT

Linear Motion Products for Automobiles

We will accelerate the development of linear motion products for automobiles in the growing trend of electric cars and autonomous vehicles

Mass production of new linear motion products will start in Feb. 2018



Expansion of L&S (Linkage and Suspension) Business

Sales activities that fully utilize mutual sales and production between THK RHYTHM and TRA

Enhancement of the Global Manufacturing Structure (Automotive & Transportation Business)



Major future investments for production increase

**THK RHYTHM CHANGZHOU
(CHINA)**
Under study



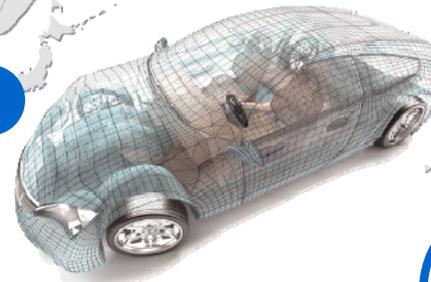
**THK RHYTHM NORTH AMERICA
(USA)**
Under study



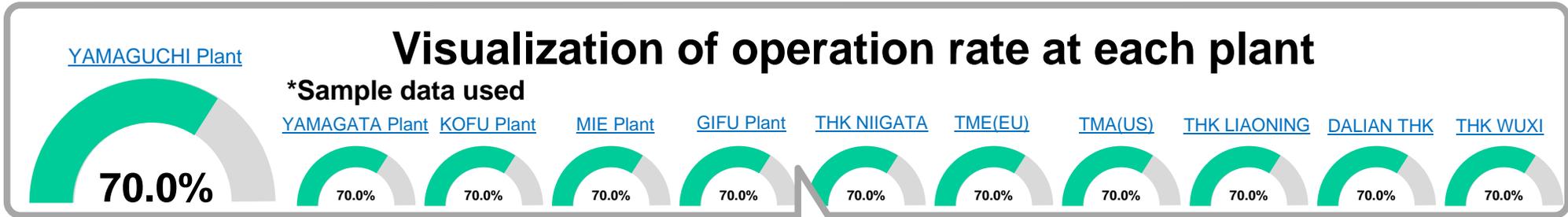
**THK RHYTHM Kyushu Plant
(JAPAN)**
Construction is expected to start in 2018



**THK RHYTHM MEXICANA
(MEXICO)**
Construction began in 2017



Visualization of Production (Eagle System)



Timely communication to operators for prompt response

Rush to Machine A

Terminal

Machine A work completed!

Rush to Machine B

Terminal

Emergency stop of Machine B!

