



FINANCIAL RESULTS BRIEFING FOR FISCAL 2018

February 15th 2019

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 2018

Financial Highlights



*Growth rates represent reference figures as compared to the 2017 January-December period

Net sales increased by 10.9% year on year to 353.4 billion yen

*Geographic sales is based on where our customers are located

- Domestically, the demand, which was in good shape generally up to the first half of the term, such as for general machinery and machine tools against the backdrop of acceleration of automatization and robotization in addition to electronics-related, steadily led to sales.
- For overseas cases, China connected the demand, which was in good shape generally up to the first half of the term against the backdrop of acceleration of automatization and robotization in addition to electronics-related, to the sales steadily. In the Americas, the demand for electronics-related and machine tools was in good shape, while in Europe the demand for general machinery and machine tools steadily changed.

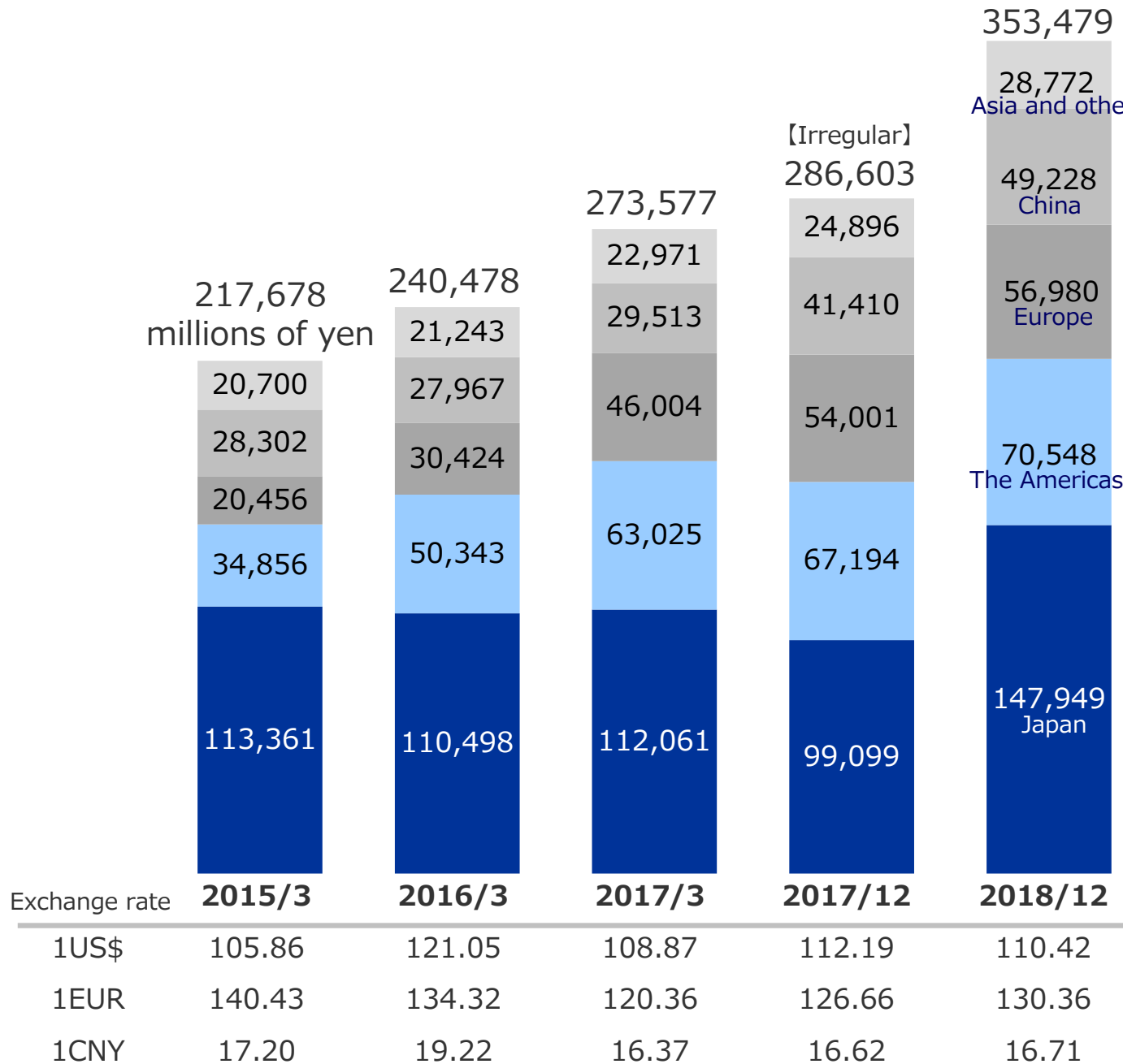
Operating income increased by 36.9% year on year to 49.8 billion yen

- Fixed costs increased due to aggressive investment to capture strong demand, but the quantity effect steadily contributed to profit increase, which resulted in an increase in profit compared with the previous term.
- Elimination of unrealized profit caused the decrease of 0.9 billion yen for the fourth quarter and 1.3 billion yen for the fiscal year.

Net sales and operating income exceeded the plan, represented a record high

- Net sales and operating income exceeded fiscal year-start plan figures by 3.4 billion and 4.8 billion yen, respectively, as a result of the company translating overall strong demand into sales through the first half of the term, resulting in a record high.

Trend in Net Sales



Asia and other	
● Taiwan	Up 3.2%
● Singapore	Up 28.7%
● India	Up 65.3%

China	
● Machine tools	Up 23.1%
● General machinery	Up 32.9%
● Electronics	Up 40.2%
● Automotive & Transportation	Up 3.2%

Europe	
● Machine tools	Up 8.2%
● General machinery	Up 13.8%
● Electronics	Up 40.8%
● Automotive & Transportation	Down 5.8 %

The Americas	
● Machine tools	Up 30.8%
● General machinery	Down 4.5%
● Electronics	Up 28.0%
● Automotive & Transportation	Up 1.8%

Japan	
● Machine tools	Up 29.5%
● General machinery	Up 25.4%
● Electronics	Up 5.4%
● Automotive & Transportation	Down 11.0%

Exchange rate	2015/3	2016/3	2017/3	2017/12	2018/12
1US\$	105.86	121.05	108.87	112.19	110.42
1EUR	140.43	134.32	120.36	126.66	130.36
1CNY	17.20	19.22	16.37	16.62	16.71

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

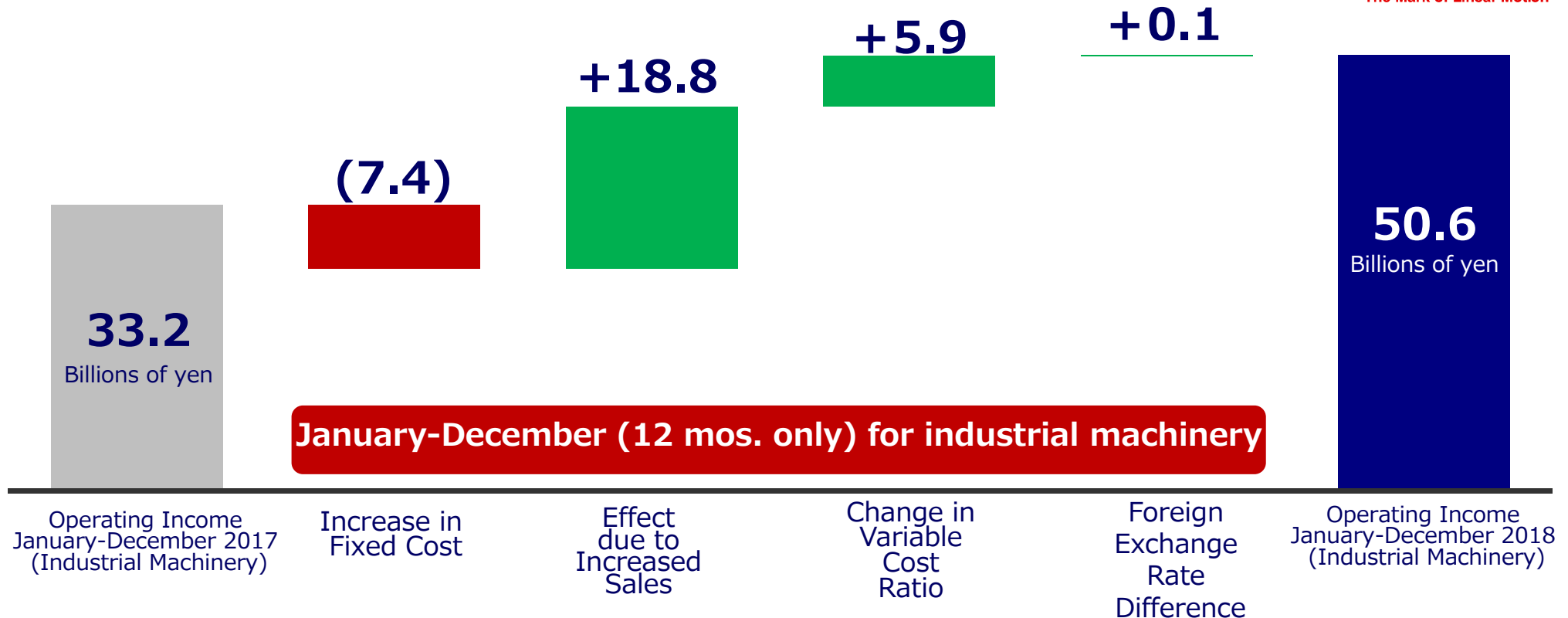
*Growth rate by industry is based on the figures in local currency from January to December.

