

# **FINANCIAL RESULTS BRIEFING FOR FISCAL 2015**

**May 13<sup>rd</sup> 2016**

**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 Fiscal 2015**

Net sales increased by 10.5% year on year to 240.4 billion yen

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

- In Japan, demand of machine tool in general such as small machine tools for smartphones, which were strong in the first half, declined in summer. In addition to them, demand remained at a low level in general in the second half, and the domestic sales fell from the previous business year.
- Overseas, against a backdrop of slowdown of economic growth, demand generally declined in China. In the Americas, demand for general machinery, transportation equipment, etc. remained firm, while in Europe, there was a sign of recovery in demand for machine tools, etc. In addition, as a result of including four TRA companies in the Americas and Europe for consolidated accounting, the overseas sales grew year-on-year.

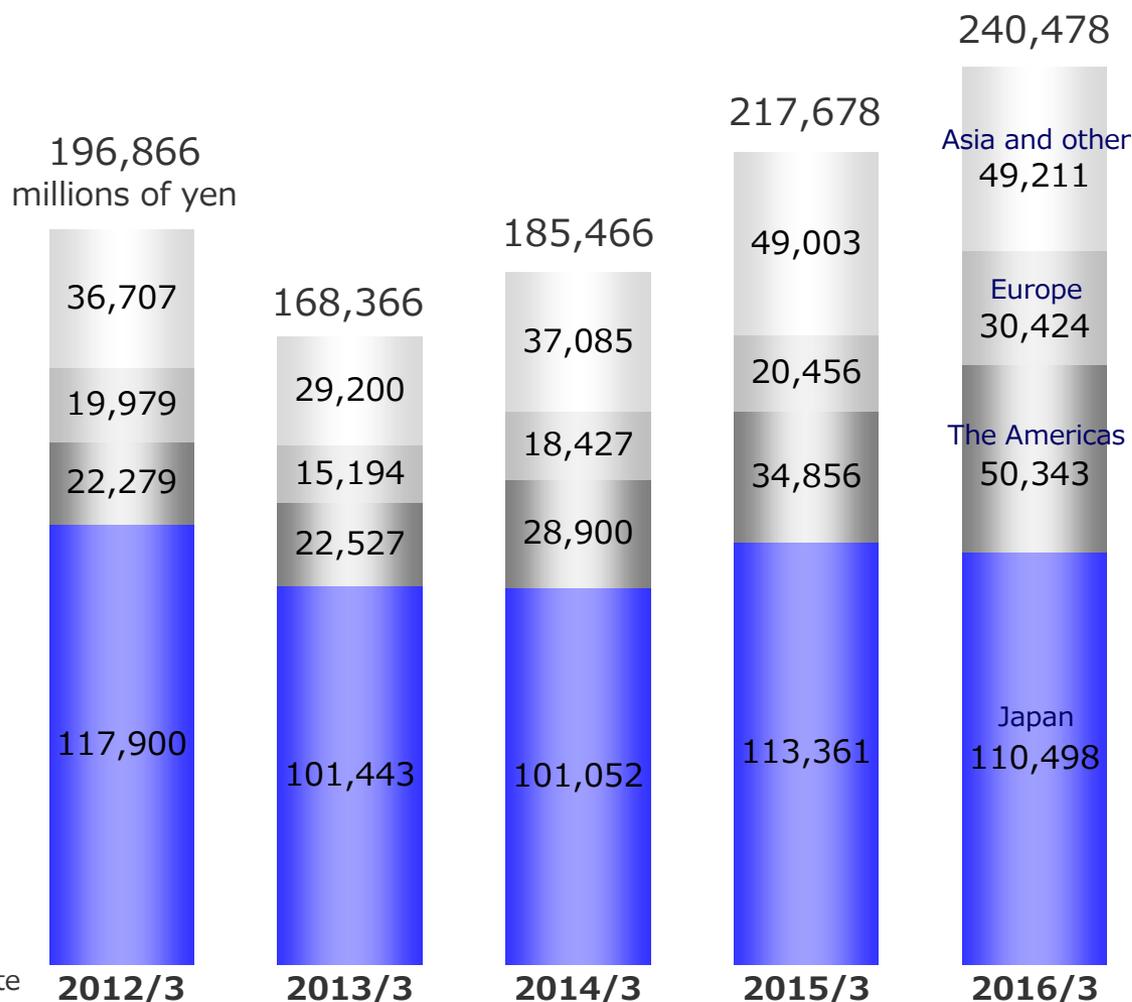
Operating income decreased by 18.4% year on year to 23.1 billion yen

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

Cost control was implemented in the short term, while executing measures for future growth

- With the weaker demands than initial forecast, both the sales and the operating income were lower than the plan. Under these circumstances, cost control was implemented in the short term, while implementing the measures to increase the topline for the future growth.
- As a result, we could link the increase in sales against the revised plan announced in November to the increase in operating income.

# Trend in Net Sales



Asia and other | Y/Y Up 0.4%

\*China (Industrial Equipment) Down 2.1%  
 \*Taiwan Up 4.1%  
 \*Singapore Down 31.4%

Europe | Y/Y Up 48.7%

\*Machine tools Up 12.7%  
 \*General machinery Down 1.7%  
 \*Electronics Down 1.9%

The Americas | Y/Y Up 44.4%

\*Machine tools Down 22.7%  
 \*General machinery Up 16.5%  
 \*Electronics Up 6.2%