Visualization of the operation status of each processing machine

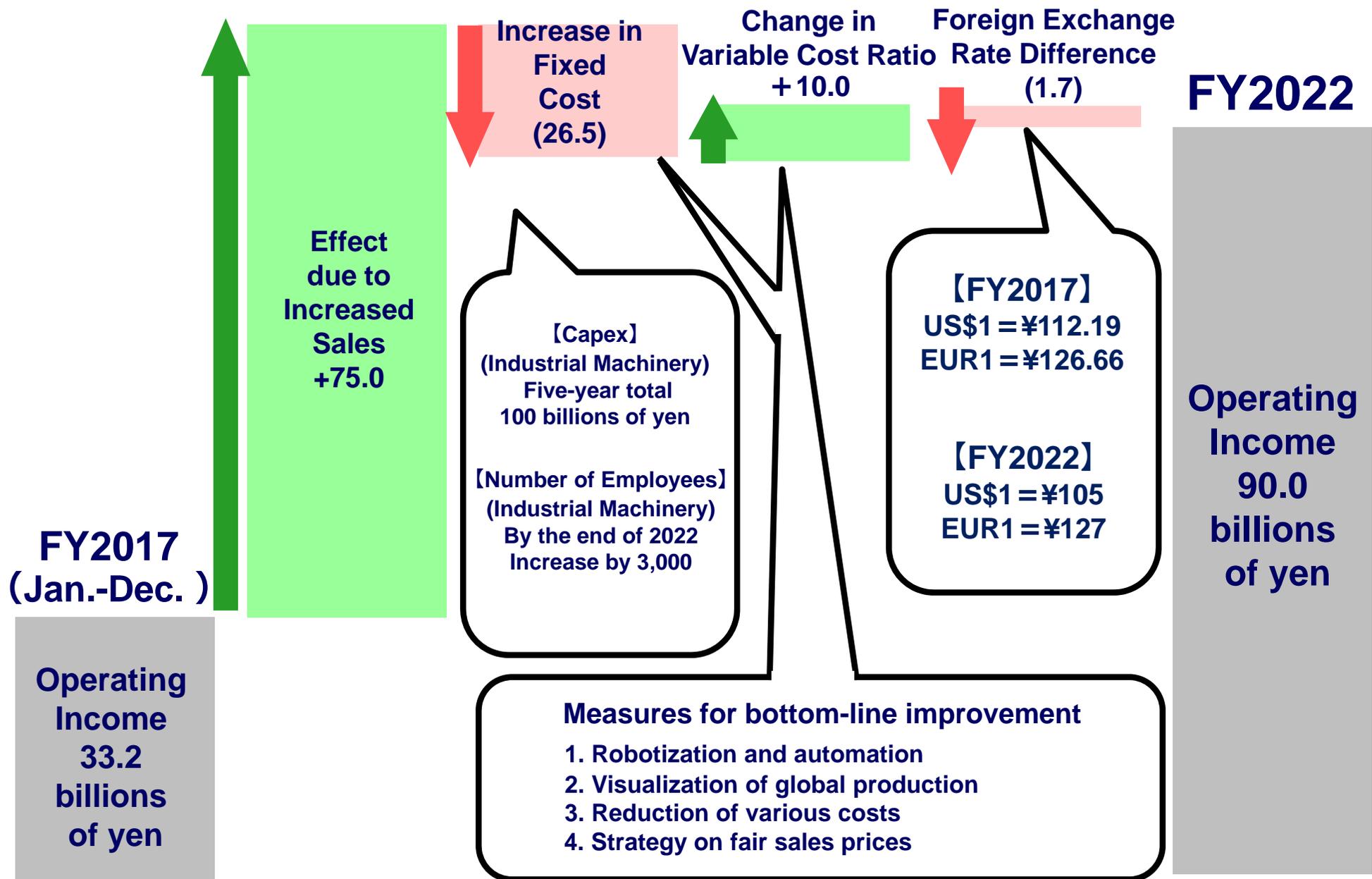
In Operation

Not in use

Emergency Stops

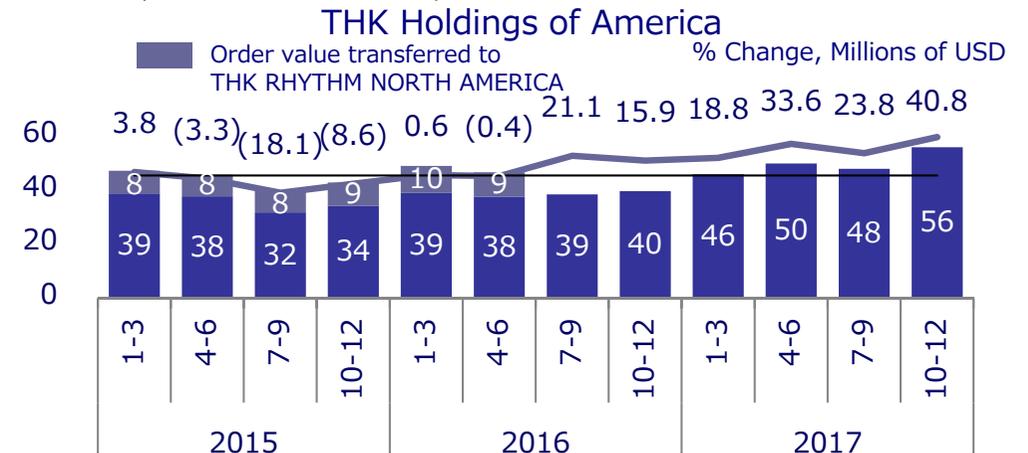
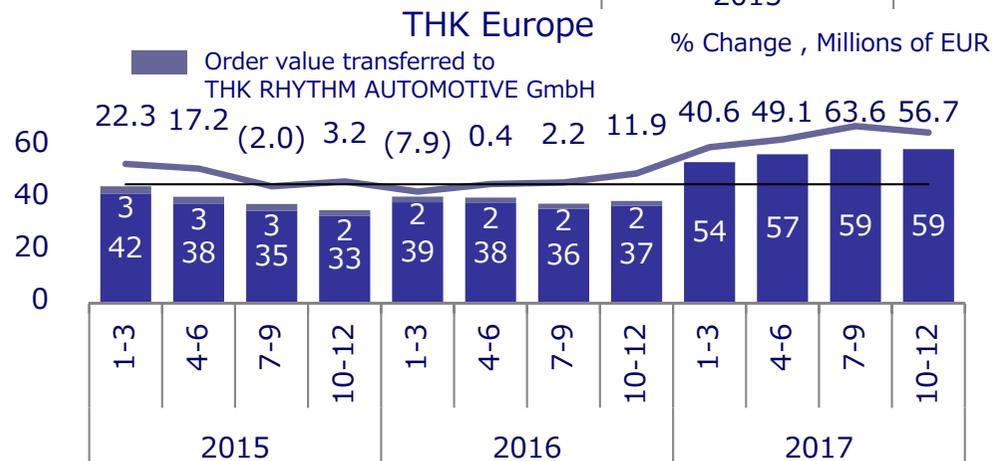
