



# FINANCIAL RESULTS BRIEFING FOR FISCAL 2013

**May 14<sup>th</sup> 2014**

**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.

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- II. Medium-Term Management Plan  
FY2014~FY2016
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# I. Financial Results for Fiscal 2013

## Net sales increased by 10.2% year on year to 185.4 billion yen

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

- In Japan, the electronics-related demands showed a gradual recovery during the first half of the period. But the electronics-related demands shifted to the lower level during summer time and the demands in other industries were stagnant. In the second half of the period, while there were signs of recovery in the demands for electronics, machine tools, etc., the domestic sales decreased as compared to the same period of the previous year.
- Regarding overseas, the demands in the general machine, electronics and transportation equipment industries showed steady performance in the Americas. In Europe, the recovery trend was seen in the demands in the electronics and transportation equipment industries. In China as well, the demands mainly for small-type machine tools and transportation equipment continued strongly. In addition to these results, the currency exchange movement was based on the weaker yen as compared to the same period of the previous year. Therefore, the overseas sales increased as compared to the same period of the previous year.

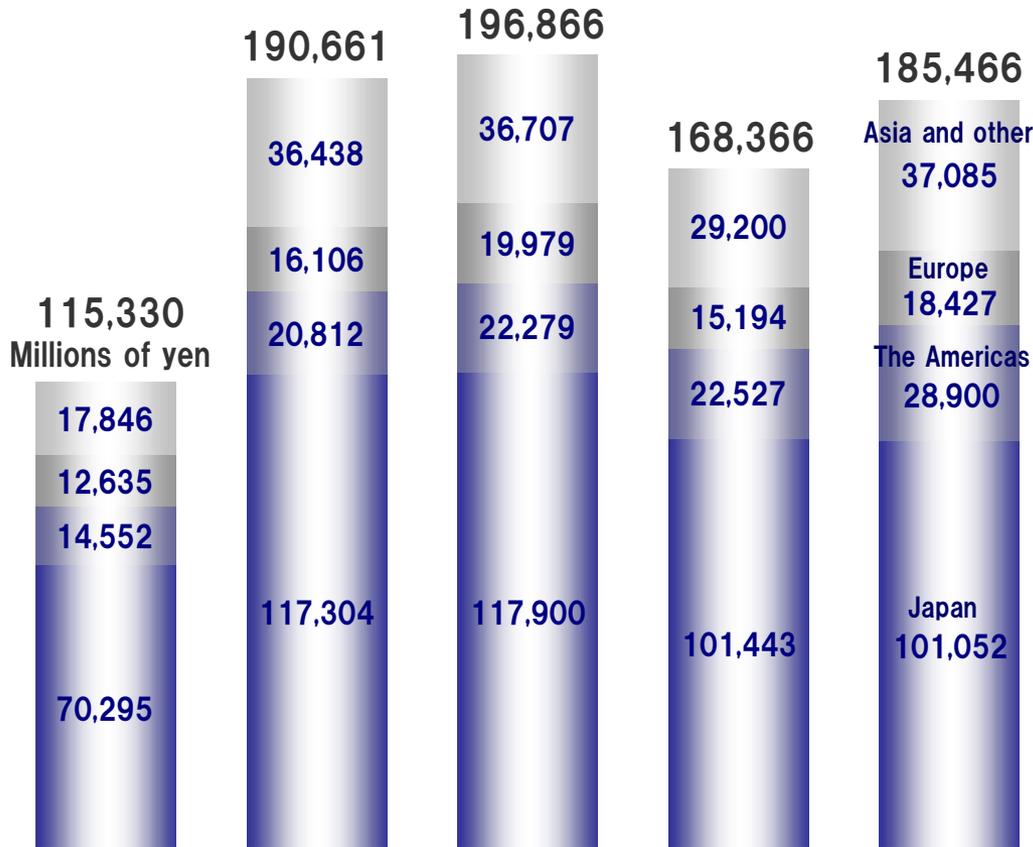
## Operating income grew by 48.6% year on year to 17.3 billion yen

- Down in variable cost ratio
- Positive effect of the yen's depreciation
- Effect due to increased sales
- Increase in fixed costs

Although the net sales and operating income were not achieved as per the initial plan, the ordinary income and others exceeded the plan.

- Although the net sales and operating income were not achieved as per the initial plan, the ordinary income and net income exceeded the plan due to the foreign currency transaction gain, etc.

