



# INTERIM FINANCIAL RESULTS BRIEFING

**August 7<sup>th</sup> 2020**

**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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for 1st Half of Fiscal 2020**

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# **I . Financial Results for 1st Half of Fiscal 2020**

# Financial Highlights

## Consolidated sales revenue: down 30.2% y/y, ¥ 103.0 billion

- Automobile manufacturing suspended in the face of global COVID-19 pandemic, greatly impacting Automotive & Transportation business.
- Within Industrial Machinery business, demand for machine tools (mainly for automobiles) remained low, while electronics-related demand recovered on back of 5G-related and data center-related demand.
- Revenue declined compared to previous year period when a large backlog of industrial machinery orders was recorded.

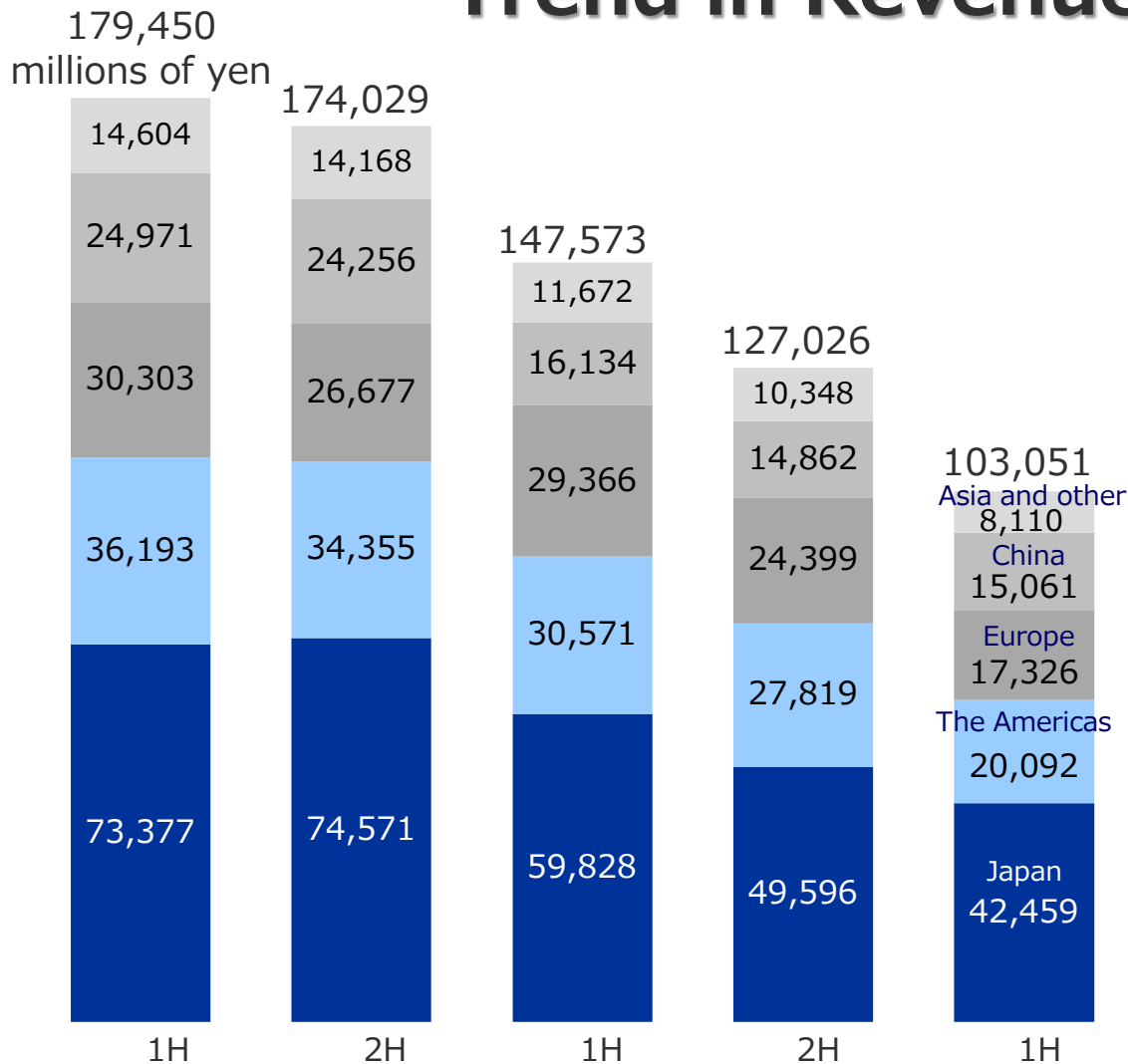
## Consolidated operating income: ¥1.4 billion loss

- Given the circumstances, we did strive to reduce fixed costs and control overall costs more strictly, but the large negative quantity effect caused by the decline in sales revenue resulted in an operating loss of ¥1.4 billion.

## Industrial Machinery business operating income: ¥ 3.5 billion

- Despite failing to achieve our first-half plan for consolidated sales and operating income, cost controls helped the Industrial Machinery business segment curb profit declines and secure a operating profit.