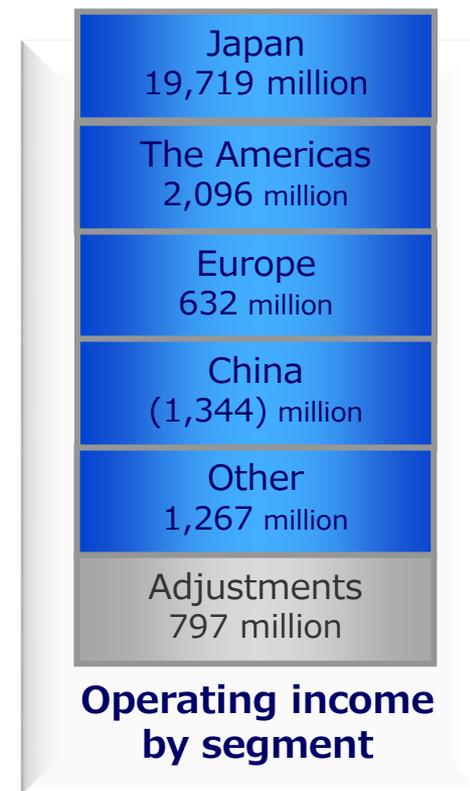
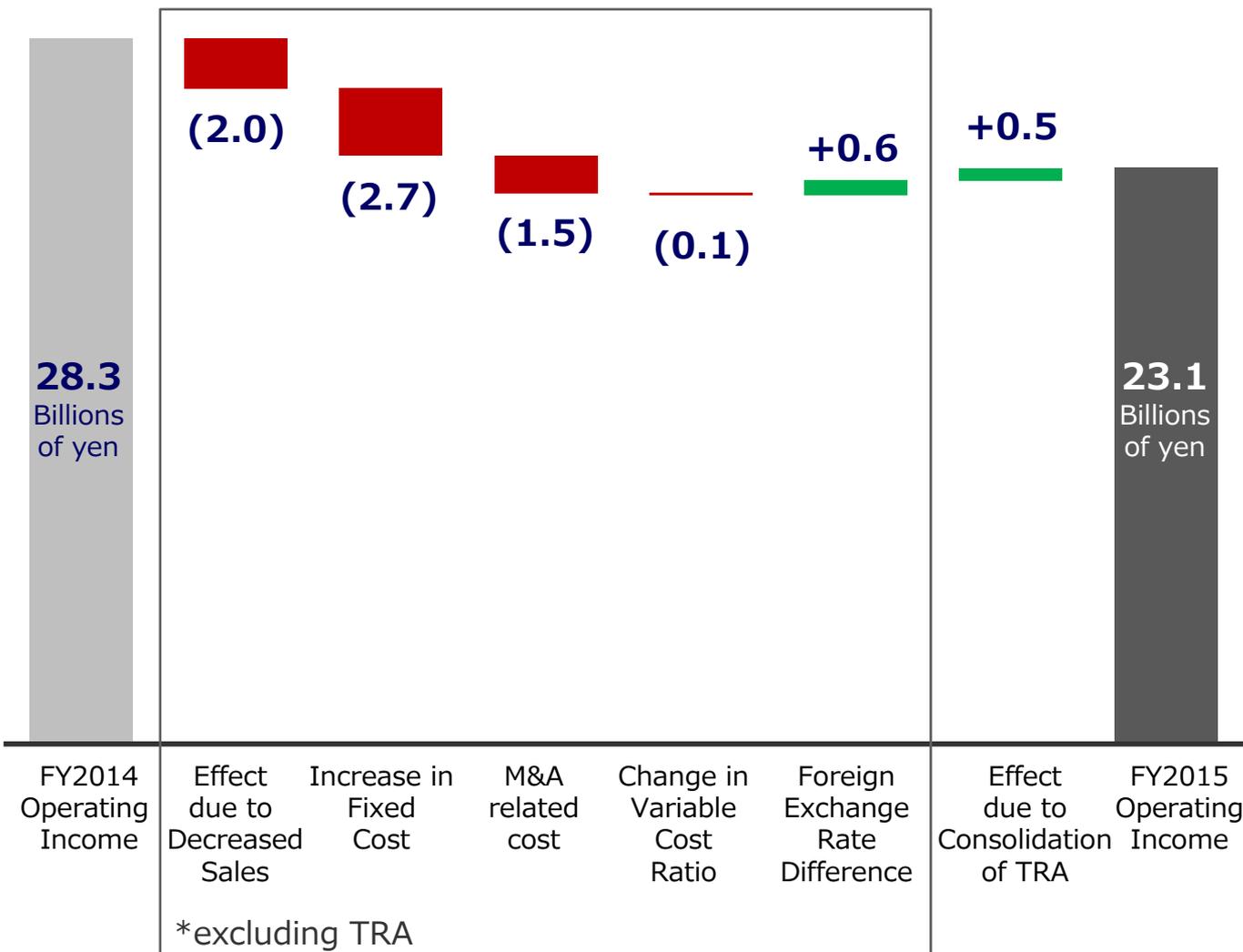
Japan | Y/Y Down 2.5%

\*Machine tools Down 17.6%  
 \*General machinery Up 2.3%  
 \*Electronics Down 13.0%

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

Exchange rate	2012/3	2013/3	2014/3	2015/3	2016/3
1US\$	79.84	79.83	97.65	105.86	121.05
1EUR	111.11	102.63	129.69	140.43	134.32

# [Reference] Operating Income - Cause of Change -



# Assets, Liabilities and Net Assets

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

**Down ¥ 28,275 million**

- Cash Flows from Operating Activities :  
¥ 19,753 million
- Cash Flows from Investing Activities :  
¥ ( 62,685 ) million
- Cash Flows from Financing Activities :  
¥ 19,252 million
- Foreign Currency Translation Adjustments  
on Cash and Cash Equivalents :  
¥ (4,596) million

## Accounts Receivable | Y/Y :

**Up ¥ 8,050 million**

- Number of months' sales receivables :  
Previous period : 3.5 months  
This period : 3.6 months

## Inventories | Y/Y :

**Up ¥ 6,267 million**

- Number of months' sales in inventory :  
Previous period : 1.8 months  
This period : 2.0 months

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

**Up ¥ 11,695 million**

- CAPEX : ¥ 22,500 million
- Depreciation : ¥ 12,611 million

## Intangibles | Y/Y :

**Up ¥ 32,066 million**

- Goodwill | Y/Y : ¥ 12,200 million

## Investments and Other | Y/Y :

**Up ¥ 1,990 million**

**Total Assets**  
**407,808 millions of yen**  
**Up ¥ 34,197 million**  
**from previous period**

## Current Assets

**248,858**

**Down ¥ 11,555 million**  
**from previous period**

## Liabilities

**157,268**

**Up ¥ 34,156 million**  
**from previous period**

## Net Assets

**250,540**

**Up ¥ 41 million from**  
**previous period**

## Fixed Assets

**158,950**

**Up ¥ 45,753 million**  
**from previous period**

## Current Liabilities | Y/Y :

**Down ¥ 598 million**

- Accounts Payable | Y/Y :  
Up ¥ 7,119 million  
Number of months' notes payable  
Previous period : 1.6 months  
This period : 1.8 months
- Income Taxes Payable | Y/Y :  
Down ¥ 6,607 million
- Current Portion of Long-Term Bonds  
| Y/Y : Down ¥ 7,000 million
- Short-term bank loans | Y/Y :  
Up ¥ 2,237 million

## Long-term Liabilities | Y/Y :

**Up ¥ 34,755 million**

- Bonds | Y/Y :  
Up ¥ 10,000 million
- Long-Term Bank Loans | Y/Y :  
Up ¥ 20,280 million

**Net Income Attributable**  
**to Owners of the Parent**  
**¥ 13,575 million**

**Foreign Currency**  
**Translation Adjustments | Y/Y:**  
**Down ¥ 5,181 million**

**Dividends Paid : ¥ ( 6,953 ) million**

## **Ⅱ. About Medium-Term Management Plan (FY14-16)**

## Gap with Assumptions

### Positive Factor

Make TRA (automotive parts)  
a member of our corporate group

### Negative Factor

Global economic growth rate slowed down  
(Assumptions:3.8% Results:3.2%)

\*Results are average from 2014 to 2015 based on IMF



## In-house review of Medium-Term Management Plan is now in place

The progress in IoT helps expand business opportunities, but due to unclear external environments, only the growth strategy and relevant measures will be disclosed.