*Growth rate 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.

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



Because FY17 was irregular settlement, these are reference values adjusted to January to December

By type of business (Jun.-Dec. 12 mos.) (Unit: billions of yen)		FY17	FY18	FY18 Operating Income by segment	
Industrial Machinery	Net Sales	202.2	238.6	Japan	¥38,460 million
	Operating Income	33.2	50.6	The Americas	¥309 million
Automotive & Transportation	Net Sales	116.6	114.8	Europe	¥74 million
	Operating Income	3.2	-0.8	China	¥8,194 million
				Asia and Other	¥2,384 million
				Adjustments	¥408 million

Assets, Liabilities and Net Assets



Cash and Cash in Account | Y/Y :

Up ¥4,592 million

Cash Flows from Operating Activities :
¥55,177 million

Cash Flows from Investing Activities :
¥(33,055) million

Cash Flows from Financing Activities :
¥(11,645) million

Foreign Currency Translation Adjustments
on Cash and Cash Equivalents :
¥(5,883) million

Accounts Receivable | Y/Y :

Up ¥5,637 million

Number of months' sales receivables :

Previous period : 3.6 months

This period : 3.1 months

Inventories | Y/Y :

Up ¥6,262 million

Number of months' sales in inventory :

Previous period : 1.8 months

This period : 1.7 months

Property, Plant and Equipment | Y/Y :

Up ¥13,761 million

■ CAPEX : ¥ 31,653 million

■ Depreciation : ¥ 12,996 million

Intangibles | Y/Y :

Down ¥4,289 million

Total Assets
463,350 millions of yen
Up ¥26,685 million
from previous period

Current Assets

288,340

Up ¥17,365 million
from previous period

Liabilities

168,631

Up ¥13,721 million
from previous period

Net Assets

294,719

Up ¥12,964 million
from previous period

Fixed Assets

175,009

Up ¥9,320 million
from previous period

Current Liabilities | Y/Y :

Up ¥5,040 million

■ Accounts Payable | Y/Y :

Up ¥2,770 million

Number of months' notes payable

Previous period : 1.9 months

This period : 1.7 months

■ Income Taxes Payable | Y/Y :

Up ¥10,597 million

■ Current portion of long-term bank loans

| Y/Y : Up ¥10,000 million

■ Current portion of long-term bonds

| Y/Y : Down ¥20,000 million

Long-term Liabilities | Y/Y :

Up ¥8,680 million

■ Bonds | Y/Y :

Up ¥20,000 million

■ Long-term bank loans | Y/Y :

Down ¥12,185 million

Net Income Attributable to Owners of the Parent

¥35,400 million

Foreign Currency Translation Adjustments | Y/Y:

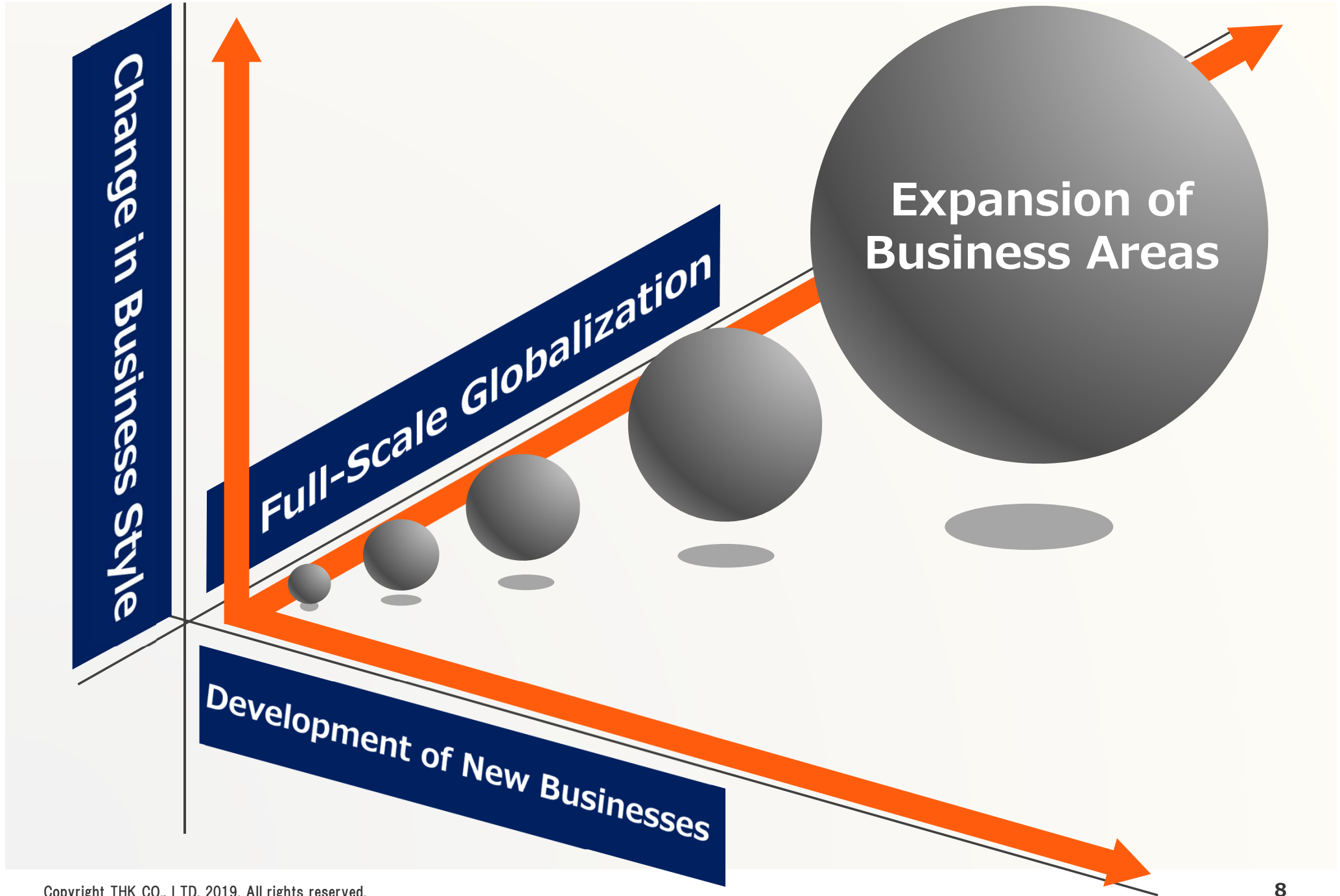
Down ¥10,704 million

Dividends Paid : ¥(9,326) million



II . Progress and Approach of Management Goals

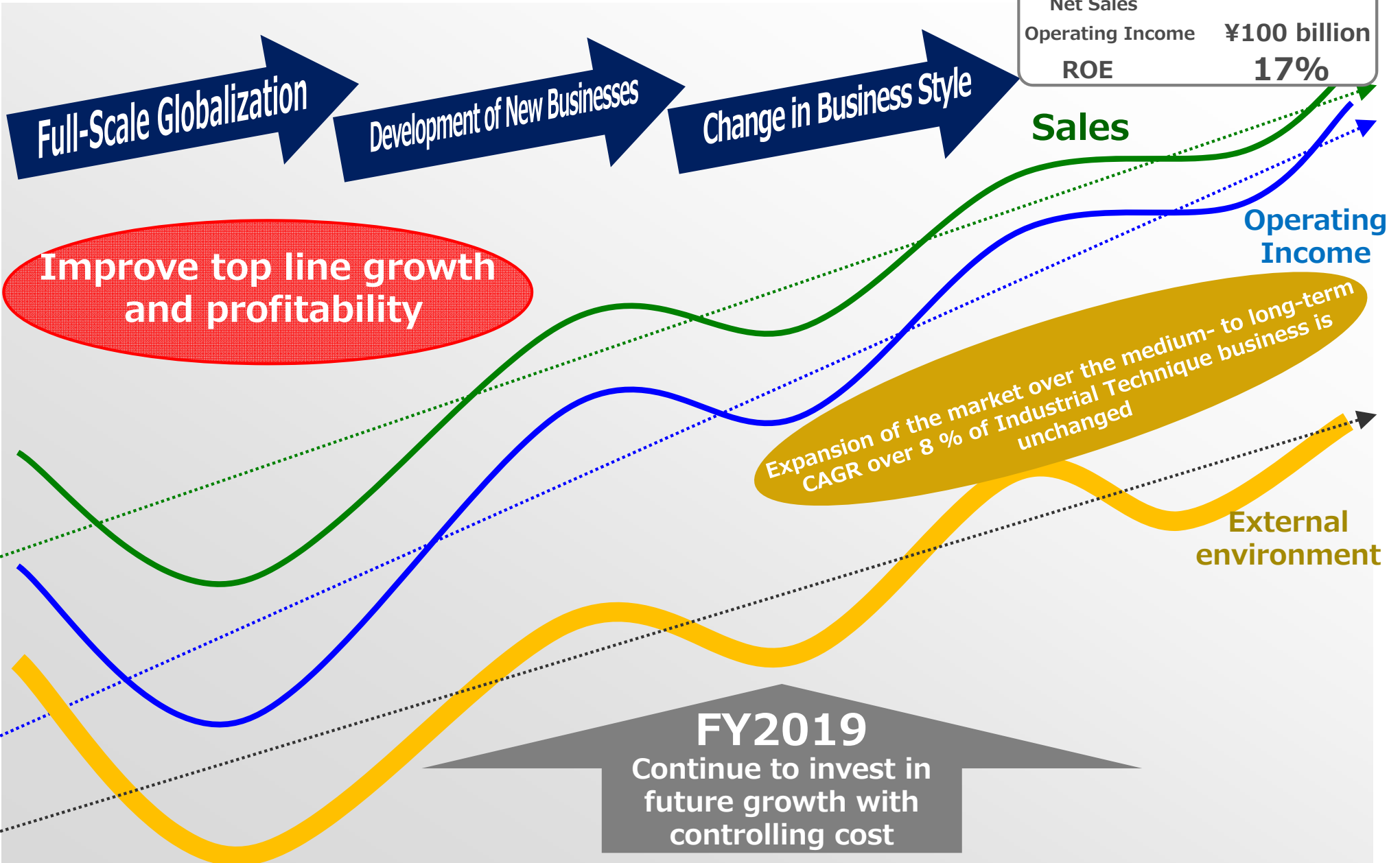
Growth Strategy

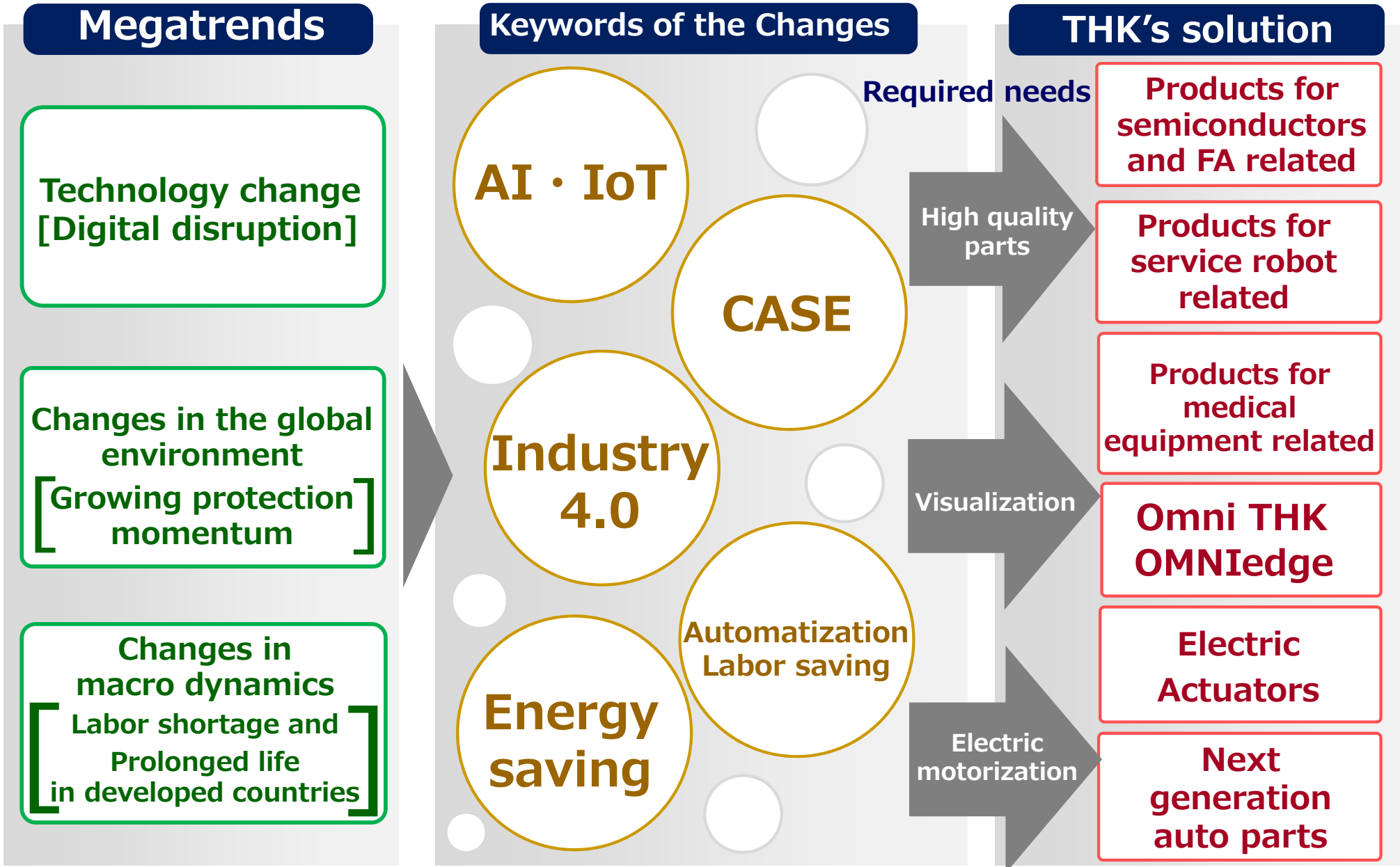


Business environment recognition and our strategy



FY2022	
Consolidated Net Sales	¥500 billion
Operating Income	¥100 billion
ROE	17%