# Trend in Net Sales



**Asia and other | Y/Y Up 27.0%**

● China	Up	45.8%
● Taiwan	Up	14.3%
● Singapore	Down	8.1%

**Europe | Y/Y Up 21.3%**

● Machine tools	Up	3.6%
● General machinery	Up	12.7%
● Electronics	Up	20.0%

**The Americas | Y/Y Up 28.3%**

● Machine tools	Up	3.3%
● General machinery	Up	12.8%
● Electronics	Up	46.2%

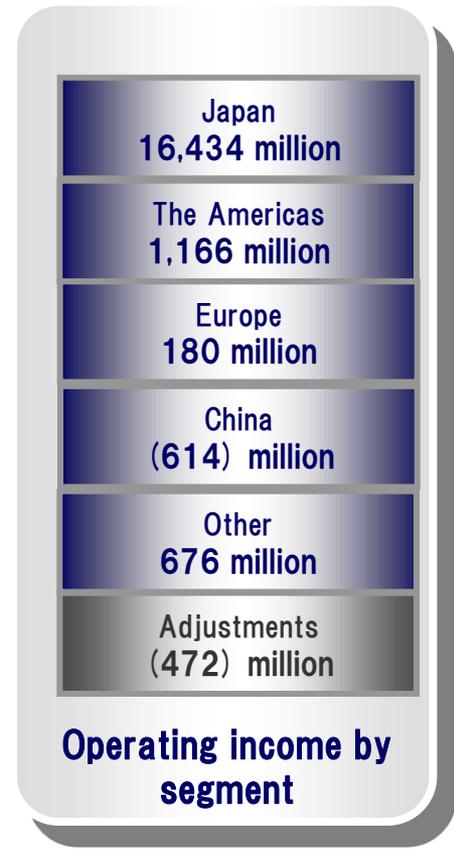
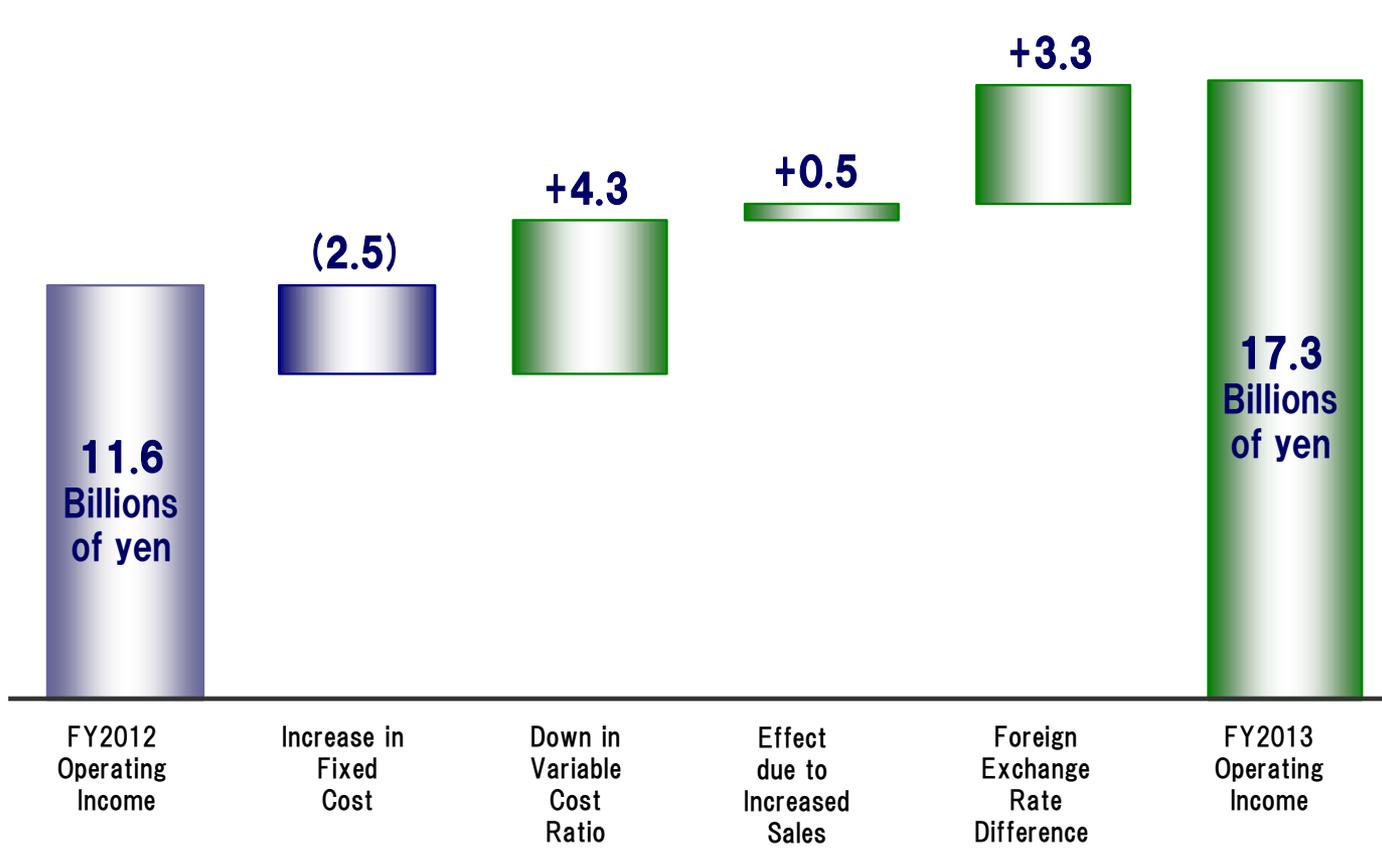
**Japan | Y/Y Down 0.4%**

● Machine tools	Down	19.5%
● General machinery	Up	2.8%
● Electronics	Down	2.3%

Exchange rate	2010/3	2011/3	2012/3	2013/3	2014/3
1US\$	93.58	87.81	79.84	79.83	97.65
1EUR	130.21	116.39	111.11	102.63	129.69

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

# [Reference] Operating Income - Cause of Change -



# Assets, Liabilities and Net Assets

**Cash and Cash in Account | Y/Y :**  
Up ¥ 22,375 million

Cash Flows from Operating Activities :  
¥ 23,664 million

Cash Flows from Investing Activities :  
¥ ( 9,553 ) million

Cash Flows from Financing Activities :  
¥ ( 2,790 ) million

Foreign Currency Translation  
Adjustments on Cash and Cash  
Equivalents : ¥ 11,054 million

**Accounts Receivable | Y/Y :**  
Up ¥ 6,440 million

Number of months' sales receivables :  
Previous period : 3.3 month  
This period : 3.4 month

**Inventories | Y/Y :**  
Up ¥ 4,666 million

Number of months' sales in inventory :  
Previous period : 1.7 month  
This period : 1.9 month

**Property , Plant and Equipment | Y/Y :**  
Up ¥ 7,141 million

■ CAPEX : ¥ 8,887 million  
■ Depreciation : ¥ 10,843 million

**Intangible Assets | Y/Y :**  
Up ¥ 1,445 million

**Investment and Other | Y/Y :**  
Up ¥ 734 million

**Total Assets 336,416 millions of yen**  
Up ¥ 43,270 million from previous period

## Current Assets

227,890

Up ¥ 33,949 million  
from previous period

## Fixed Assets

108,526

Up ¥ 9,321 million  
from previous period

## Liabilities

114,267

Up ¥ 10,180 million  
from previous period

## Net Assets

222,148

Up ¥ 33,090 million  
from previous period

**Current Liabilities | Y/Y :**  
Down ¥ 1,166 million

■ Accounts Payable | Y/Y :  
Up ¥ 4,565 million

Number of months' notes payable  
Previous period : 1.5 month  
This period : 1.6 month

■ Income Taxes Payable | Y/Y :  
Up ¥ 3,631 million

■ Current Portion of Long-term  
Bank Loans | Y/Y :  
Down ¥ 20,000 million

■ Straight Bonds within One Year | Y/Y :  
Up ¥ 10,000 million

**Long-term Liabilities | Y/Y :**  
Up ¥ 11,346 million

■ Straight Bonds | Y/Y :  
Up ¥ 10,000 million

**Net Income :**  
¥ 15,590 million

**Foreign Currency Translation  
Adjustment | Y/Y :**  
Up ¥ 20,061 million

## II. Medium-Term Management Plan FY2014~FY2016

*Numerical targets for FY2016*

***Consolidated Net Sales ¥250 billion***

***Operating Income ¥40 billion***

***ROE over 10%***

*[Assumptions]*

*Exchange rate 1\$ = ¥100*

*IMF Global economic growth rate of 3.8% on average*

## **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 billion yen; and Operating margin: 20%



## **The most important theme**

Deeply cultivate growing fields and expand share in the production goods industry

Expand the new business areas in the consumer goods industry

# Expansion of Top Line

[Assumption]

The market growth rate of 5% on average in the production goods industry

**About 65.0 billion yen increase**

**FY2013**  
185.4 billion yen

**Industrial equipment-related and other**  
+ 52.0 billion yen

- Expansion of existing customers
- Expansion of new customers
- Expansion of new business areas

[Main areas of expansion new business areas]  
Medical equipment-related  
Aircraft-related  
Seismic isolation and damping  
Energy-related  
etc.