# Review of Medium-Term Management Plan (FY14-16)

## Re-establish sales strategy

**Progress on the measures is generally good**

<Enhancement of sales network>



The total of agencies in China are steadily increased

<Strengthening of acquiring volume zone>



The sales of products for volume zone in China are steadily increased

<Reinforcement of marketing function>



Preparations for future sales expansion are completed

## New Business Areas

**Seeds for the future are steadily planted**

**Grown-up fields**

Medical equipment

Seismic isolation systems

**Future growth fields**

Aircraft

Energy

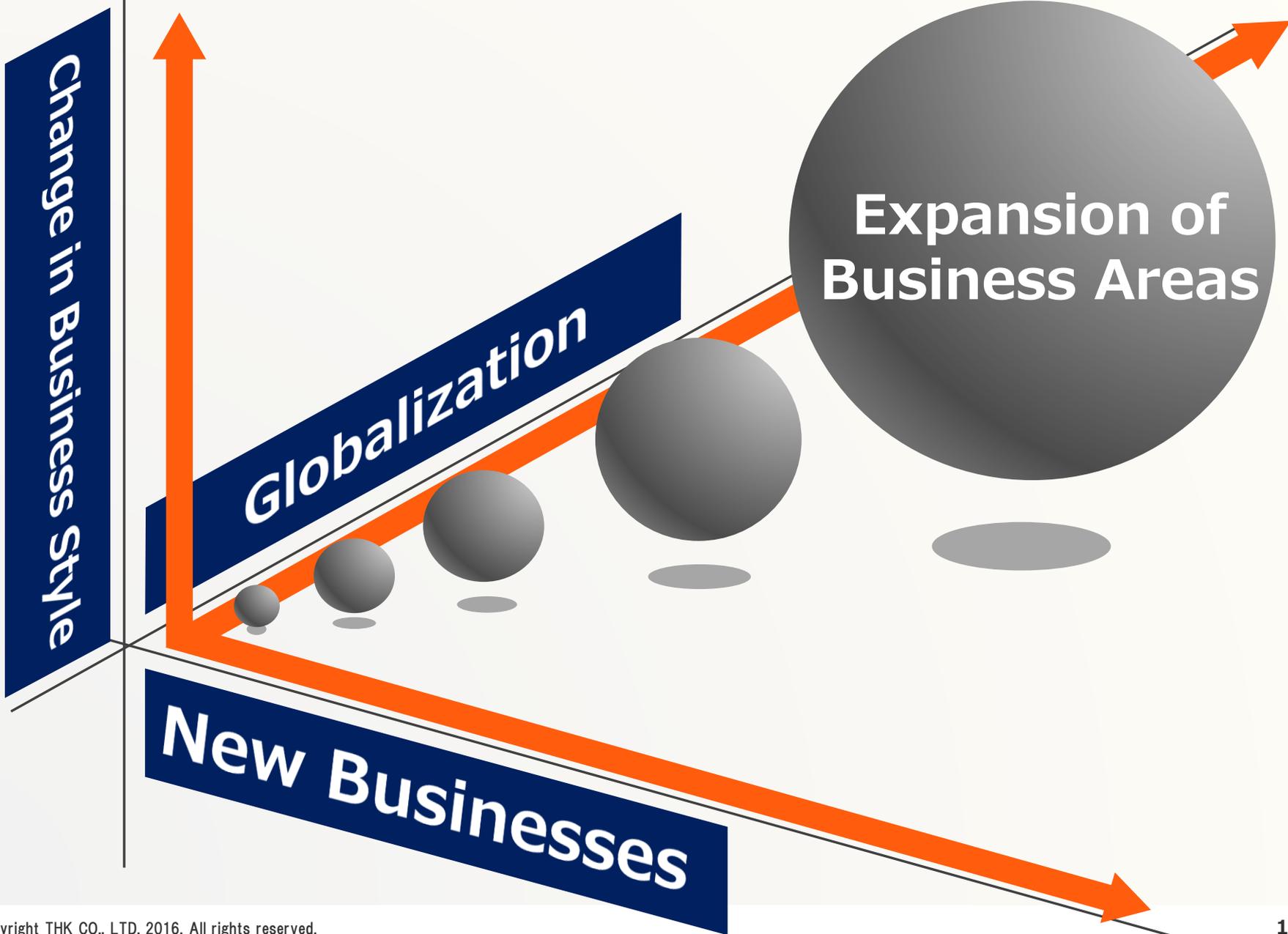
## Automotive Parts

**Implement M&A expansion and open new factories for business expansion**

Make TRA Linkage & Suspension Business a member of our corporate group

Start full operation of THK RHYTHM MEXICANA (Changing to black in FY2016)

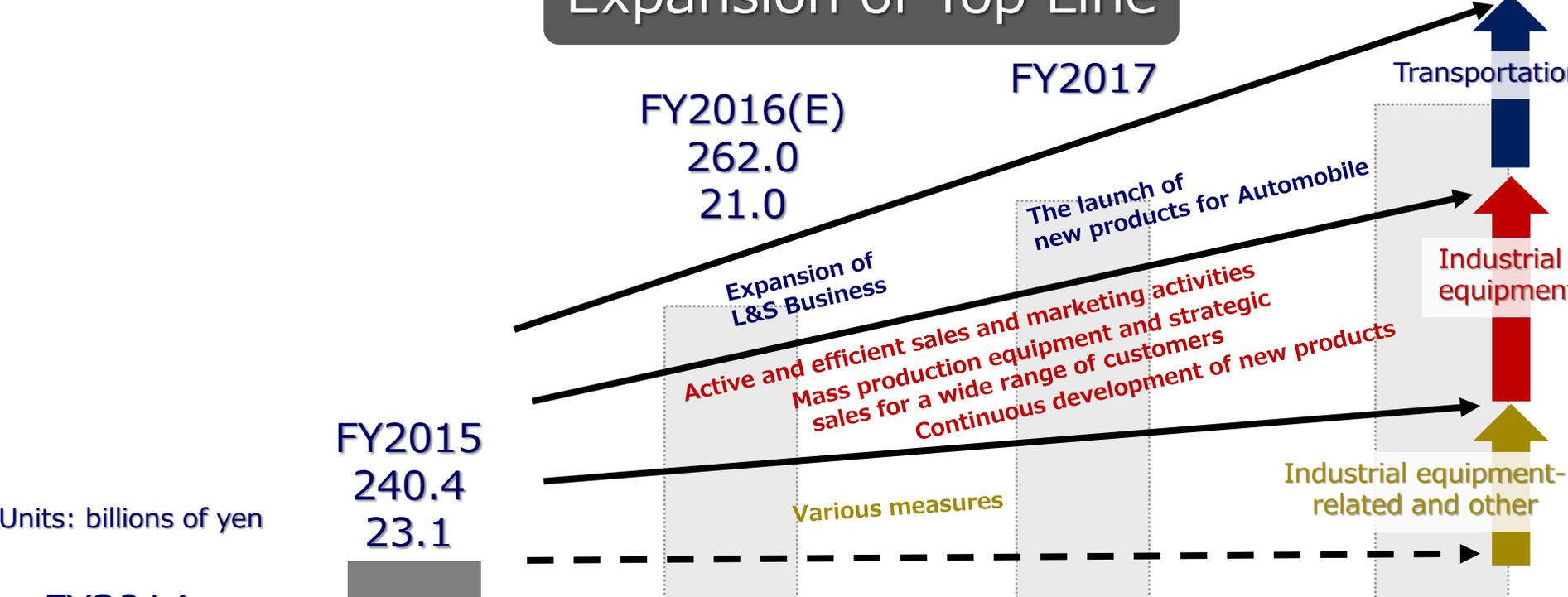
# III. About Future Measures



# Future Major Measures



## Expansion of Top Line



## Strengthening of Bottom Line

- |   |                                  |                               |
|---|----------------------------------|-------------------------------|
| <b>&lt;Industrial equipment-related and other&gt;</b> |                                  | <b>&lt;Transportation&gt;</b> |
| 1. Robotization and automation                        | 3. Reduction of various costs    | 1. Mutual use of factories    |
| 2. Visualization of global production                 | 4. Strategy on fair sales prices | 2. Shared purchase            |
|   |                                  | 3. Integration of products    |