THK's growth potential dramatically expands

Progress and Approach of Management Goals

The Mark of Linear Motion

Industrial Machinery Business

Increase to approx. 150 billions of yen



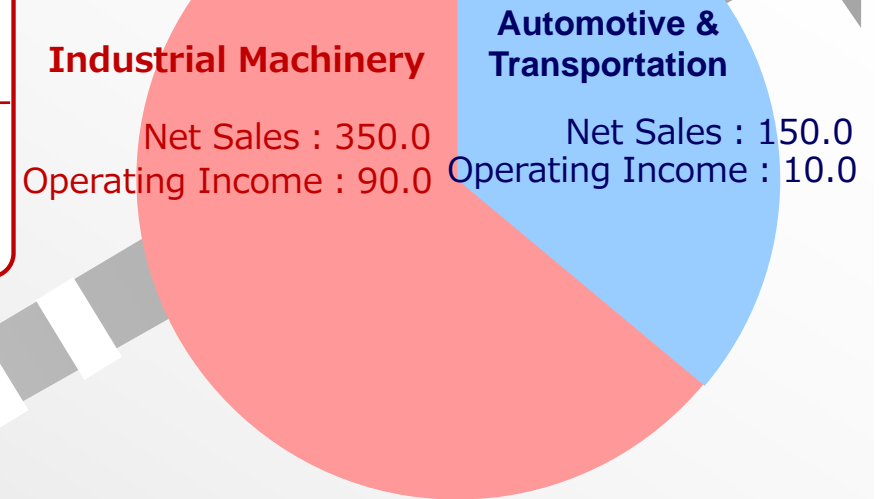
- Strategic sales for a wide range of customers
- Active and efficient sales and marketing activities
- Continuous development of new products
- Development of New Business Areas
- Enhancement of the Global Manufacturing Structure

Strengthening of Bottom Line

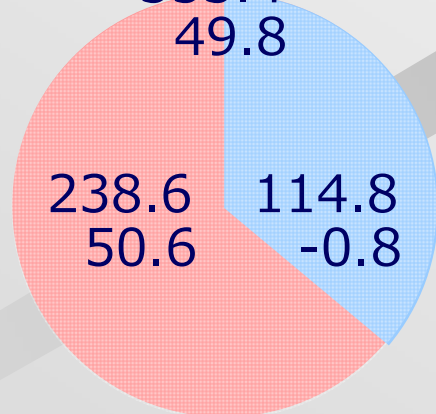
- Robotization and automation
- Reduction of various costs
- Visualization of global production
- Strategy on fair sales prices

FY2022(E)

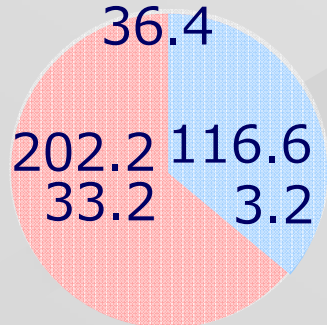
Consolidated Net Sales : 500 billions of yen
Operating Income : 100 billions of yen



FY2018
353.4
49.8



FY2017
318.8
36.4



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

Automotive & Transportation Business

Increase to approx. 35 billions of yen



Expansion of L&S Business

The launch of new products for Automobile

Strengthening of Bottom Line

- Mutual use of factories
- Integration of products
- Shared purchase

Deployment of Omni THK



THK digital transformation activities being promoted
- Toward creation and provision of new client experience value utilizing IoT/AI -

Omni THK



Fast Delivery

- Short delivery items are wanted! -

Short delivery time support function for standard and semi-ordered items

2018
Launched
in Japan,
China and
Brazil



Your Catalog

- To make production study of special items efficiently! -

Special item drawing management function / Digitization of new production study request

2019
Scheduled
to add
function



Forecast

- Customer demand forecast and visualization of THK production progress -

Budget control function with a comparison between customer's demand forecast and THK's production schedule

2019
Scheduled
to add
function

OMNIedge

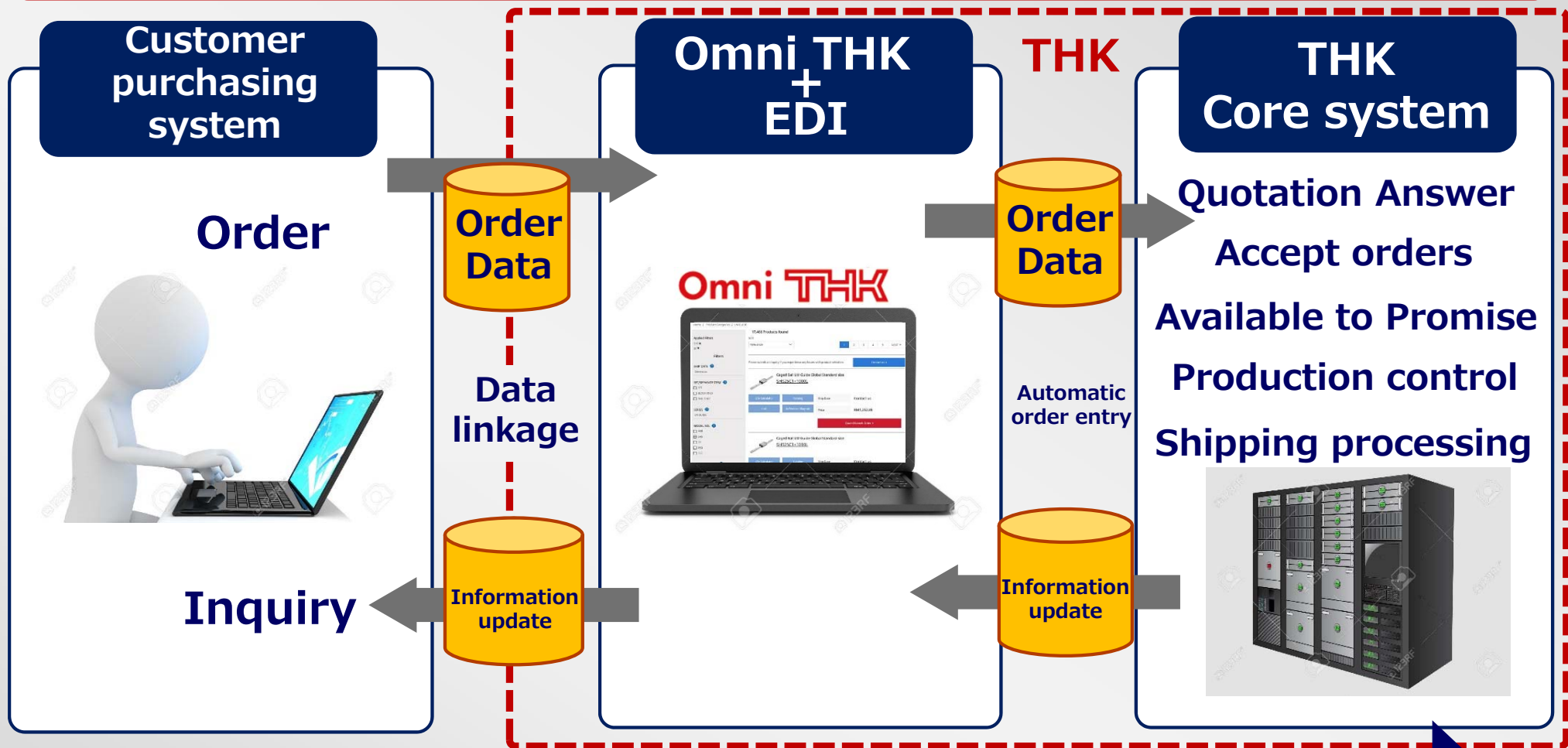
- Omen detection of important element parts -

New service for sign detection of equipment, consisting of visualization of the state of the LM Guide and "IoT Connect System"

2018
Commercialization
study start

Deployment of Omni THK (In-company system cooperation)

Construction of a mechanism for creation and provision of new experiential value to customers



Improve productivity by the mechanism that flows automatically throughout the process without intervention of human from customer's order receipt to shipment

Deployment of predictive maintenance service, "OMNIedge"



