



# INTERIM FINANCIAL RESULTS BRIEFING

**November 8<sup>th</sup> 2013**

**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.

# 1. Financial Results

## 1st Half of Fiscal Year ending March 2014

## Net sales increased by 1.9% year on year to 89 billion yen

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

- Although electronics-related demand in Japan showed a moderate recovery in the former part of the fiscal 2013 first half, sales in the Japanese market declined year on year as demand in other areas continued to remain sluggish and electronics-related demand decreased from summer 2013 onwards
- As for overseas markets, demand for general machinery, electronics and transportation equipment was strong in the Americas. In European markets, demand for electronics and transportation equipment recovered. The Chinese market enjoyed strong demand for small-sized machine tool and transportation equipment in the main. Overseas sales for the first half of the fiscal year increased year on year owing to these developments as well as to the Japanese yen's year-on-year depreciation against other major currencies

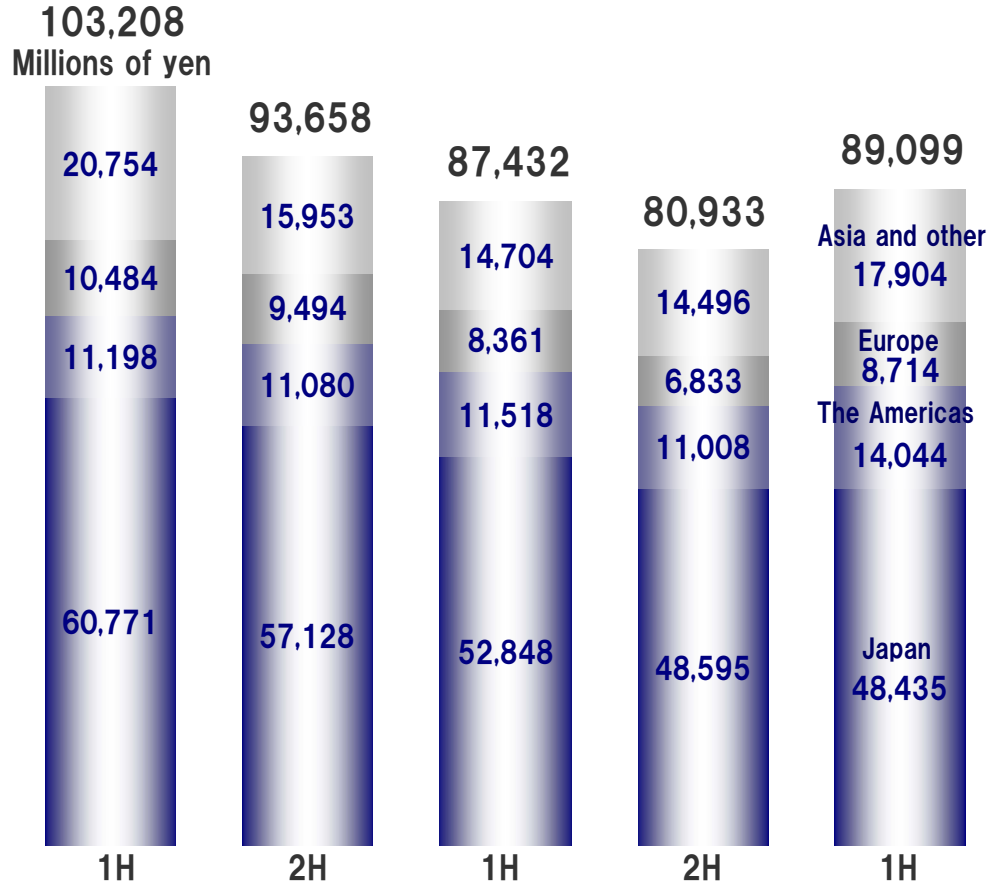
## Operating income grew by 2.1% year on year to 7.4 billion yen

- Down in variable cost ratio
- Positive effect of the yen's depreciation
- Negative volume effect
- Increase in fixed costs