**Improve management efficiency via organizational restructuring**  
**Create a system to develop human resource assets**

# Measures of Industrial Equipment

## Expansion of Top Line

Before

Future

Preparations for hardware and software sides

Visualization of markets and customers

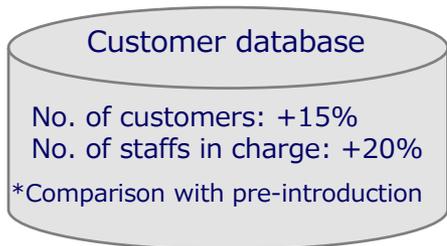
Harvest results of various measures

Enhancement of sales network



Establishment of the global manufacturing structure

Installation of Marketing Tool



Existing products

New Products

Mass production machine      A wide range of customers

*including products for volume zone	
+6.0	+10.0
+4.0	+10.0

Amount of mid-term sales increase (billions of yen)

<Major policy>

- Active and efficient sales and marketing activities
- The use of marketing tools
- The creation of various sales channels
- The continuous development of new products for a wide range of customers in FA markets

## Strengthening of Bottom Line

<Major policy>

1. Improve productivity by robotization and automation
2. Visualization of global production
3. Reduce various costs such as material costs and outsourcing processing costs
4. Strategy on fair sales prices (through visualization of markets)



- Reduce the labor cost ratio through improvement productivity by capital expenditure
- Reduce of variable cost ratio by enhancement efficiency of fixed costs
- Improve of the marginal profit ratio

# Measures of Transportation Equipment

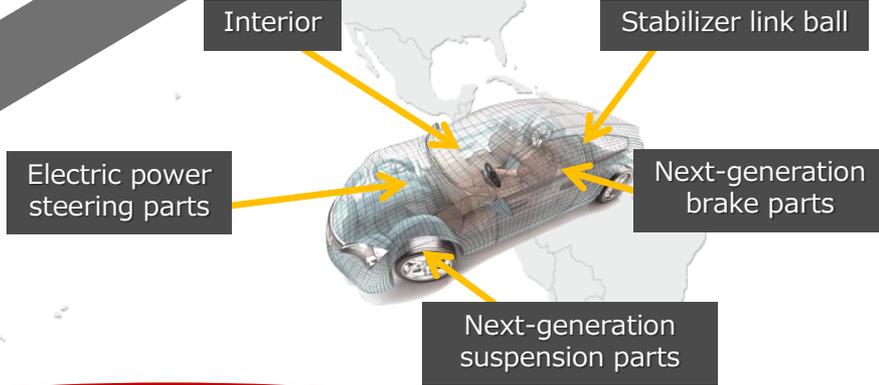
## Expansion of L&S Business

Establishment of Global-level Business Base

THK RHYTHM  
THK RHYTHM AUTOMOTIVE



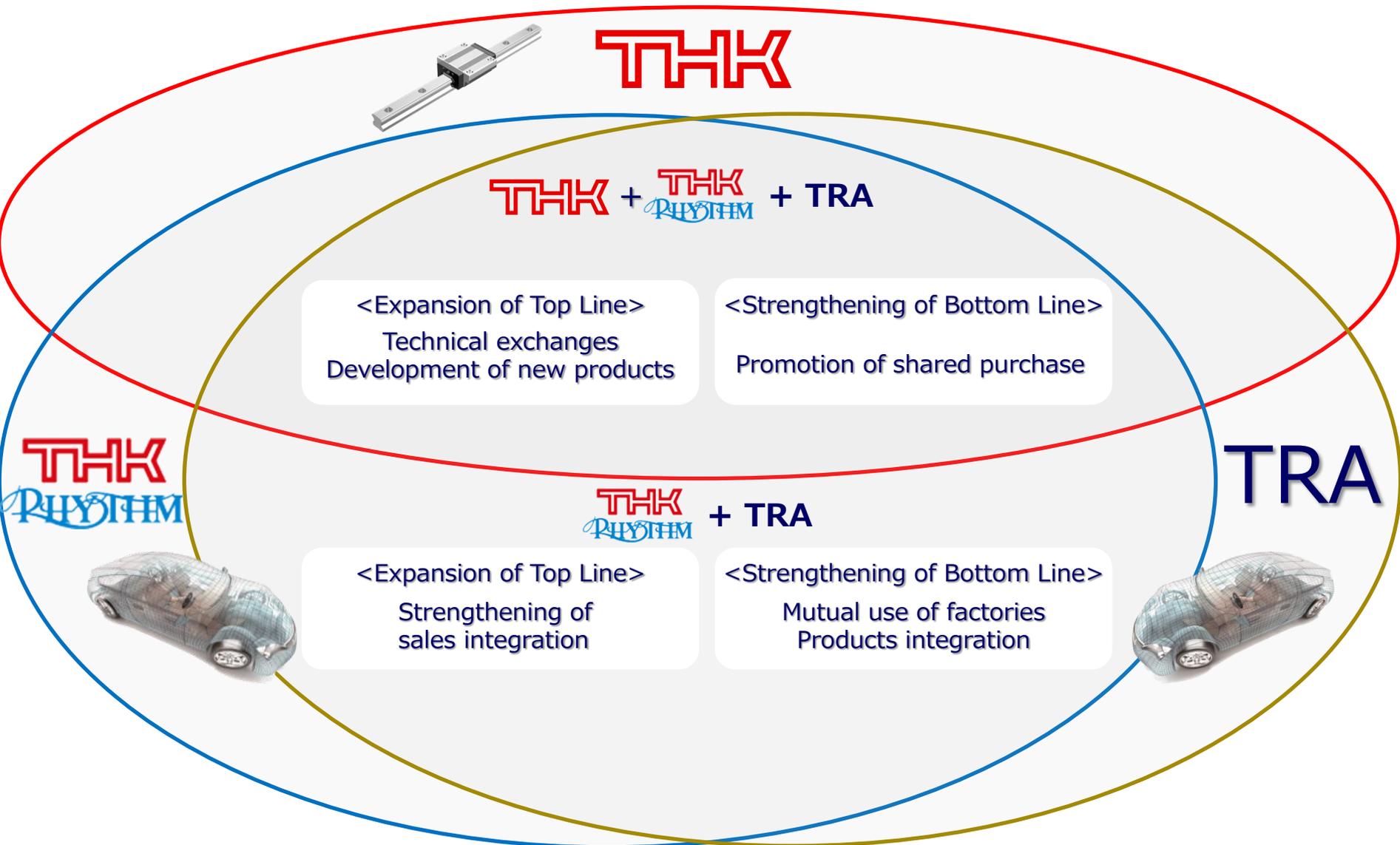
### New Products for Automobile



## Development of new linear motion products (2018) Start capital investment in 2016

### Development of New Products for Automobile

# Future Synergy of Transportation Equipment



# IV. Topics

## THK Chubu Technical Support

**March 7, 2016**   **Opened in Toyota Branch**

Display two-arm humanoid robot "NEXTAGE®"