A new service for the manufacturing industry to realize sign detection of equipment consisting of "THK SENSING SYSTEM (TSS)" that visualizes the state of the LM Guide and "IoT Connect System" developed by Cisco Systems and Docomo

Feature (1) **Simple to set up**

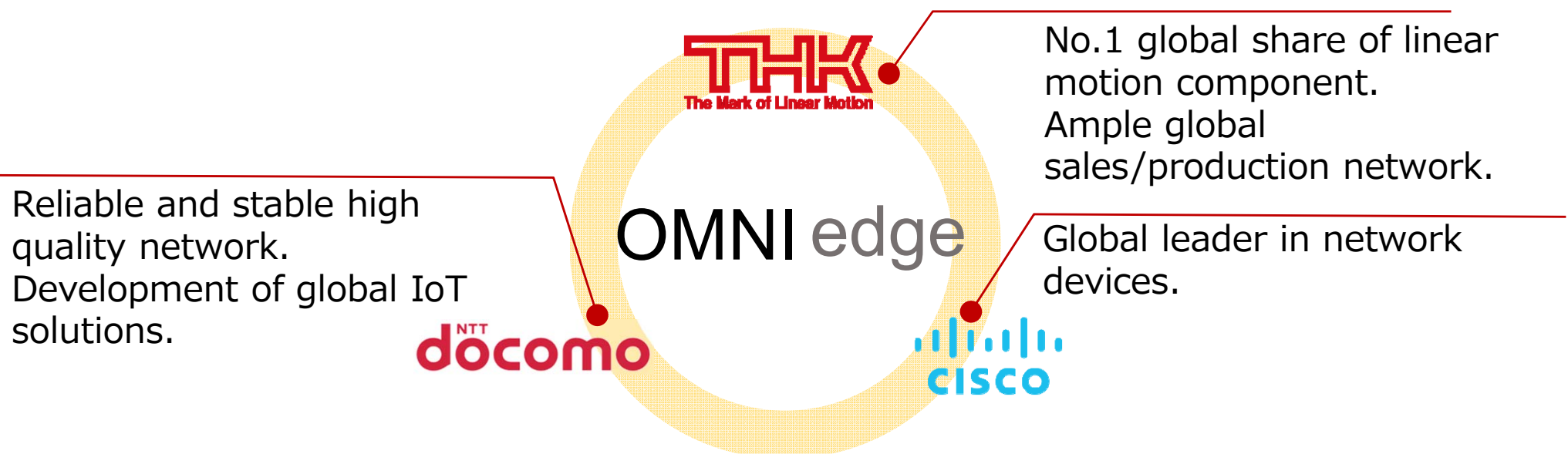
Does not require network knowledge

Feature (2) **Safe to operate**

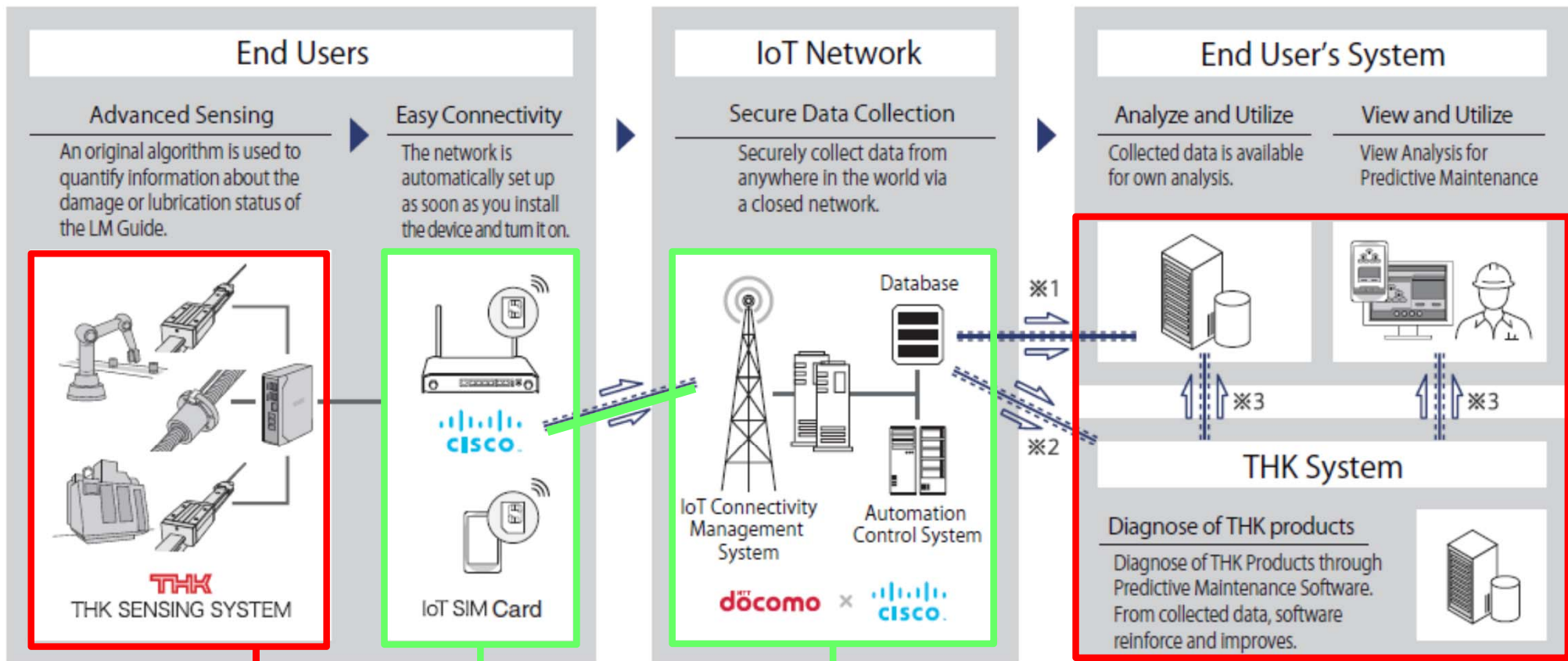
Gather data safely, ongoing stable operation

Feature (3) **Deploy globally**

One-stop global support for IoT deployment



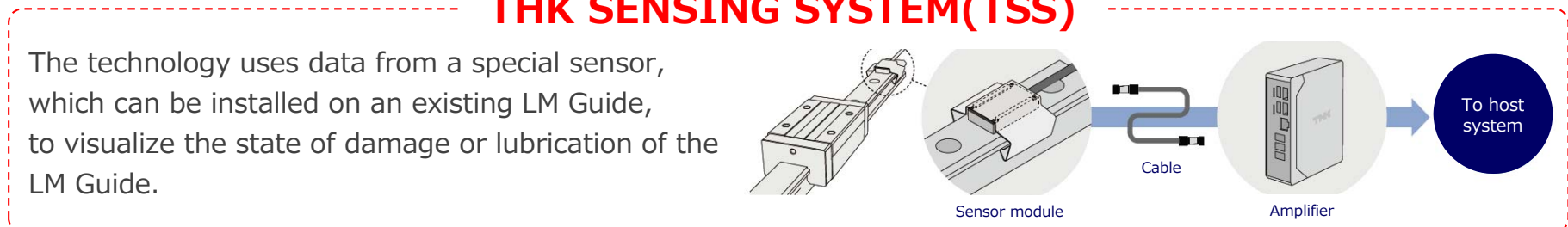
Deployment of predictive maintenance service, "OMNIedge"



IoT Connect System

- *1: Collects THK component and customer data
- *2: Collects only THK component data
- *3: Communicates THK component analysis data

THK SENSING SYSTEM (TSS)



Enhancement of the Global Manufacturing Structure (Industrial Machinery Business)

THK India

New plant

Planned operation in Jan. 2020

- Target products : LM Guide
- Space of land bought : About 205,000m²
- First term floor space : About 34,000m²



Yamagata Plant (Japan)

New plant extension

Completed in Dec. 2018
(5th Plant)