# Trend in Revenue



\*The growth rates are just for reference

## Asia and other

- Taiwan Down 31.9%
- Singapore Down 9.6%
- India Down 68.2%

## China

- Machine tools Down 7.7%
- General machinery Down 11.2%
- Electronics Up 39.9%
- Automotive & Transportation Down 36.5%

## Europe

- Machine tools Down 49.6%
- General machinery Down 39.7%
- Electronics Down 24.2%
- Automotive & Transportation Down 35.7%

## The Americas

- Machine tools Down 48.5%
- General machinery Down 1.8%
- Electronics Down 4.9%
- Automotive & Transportation Down 36.5%

## Japan

- Machine tools Down 56.7%
- General machinery Down 30.0%
- Electronics Up 1.1%
- Automotive & Transportation Down 18.5%

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

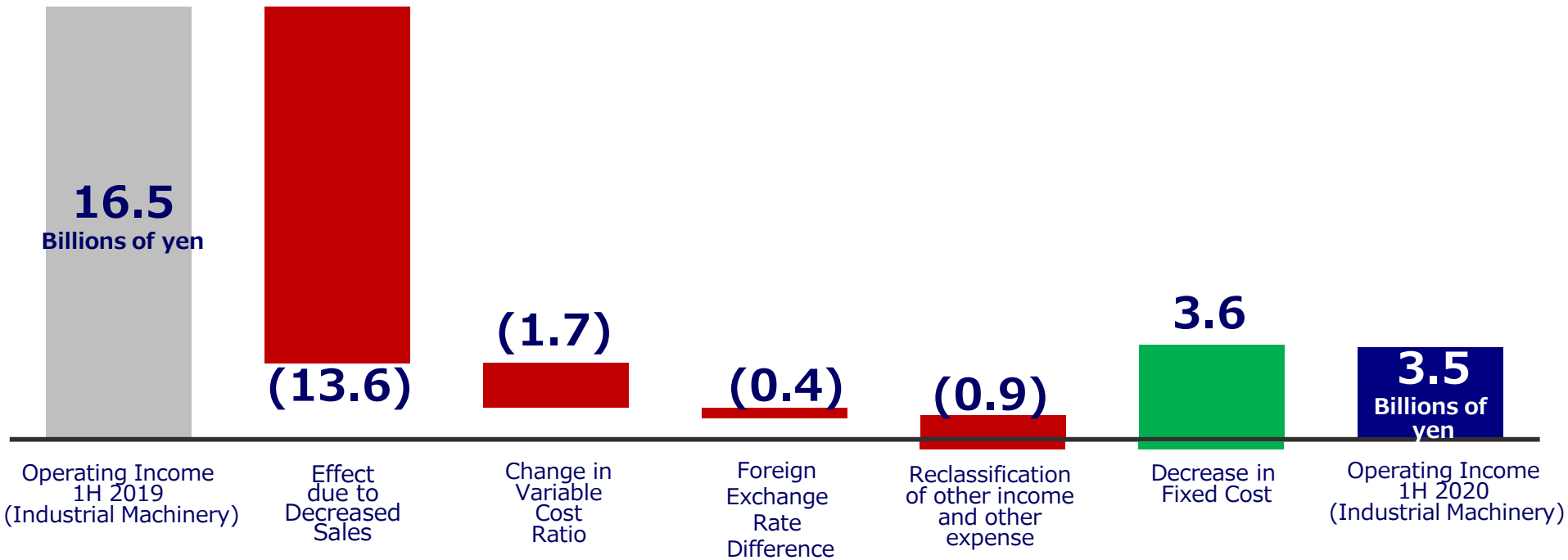
\*Growth rate by industry is based on the figures in local currency from January to June.

\*Growth rate for Automotive & Transportation was calculated based on the sum of net sales of THK RHYTHM and TRA.

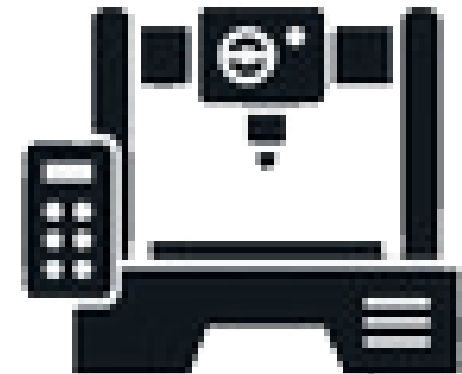
\*IFRS-based figures from 2019/12 Jan-Jun

Exchange rate	2018/12		2019/12		2020/12
1US\$	108.72	112.12	110.05	108.03	108.27
1EUR	131.56	129.17	124.31	119.85	119.24
1CNY	17.07	16.34	16.22	15.37	15.39

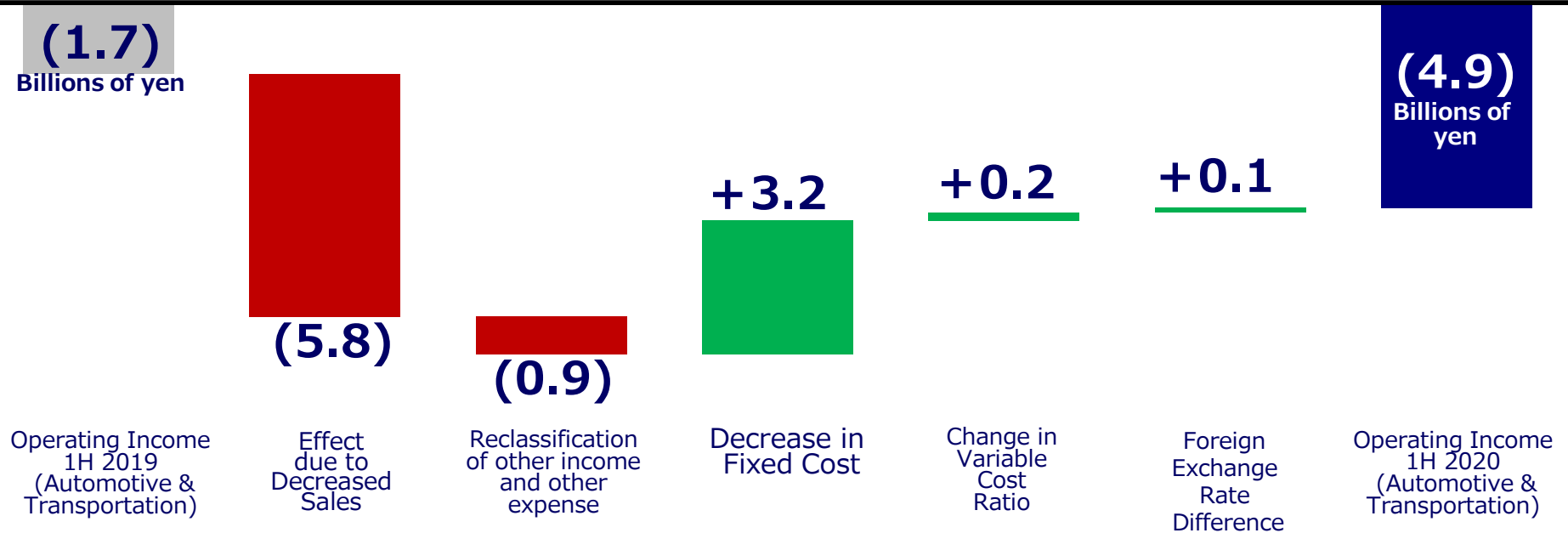
# (Ref.) Operating Income – Change Factors – (Industrial Machinery: January-June)



