

FINANCIAL RESULTS BRIEFING FOR FISCAL 2019

February 14th 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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Management Target**

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I . Financial Results for Fiscal 2019

Financial Highlights

Net sales decreased by 21.4% year on year to 277.9 billion yen *Geographic sales is based on where our customers are located

- US-China economic friction prompted companies to curb investment worldwide, mostly in China. Amid the general trend of order and inventory adjustments, orders remained at low levels in all regions.
- Even amidst such circumstances, the backlog of orders, which had grown to high levels due to greater investment in semiconductors, and advances made in automation and robotization, was steadily translated into net sales, resulting in the backlog of orders being brought down to a normal level.

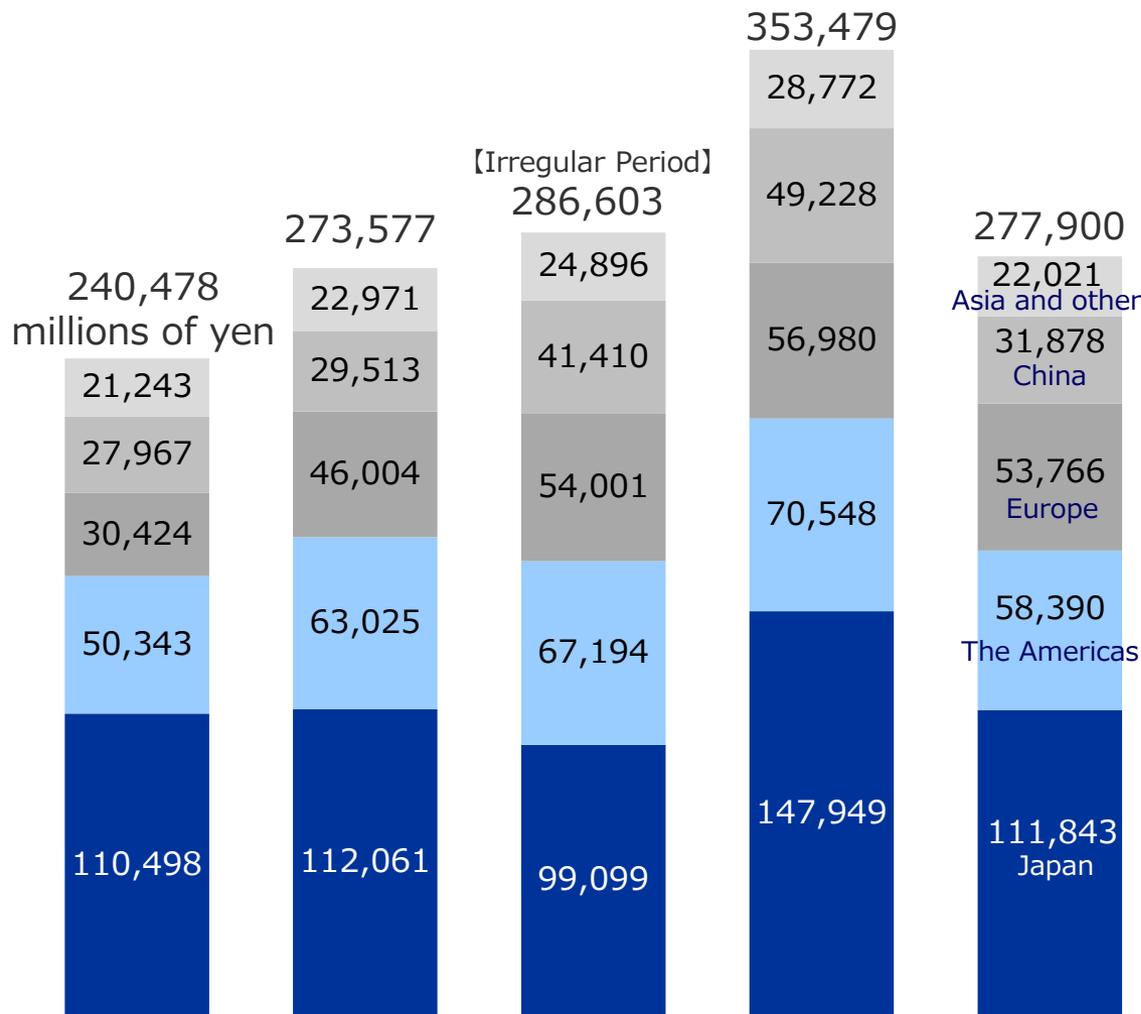
Operating income decreased by 65.4% year on year to 17.2 billion yen

- A decline in net sales due to demand adjustment was not sufficiently covered by our cost control effort to reduce the declining profit margin. Operating income decreased year-on-year mainly due to the net sales decline.