Provide technical support, test and sales with one-stop service



Showroom



Robot exhibition hall



Seismic Isolation System

# Enhancement of the Global Manufacturing Structure



Overseas production bases  
23 bases



**Europe**  
Sales: 12  
R&D:



**The Americas**  
Sales: 9

**THK CHANGZHOU**  
Scheduled to start of operation in 2016

**Asia and other**  
Sales: 56  
R&D:

**Japan**  
Sales: 47  
R&D:

**Group Headquarters**



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



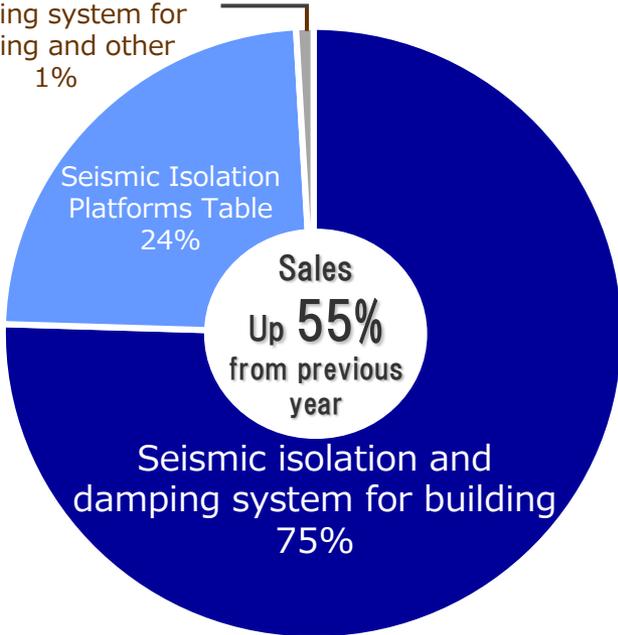
## Seismic Isolation Platforms Table



The number of adoption grows rapidly



Seismic isolation and damping system for housing and other 1%



## ACE Division Sales Breakdown of FY2015 Seismic Isolation and Damping System

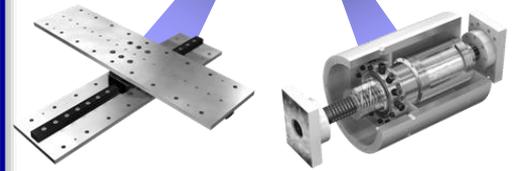
### Seismic Isolation and Damping for House