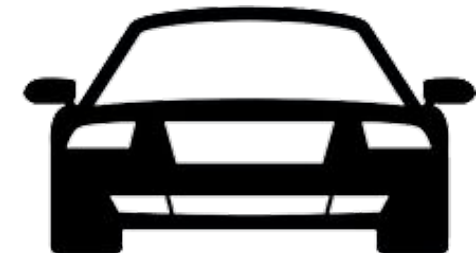
By type of business Unit: billions of yen		FY19		FY20
		1H	2H	1H
Industrial Machinery	Revenue	97.7	80.0	71.9
	Operating Income	16.5	6.2	3.5



# (Ref.) Operating Income – Change Factors – (Automotive & Transportation: January-June)



By type of business Unit: billions of yen		FY19		FY20
		1H	2H	1H
Automotive & Transportation	Revenue	49.9	46.9	31.1
	Operating Income	(1.7)	(2.8)	(4.9)



# Assets, Liabilities and Equity

**Total Assets 456,281 millions of yen**  
**Down ¥12,663 million from previous period**

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

**Up ¥3,581 million**

Cash Flows from Operating Activities :

¥13,007 million

Cash Flows from Investing Activities :

¥(9,586) million

Cash Flows from Financing Activities :

¥759 million

Foreign Currency Translation Adjustments  
on Cash and Cash Equivalents :

¥(599) million

**Trade and other receivables | Y/Y :**

**Down ¥8,860 million**

Number of months' sales receivables :

Previous period : 2.8 months

This period : 3.2 months

**Inventories | Y/Y :**

**Up ¥1,725 million**

Number of months' sales in inventory :

Previous period : 2.1 months

This period : 2.9 months

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

**Down ¥2,726 million**

■ CAPEX : ¥ 7,603 million

■ Depreciation : ¥ 7,609 million

**Goodwill and intangible assets | Y/Y :**

**Down ¥1,689 million**

## Current assets

**264,090**

**Down ¥7,674 Million  
from previous period**

## Liabilities

**175,170**

**Down ¥2,643 million  
from previous period**

## Equity

**281,111**

**Down ¥10,020 million  
from previous period**

## Non-current assets

**192,191**

**Down ¥4,989 million  
from previous period**

**Current liabilities | Y/Y :**

**Down ¥10,194 million**

■ Trade and other payables | Y/Y :  
Down ¥7,120 million

Number of months' notes payable

Previous period : 1.9 months

This period : 2.1 months

■ Bonds and borrowings | Y/Y :

Down ¥4,972 million

**Non-current liabilities | Y/Y :**

**Up ¥7,551 million**

■ Bonds and borrowings | Y/Y :

Up ¥7,747 million

**Profit (Loss) Attributable to  
Owners of the Parent:**

**¥(3,358) million**

**Dividends Paid :**

**¥(1,034) million**

**Foreign Currency**

**Translation Adjustments | Y/Y:**

**Down ¥4,136 million**



# II. Major Measures

# THK Measures to Combat COVID-19



## ■ THK Response

- Held global response meetings on every business day from Feb. 3, 2020
- Peak over 90% teleworking at HQ divisions
- Created a value chain team
- Attentive care of employees/families during and outside working hours
- Sales activities through online conferences, Omni THK, etc.
- Donated 15,000 N95 medical masks to medical institutions

- ➔ Swift situation assessment, response
- ➔ Set up responsive working systems
- ➔ Continued lifeline operations
- ➔ Companywide drive to continue business
- ➔ Accelerated "Change in Business Style"
- ➔ Provide positive support to medical institutions to contribute to society

## ■ THK Situation

**Industrial Machinery business: Suspended some factories in China (Feb.) and Europe (Mar.–Apr.)**

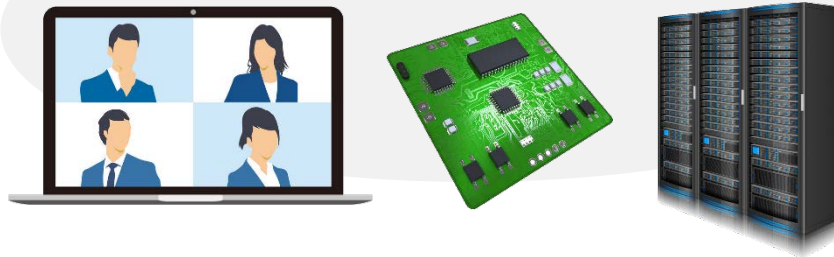
**Automotive & Transportation business: Stopped factories when necessary as automakers suspended their operations**



Many customers worldwide expected us to maintain supply as an **essential business**.  
Continuing operations with minimal impact thanks to strict management.