Both net sales and operating income were above the plan, which was revised in November 2019

- Net sales and operating income were better than the revised plan announced in November 2019 by 1.9 billion yen and 0.4 billion yen respectively.

Trend in Net Sales



Asia and other	
● Taiwan	Down 26.8%
● Singapore	Down 27.4%
● India	Down 23.3%

China	
● Machine tools	Down 36.5%
● General machinery	Down 18.9%
● Electronics	Down 37.4%
● Automotive & Transportation	Down 8.9%

Europe	
● Machine tools	Down 6.4%
● General machinery	Down 6.5%
● Electronics	Down 8.1%
● Automotive & Transportation	Down 1.7%

The Americas	
● Machine tools	Down 17.9%
● General machinery	Up 2.8%
● Electronics	Down 41.4%
● Automotive & Transportation	Down 14.4%

Japan	
● Machine tools	Down 31.4%
● General machinery	Down 29.7%
● Electronics	Down 34.0%
● Automotive & Transportation	Down 11.6%

Exchange rate	2016/3	2017/3	2017/12	2018/12	2019/12
1US\$	121.05	108.87	112.19	110.42	109.04
1EUR	134.32	120.36	126.66	130.36	122.08
1CNY	19.22	16.37	16.62	16.71	15.79

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

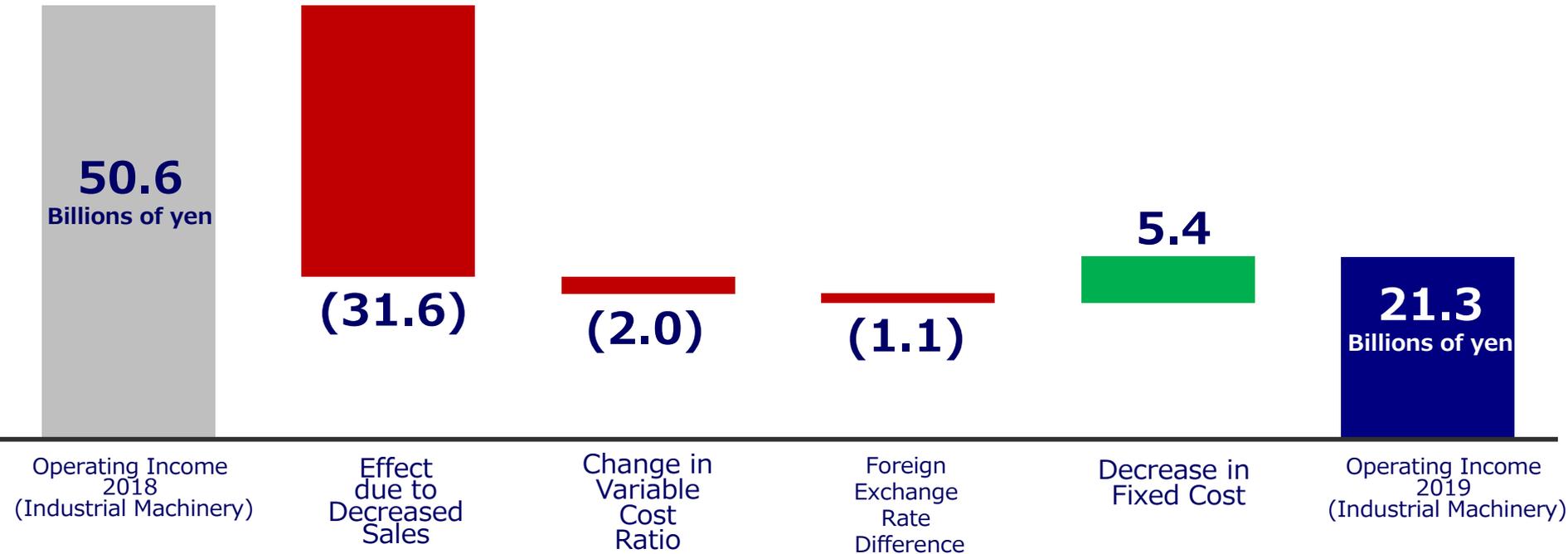
*Growth rate by industry is based on the figures in local currency from January to December.