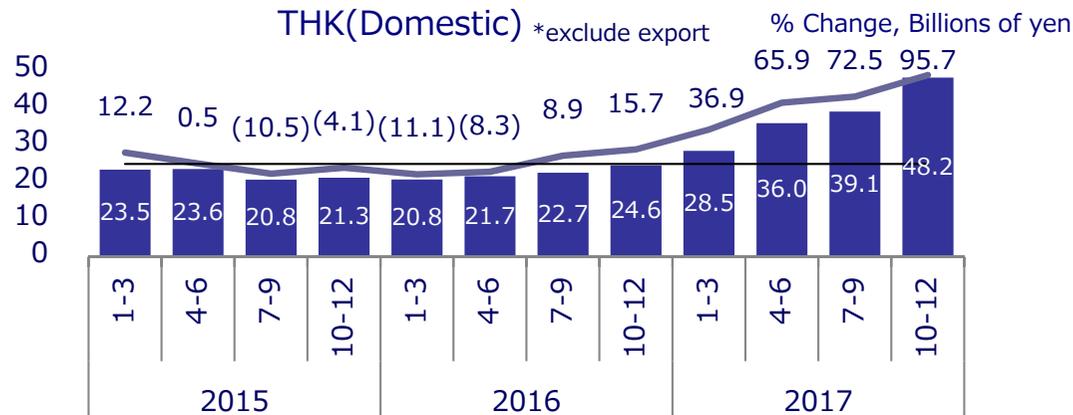
Schemes derived from the Eagle System Underway

Operating Income of the Industrial Machinery Business for FY2022 – Change Factors – (Compared to FY 2017; est.)