**Automotive parts**  
+ 13.0 billion yen

**FY2016**  
250.0 billion yen

**Japan**  
117.3 billion yen  
**The Americas**  
38.5 billion yen  
**Europe**  
23.3 billion yen  
**Asia and other**  
70.9 billion yen

## Major policy

1. Re-establish sales strategy
  - Enhancement of sales network
  - Strengthening of acquiring volume zone
  - Reinforcement of marketing/strategy functions
2. Develop the consumer goods domain on a company-wide level
3. Expand sales for the newly developed products

# Expansion of top line : Enhancement of Sales Network

● Sales bases  
● Production bases

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

**Sales bases 35**  
**Production bases 5**  
**Development bases 1**

**India: Enhancement of Sales**

Sales bases 1



THK India

**New Establishment Plan of sales bases**

**ASEAN: Enhancement of sales networks**

**Sales bases 2**  
**Production bases 3**  
**Sales networks**

**ASEAN Customer Support**

- Support Thailand/Indonesia in Japanese
- Scheduled to deploy in other countries in the future

# Expansion of top line : Development of ACE Division

## Seismic Isolation Platforms Table

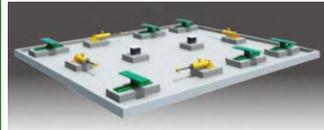


The number of adoption grows rapidly

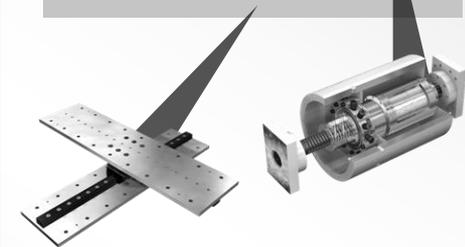


## Seismic Isolation and Damping for House

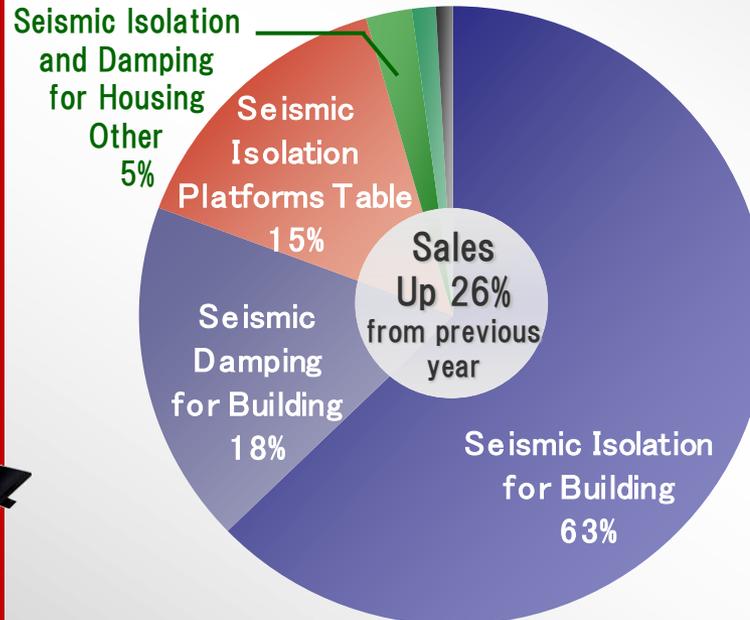
Being adopted by a steadily increasing number of buildings