*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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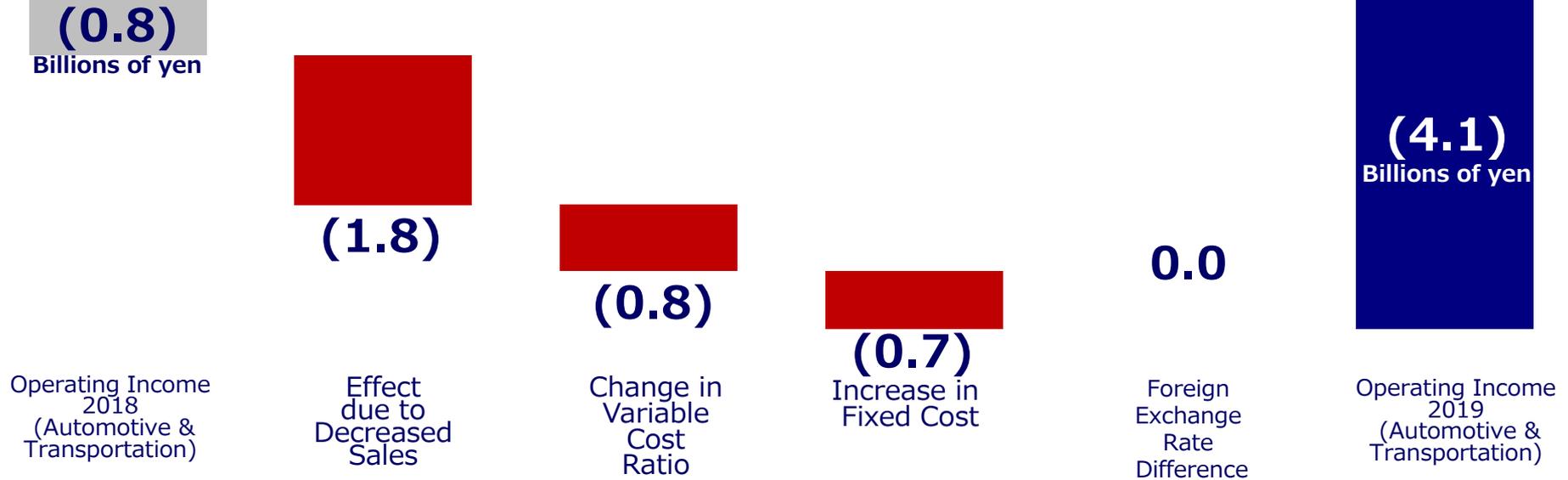
(Ref.) Operating Income – Change Factors – (Industrial Machinery)



FY19 By type of business Unit: billions of yen		FY18	FY19
Industrial Machinery	Net Sales	238.6	177.9
	Operating Income	50.6	21.3

FY19 Operating Income by segment	
Japan	¥13,514million
The Americas	¥(611)million
Europe	¥(440)million
China	¥2,402million
Asia and Other	¥1,138million
Adjustments	¥1,262million

(Ref.) Operating Income – Change Factors – (Automotive & Transportation)



FY19 By type of business Unit: billions of yen		FY18	FY19
Automotive & Transportation	Net Sales	114.8	100.0
	Operating Income	-0.8	-4.1



- The changes in the variable cost ratio occurred largely due to rising material costs at TRA Canada and unexpected expenses associated with the launch of a new aluminum forging product.

Assets, Liabilities and Net Assets

Total Assets
459,909 millions of yen
Down ¥3,022 million
from previous period

Cash and Cash in Account | Y/Y :
Up ¥14,577 million
 Cash Flows from Operating Activities :
 ¥27,177 million
 Cash Flows from Investing Activities :
 ¥(30,000) million
 Cash Flows from Financing Activities :
 ¥19,470 million
 Foreign Currency Translation Adjustments
 on Cash and Cash Equivalents :
 ¥(2,069) million

Accounts Receivable | Y/Y :
Down ¥28,882 million
 Number of months' sales receivables :
 Previous period : 3.1 months
 This period : 2.8 months

Inventories | Y/Y :
Down ¥1,945 million
 Number of months' sales in inventory :
 Previous period : 1.7 months
 This period : 2.1 months

Property, Plant and Equipment | Y/Y :
Up ¥13,505 million
 ■ CAPEX : ¥ 31,685 million
 ■ Depreciation : ¥ 14,524 million

Intangibles | Y/Y :
Down ¥3,160 million

Current Assets
271,764
Down ¥13,117 million
from previous period

Fixed Assets
188,144
Up ¥10,095 million
from previous period

Liabilities
165,679
Down ¥2,533 million
from previous period

Net Assets
294,229
Down ¥490 million
from previous period

Current Liabilities | Y/Y :
Down ¥20,932 million
 ■ Accounts Payable | Y/Y :
 Down ¥14,999 million
 Number of months' notes payable
 Previous period : 1.7 months
 This period : 1.5 months
 ■ Income Taxes Payable | Y/Y :
 Down ¥11,562 million
 ■ Current portion of long-term bank loans
 | Y/Y : Down ¥10,000 million
 ■ Current portion of long-term bonds
 | Y/Y : Up ¥20,000 million