## Although net sales and operating income fell short of the period start plans, ordinary income and net income exceeded the levels projected at the beginning of the current fiscal year

- Net sales and operating income failed to reach the levels shown in the Company's plans released in May 2013 as parent company THK alone suffered a demand erosion mainly for electronics-related products. Yet ordinary income and net income exceeded the period start plans owing to a gain on foreign exchange

# Trend in Net Sales



Exchange rate	2012/3		2013/3		2014/3
1US\$	82.05	77.63	79.75	79.91	95.59
1EUR	114.99	107.23	103.45	101.81	125.50

**Asia and other | Y/Y Up 21.8%**

- China ( Industrial Equipment) Up 26.7%
- Taiwan Up 18.8%
- Singapore Down 16.4%

**Europe | Y/Y Up 4.2%**

- Machine tools Down 12.0%
- General machinery Down 2.4%
- Electronics Up 11.5%

**The Americas | Y/Y Up 21.9%**

- Machine tools Down 16.8%
- General machinery Up 19.7%
- Electronics Up 12.6%

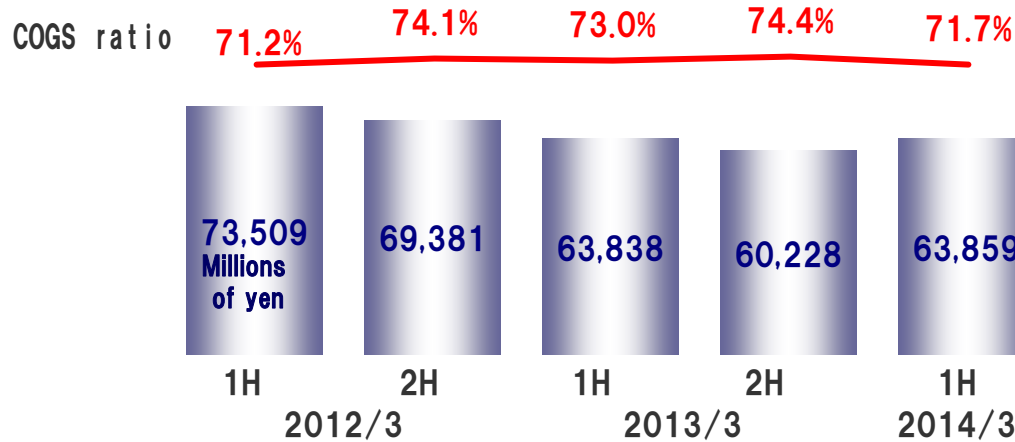
**Japan | Y/Y Down 8.4%**

- Machine tools Down 37.4%
- General machinery Down 5.8%
- Electronics Down 7.8%

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

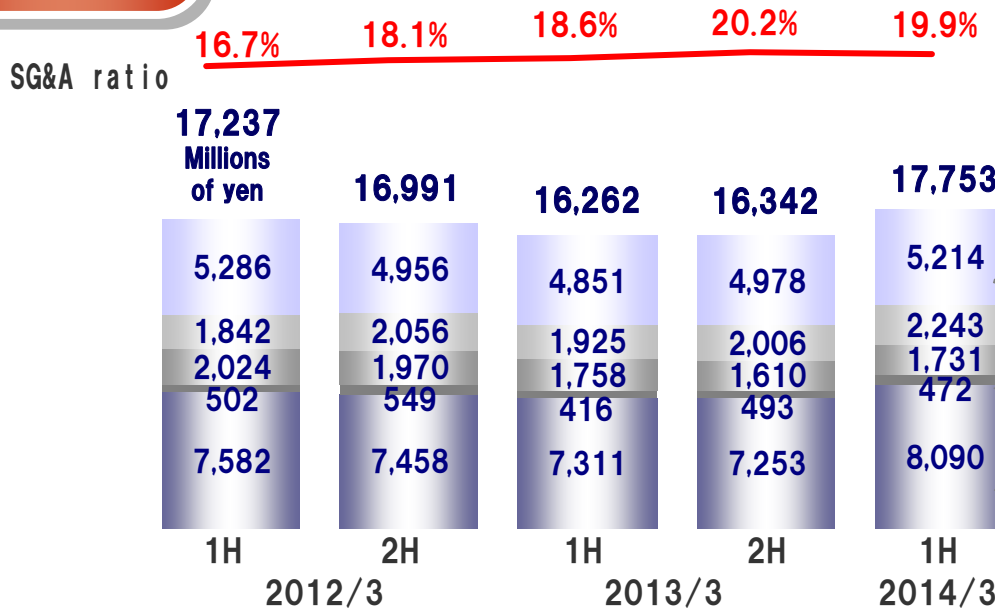
# Trends in COGS and SG&A

## COGS



Sales-cost ratio decreased by 1.3 points Y/Y  
-Improve the variable cost ratio

## SG&A



Other | Y/Y : up ¥ 362 million, or 7.5%

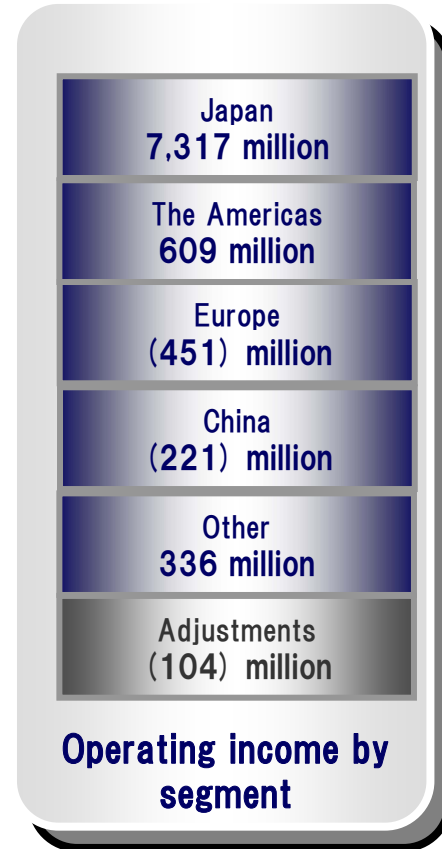
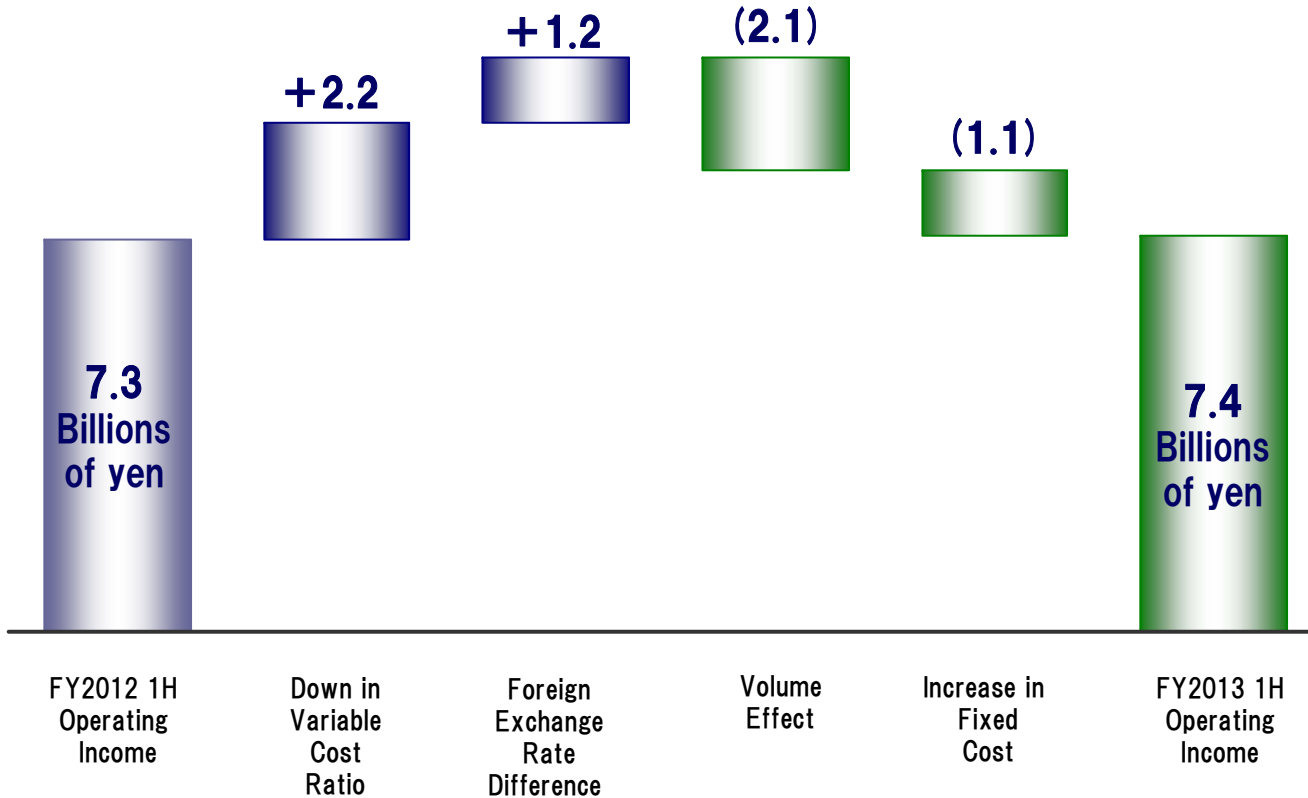
R&D | Y/Y : up ¥ 318 million, or 16.5%