# COVID-19 Business Opportunities

**Greater semiconductor demand from teleworking, online study**



**Greater distribution, shop and other automation demand**



**Review of hardware sharing in automobiles and other areas**

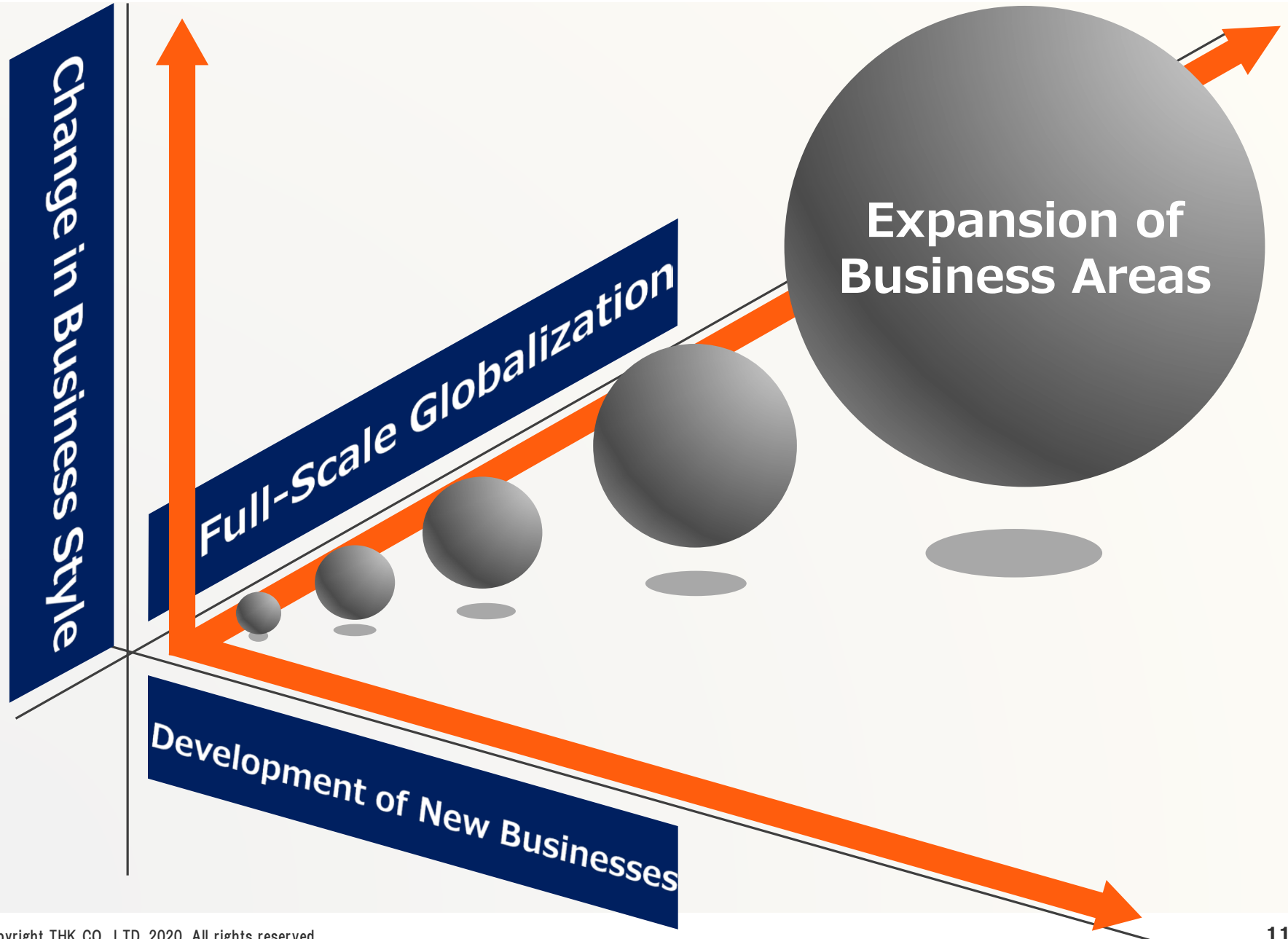


**Greater medical demand**



**COVID-19 impact fueling short-term adjustments but expect greater medium to long-term opportunities.**

# Growth Strategy



# Key Initiatives in Business Lines

## Expansion of Top Line

**FY2020\_1H**  
**Industrial Machinery**  
 Revenue 71.9billions of yen  
 Y/Y -26.3%

**FY2020\_1H**  
**Automotive & Transportation**  
 Revenue 31.1billions of yen  
 Y/Y -37.6%

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

Expansion of L&S Business  
 The launch of new products for Automobile

**FY2020\_1H**  
**Consolidated Revenue**  
 103.0billions of yen  
 Y/Y -30.2%



## Strengthening of Bottom Line

**【Industrial Machinery】**

**【Automotive & Transportation】**

- |                                       |                                  |   |
|---------------------------------------|----------------------------------|---|
| 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 |

## Expanding major customer purchasing systems

Customers can buy THK products via their own purchasing systems

Ex: Customer group purchasing system



Omni THK screen

Customer Group

Company A

B

C

D

E



Order

THK  
Core system



## COVID-19 activities

- Increasing business meetings by strengthening online visits.
- Steadily increasing inquiries in line with rising non-face-to-face communication needs.