Long-term Liabilities | Y/Y :
Up ¥18,399 million
 ■ Long-term bank loans | Y/Y :
 Up ¥17,815 million

**Net Income Attributable
 to Owners of the Parent**
¥9,602 million

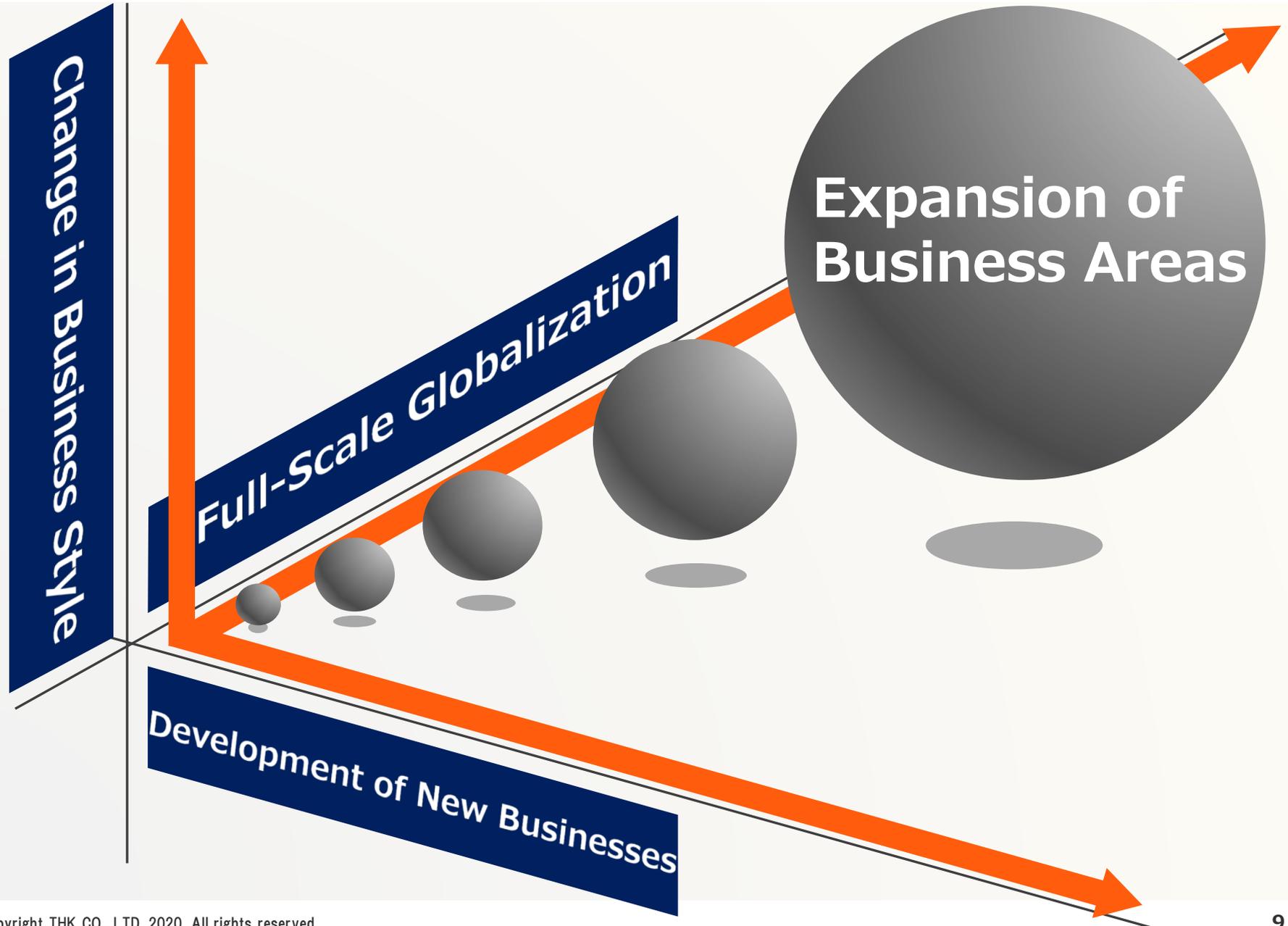
**Foreign Currency
 Translation Adjustments | Y/Y:**
Down ¥3,341 million

