



# INTERIM FINANCIAL RESULTS BRIEFING

**November 13<sup>rd</sup> 2015**

**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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# I. Financial Results for 1<sup>st</sup> Half of Fiscal 2015

## Net sales increased 5.6% year on year to 112.1 billion yen

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

- In Japan, demands for small machine tools and electronics-related products, which had been so far strong, decreased, and the domestic sales decreased compared with the same period of the previous year.
- In international markets, in the Americas, demands for general machines and transportation equipment were sound.  
In Europe, demands for machine tools and general machines showed a trend of recovery.  
In China, demands were favorable in a wide range of areas, mainly in machine tools.  
In addition, due to the continued depreciation of yen and other reasons, overseas sales increased, compared with the same period of the previous year.

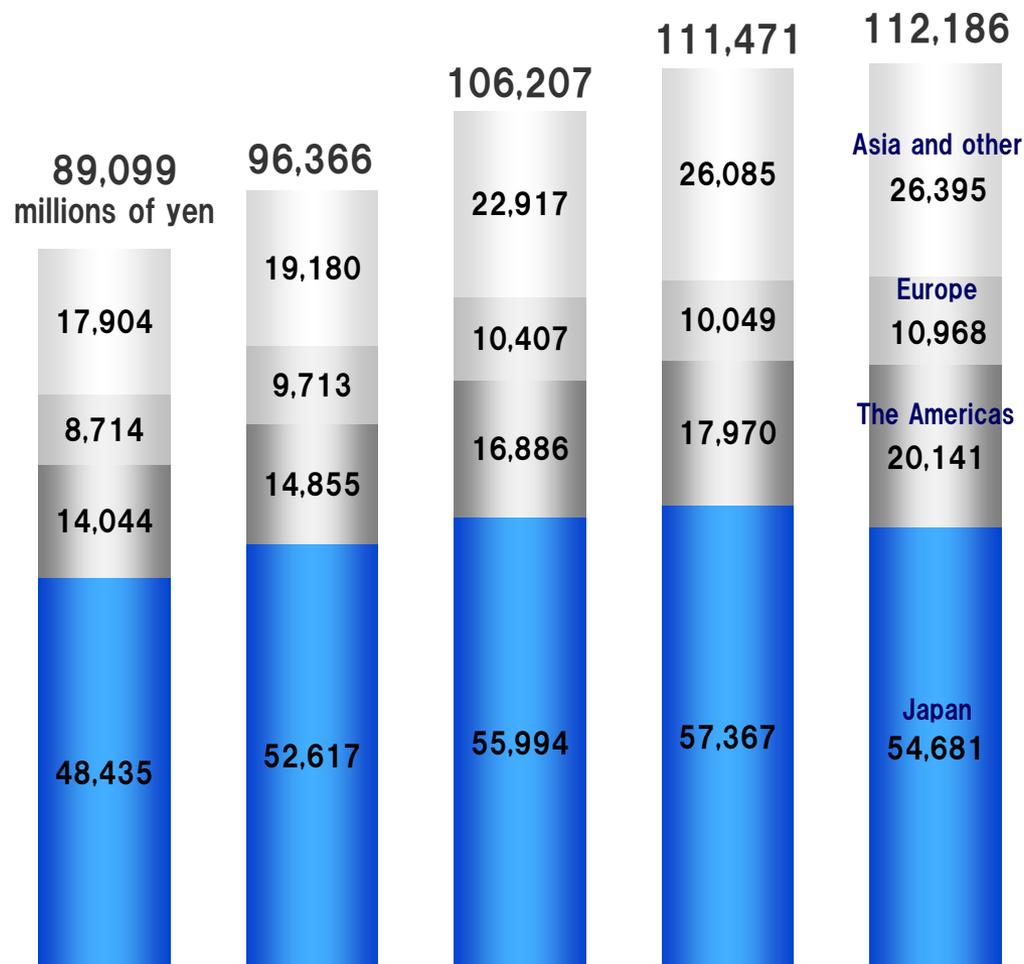
## Operating income decreased by 12.7% year on year to 12.4 billion yen

- Increase of fixed cost due to investments for the future growth

## Efforts to control the costs on a short-term basis, while executing measures for future growth

- With the weaker demands than forecast, both the sales and the operating income were lower than the plan. Under these circumstances, we strived for the control costs on a short-term basis, while implementing the measures to increase the topline for the future growth.

# Trend in Net Sales



**Asia and other | Y/Y Up 15.2%**

\*China ( Industrial Equipment) Up 18.9%  
 \*Taiwan Up 19.3%  
 \*Singapore Down 22.9%

**Europe | Y/Y Up 5.4%**

\*Machine tools Up 12.6%  
 \*General machinery Up 2.2%  
 \*Electronics Down 0.6%

**The Americas | Y/Y Up 19.3%**

\*Machine tools Down 16.0%  
 \*General machinery Up 30.0%  
 \*Electronics Up 3.2%