## Main industries introducing OMNI edge

Auto parts, electronic parts, materials (plastics, glass, rubber), foodstuffs, medicines, cosmetics, etc.

## OMNI edge customer opinions

“We feel there is a limit to an expert’s ability to use sound and visual observation to judge when to change an LM guide.”

“We suffered a huge loss when our only installed machine stopped.”

“Low cost and ease of installation were the deciding factors for us.”

“LM guides are changed more frequently in harsh environments, so we are hoping to improve capacity utilization.”

## COVID-19 activities

- Installing OMNI edge in THK Japan factories (already approx. 700 installed)
- Increased business meetings by strengthening online visits.



Expand OMNI edge customers further

# Enhancement of the Global Manufacturing Structure (Industrial Machinery Business)

## THK India

New plant

Planned operation in 2021

- Target products : LM Guide
- Space of land bought : About 205,000m<sup>2</sup>
- First term floor space : About 37,000m<sup>2</sup>



## SAMICK-THK Daegu Technopolis Plant (KOREA)

New plant

Planned operation in Oct. 2020

- Target products : LM Guide
- Space of land : About 50,000m<sup>2</sup>
- Floor space : About 43,000m<sup>2</sup>



## THK MANUFACTURING OF VIETNAM

New plant extension Completed in Nov. 2018

- Target products :  
Miniature LM Guide
- Floor space :  
About 16,000m<sup>2</sup>



## Yamagata Plant (Japan)

New plant extension

Completed in Mar. 2019



- Target products :  
Electric Actuator  
Ball Screw  
LM Guide
- Floor space :  
About 32,000m<sup>2</sup>



# Development of new business areas

Supporting labor-saving in the service industry

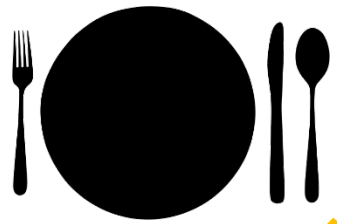
## Distribution



## Shop



## Restaurant



## Medical Equipment



## Seismic Isolation Home Automation



## Renewable Energy



## Train / Aircraft



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

# To meet demand for automation and power saving

## Autonomous transport robot

Carries drinks inside Takanawa Gateway station building (proof-of-concept)



## Temperature check robot

Checks body temperature using thermal camera  
Contacts call center and responds if detects a fever



## Product select robot

Expect to be used in  
convenience stores, etc.

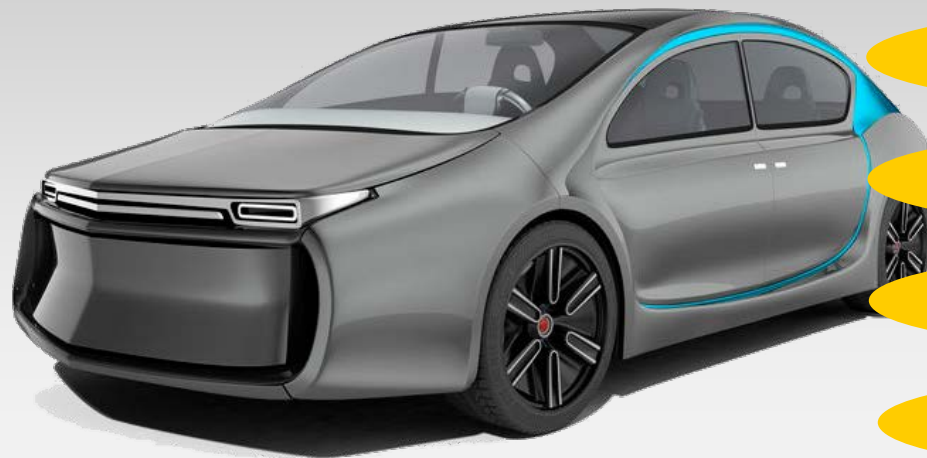


## Expansion of L&S Business

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 strake parts

Electric power steering parts

Interior

## FY2020 1H Measures

- Reduced fixed costs through operation adjustment due to COVID-19.
- Continuing recovery plan outlined at start of year.
- Preparing for large-scale projects from FY2021

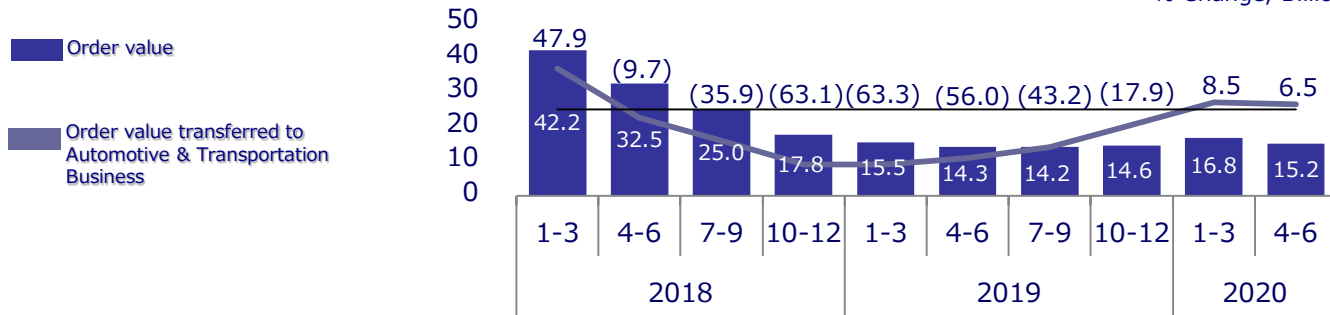
# **Ⅲ. Financial Forecast for Fiscal 2020**