Sales & Distribution Costs | Y/Y :  
down ¥ 26 million, or 1.5%

Depreciation and Amortization | Y/Y :  
up ¥ 56 million, or 13.6%

Personnel Costs | Y/Y : up ¥ 779 million, or 10.7%

# [Reference] Operating Income – Cause of Change –



# Assets, Liabilities and Net Assets

## Cash and Cash in Account | Y/Y :

Up ¥ 31,740 million

## Cash Flows from Operating Activities :

¥ 11,779 million

## Cash Flows from Investing Activities :

¥ ( 5,110 ) million

## Cash Flows from Financing Activities :

¥ 18,737 million

## Foreign Currency Translation Adjustments on Cash and Cash Equivalents :

¥ 6,334 million

## Accounts Receivable | Y/Y :

Up ¥ 3,626 million

## Number of months' sales receivables :

Previous period : 3.3 month

This period : 3.3 month

## Inventories | Y/Y :

Up ¥ 3,153 million

## Number of months' sales in inventory :

Previous period : 1.7 month

This period : 1.8 month

## Property , Plant and Equipment | Y/Y :

Up ¥ 3,582 million

■ CAPEX : ¥ 3,272 million

■ Depreciation : ¥ 5,329 million

## Intangible Assets | Y/Y :

Up ¥ 492 million

## Investment and Other | Y/Y :

Up ¥ 1,041 million

**Total Assets 337,303 millions of yen**

Up ¥ 44,157 million from previous year

## Current Assets

232,981

Up ¥ 39,040 million  
from previous period

## Liabilities

129,757

Up ¥ 25,670 million  
from previous period

## Net Assets

207,545

Up ¥ 18,487 million  
from previous period

## Fixed Assets

104,321

Up ¥ 5,116 million  
from previous period

## Current Liabilities | Y/Y :

Up ¥ 15,490 million

## ■ Accounts Payable | Y/Y :

Up ¥ 4,393 million

## Number of months' notes payable

Previous period : 1.5 month

This period : 1.7 month

## ■ Income Taxes Payable | Y/Y :

Up ¥ 1,272 million

## ■ Straight Bonds within One Year | Y/Y

Up ¥ 10,000 million

## Long-term Liabilities | Y/Y :

Up ¥ 10,179 million

## ■ Straight Bonds | Y/Y

Up ¥ 10,000 million

## Net Income :

¥ 7,128 million

## Foreign Currency Translation Adjustment | Y/Y:

Up ¥ 12,044 million

## 2. Current Management Environment and Our Strategy



Growth of Emerging Countries' Economy  
 Shift in the production of capital goods to emerging economies  
 Conclusion of trade agreements in various regions of the world  
 Rapid fluctuations in exchange rate  
 Intensifying competition