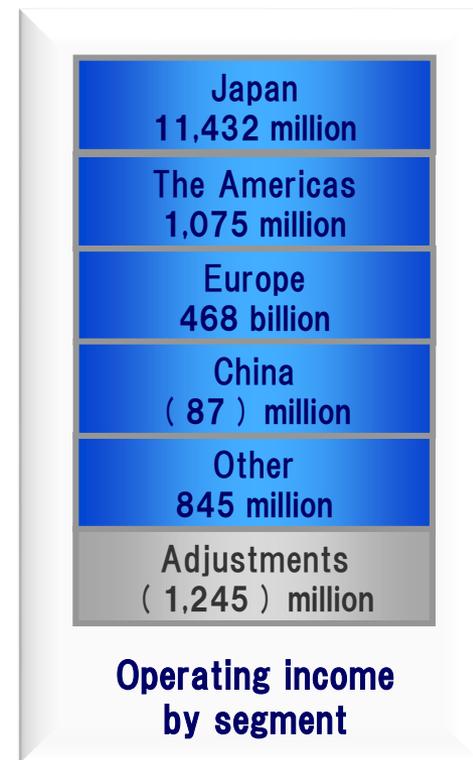
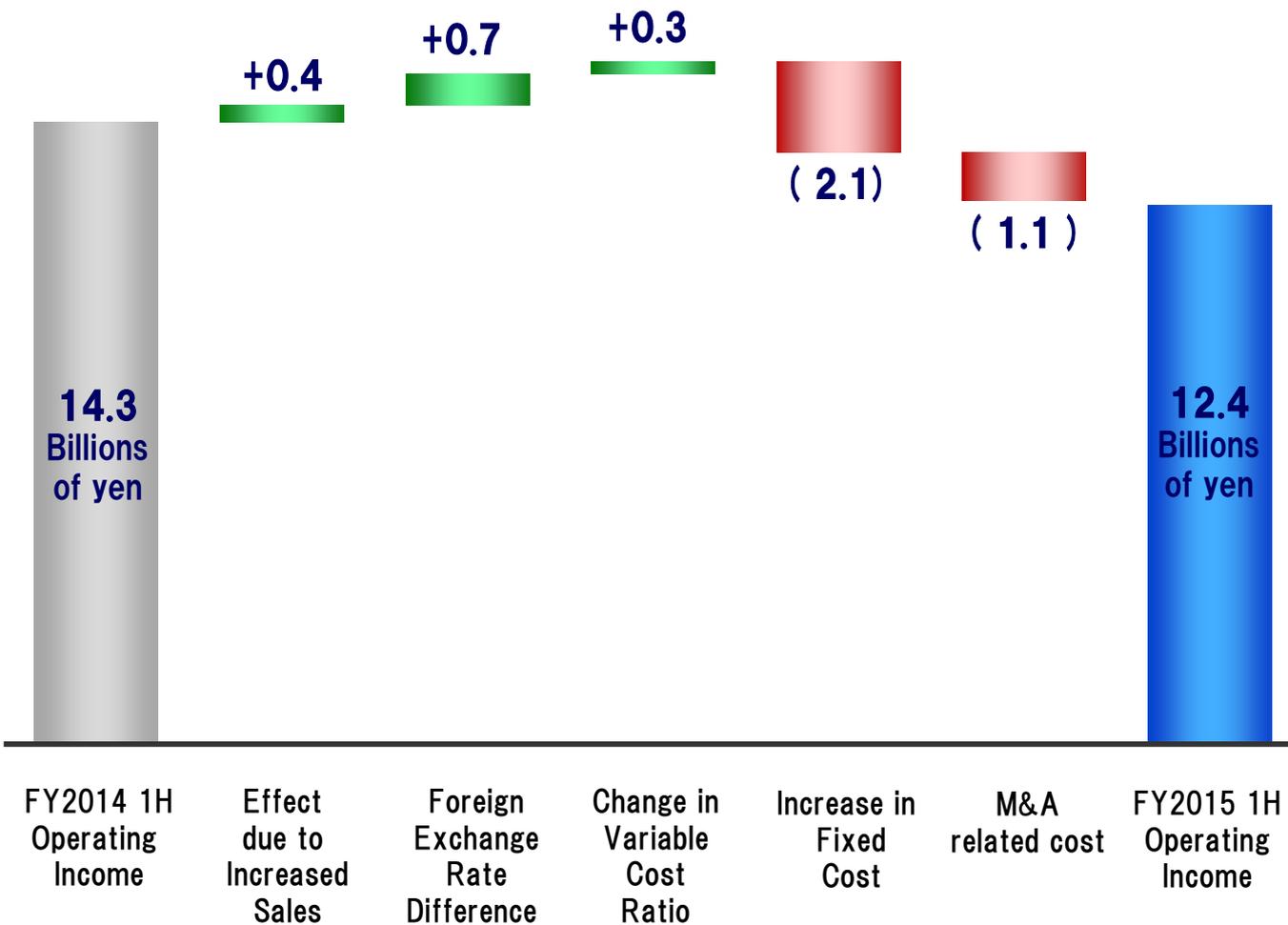
**Japan | Y/Y Down 2.3%**

\*Machine tools Down 7.4%  
 \*General machinery Up 1.3%  
 \*Electronics Down 7.6%

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

| Exchange rate | 1H 2014/3 | 2H 2014/3 | 1H 2015/3 | 2H 2015/3 | 1H 2016/3 |
|---------------|-----------|-----------|-----------|-----------|-----------|
| 1US\$         | 95.59     | 99.71     | 102.47    | 109.24    | 120.24    |
| 1EUR          | 125.50    | 133.88    | 140.43    | 140.43    | 134.17    |