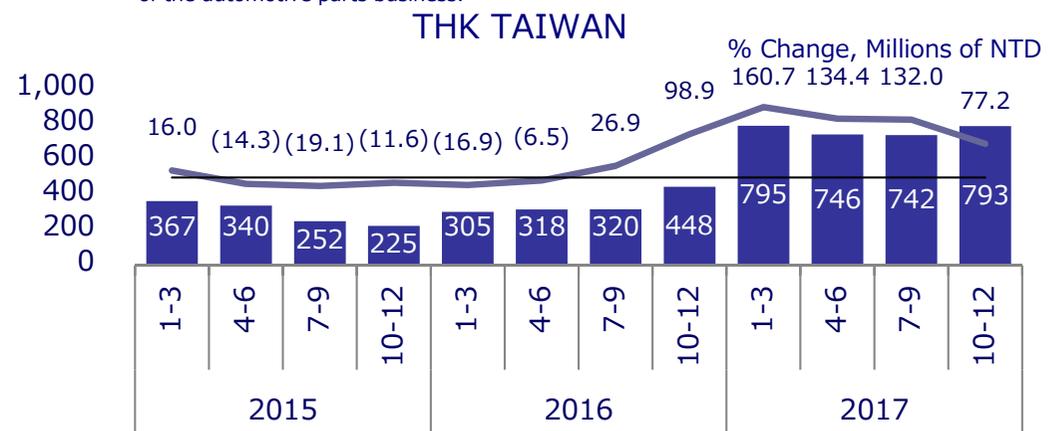
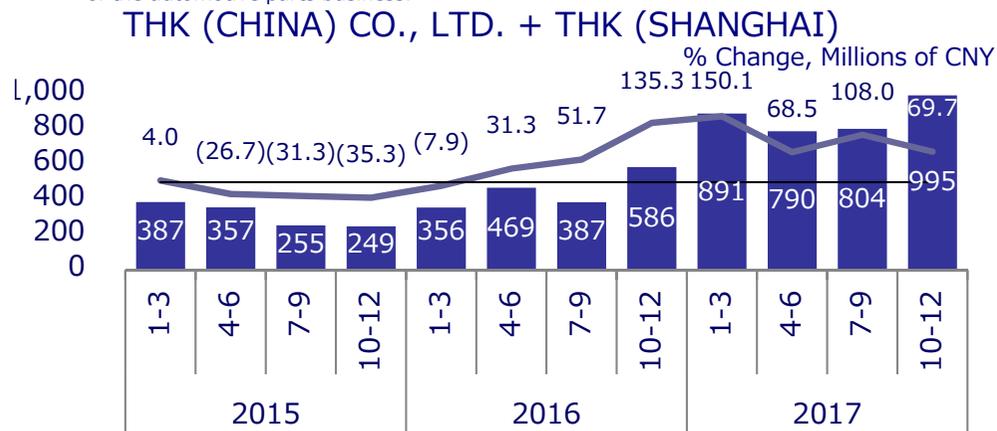
Ⅲ. Financial Forecast for Fiscal 2018

Orders Received by Region



※Because the automotive parts business was transferred to THK RHYTHM AUTOMOTIVE GmbH effective January 2017, the data were revised retroactively in consideration of the transfer
 ※The year-on-year changes were calculated based on order intake figures after exclusion of the automotive parts business.

※Because the automotive parts business was transferred to THK RHYTHM NORTH AMERICA effective July 2016, the data were revised retroactively in consideration of the transfer
 ※The year-on-year changes were calculated based on order intake figures after exclusion of the automotive parts business.



Financial Forecast (Consolidated)



The Mark of Linear Motion

(Millions of yen)

*The growth ratios are just for reference as they are based on the figures in the previous fiscal year that are adjusted to the irregular accounting period (9 months for Japanese companies and 12 months for overseas companies)

	2018/12 Forecast (Percentage changes from the previous fiscal year are just for reference)	2017/12 Reference (Based on Jan.-Dec.)	2017/12 Irregular accounting period	2017/3
Net Sales	350,000	318,800	286,603	273,577
<i>Y/Y</i>	+9.8%	—	+18.7%*	+13.8%
Operating Income	45,000	36,400	29,279	24,653
<i>Y/Y</i>	+23.6%	—	+64.1%*	+6.4%
Ordinary Income	46,900	38,100	31,254	23,398
<i>Y/Y</i>	+23.1%	—	+81.3%*	+22.2%
Net Income Attributable to Owners of the Parent	34,100	30,300	25,729	16,731
<i>Y/Y</i>	+12.5%	—	+120.4%*	+23.2%

Financial Forecast (Unconsolidated)