Being adopted by a steadily increasing number of buildings



## Seismic Isolation and Damping for Building



Higher damping performance compared with previous products

## Aircraft



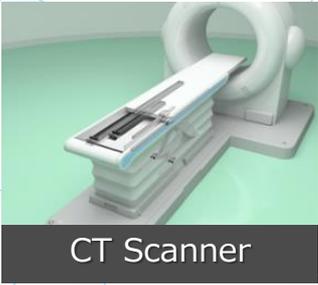
Control Stick

Table Sliding System



Reclining Seats

## Medical Equipment



CT Scanner

Surgical Robot

## Robots



Support Robot used in Plant



Robot Hand



Support Robot for Disaster Rescue

## Renewable Energy



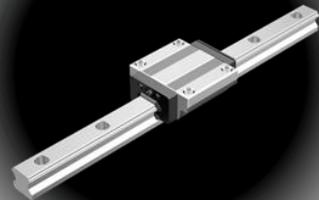
Wind Power Generator

Solar Light Generator

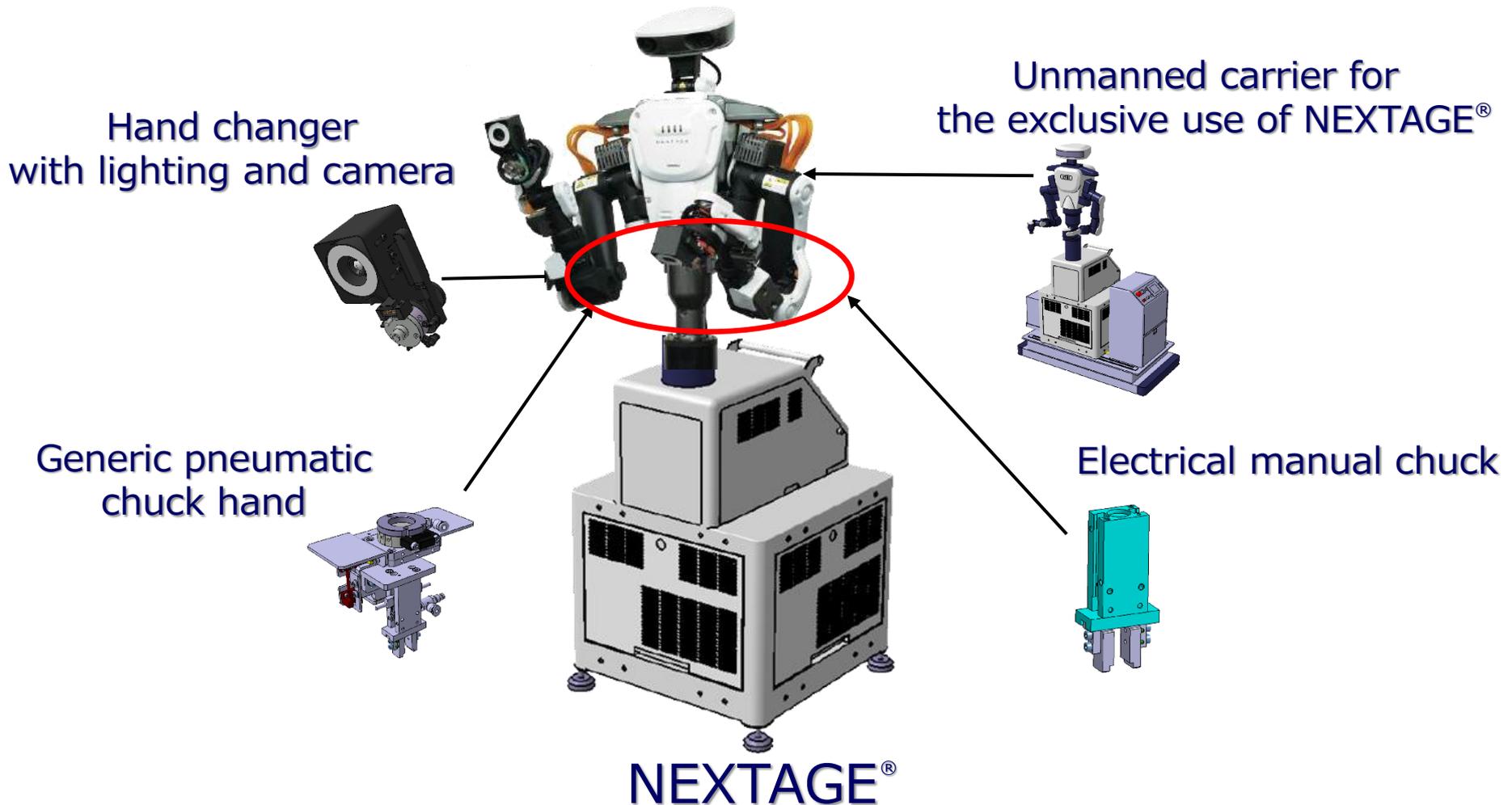


Hydroelectric Generator

Linear Motion  
Core Technology



## Develop peripheral technologies for upper-body humanoid robot



# New Products: SEED Solutions

Solutions to the establishment of next-generation robot systems



## Smart Actuators

~ Possible to produce next-generation robots easily ~

Driver



Actuator



Generic robot hand

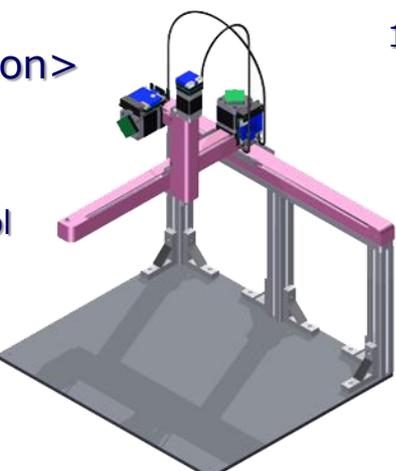
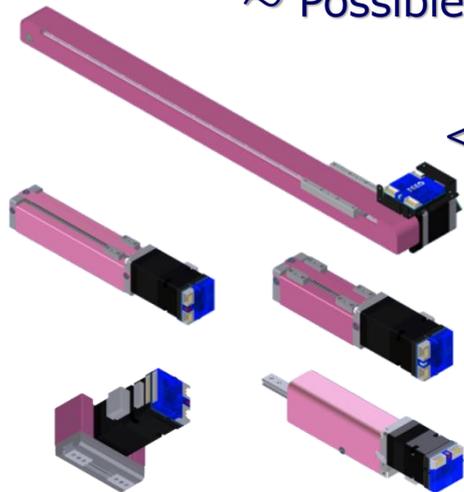


## Simple Automation

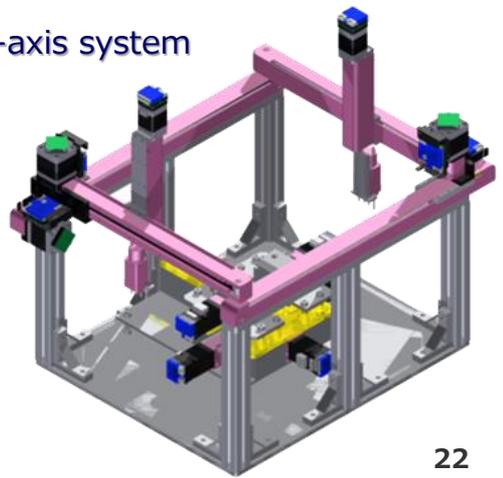
~ Possible to produce low-cost automated equipment easily ~

<Example of combination>

- 3-axis system
- No control box
- Wiring saving system
- Easy multiple axis control