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

THK MANUFACTURING OF VIETNAM

New plant extension

Completed in Nov. 2018

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



Development of new business areas

Consumer goods-related fields

Medical
Equipment



Aircraft



Seismic Isolation
Home Automation



Renewable Energy



Supporting labor-saving in the service industry

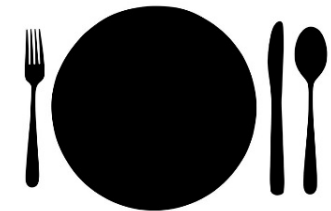
Distribution



Shop



Kitchen



Helping the service industry promote labor-saving whose demands have been increasing due to a labor shortage, soaring labor costs, and the advance of the IoT

Expansion of L&S Business

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



The launch of new products for Automobiles

Backed by the trend of "CASE" accelerating the development of linear motion products for automobiles



Next-generation Suspension parts

Next-generation Brake parts

Electric power steering parts

Interior

Continuing capital expenditures for production expansion in anticipation of large projects

THK RHYTHM CHANGZHOU (CHINA)
Construction began in 2018



THK RHYTHM Kyushu Plant (JAPAN)
Construction began in 2018



THK RHYTHM NORTH AMERICA (USA)
Construction began in 2018



THK RHYTHM MEXICANA (MEXICO)
Completed in 2018

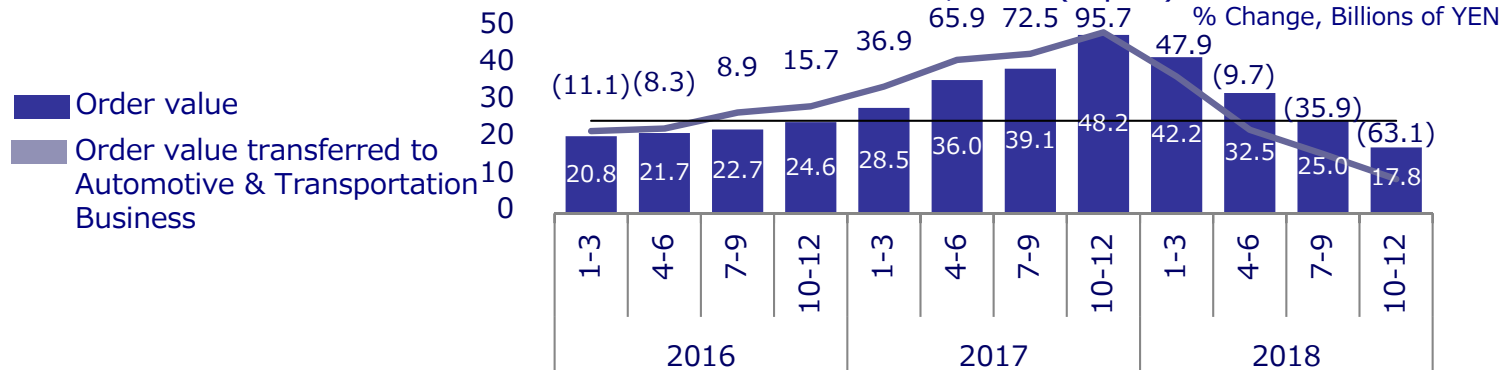


Ⅲ. Financial Forecast for Fiscal 2019

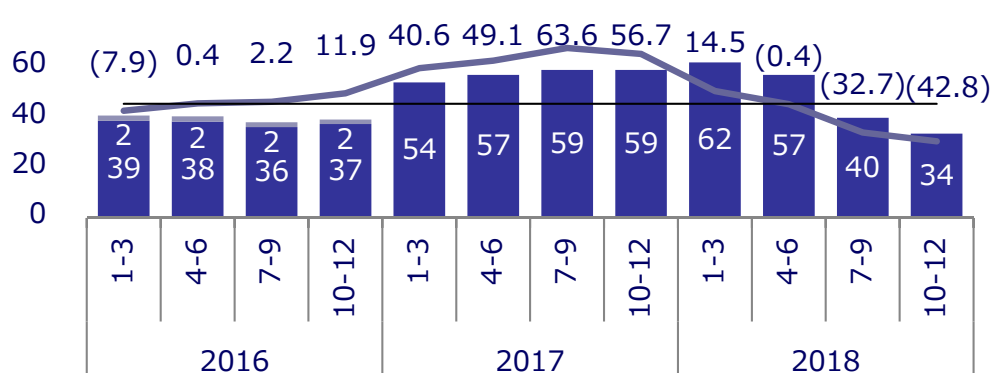
Orders Received by Region <Industrial Machinery Business>



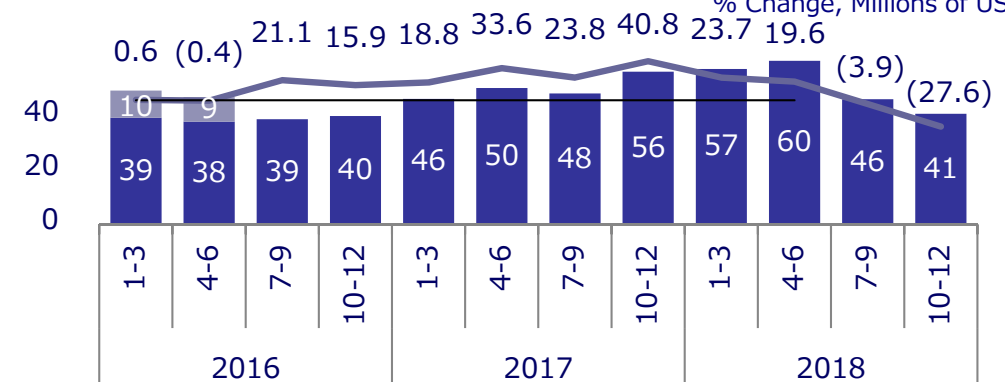
THK CO., LTD. (Japan) * exclude export



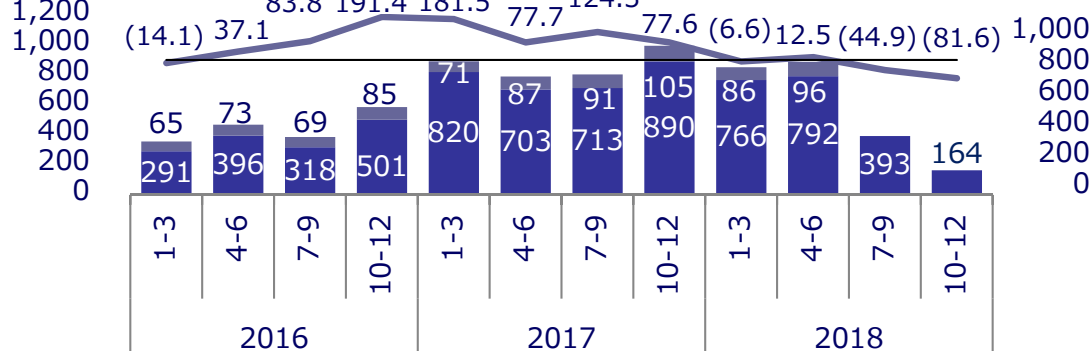
THK Europe % Change, Millions of EUR



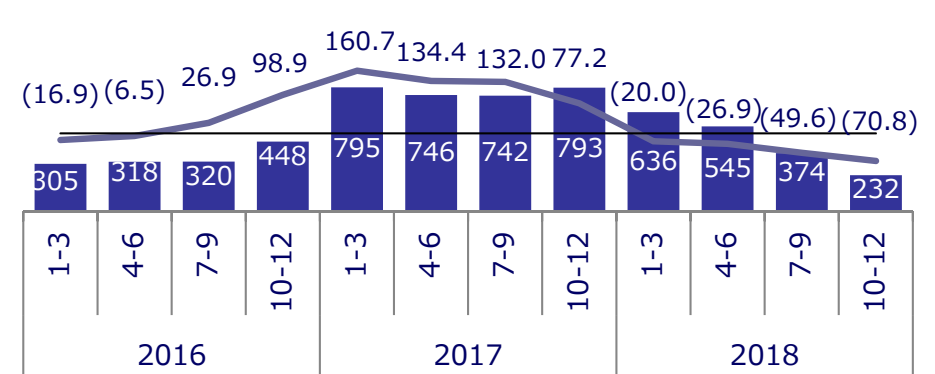
THK Holdings of America % Change, Millions of USD



THK (CHINA) CO., LTD. + THK (SHANGHAI) % Change, Millions of RMB



THK TAIWAN % Change, Millions of NTD



*Since the Automotive & Transportation business was transferred as shown below, revisions were made retroactively in consideration of the portions involved.