# Orders Received by Region <Industrial Machinery Business>

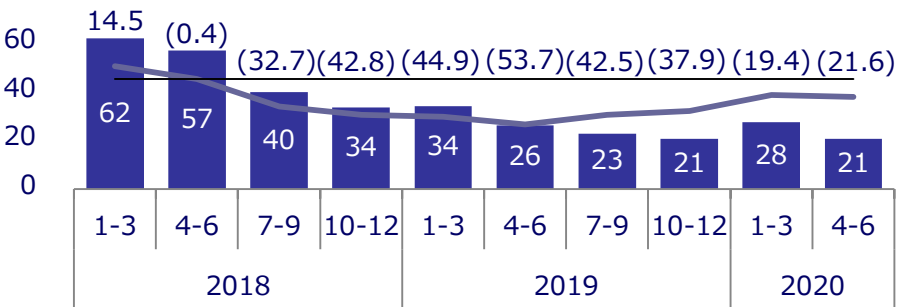


THK CO., LTD. (Japan)

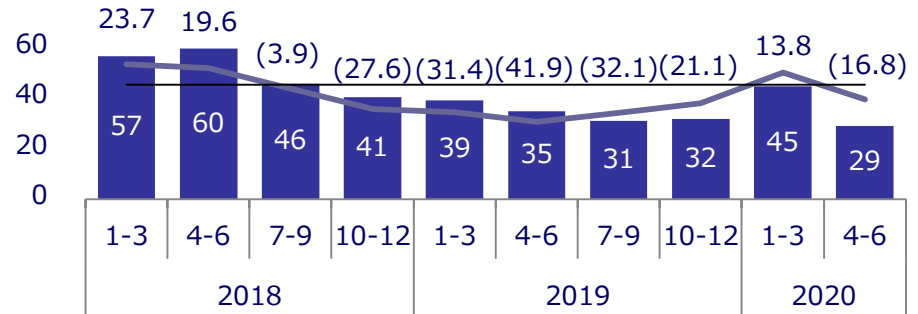
\* exclude export  
% Change, Billions of YEN



THK Europe % Change, Millions of EUR

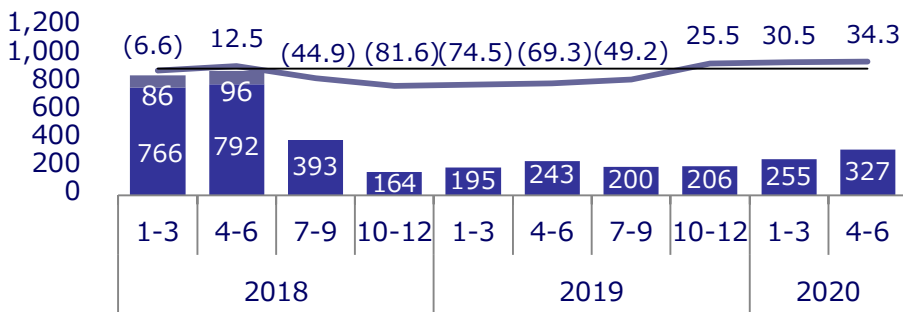


THK Holdings of America % Change, Millions of USD



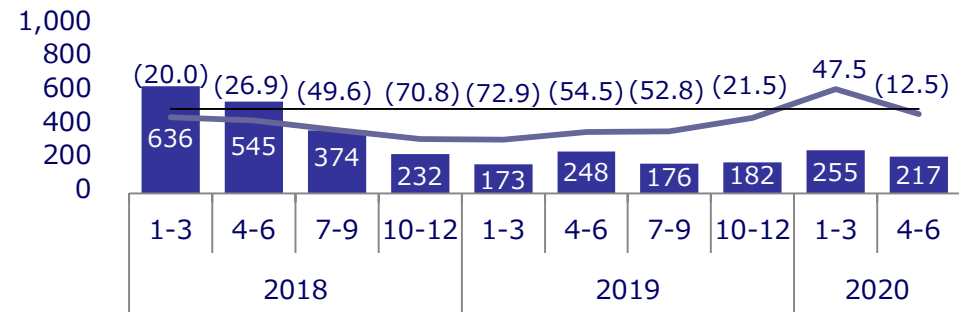
THK (CHINA) CO., LTD. + THK (SHANGHAI)

% 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)



(Millions of Yen)

	2020/12			2019/12
	FY Revised Aug. Forecast	FY Feb Forecast	1H Results	Results
Revenue	216,000	264,000	103,051	274,599
Y/Y	-21.3%	-3.9%	-30.2%	-20.3%
Operating Income	200	11,400	(1,404)	18,277
Y/Y	-98.9%	-37.6%	-	-65.4%
Income before income taxes	(1,400)	11,600	(2,982)	18,168
Y/Y	-	-36.2%	-	-65.2%
Profit Attributable to Owners of the Parent	(3,100)	7,000	(3,358)	11,690
Y/Y	-	-40.1%	-	-67.6%

# Financial Forecast (Unconsolidated)



(Millions of Yen)