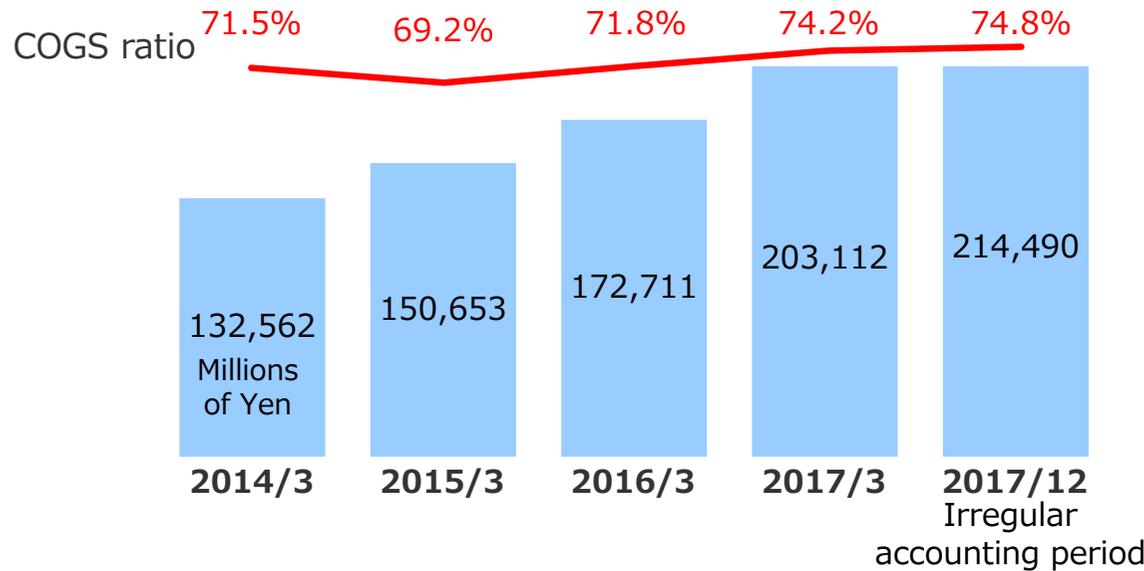


*The growth ratios are just for reference as they are based on the figures in the previous fiscal year that are adjusted to the irregular accounting period (9 months for Japanese companies and 12 months for overseas companies) (Millions of yen)

	2018/12 Forecast (Percentage changes from the previous fiscal year are just for reference)	2017/12 Irregular accounting period	2017/3
Net Sales	182,000	123,403	133,189
<i>Y/Y</i>	+15.1%	+31.8%*	+5.6%
Domestic	124,100	81,811	89,958
<i>Y/Y</i>	+16.6%	+25.6%*	+2.4%
Operating Income	28,200	18,656	15,998
<i>Y/Y</i>	+34.9%	+110.1%*	-10.8%
Ordinary Income	31,100	20,756	16,241
<i>Y/Y</i>	+37.0%	+120.5%*	+1.1%
Net Income	22,600	28,215	12,165
<i>Y/Y</i>	-21.0%	+299.7%*	+2.6%