# [Reference] Operating Income - Cause of Change -



# Assets, Liabilities and Net Assets

**Total Assets 410,695 millions of yen**  
Up ¥ 37,084 million from previous period

**Cash and Cash in Account | Y/Y :**  
Down ¥ 27,287 million

Cash Flows from Operating Activities :  
¥ 6,549 million

Cash Flows from Investing Activities :  
¥ ( 53,072 ) million

Cash Flows from Financing Activities :  
¥ 19,871 million

Foreign Currency Translation Adjustments on  
Cash and Cash Equivalents : ¥ ( 635 ) million

**Accounts Receivable | Y/Y : Up ¥ 10,439 million**

**Inventories | Y/Y : Up ¥ 8,052 million**

**Property, Plant and Equipment | Y/Y :**  
Up ¥ 10,557 million

■ CAPEX : ¥ 7,281 million  
■ Depreciation : ¥ 5,759 million

**Intangibles | Y/Y : Up ¥ 33,526 million**

Goodwill | Y/Y : Up ¥ 33,382 million

**Investments and Other | Y/Y :**  
Down ¥ 315 million

## Current Assets

253,729

Down ¥ 6,684 million  
from previous period

## Fixed Assets

156,966

Up ¥ 43,769 million  
from previous period

## Liabilities

155,671

Up ¥ 32,559 million  
from previous period

## Net Assets

255,024

Up ¥ 4,525 million  
from previous period

**Current Liabilities | Y/Y : Up ¥ 32,367 million**

■ Accounts Payable | Y/Y : Up ¥ 10,356 million

■ Short-term bank loans | Y/Y :  
Up ¥ 23,984 million

■ Income Taxes Payable | Y/Y :  
Down ¥ 3,606 million

**Long-term Liabilities | Y/Y : Up ¥ 192 million**

**Net income attributable to owners of the parent :**  
¥ 7,709 million

**Dividends paid : ¥ ( 3,792 ) million**

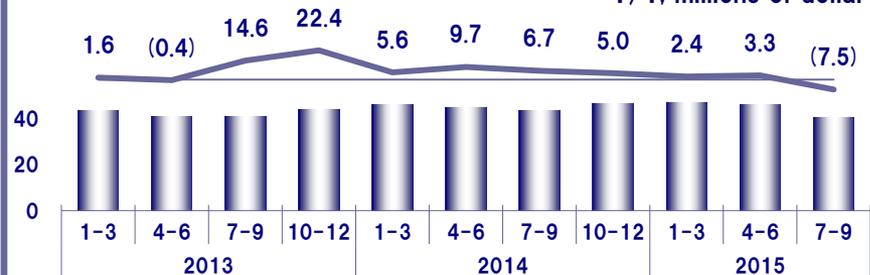
\* L&S business of TRW is consolidated only for the balance sheet in the second quarter of the financial year ending in March 31, 2016.

## II. Financial Forecast for Fiscal 2015

# Orders Received by Region

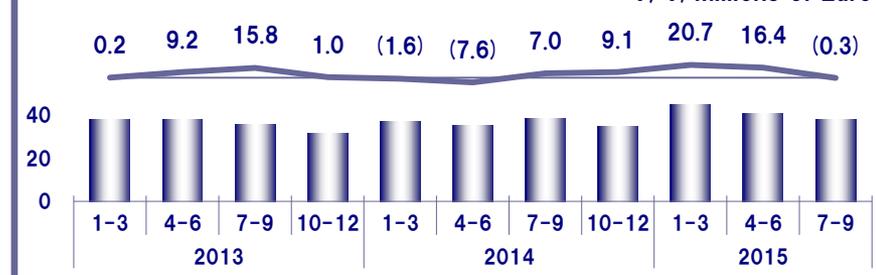
## THK Holdings of America

Y/Y, millions of dollar



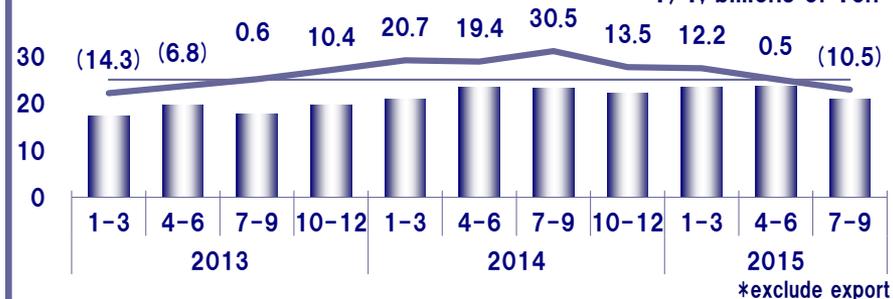
## THK Europe

Y/Y, millions of Euro



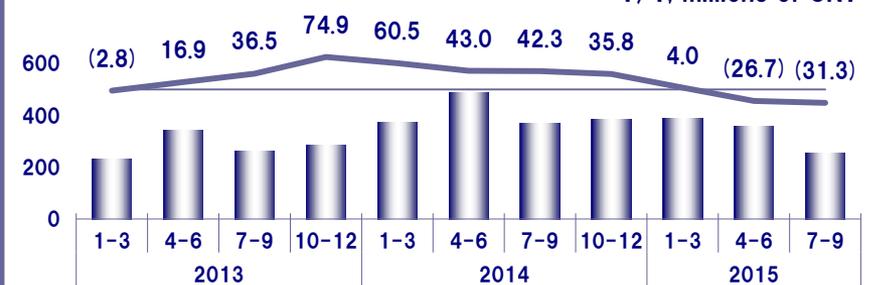
## THK (Domestic)