The year-on-year changes were calculated based on order intake figures after exclusion of the Automotive & Transportation business.

<CHINA>Transferred to THK RHYTHM GUANGZHOU CO., LTD. and THK RHYTHM CHANGZHOU CO., LTD. in July 2018

<EU>Transferred to THK RHYTHM AUTOMOTIVE GmbH in January 2017

<US>Transferred to THK RHYTHM NORTH AMERICA CO., LTD. in July 2016

Financial Forecast (Consolidated)



No year-on-year percentage change because the value is a reference value for an irregular account settlement which was recalculated from that of the fiscal year 2017 to that of January to December (Millions of Yen)

	2019/12 Forecast	2018/12 Results (Percentage changes from the previous fiscal year are just for reference)	2017/12 Reference (Based on Jan-Dec.)
Net Sales	310,000	353,479	318,800
Y/Y	-12.3%	+10.9%	—
Operating Income	28,000	49,832	36,400
Y/Y	-43.8%	+36.9%	—
Ordinary Income	30,000	51,758	38,100
Y/Y	-42.0%	+35.8%	—
Net Income Attributable to Owners of the Parent	22,000	35,400	30,300
Y/Y	-37.9%	+16.8%	—

Financial Forecast (Unconsolidated)

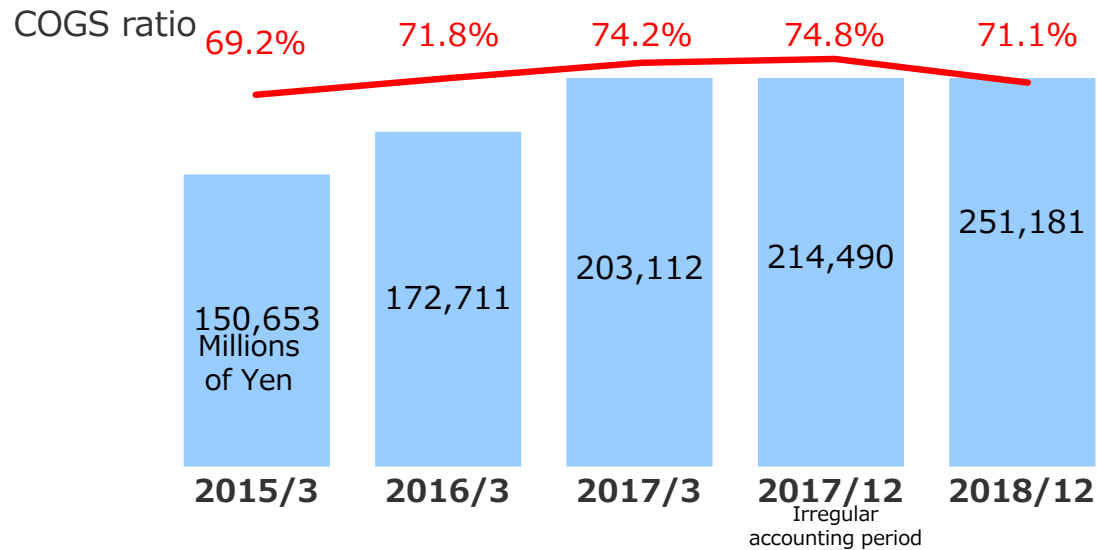


No year-on-year percentage change because the value is a reference value for an irregular account settlement which was recalculated from that of the fiscal year 2017 to that of January to December (Millions of Yen)

		2019/12 Forecast	2018/12 Results (Percentage changes from the previous fiscal year are just for reference)	2017/12 Reference (Based on Jan-Dec.)
Net Sales		151,000	186,311	158,120
	<i>Y/Y</i>	-19.0%	+17.8%	-
	Domestic	105,700	126,899	106,653
	<i>Y/Y</i>	-16.7%	+19.0%	-
Operating Income		16,700	34,699	20,914
	<i>Y/Y</i>	-51.9%	+65.9%	-
Ordinary Income		19,500	39,053	22,721
	<i>Y/Y</i>	-50.1%	+71.9%	-
Net Income		15,000	28,035	28,611
	<i>Y/Y</i>	-46.5%	-2.0%	-