## Seismic Isolation and Damping for Building

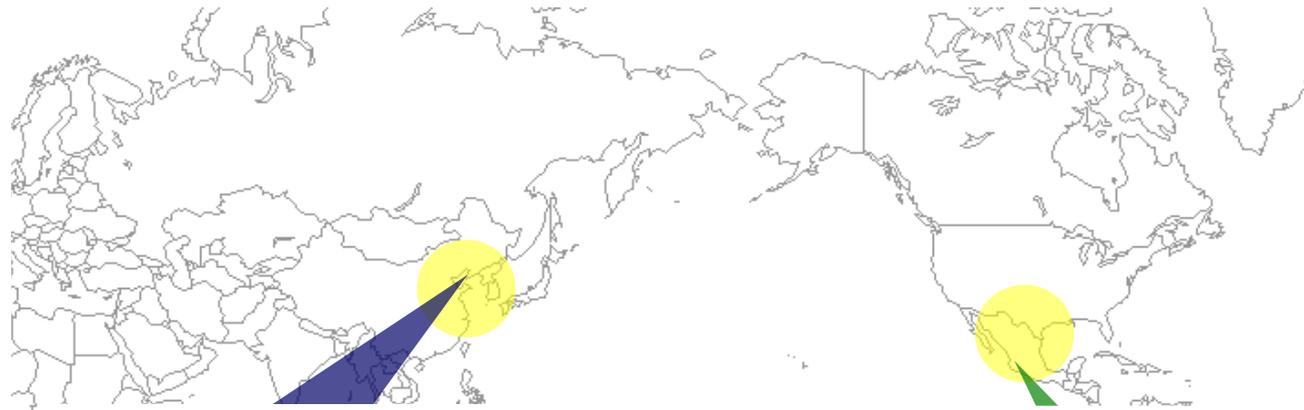


Higher damping performance compared with previous products



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

# Expansion of top line : Enhancement of the Global Manufacturing Structure



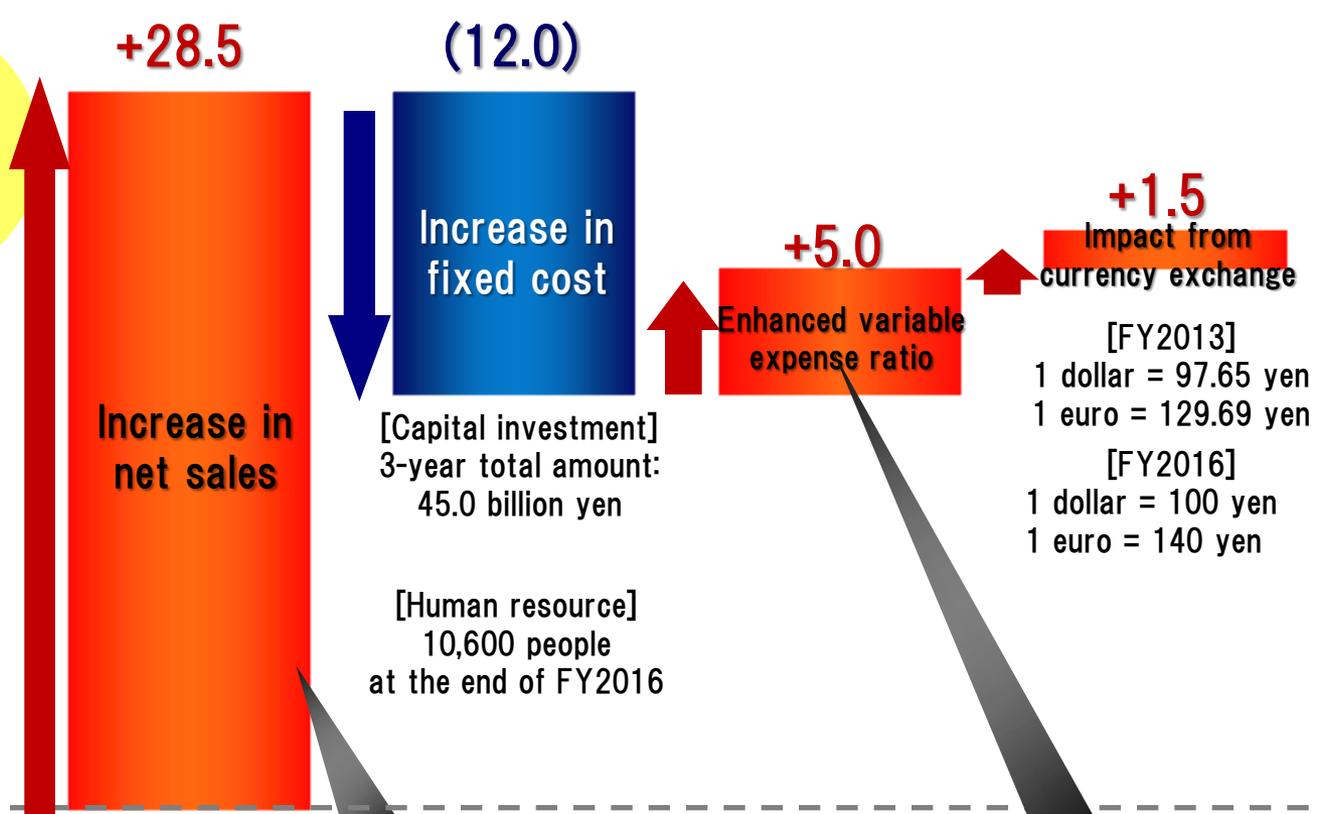
**DALIAN THK Transfer & Expansion**  
Scheduled to start of operation in December, 2014

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



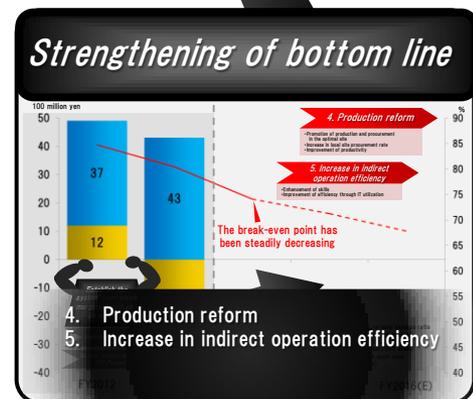
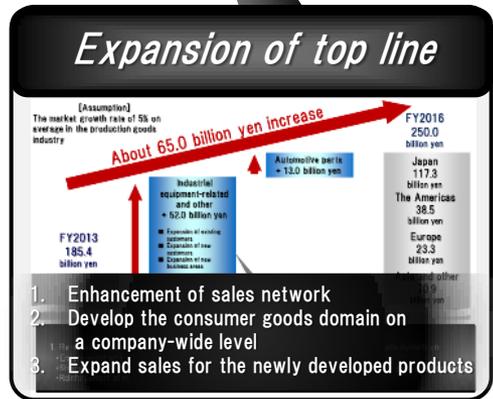
# Operating Income - Cause of Change - in FY2016 compared with FY2013(Forecast)