Y/Y, billions of Yen



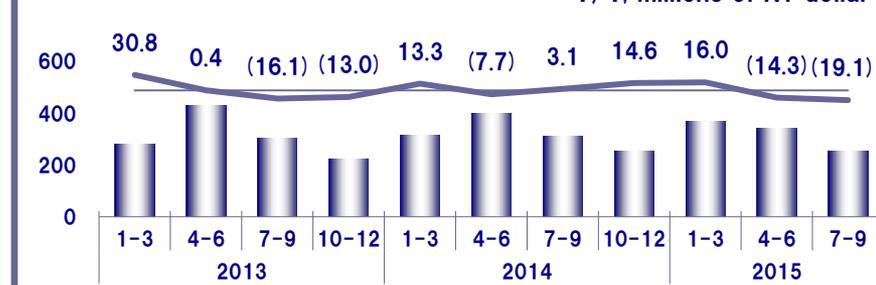
## THK (CHINA) + THK (SHANGHAI)

Y/Y, millions of CNY



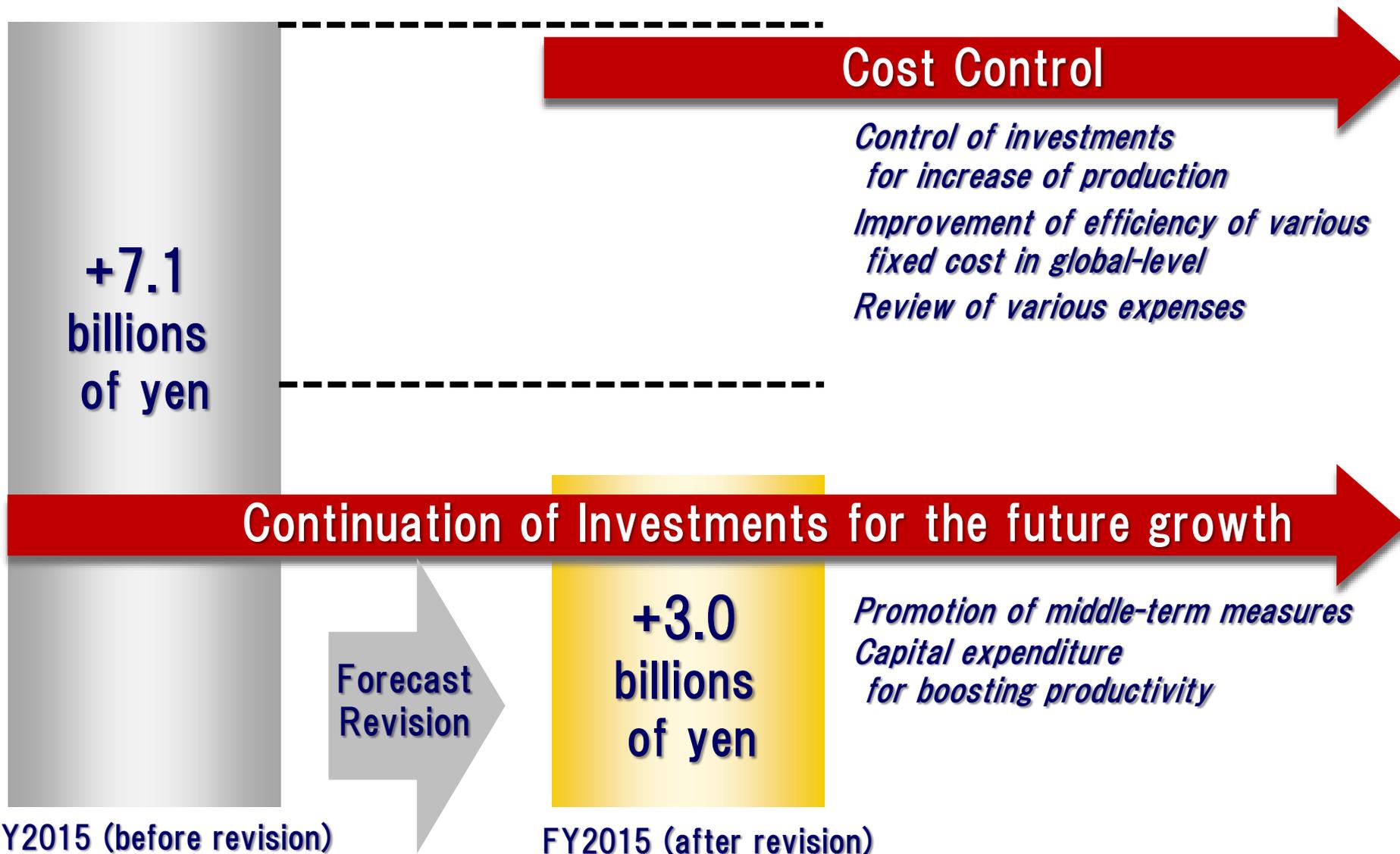
## THK TAIWAN

Y/Y, millions of NT dollar



# Short-Term Basis : Cost Control

## FY2015(E) Fixed Cost (Y/Y)



# Financial Forecast (Consolidated)



(Millions of yen)