Change of External Environment

Maturity of capital goods markets in advanced countries  
 Growing awareness of the need to take disaster-prevention measures  
 Progress toward electric-powered living

## Full-Scale Globalization

### Enhancement of Sales, Production and Development in China

- Transfer and expansion of DALIAN THK
- Enhancement of direct sales and indirect sales
- Full-scale development

### Development to Latin America and Asia

- Enhancement of sales in India
- Enhancement of sales in ASEAN

### Other

- Promotion optimal production
- Promotion optimal procurement



## Enhancement of Business Base by Promotion of P25 Project

### Development of New Business Areas

#### Automotive Parts

- Efforts to encourage the adoption of linear motion systems for automotive parts
- Use of linear motion systems by a wider range of manufacturers for a wider range of vehicle models

#### Seismic Isolation and Damping System

- Expansion sales of seismic isolation platforms table
- Introduction new damping system
- Enhancement of development of overseas sales

#### Electric Actuator

- Promotion of overseas production
- Expansion of lineup

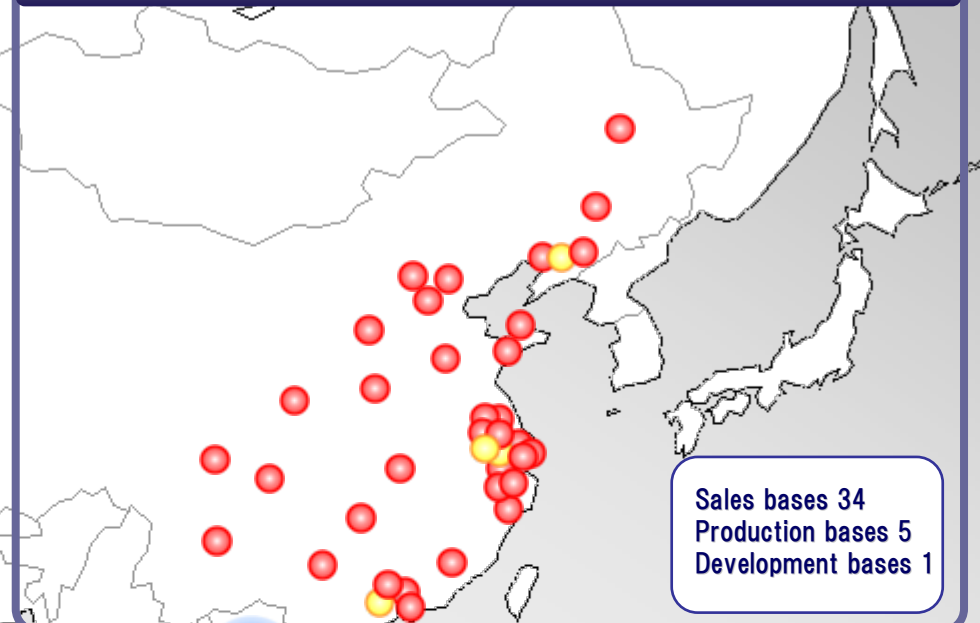


## 3. Full-Scale Globalization

# Enhancement of Sales in Asia

-  Sales bases
-  Production bases

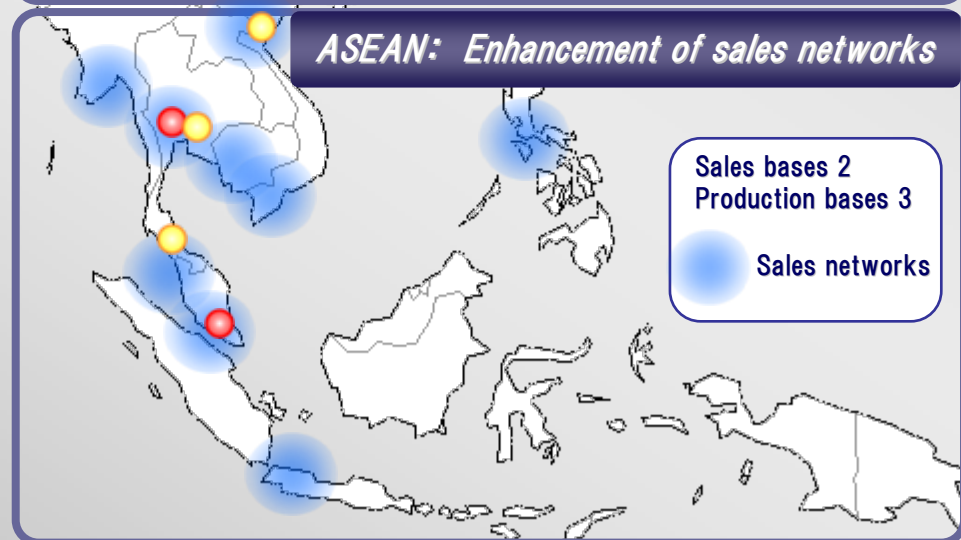
## *China: Enhancement of direct sales and indirect sales*



## *India: Enhancement of Sales*



## *ASEAN: Enhancement of sales networks*



# Enhancement of the Global Manufacturing Structure



**DALIAN THK Transfer & Expansion**  
 Scheduled to start of operation in December, 2014

**THK RHYTHM MEXICANA**  
 Start of operation in 2013



## 4. Development of New Business Areas



## New Seismic Isolation Platforms Table TGS

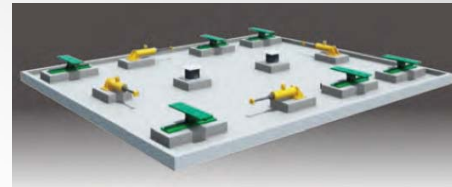


The number of adoption grows rapidly



## Seismic Isolation and Damping for House

Being adopted by a steadily increasing number of buildings



## Seismic Isolation and Damping for Building



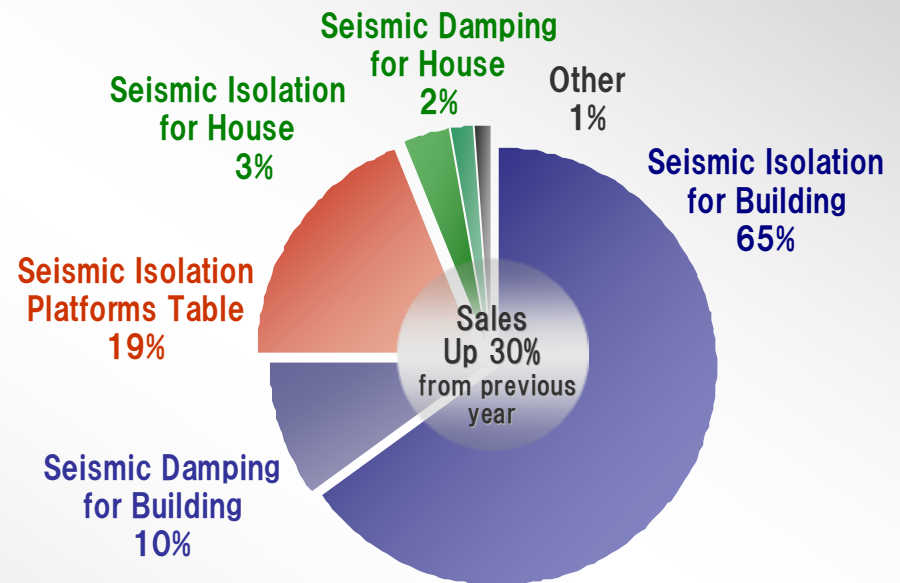
Higher damping performance compared with previous products