Trends in COGS and SG&A

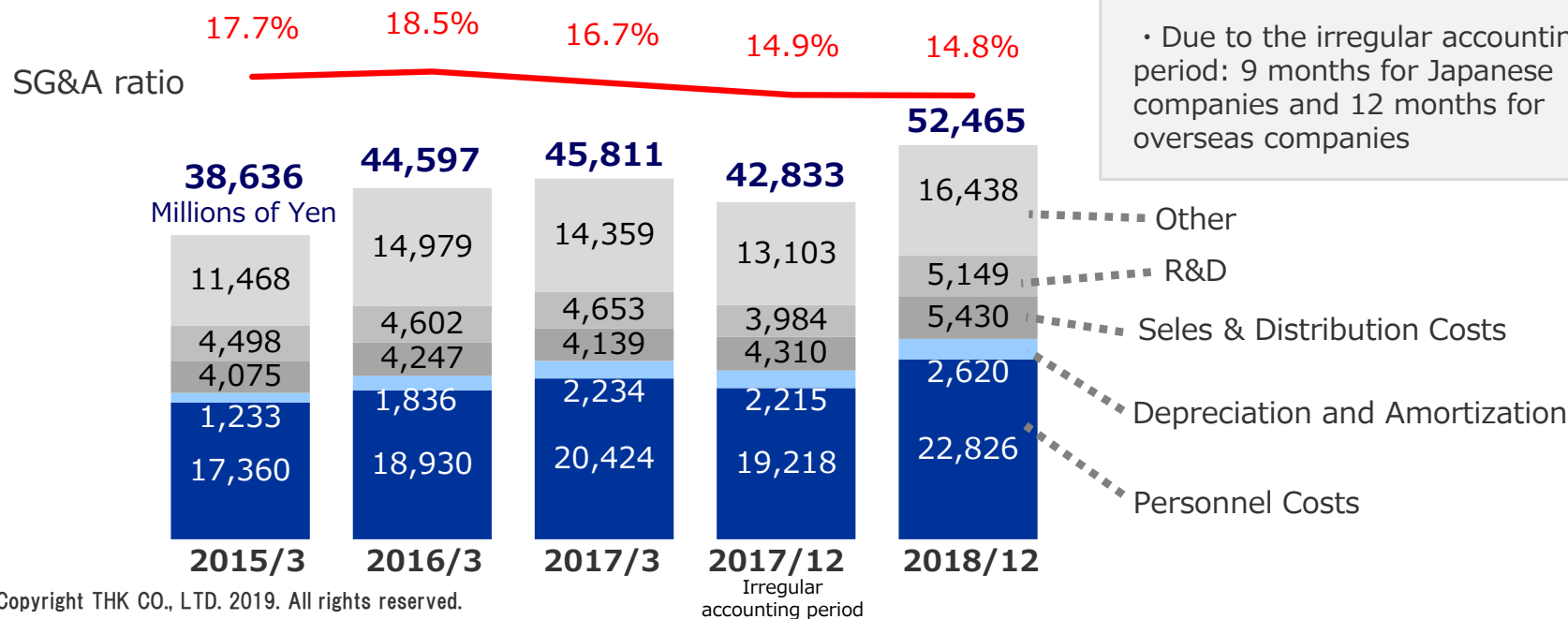
COGS



Sales-cost ratio decreased by 3.7 points Y/Y

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

SG&A



SG&A ratio decreased by 0.1 points Y/Y

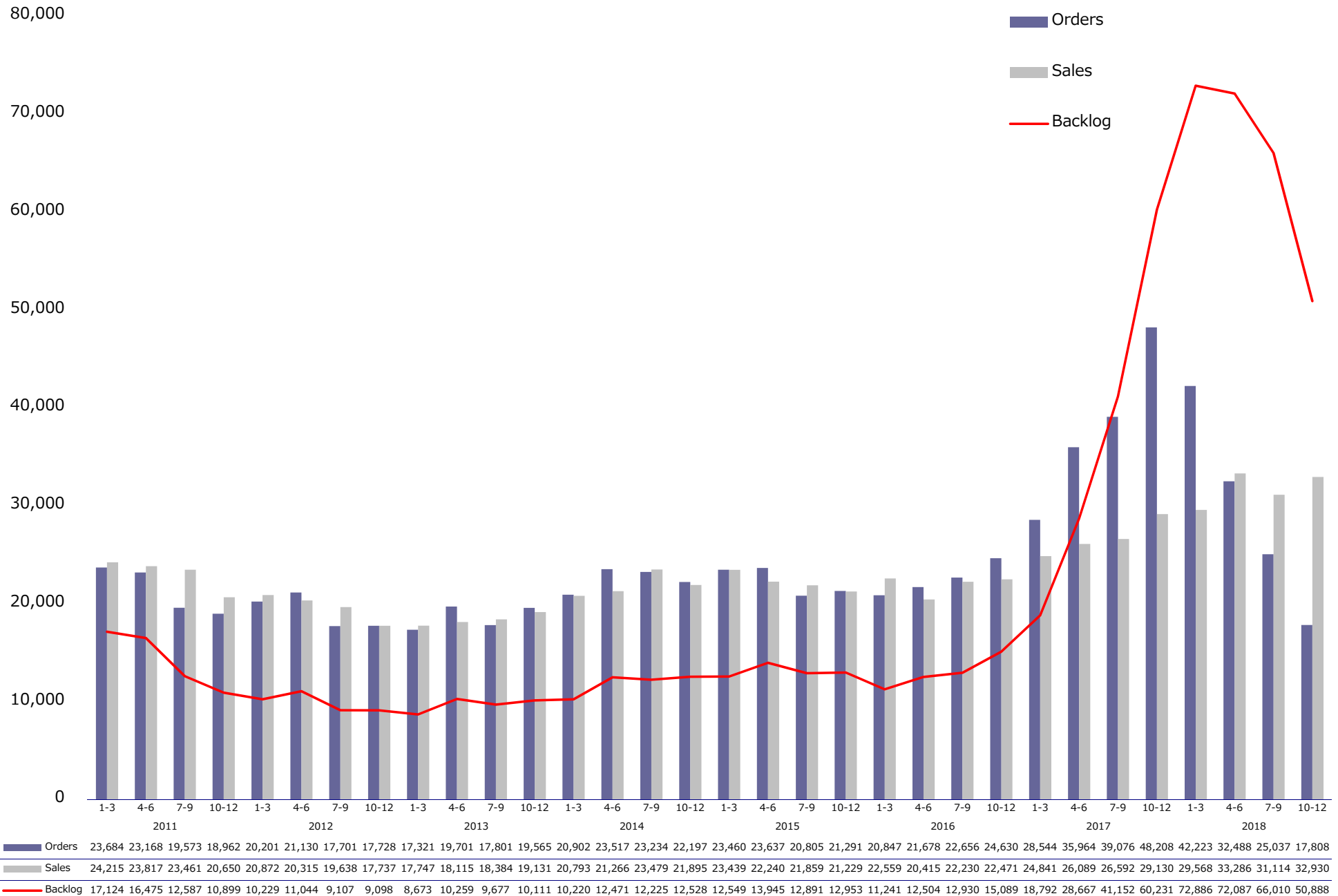
- Due to increased sales
- Due to the irregular accounting period: 9 months for Japanese companies and 12 months for overseas companies

【Support Statement】



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

(millions of yen)

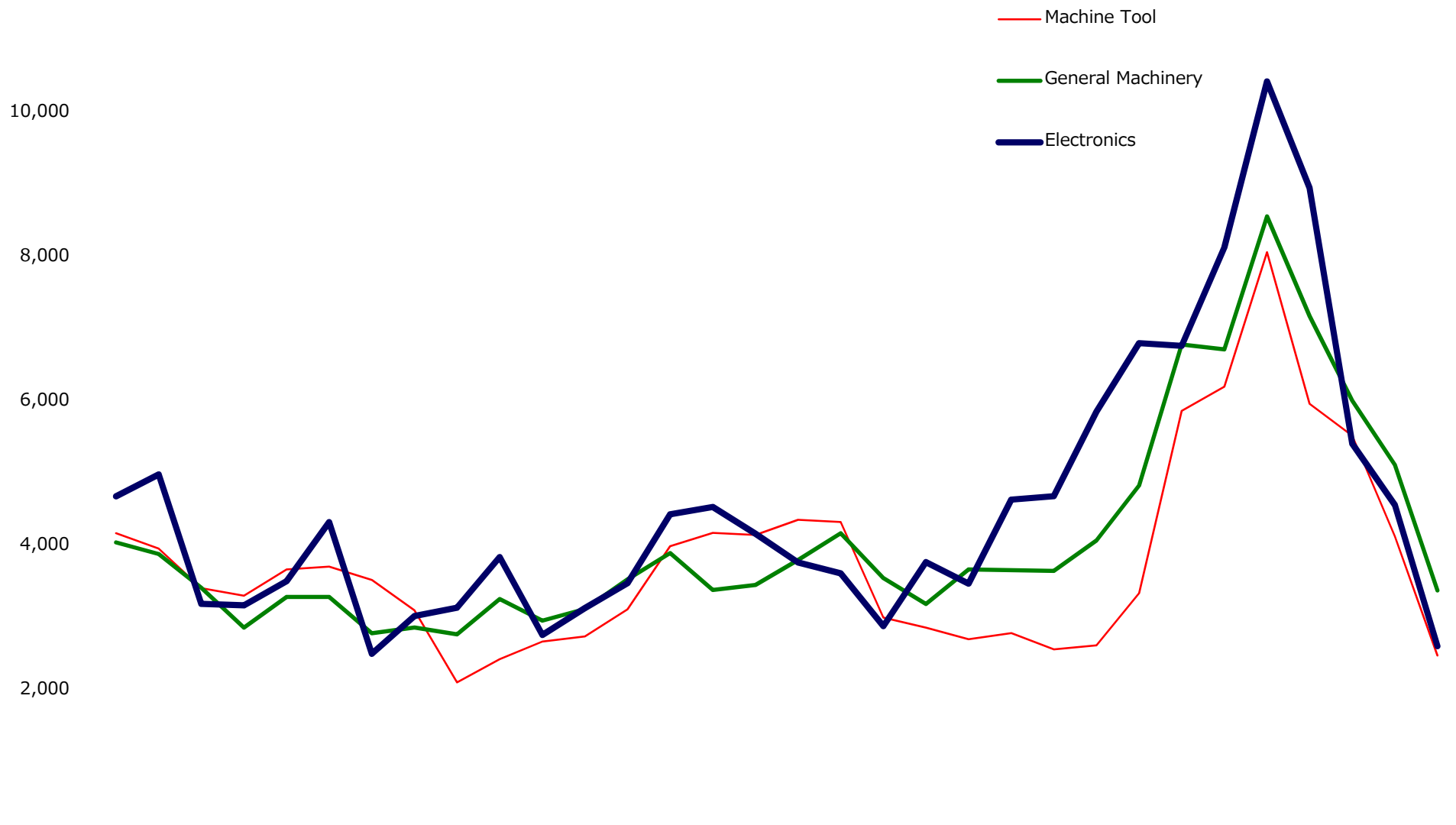


【Support Statement】

–Trends in Orders Classified by Industry (Unconsolidated)–



(millions 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								
	2011				2012				2013				2014				2015				2016				2017				2018			
Machine Tool	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	5,976	5,534	4,139	2,489
General Machinery	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	7,193	6,021	5,130	3,391
Electronics	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	8,967	5,425	4,575	2,618