Trends in COGS and SG&A

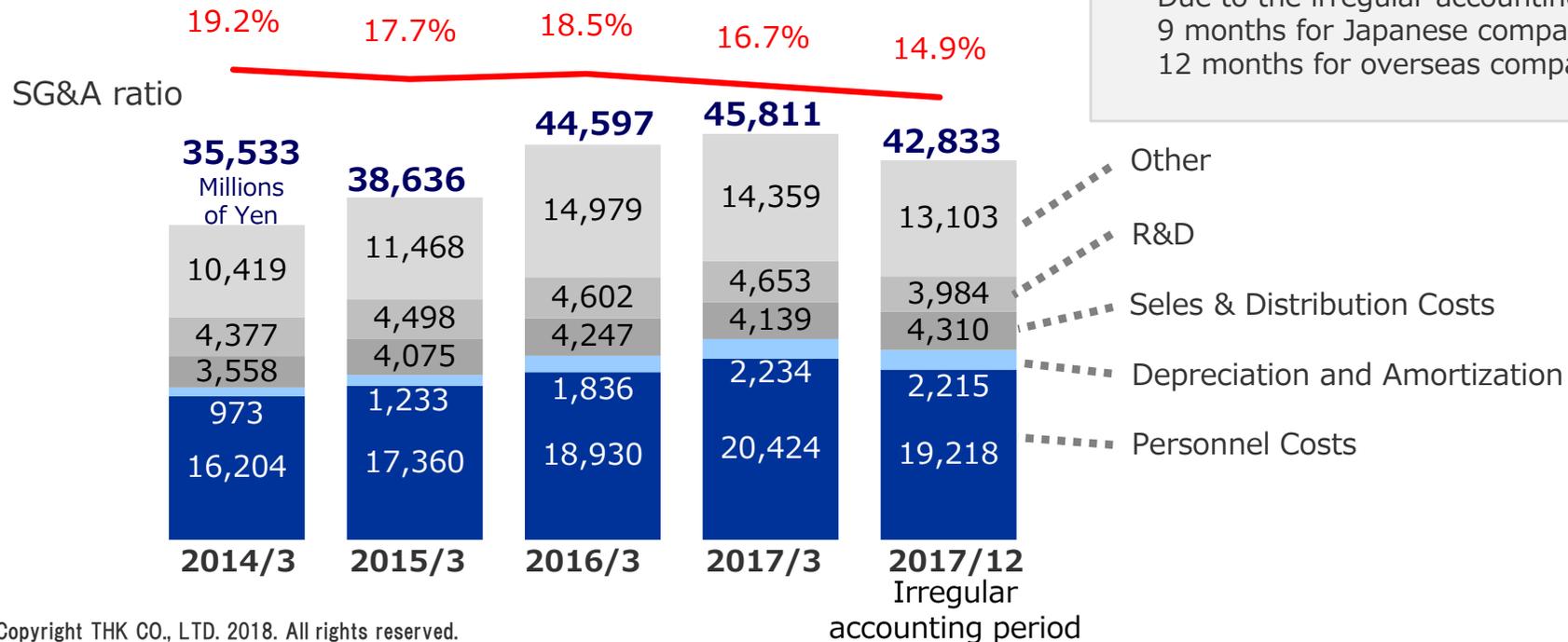
COGS



Sales-cost ratio increased by 0.6 points Y/Y

- Due to the irregular accounting period: 9 months for Japanese companies and 12 months for overseas companies

SG&A



SG&A ratio decreased by 1.8 points Y/Y

- Due to the irregular accounting period: 9 months for Japanese companies and 12 months for overseas companies