Damping System



Seismic Isolation System



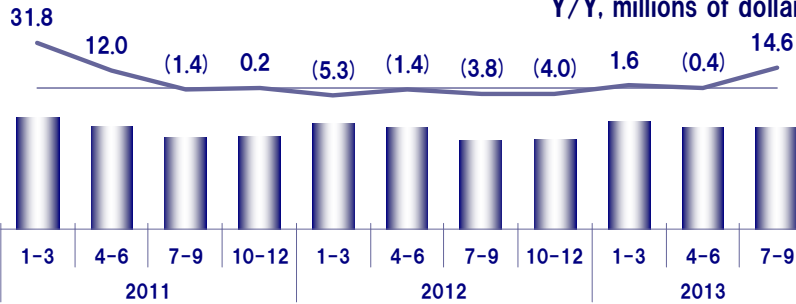
ACE Division Sales User Breakdown of FY2013 1H  
Seismic Isolation and Damping System

## 5. Financial Forecast for Fiscal 2013

# Orders Received by Region

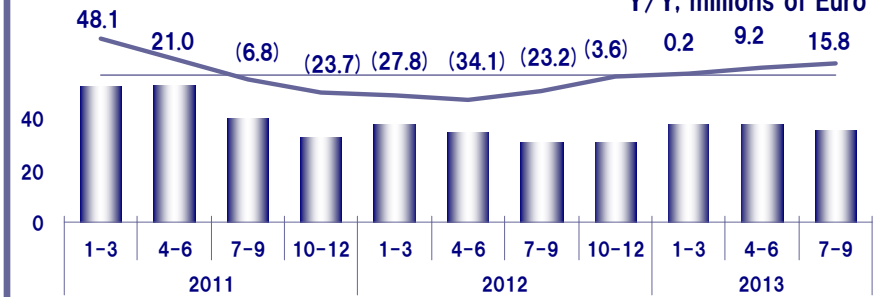
## THK Holdings of America, L.L.C.

Y/Y, millions of dollar



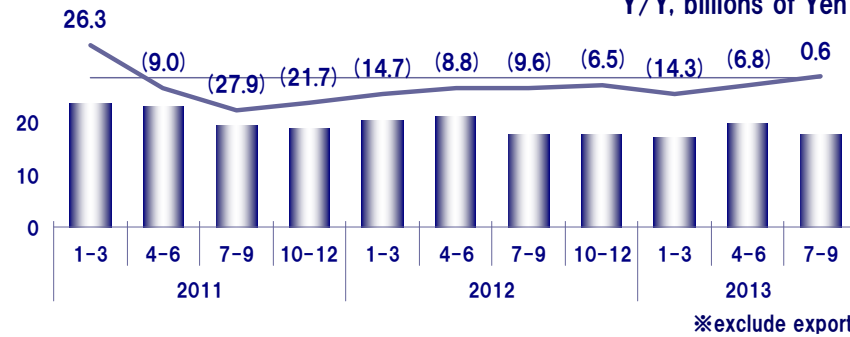
## THK Europe B.V.

Y/Y, millions of Euro



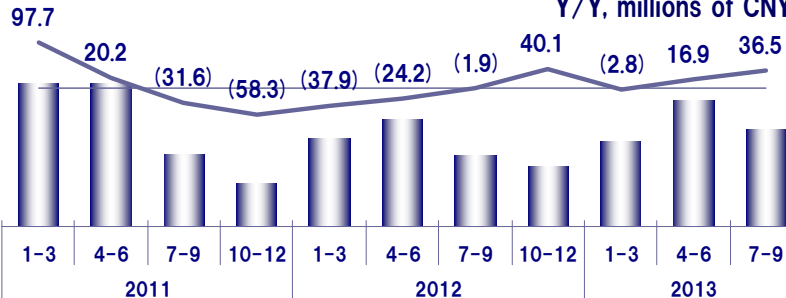
## THK (Domestic)