|   | 2016/3                      |                    |                | 2015/3         |
|---|-----------------------------|--------------------|----------------|----------------|
|   | FY Revised<br>Nov. Forecast | FY May<br>Forecast | 1H Results     | FY Results     |
| Net Sales   | <b>215,000</b>              | <b>240,000</b>     | <b>112,186</b> | <b>217,678</b> |
| Y/Y   | <i>-1.2%</i>                | <i>+10.3%</i>      | <i>+5.6%</i>   | <i>+17.4%</i>  |
| Operating<br>Income                                   | <b>21,000</b>               | <b>32,000</b>      | <b>12,488</b>  | <b>28,388</b>  |
| Y/Y   | <i>-26.0%</i>               | <i>+12.7%</i>      | <i>-12.7%</i>  | <i>+63.4%</i>  |
| Ordinary<br>Income                                    | <b>19,600</b>               | <b>34,100</b>      | <b>11,694</b>  | <b>34,031</b>  |
| Y/Y   | <i>-42.4%</i>               | <i>+0.2%</i>       | <i>-24.4%</i>  | <i>+44.1%</i>  |
| Net income<br>attributable to<br>owners of the parent | <b>13,300</b>               | <b>23,100</b>      | <b>7,709</b>   | <b>22,705</b>  |
| Y/Y   | <i>-41.4%</i>               | <i>+1.7%</i>       | <i>-29.2%</i>  | <i>+45.6%</i>  |

\*Our Group took over the L&S business of TRW Automotive Inc. in Europe and North America on August 31, 2015. Its effects on the forecast of consolidated results of the period ending March 31, 2016 will be made public without delay upon determination.

# Financial Forecast (Unconsolidated)



The Mark of Linear Motion

(Millions of yen)

|                     | 2016/3                      |                    |               | 2015/3         |
|---------------------|-----------------------------|--------------------|---------------|----------------|
|                     | FY Revised<br>Nov. Forecast | FY May<br>Forecast | 1H Results    | FY Results     |
| Net Sales           | <b>120,300</b>              | <b>143,000</b>     | <b>64,333</b> | <b>132,786</b> |
| Y/Y                 | <i>-9.4%</i>                | <i>+7.7%</i>       | <i>+0.1%</i>  | <i>+18.7%</i>  |
| Domestic            | <b>85,000</b>               | <b>94,800</b>      | <b>44,100</b> | <b>90,081</b>  |
| Y/Y                 | <i>-5.6%</i>                | <i>+5.2%</i>       | <i>-1.4%</i>  | <i>+17.9%</i>  |
| Operating<br>Income | <b>15,700</b>               | <b>22,000</b>      | <b>9,350</b>  | <b>21,899</b>  |
| Y/Y                 | <i>-28.3%</i>               | <i>+0.5%</i>       | <i>-1.7%</i>  | <i>+58.6%</i>  |
| Ordinary<br>Income  | <b>16,500</b>               | <b>23,700</b>      | <b>9,363</b>  | <b>27,378</b>  |
| Y/Y                 | <i>-39.7%</i>               | <i>-13.4%</i>      | <i>-14.4%</i> | <i>+45.7%</i>  |
| Net Income          | <b>11,700</b>               | <b>16,400</b>      | <b>6,844</b>  | <b>17,585</b>  |
| Y/Y                 | <i>-33.5%</i>               | <i>-6.7%</i>       | <i>-5.9%</i>  | <i>+43.5%</i>  |

## III. About Our Strategy

## Full-Scale Globalization



## Development of New Business Areas



Two strategic axes for achievement of long-term management target

# Major Middle-Term Measures

## Improvement of Potential for Growth

*Re-establish sales strategy*  
-Enhancement of sales network  
-Strengthening of acquiring volume zone  
-Reinforcement of marketing/strategy functions



*Develop the consumer goods domain on a company-wide level*  
Expand sales for the newly developed products



*Expand sales for automotive parts*  
Expand sales for the newly developed products



# Cost Control on a Short-Term Basis

# Enhancement of Sales Network

**Europe**  
 Sales Bases 12  
 Production Bases 4  
 Development Bases 1

**Asia and other**  
 Sales Bases 59  
 Production Bases 12  
 Development Bases 1

**The Americas**  
 Sales Bases 9  
 Production Bases 7



**The most important area of enhancement of Sales Network**

|  |  |  |
|--|--|--|
| <p><b>India</b></p> <p>October 2015<br/>Delhi office opened</p> <p>Delhi office</p> <p>THK India Sales bases 5</p> | <p><b>China</b></p> <p>Sales bases 36<br/>Production bases 5<br/>Development bases 1</p> | <p><b>ASEAN</b></p> <p>Sales bases 2<br/>Production bases 3<br/>Sales networks</p> <p><b>ASEAN Customer Support</b><br/>                 Support Japanese companies to expand into local in Japanese<br/>                 Corresponding area: Singapore, Malaysia, Philippines, Thailand, Indonesia, Vietnam<br/>                 Scheduled to deploy in other countries in the future</p> |
|--|--|--|