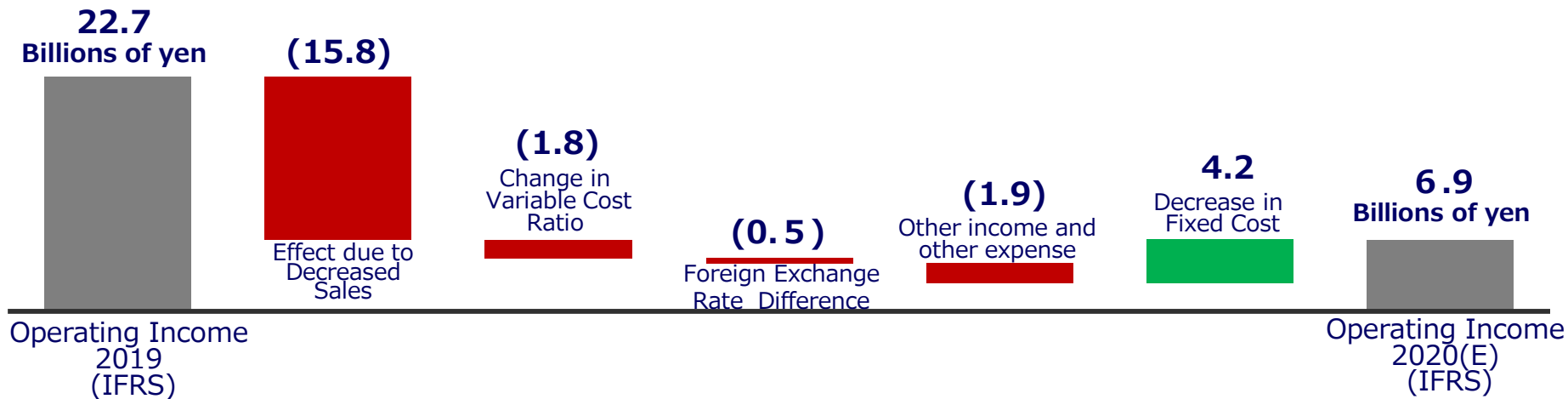
	2020/12			2019/12
	FY Revised Aug. Forecast	FY Feb Forecast	1H Results	Results
<b>Net Sales</b>	103,300	125,000	51,814	136,189
<i>Y/Y</i>	-24.1%	-8.2%	-31.1%	-26.9%
<b>Domestic</b>	71,800	87,500	35,198	92,800
<i>Y/Y</i>	-22.6%	-5.7%	-31.5%	-26.9%
<b>Operating Income</b>	1,000	7,400	302	11,933
<i>Y/Y</i>	-91.6%	-38.0%	-96.4%	-65.6%
<b>Ordinary Income</b>	2,700	8,900	1,162	15,746
<i>Y/Y</i>	-82.9%	-43.5%	-89.3%	-59.7%
<b>Net Income</b>	1,700	6,800	704	7,559
<i>Y/Y</i>	-77.5%	-10.0%	-91.7%	-73.0%

# (Ref.) Operating Income (FY2020E) – Change Factors –

The Mark of Linear Motion

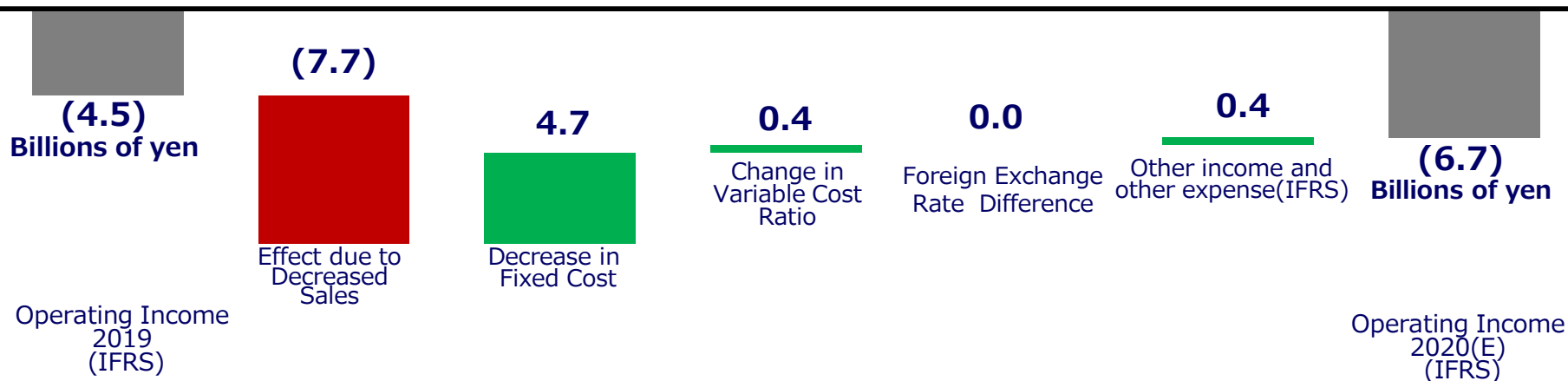
Industrial  
Machinery

<b>FY2019 (IFRS)</b>	Revenue: 177.8 billions of yen Operating Income: 22.7 billions of yen	<b>FY2020(E) (IFRS)</b>	Revenue: 145.2 billions of yen Operating Income: 6.9 billions of yen
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Automotive  
&  
Transportation