13-axis system

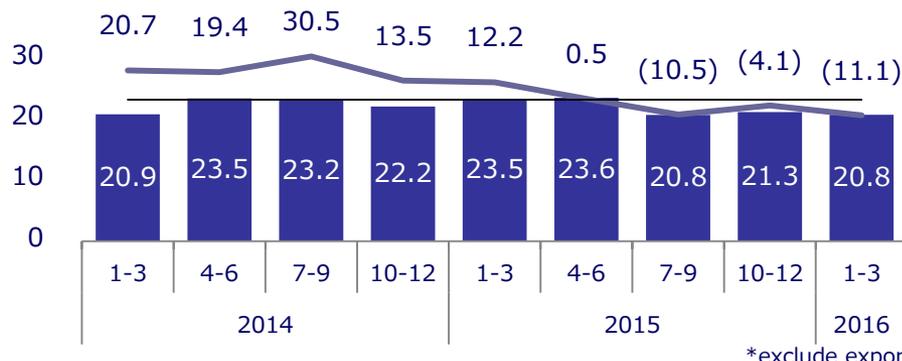


# V. Financial Forecast for Fiscal 2016

# Orders Received by Region

## THK (Domestic)

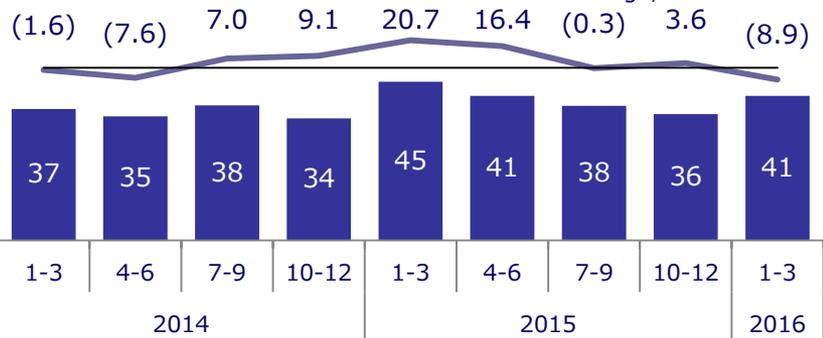
% Change, Billions of Yen



\*exclude export

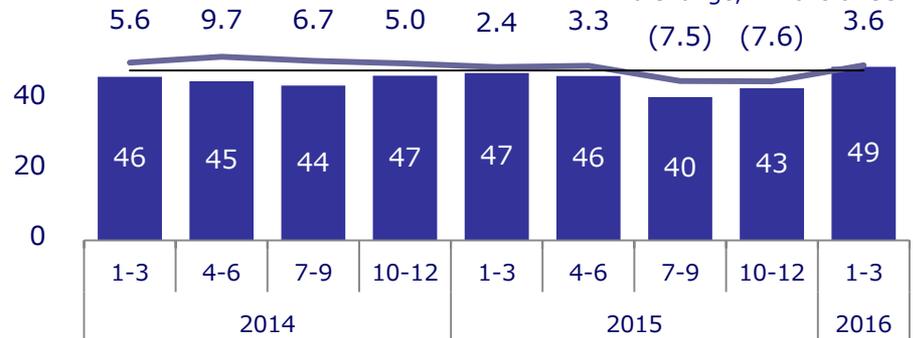
## THK Europe

% Change, Millions of EUR



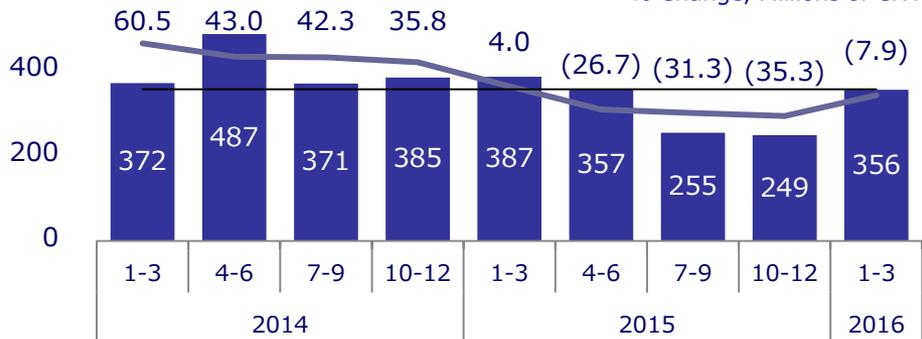
## THK Holdings of America

% Change, Millions of USD



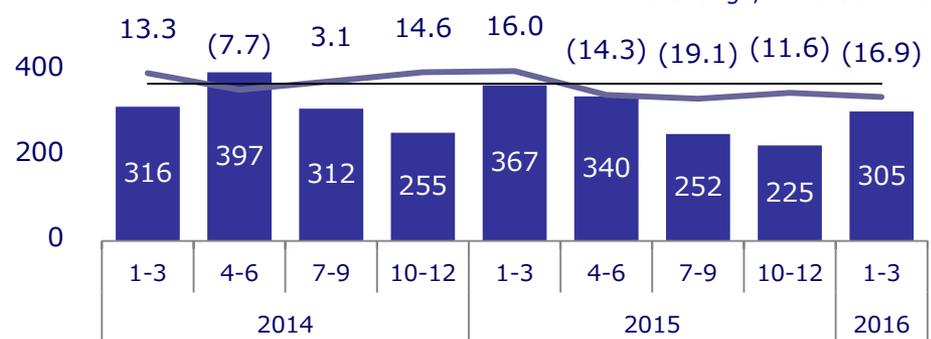
## THK (CHINA) + THK (SHANGHAI)

% Change, Millions of CNY



## THK TAIWAN

% Change, Millions of NTD



# Financial Forecast (Consolidated)

	2017/3 Forecast	2016/3	2015/3
<b>Net Sales</b>	262,000	240,478	217,678
Y/Y	+8.9%	+10.5%	+17.4%
<b>Operating Income</b>	21,000	23,169	28,388
Y/Y	-9.4%	-18.4%	+63.4%
<b>Ordinary Income</b>	19,600	19,140	34,031
Y/Y	+2.4%	-43.8%	+44.1%
<b>Net Income Attributable to Owners of the Parent</b>	14,000	13,575	22,705
Y/Y	+3.1%	-40.2%	+45.6%

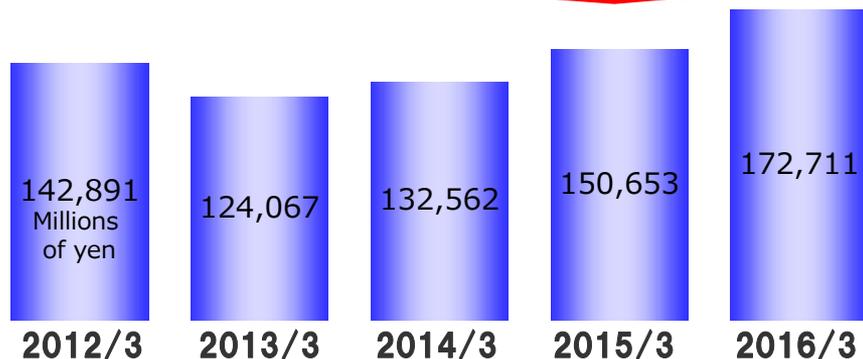
# Financial Forecast (Unconsolidated)

	2017/3 Forecast	2016/3	2015/3
<b>Net Sales</b>	115,800	126,127	132,786
Y/Y	-8.2%	-5.0%	+18.7%
<b>Domestic</b>	82,900	87,890	90,081
Y/Y	-5.7%	-2.4%	+17.9%
<b>Operating Income</b>	11,600	17,925	21,899
Y/Y	-35.3%	-18.1%	+58.6%
<b>Ordinary Income</b>	11,000	16,068	27,378
Y/Y	-31.5%	-41.3%	+45.7%
<b>Net Income</b>	7,900	11,855	17,585
Y/Y	-33.4%	-32.6%	+43.5%