● Sales Bases    
 ● Production Bases    
  Expand of Sales Network

# Enhancement of Sales Network

● Sales Bases  
● Production Bases

## India

October 2015  
Delhi office opened

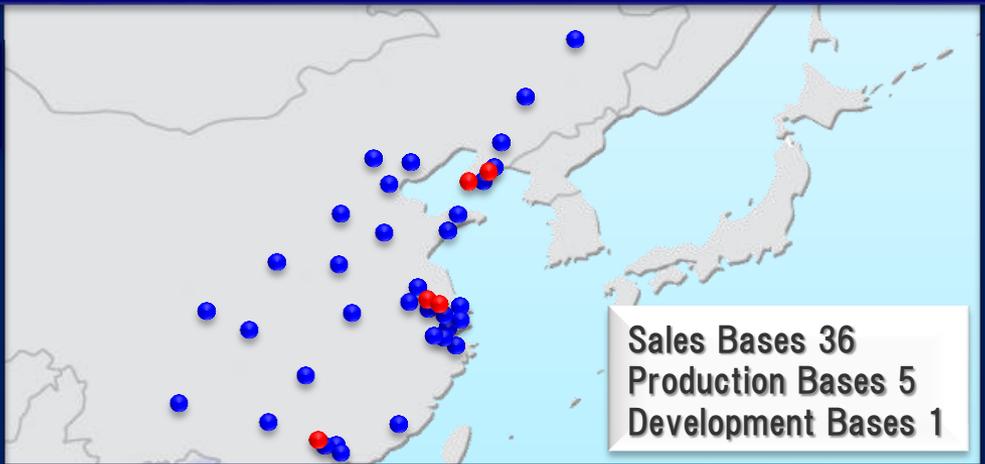


Delhi Office



THK India      Sales Bases 5

## China



Sales Bases 36  
 Production Bases 5  
 Development Bases 1

## ASEAN



Sales Bases 2  
 Production Bases 3

● Sales networks

**ASEAN Customer Support**

Support Japanese companies to expand into local in Japanese

Corresponding area: Singapore, Malaysia, Philippines, Thailand, Indonesia, Vietnam

Scheduled to deploy in other countries in the future

# Enhancement of the Global Manufacturing Structure



## Europe



## THK RHYTHM AUTOMOTIVE



## The Americas



**DALIAN THK Transfer & Expansion**  
Start of operation in February, 2015



## Asia and Other



**THK MANUFACTURING OF CHINA (CHANGZHOU)**  
Scheduled to start of operation in 2016

## China



# Aircraft

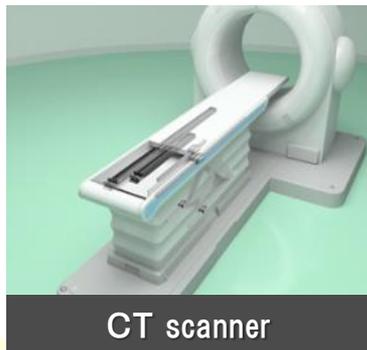


Control stick

Table sliding system

Reclining Seats

# Medical equipment



CT scanner

Surgical robot



Linear Motion Core Technology

# Robots



Support robot used in plant



Robot Hand



Support robot for disaster rescue

# Renewable Energy



Wind power generation

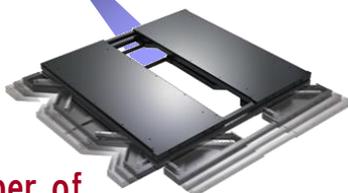
Hydroelectric generator

Solar light generators

# Develop the Consumer Goods Domain on a Company-wide Level : Seismic Isolation and Damping System



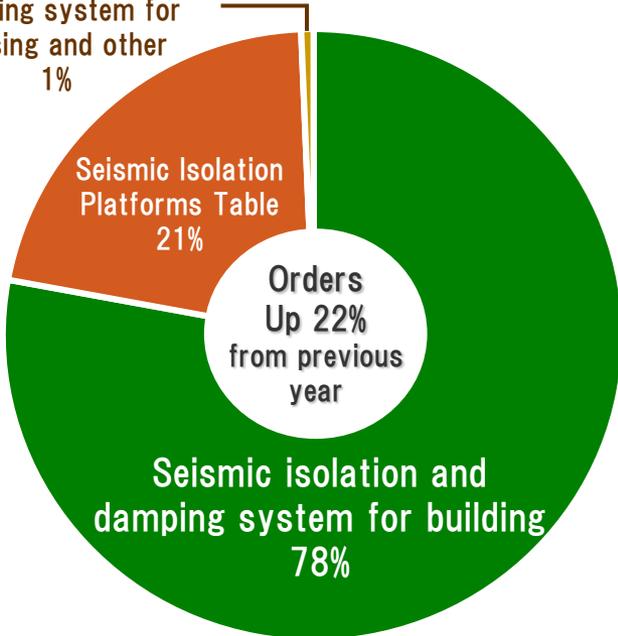
## Seismic Isolation Platforms Table



The number of adoption grows rapidly



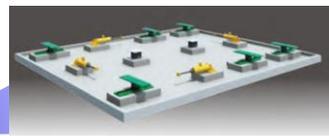
Seismic isolation and damping system for housing and other 1%



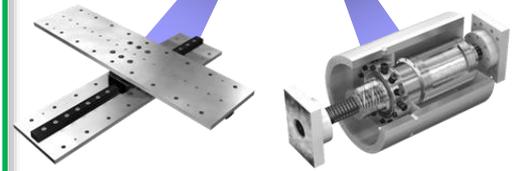
ACE Division Orders User Breakdown of FY2015 1H Seismic Isolation and Damping System