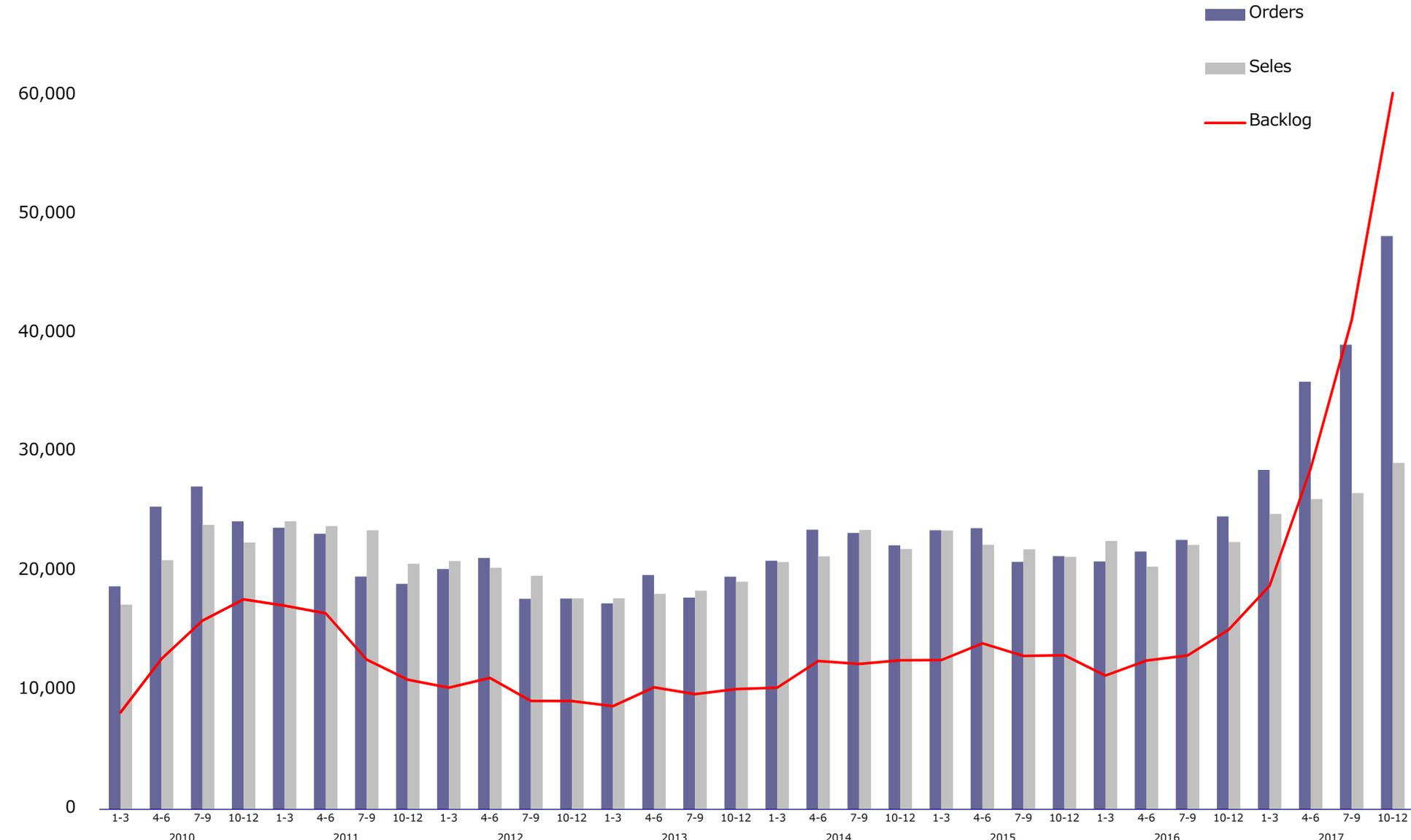
Support Statement



-Trends in Orders, Sales and Backlog(Domestic – Unconsolidated) –

(Million of yen)
70,000

Orders
Seles
Backlog



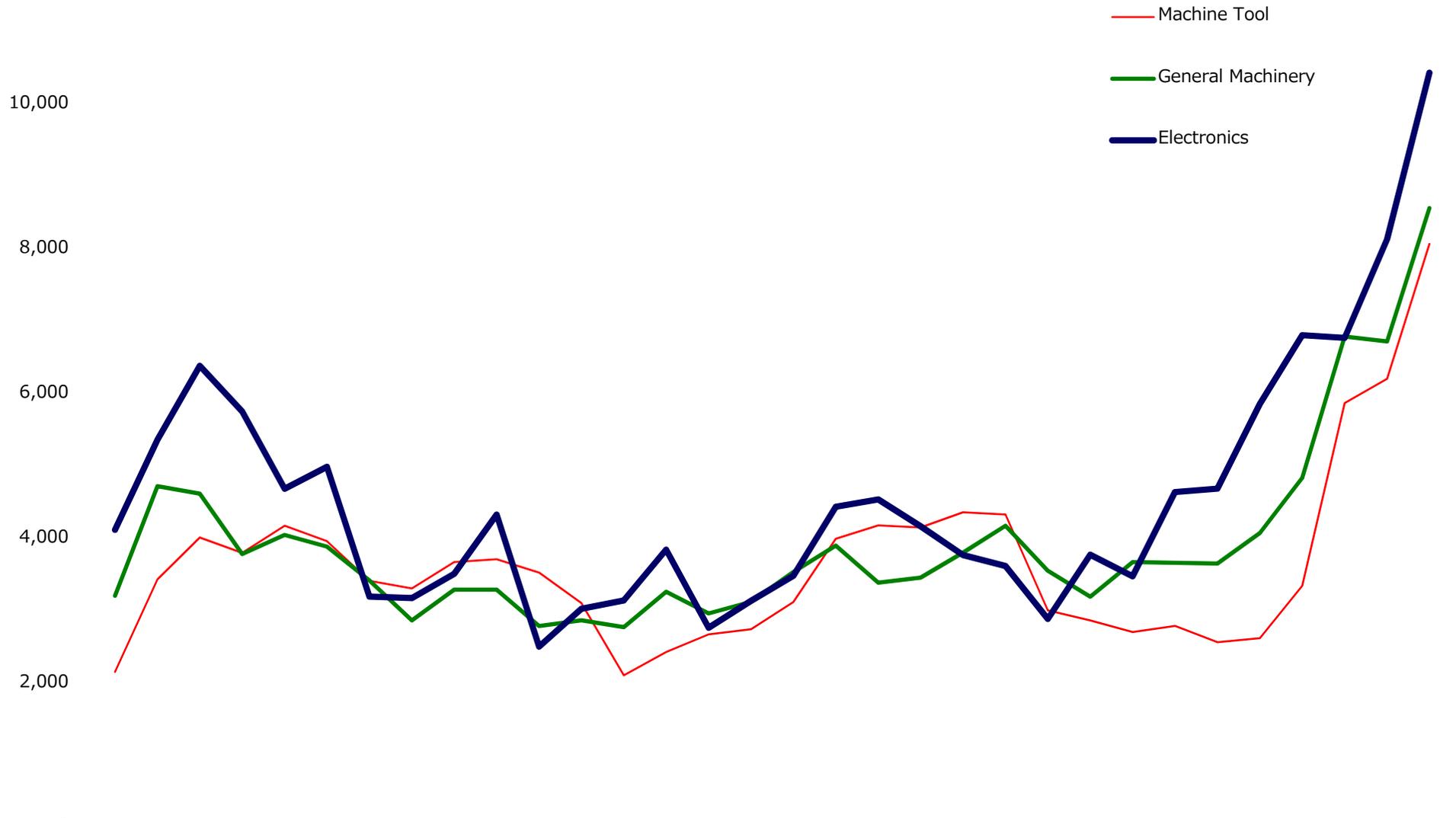
Orders	18,753	25,450	27,147	24,217	23,684	23,168	19,573	18,962	20,201	21,130	17,701	17,728	17,321	19,701	17,801	19,565	20,902	23,517	23,234	22,197	23,460	23,637	20,805	21,291	20,847	21,678	22,656	24,630	28,544	35,964	39,076	48,208
Seles	17,209	20,942	23,922	22,433	24,215	23,817	23,461	20,650	20,872	20,315	19,638	17,737	17,747	18,115	18,384	19,131	20,793	21,266	23,479	21,895	23,439	22,240	21,859	21,229	22,559	20,415	22,230	22,471	24,841	26,089	26,592	29,130
Backlog	8,138	12,645	15,870	17,655	17,124	16,475	12,587	10,899	10,229	11,044	9,107	9,098	8,673	10,259	9,677	10,111	10,220	12,471	12,225	12,528	12,549	13,945	12,891	12,953	11,241	12,504	12,930	15,089	18,792	28,667	41,152	60,231