# Trends in COGS and SG&A

## COGS

COGS ratio 72.6% 73.7% 71.5% 69.2% 71.8%

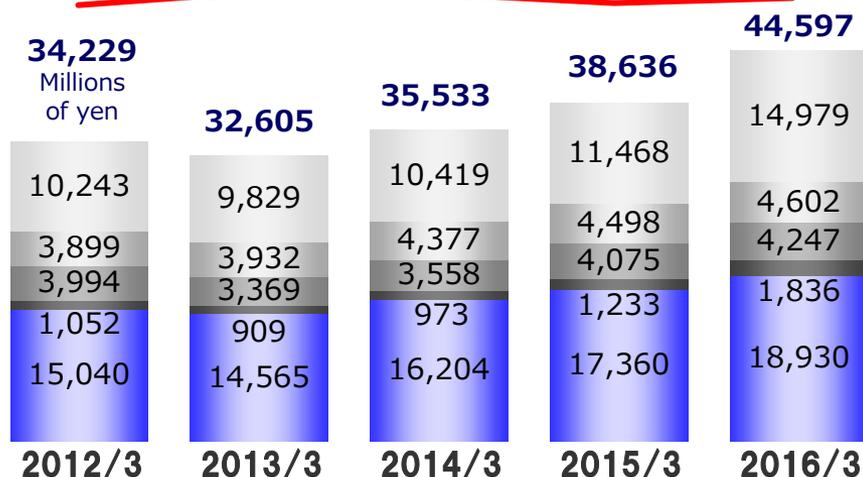


Sales-cost ratio increased by 2.6 points Y/Y

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

## SG&A

SG&A ratio 17.4% 19.4% 19.2% 17.7% 18.5%



Other | Y/Y : up ¥ 3,511 million, or 30.6%

- Temporary expense due to business acquisition

R&D | Y/Y : up ¥ 104 million, or 2.3%

Sales & Distribution Costs | Y/Y : up ¥ 171 million, or 4.2%

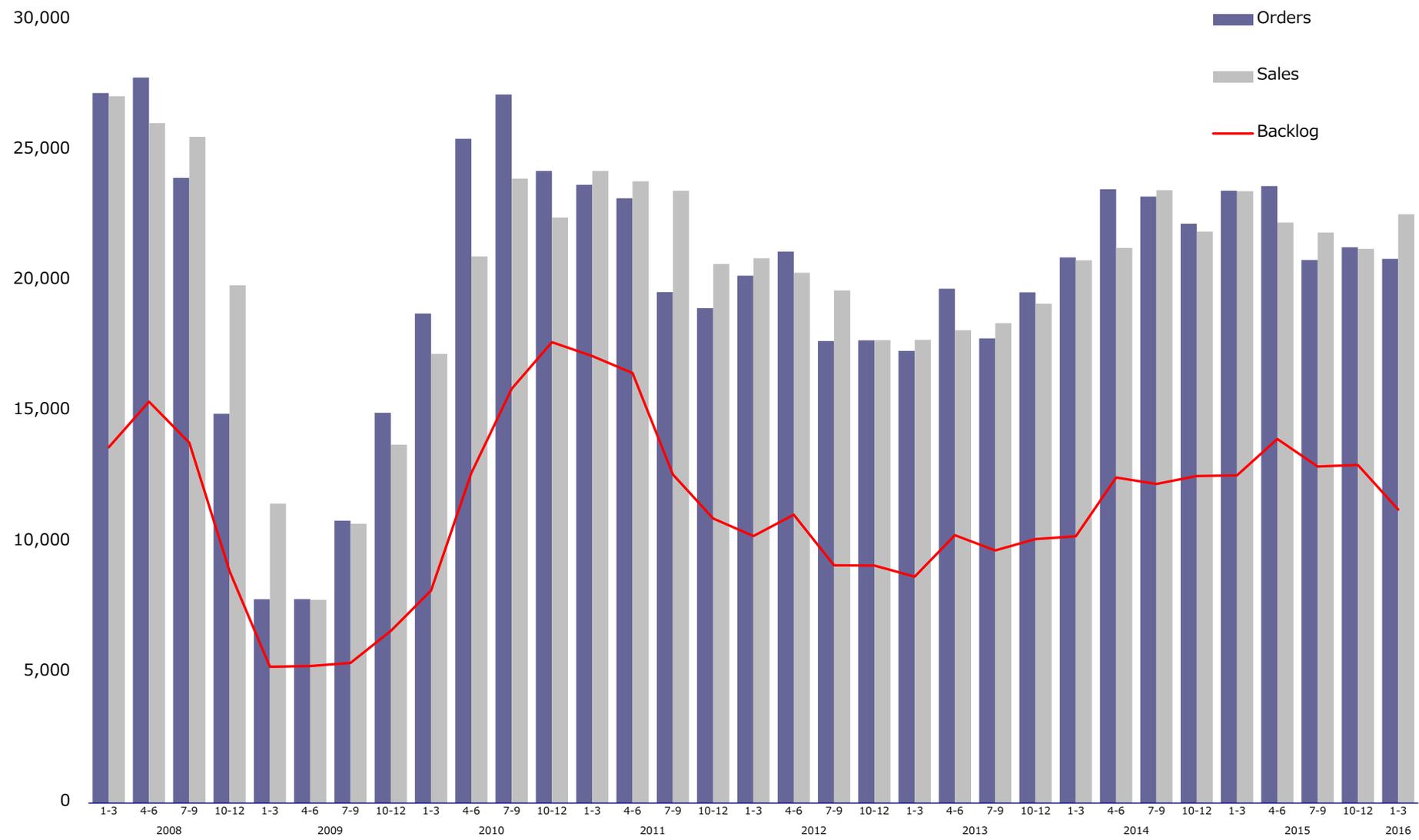
Depreciation and Amortization | Y/Y : up ¥ 603 million, or 48.9%

Personnel Costs | Y/Y : up ¥ 1,569 million, or 9.0%

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



(Millions of yen)

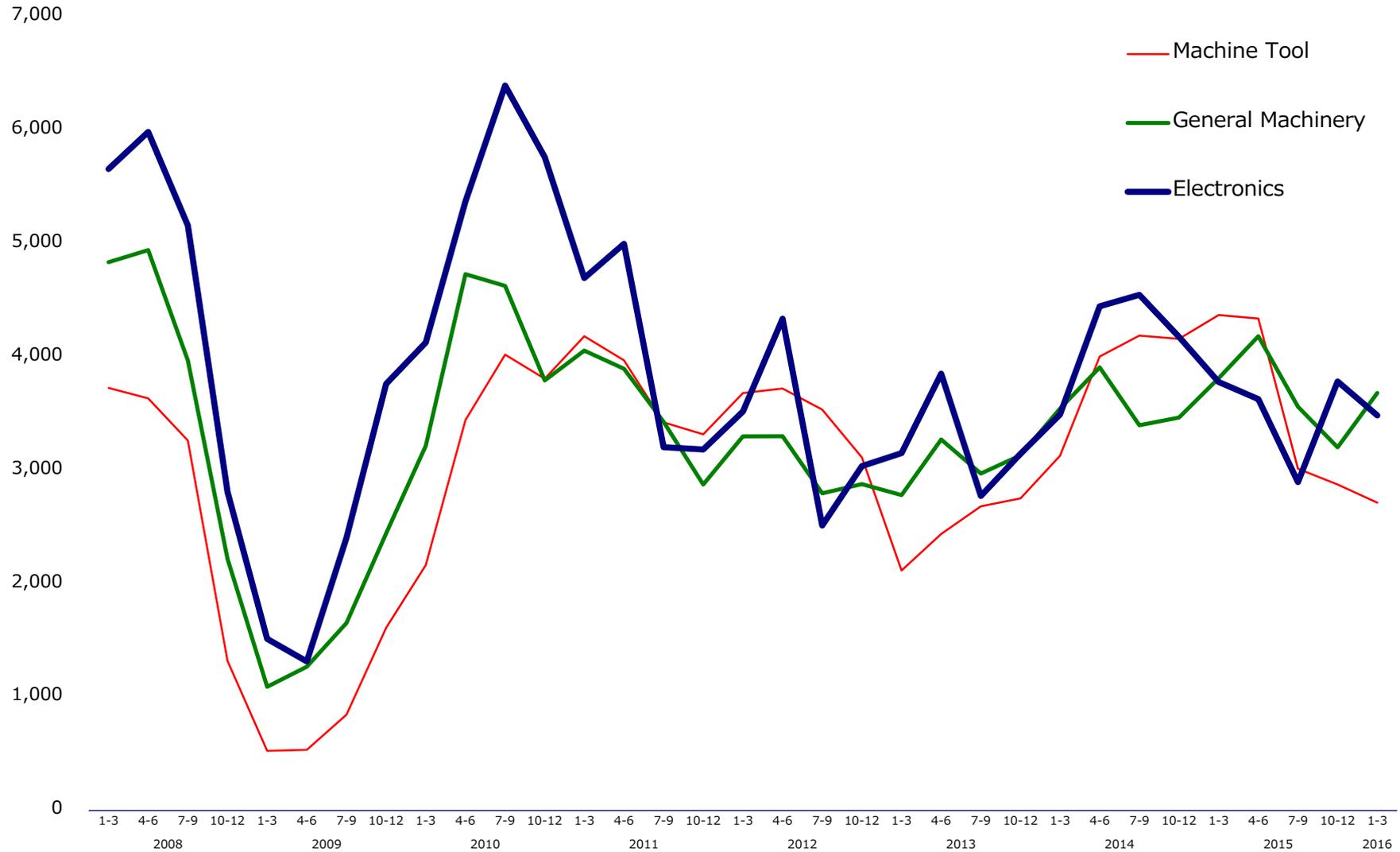


	1-3	4-6	7-9	10-12	1-3	4-6	7-9	10-12	1-3	4-6	7-9	10-12	1-3	4-6	7-9	10-12	1-3	4-6	7-9	10-12	1-3	4-6	7-9	10-12	1-3								
Orders	27,201	27,794	23,950	14,913	7,809	7,815	10,818	14,953	18,753	25,450	27,147	24,217	23,684	23,168	19,573	18,962	20,201	21,130	17,701	17,728	17,321	19,701	17,801	19,565	20,902	23,517	23,234	22,197	23,460	23,637	20,805	21,291	20,847
Sales	27,081	26,048	25,524	19,834	11,473	7,787	10,698	13,726	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
Backlog	13,631	15,378	13,804	8,883	5,219	5,247	5,367	6,594	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

# 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								
Machine Tool	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	2,875	2,715
General Machinery	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	3,203	3,682
Electronics	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	3,784	3,485