Operating income:  
About 23.0 billion  
yen increase  
compared with  
FY2013



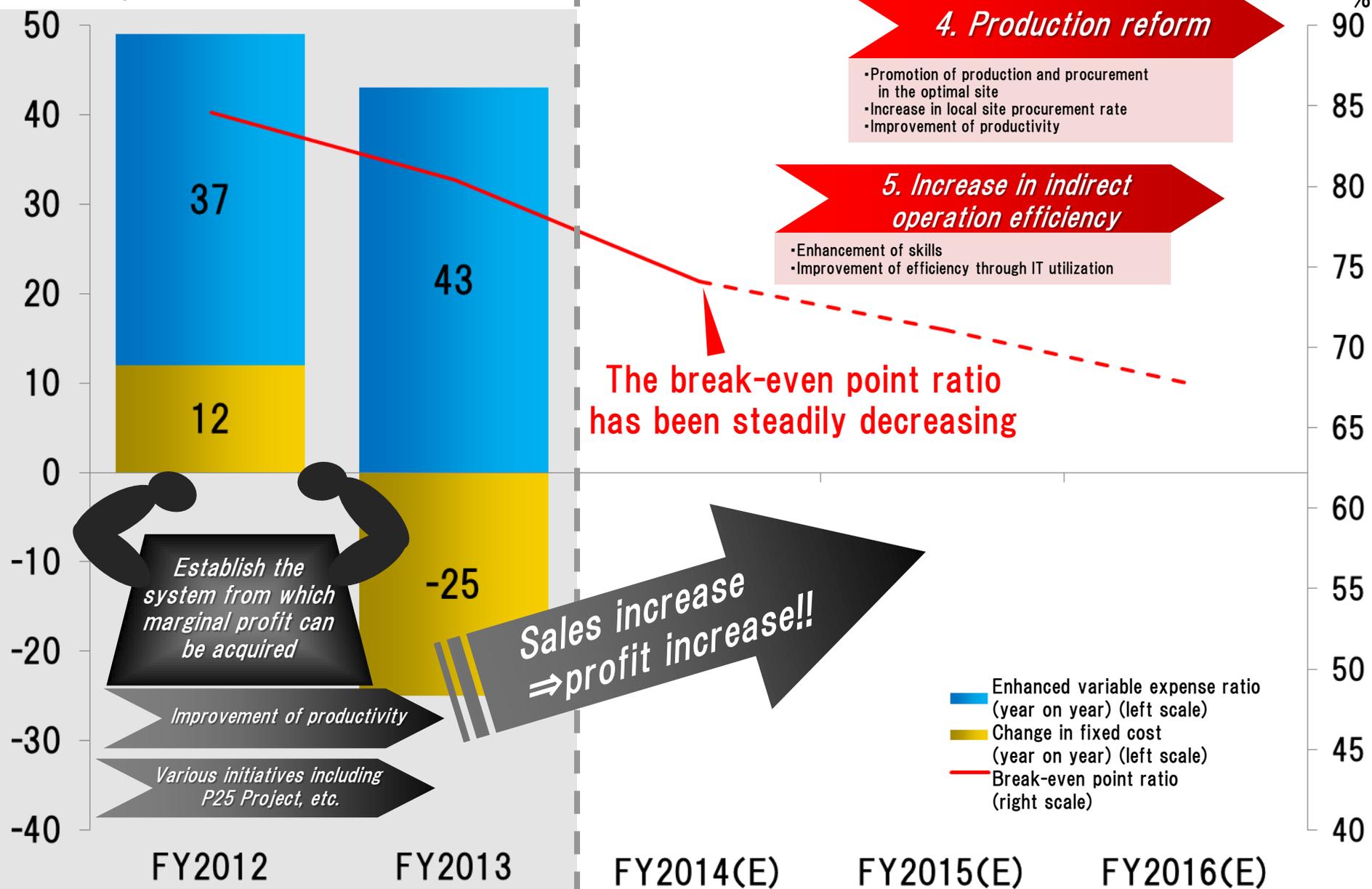
**FY2016**  
**40.0 billion yen**

Operating income  
**FY2013**  
**17.3 billion yen**



# Strengthening of Bottom Line

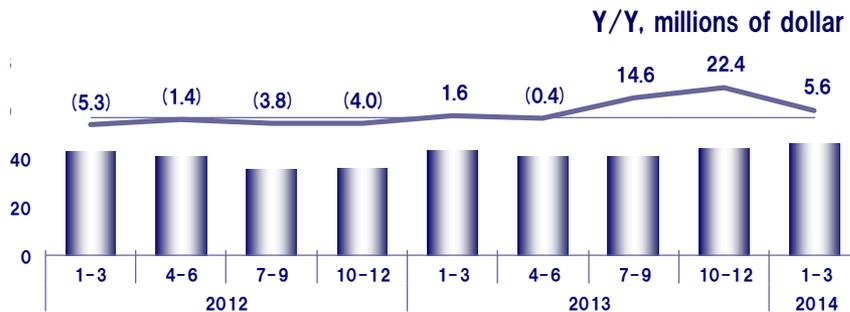
100 million yen



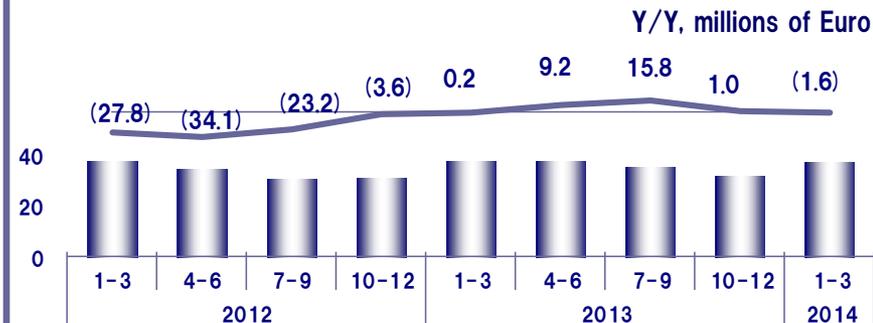
## III. Financial Forecast for Fiscal 2014

# Orders Received by Region

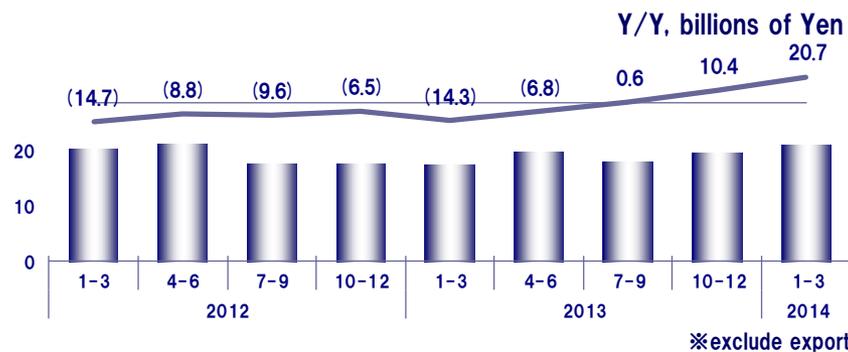
## THK Holdings of America, L.L.C.



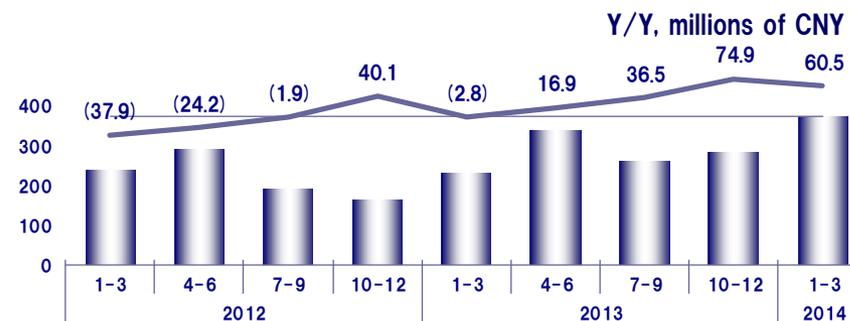
## THK Europe B.V.