Support Statement

-Trends in Orders Classified by Industry (Unconsolidated)-



(Million of yen)
12,000



	1-3	4-6	7-9	10-12	1-3	4-6	7-9	10-12	1-3	4-6	7-9	10-12	1-3	4-6	7-9	10-12	1-3	4-6	7-9	10-12	1-3	4-6	7-9	10-12								
	2010				2011				2012				2013				2014				2015				2016				2017			
Machine Tool	2,164	3,443	4,020	3,808	4,183	3,970	3,423	3,318	3,681	3,721	3,536	3,114	2,117	2,439	2,683	2,753	3,129	4,004	4,188	4,160	4,370	4,339	3,014	2,875	2,715	2,800	2,575	2,630	3,353	5,879	6,213	8,076
General Machinery	3,216	4,730	4,627	3,792	4,056	3,896	3,428	2,875	3,300	3,301	2,797	2,878	2,782	3,272	2,972	3,133	3,545	3,908	3,398	3,466	3,813	4,183	3,561	3,203	3,682	3,671	3,662	4,083	4,846	6,798	6,730	8,573
Electronics	4,127	5,372	6,394	5,762	4,695	4,998	3,204	3,184	3,519	4,337	2,514	3,037	3,152	3,852	2,774	3,146	3,492	4,446	4,547	4,177	3,779	3,628	2,896	3,784	3,485	4,649	4,697	5,867	6,816	6,780	8,142	10,442