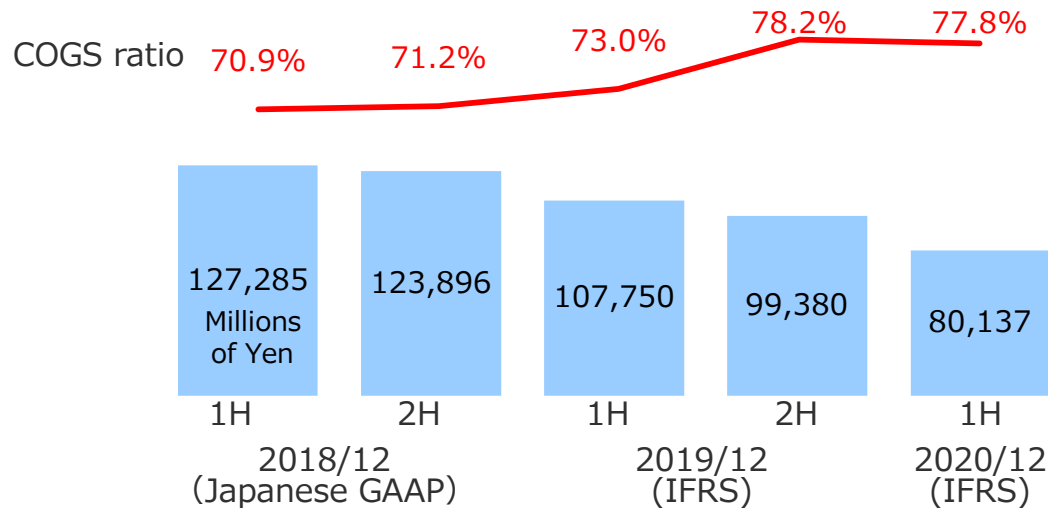
<b>FY2019 (IFRS)</b>	Revenue: 96.8 billions of yen Operating Income: (4.5) billions of yen	<b>FY2020(E) (IFRS)</b>	Net Sales: 70.8 billions of yen Operating Income: (6.7) billions of yen
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# Trends in COGS and SG&A

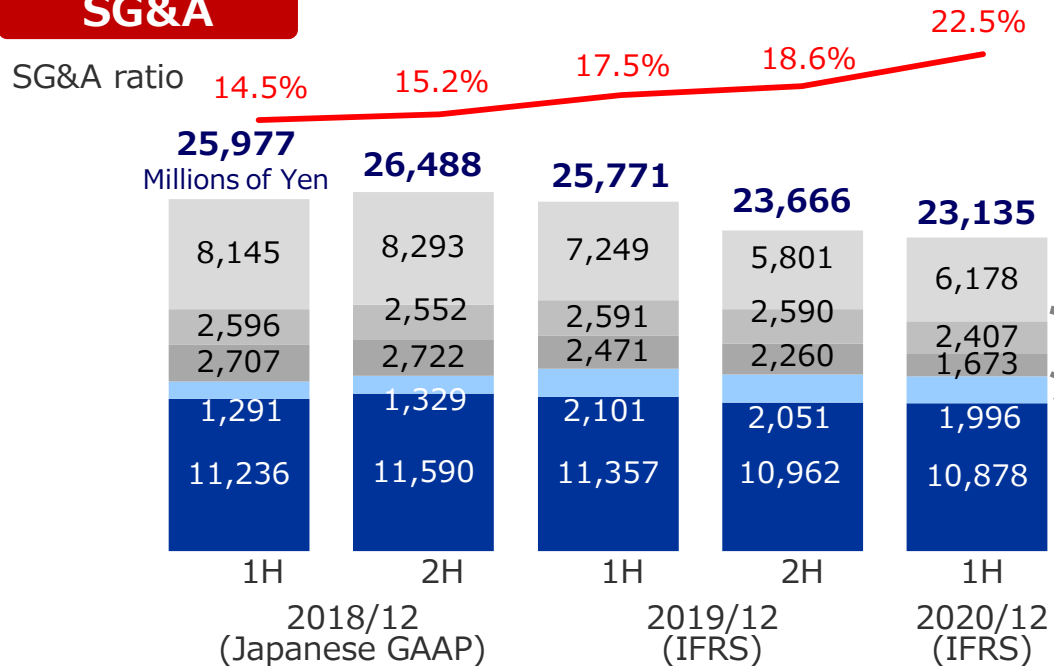
## COGS



Sales-cost ratio increased by 4.8 points Y/Y

• Due to decrease revenue

## SG&A



Other | Y/Y : Down ¥ 1,070 million, or 14.8%

R&D | Y/Y : Down ¥ 184 million, or 7.1%

Sales & Distribution Costs | Y/Y :  
Down ¥ 797 million, or 32.3%

Depreciation and Amortization | Y/Y :  
Down ¥ 104 million, or 5.0%

Personnel Costs | Y/Y : Down ¥ 478 million, or 4.2%

# 【Support Statement】

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



(millions of yen)

80,000

70,000

60,000

50,000

40,000

30,000

20,000

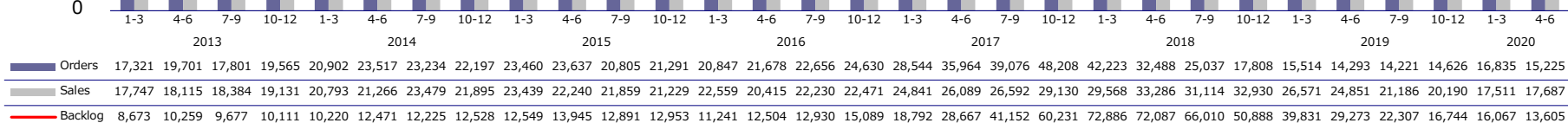
10,000

0

Orders

Sales

Backlog



# [Support Statement]

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



(millions of yen)

12,000

10,000

8,000

6,000

4,000

2,000

0

- Machine Tool
- General Machinery
- Electronics

	2013				2014				2015				2016				2017				2018				2019				2020			
	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
Machine Tool	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	6,021	5,534	4,139	2,489	1,737	1,355	1,324	1,138	1,260	1,350	2,659
General Machinery	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	2,485	2,487	2,431	2,482	3,024	2,659		
Electronics	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	2,793	2,717	2,542	2,950	4,601	4,067		