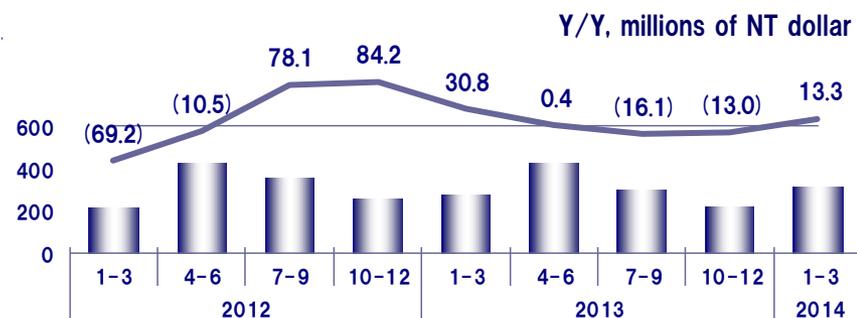
## THK (Domestic)



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



## THK TAIWAN CO., LTD.



# Financial Forecast (Consolidated)

		<b>2015/3</b>	<b>2014/3</b>	<b>2013/3</b>
		Forecast		
Net Sales		<b>210,000</b>	<b>185,466</b>	<b>168,366</b>
	Y/Y	<i>+13.2%</i>	<i>+10.2%</i>	<i>-14.5%</i>
Operating Income		<b>27,000</b>	<b>17,370</b>	<b>11,692</b>
	Y/Y	<i>+55.4%</i>	<i>+48.6%</i>	<i>-40.8%</i>
Ordinary Income		<b>28,000</b>	<b>23,618</b>	<b>14,765</b>
	Y/Y	<i>+18.5%</i>	<i>+60.0%</i>	<i>-22.6%</i>
Net Income		<b>19,000</b>	<b>15,590</b>	<b>9,808</b>
	Y/Y	<i>+21.9%</i>	<i>+59.0%</i>	<i>-22.4%</i>

# Financial Forecast (Unconsolidated)

	2015/3	2014/3	2013/3
	Forecast		
Net Sales	<b>125,000</b>	<b>111,913</b>	<b>104,567</b>
Y/Y	<i>+11.7%</i>	<i>+7.0%</i>	<i>-19.6%</i>
Domestic	<b>86,000</b>	<b>76,424</b>	<b>75,438</b>
Y/Y	<i>+12.5%</i>	<i>+1.3%</i>	<i>-15.0%</i>
Operating Income	<b>18,400</b>	<b>13,808</b>	<b>9,825</b>
Y/Y	<i>+33.3%</i>	<i>+40.5%</i>	<i>-32.2%</i>
Ordinary Income	<b>19,200</b>	<b>18,790</b>	<b>12,053</b>
Y/Y	<i>+2.2%</i>	<i>+55.9%</i>	<i>-10.1%</i>
Net Income	<b>13,000</b>	<b>12,255</b>	<b>8,018</b>
Y/Y	<i>+6.1%</i>	<i>+52.8%</i>	<i>+0.8%</i>

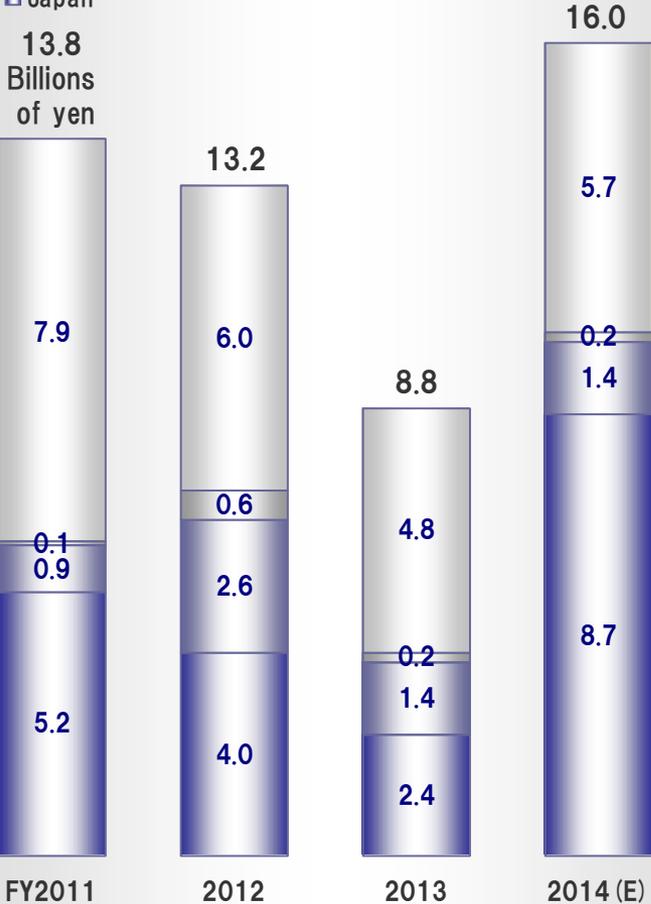
# Capital Expenditure and Number of Employees Forecast