## 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

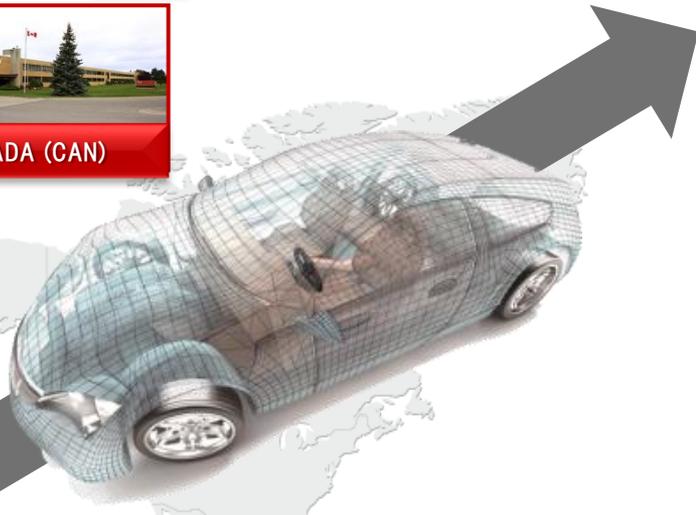
# Expansion of Sales of Automotive Parts



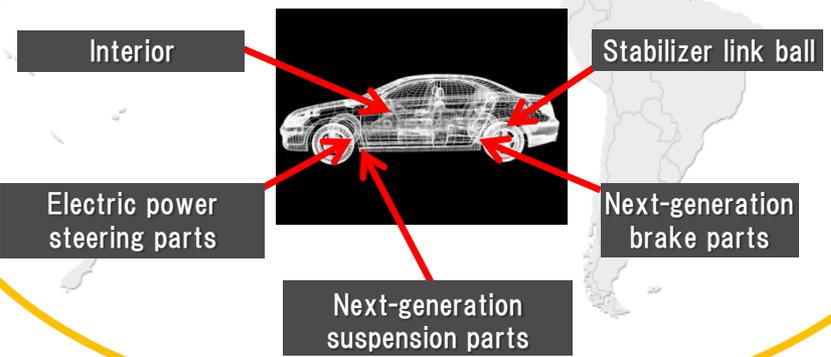
■ THK RHYTHM  
■ THK RHYTHM AUTOMOTIVE

Establishment of Global-Level Business Base

- Supply system
- Mass production technology
- Quality assurance system
- Development capabilities



## Acceleration of Development of New Products for Automobile



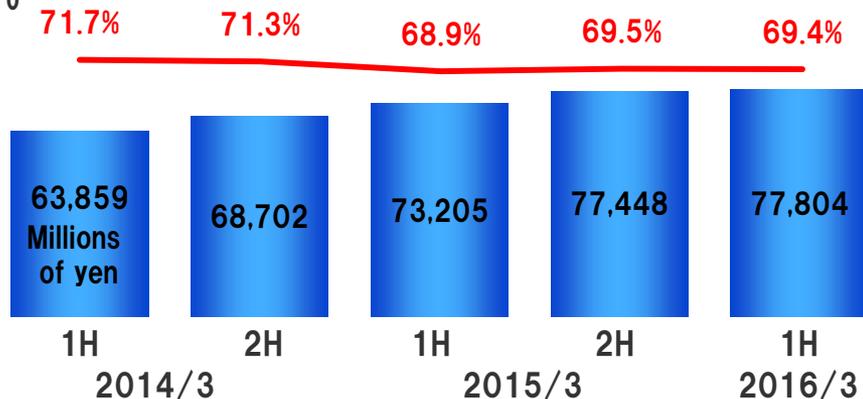
L&S Products

## Development of New Products for Automobile

# Trends in COGS and SG&A

## COGS

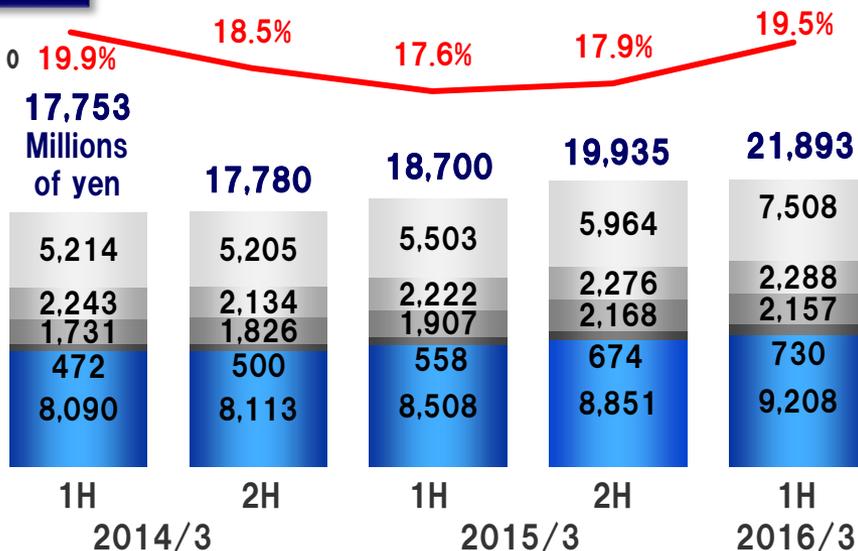
COGS ratio



Sales-cost ratio increased by 0.5 points Y/Y  
 - Increase of fixed cost due to investments for the future growth