Y/Y, billions of Yen



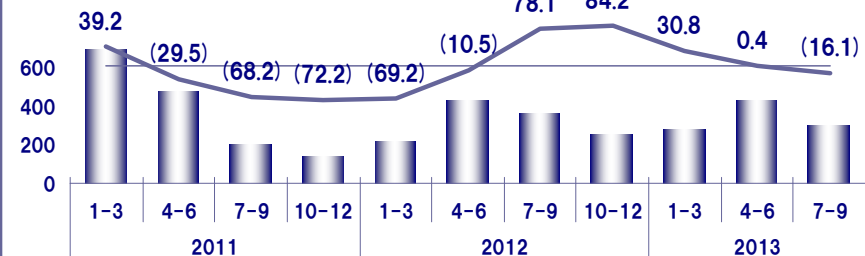
## THK (CHINA) CO., LTD. + THK (SHANGHAI) CO., LTD.

Y/Y, millions of CNY



## THK TAIWAN CO., LTD.

Y/Y, millions of NT dollar





# Financial Forecast (Consolidated)

	2014.3 FY (Forecast)	2014.3 1H (Result)	2013.3 FY (Result)
Net Sales	<b>190,000</b>	<b>89,099</b>	<b>168,366</b>
Y/Y	<i>+12.8%</i>	<i>+1.9%</i>	<i>-14.5%</i>
Operating Income	<b>20,000</b>	<b>7,486</b>	<b>11,692</b>
Y/Y	<i>+71.0%</i>	<i>+2.1%</i>	<i>-40.8%</i>
Ordinary Income	<b>20,800</b>	<b>10,897</b>	<b>14,765</b>
Y/Y	<i>+40.9%</i>	<i>+97.0%</i>	<i>-22.6%</i>
Net Income	<b>14,200</b>	<b>7,128</b>	<b>9,808</b>
Y/Y	<i>+44.8%</i>	<i>+90.5%</i>	<i>-22.4%</i>

# Financial Forecast (Unconsolidated)

		2014.3 FY (Forecast)	2014.3 1H (Result)	2013.3 FY (Result)
Net Sales		<b>115,000</b>	<b>54,894</b>	<b>104,567</b>
	Y/Y	<i>+10.0%</i>	<i>-0.7%</i>	<i>-19.6%</i>
Domestic		<b>80,200</b>	<b>36,499</b>	<b>75,438</b>
	Y/Y	<i>+6.3%</i>	<i>-8.6%</i>	<i>-15.0%</i>
Operating Income		<b>13,700</b>	<b>5,519</b>	<b>9,825</b>
	Y/Y	<i>+39.4%</i>	<i>+13.9%</i>	<i>-32.2%</i>
Ordinary Income		<b>15,400</b>	<b>8,636</b>	<b>12,053</b>
	Y/Y	<i>+27.8%</i>	<i>+195.2%</i>	<i>-10.1%</i>
Net Income		<b>10,600</b>	<b>5,796</b>	<b>8,018</b>
	Y/Y	<i>+32.2%</i>	<i>+191.0%</i>	<i>+0.8%</i>



# Support Statement –Trends in orders classified by industry (unconsolidated)–



(Millions of yen)

9,000

8,000

7,000

6,000

5,000

4,000

3,000

2,000

1,000

0

- Machine tool
- General Machinery
- Electronics

	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	1-3	4-6	7-9									
	2005			2006			2007			2008			2009			2010			2011			2012			2013											
Machine tool	3,304	3,435	3,493	3,376	3,409	3,757	3,685	3,769	3,658	3,926	3,925	3,965	3,727	3,635	3,263	1,319	527	535	846	1,612	2,164	3,443	4,020	3,808	4,183	4,056	3,896	3,428	2,875	3,300	3,301	2,797	2,878	2,782	3,272	2,972
General Machinery	4,085	4,735	4,598	4,997	4,970	5,486	4,825	4,664	4,217	4,581	4,603	4,833	4,835	4,942	3,969	2,219	1,091	1,268	1,654	2,445	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	
Electronics	4,198	4,730	5,059	7,947	6,916	6,593	5,745	5,351	5,515	5,600	5,812	6,149	5,657	5,984	5,159	2,809	1,514	1,315	2,406	3,763	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	