## Capital Expenditures

- Asia and Other
- Europe
- Americas
- Japan

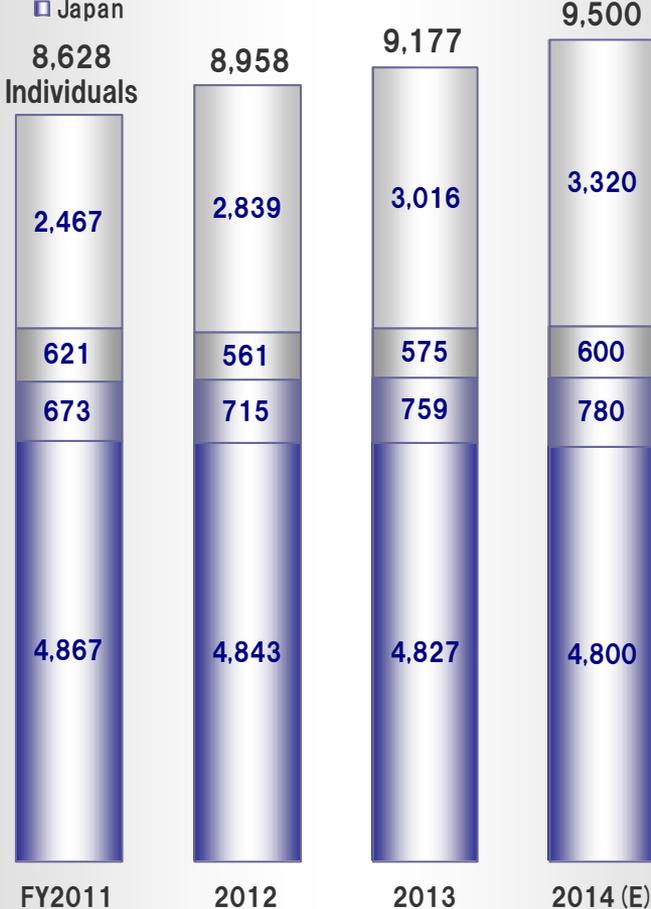
13.8  
Billions  
of yen



## Number of Employees

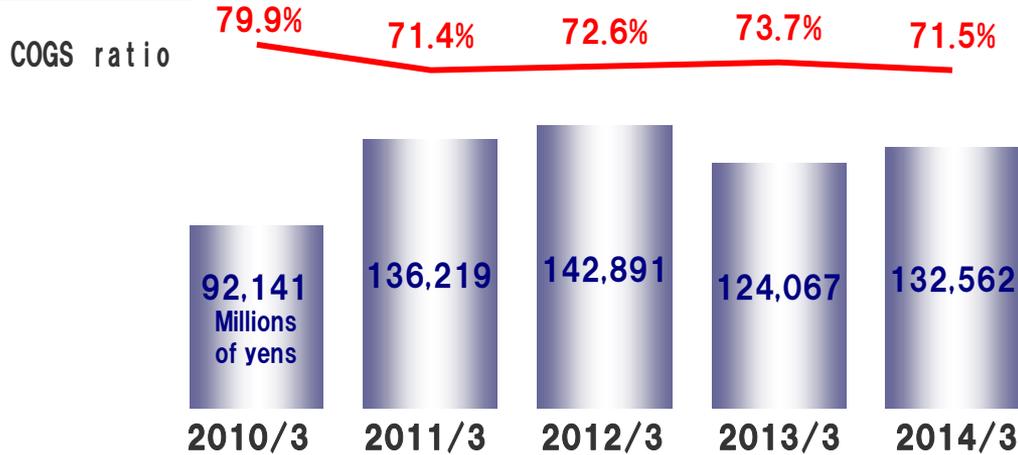
- Asia and Other
- Europe
- Americas
- Japan

8,628  
Individuals



# Trends in COGS and SG&A

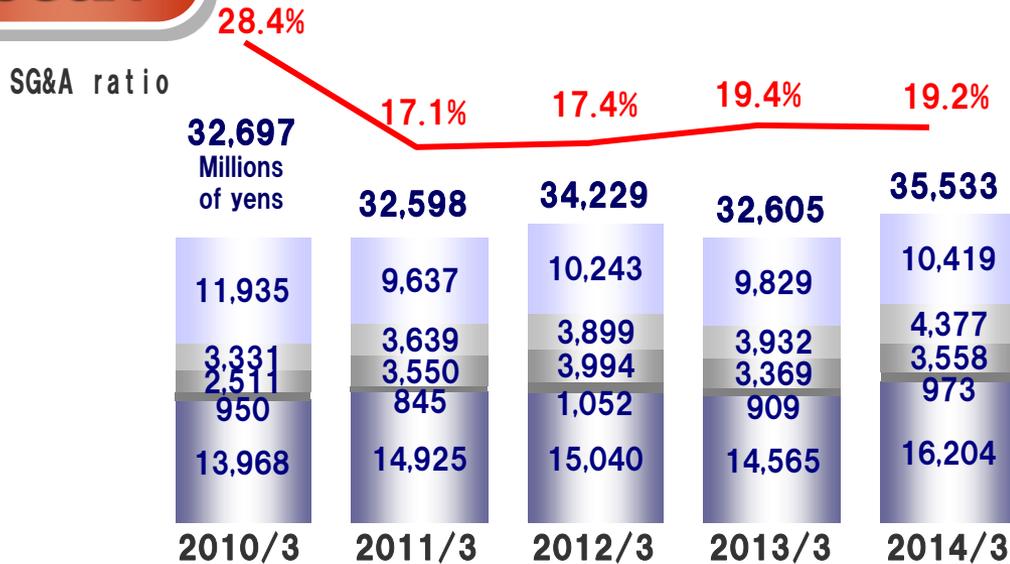
## COGS



Sales-cost ratio decreased by 2.2 points Y/Y

- Due to increased sales
- Down in variable cost ratio
- Effect of the yen's depreciation