## SG&A

SG&A ratio



Other | Y/Y : up ¥ 2,005 million, or 36.4%

R&D | Y/Y : up ¥ 66 million, or 3.0%

Sales & Distribution Costs | Y/Y :  
 up ¥ 249 million, or 13.1%

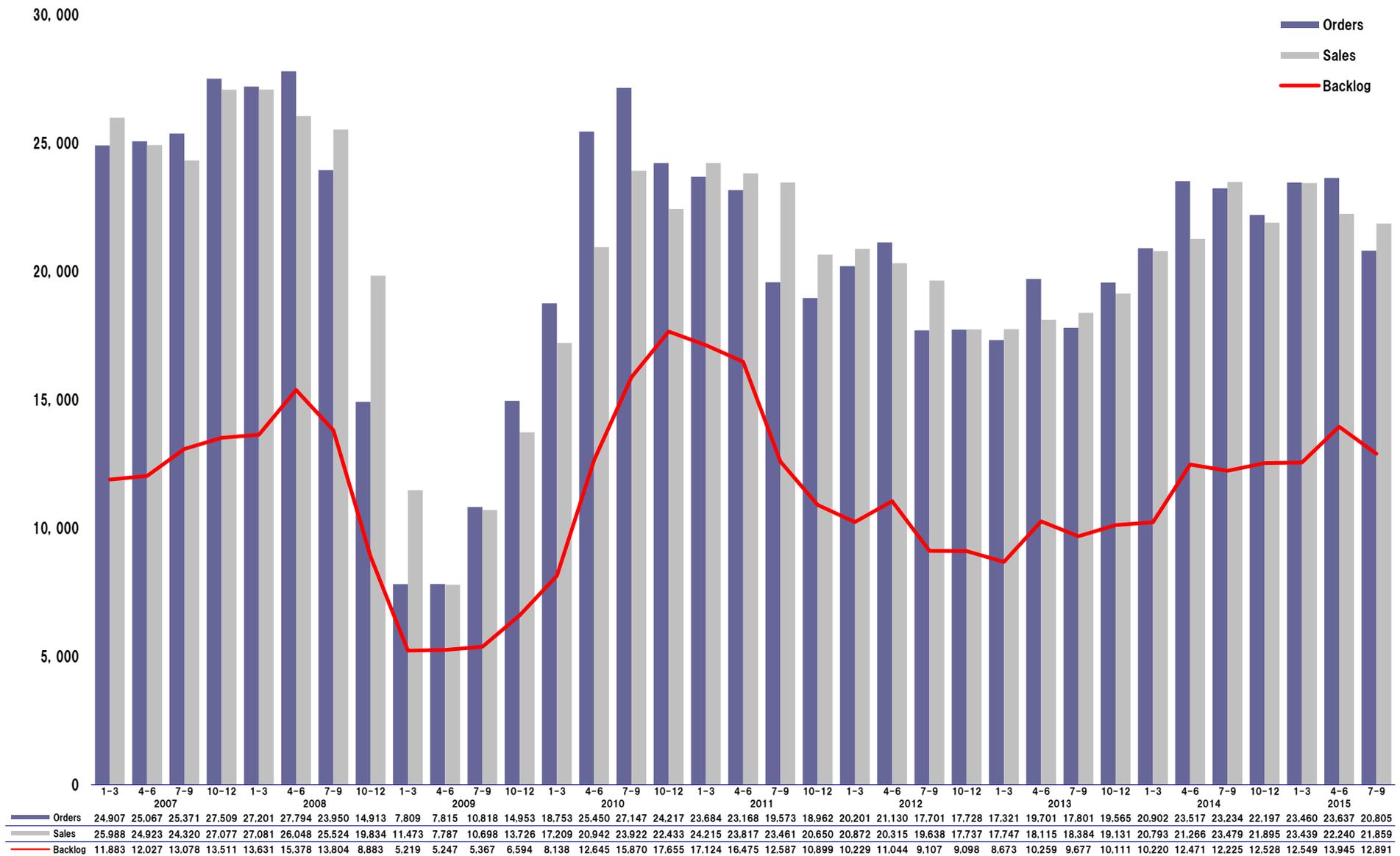
Depreciation and Amortization | Y/Y :  
 up ¥ 171 million, or 30.7%

Personnel Costs | Y/Y : up ¥ 700 million, or 8.2%

# Support Statement - Trends in Orders, Sales and Backlog (Domestic - Unconsolidated) -



(Millions of yen)



# Support Statement - Trends in Orders Classified by Industry (Unconsolidated) -

(Millions of yen)

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   |       |       |       |       |       |       |       |       |
|--|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| <span style="color: red;">—</span> Machine tool        | 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 | 4,004 | 4,188 | 4,160 | 4,370 | 4,339 | 3,014 |
| <span style="color: green;">—</span> General Machinery | 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 | 3,908 | 3,398 | 3,466 | 3,813 | 4,183 | 3,561 |
| <span style="color: blue;">—</span> Electronics        | 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 | 4,446 | 4,547 | 4,177 | 3,779 | 3,628 | 2,896 |