## SG&A



Other | Y/Y : up ¥ 589 million, or 6.0%

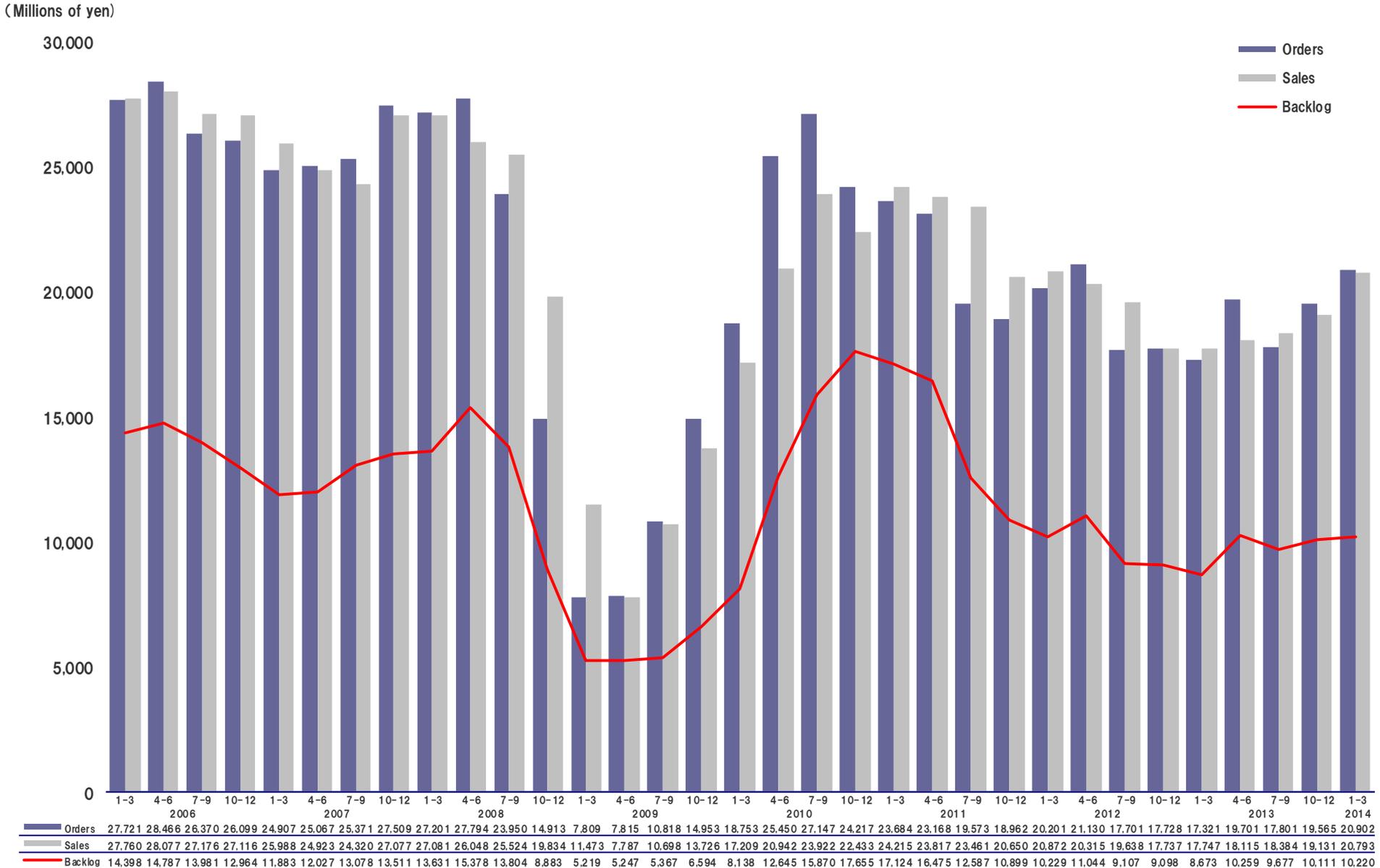
R&D | Y/Y : up ¥ 445 million, or 11.3%

Sales & Distribution Costs | Y/Y :  
up ¥ 189 million, or 5.6%

Depreciation and Amortization | Y/Y :  
up ¥ 63 million, or 6.9%

Personnel Costs | Y/Y : up ¥ 1,639 million, or 11.3%

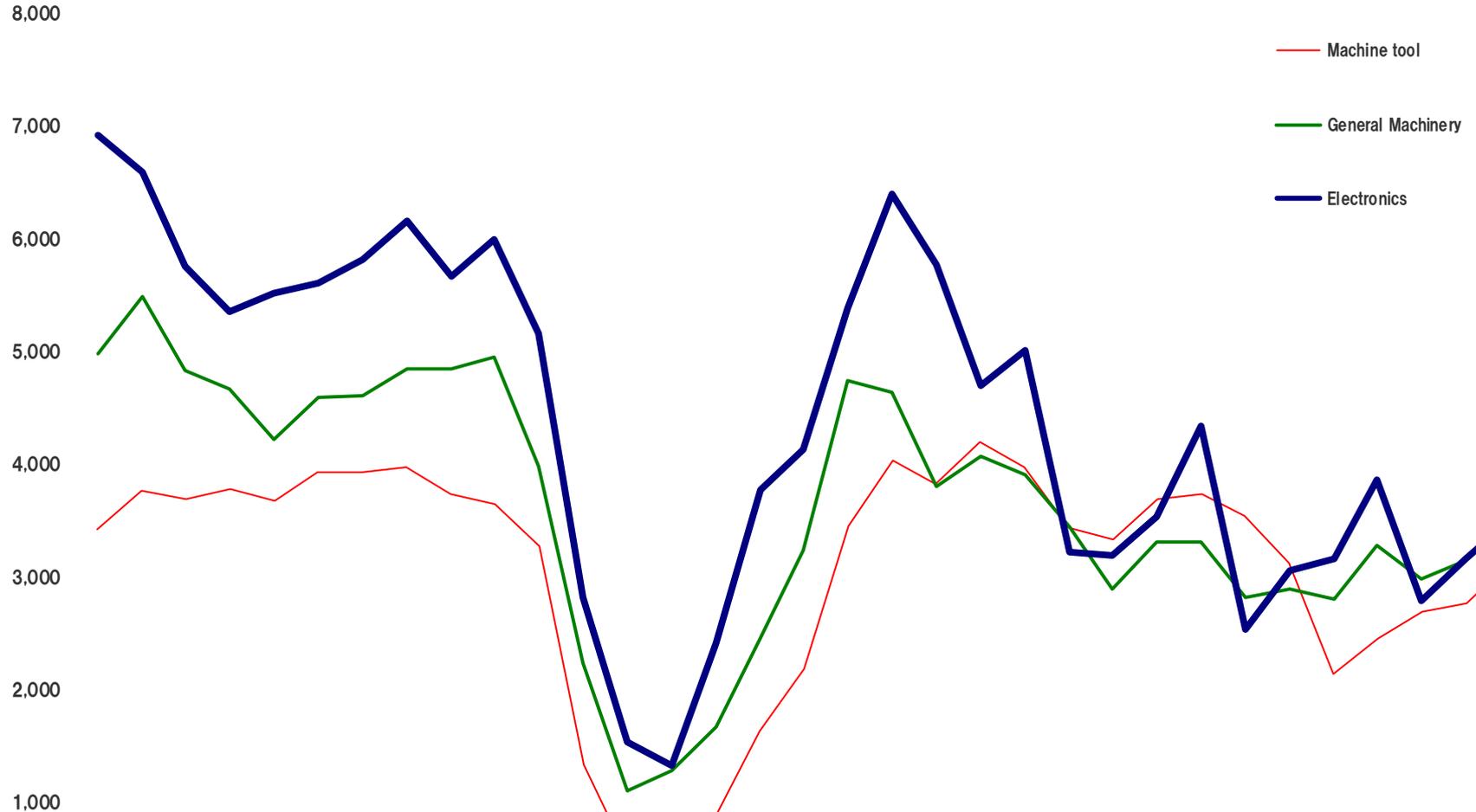
# Support Statement – Trends in orders, sales and backlog (domestic – unconsolidated) –



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



(Millions of yen)



	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	10-12	1-3	4-6	7-9	10-12	1-3
	2006				2007				2008				2009				2010				2011				2012				2013				2014
Machine tool	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	3,970	3,423	3,318	3,681	3,721	3,536	3,114	2,117	2,439	2,683	2,753	3,129
General Machinery	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	3,133	3,545
Electronics	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	3,146	3,492