Dividends Paid : ¥(7,944) million

* (Note) Effective January 1, 2019, THK applied "Partial Amendments to Accounting Standard for Tax Effect Accounting" (Statement No. 28 issued by Accounting Standards Board of Japan).
 The 2018 figures in the above table have been retrospectively adjusted in accordance with the revised standard.
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II. Approach toward Achieving Management Target

Growth Strategy

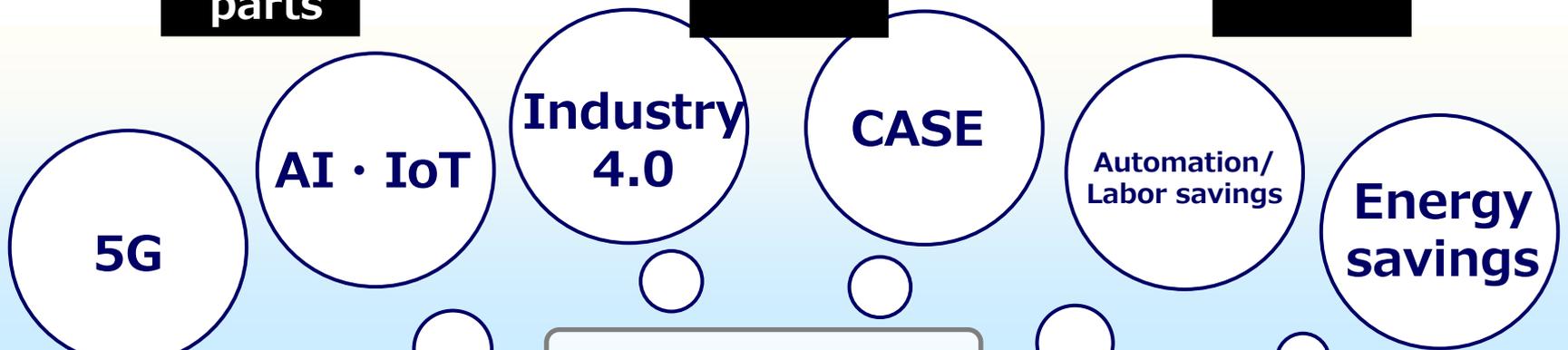


THK's growth potential dramatically expands

THK's solution



Keywords of the changes



Megatrends



Key Initiatives in Business Lines

Expansion of Top Line

Industrial Machinery Business



Increase to approx.
150 billions of yen

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

Automotive & Transportation Business



Increase to approx.
35 billions of yen

Expansion of L&S Business

The launch of new products for Automobile

Consolidated Net Sales : 500 billions of yen

Operating Income : 100 billions of yen

ROE : 17%

Industrial Machinery

Net Sales : 350.0

Operating Income : 90.0

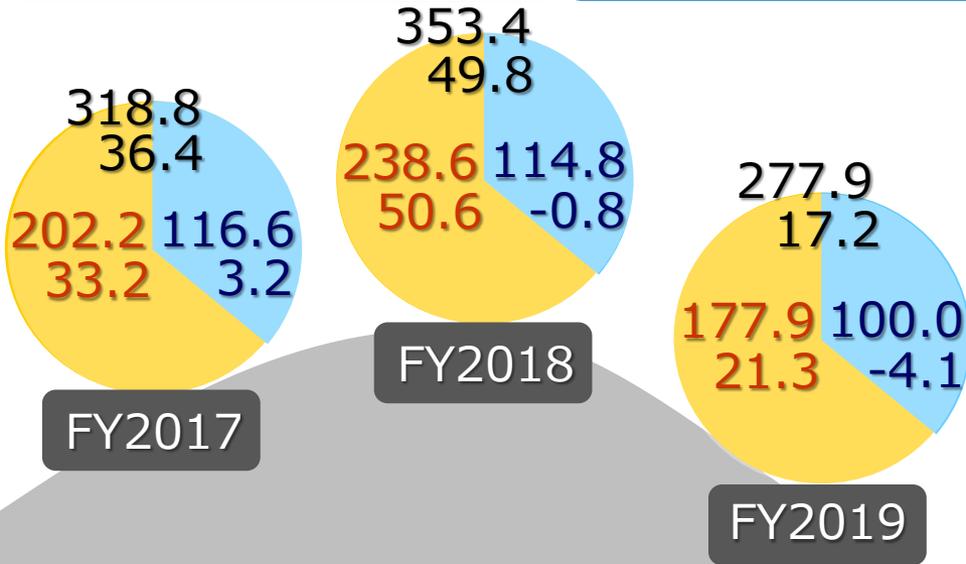
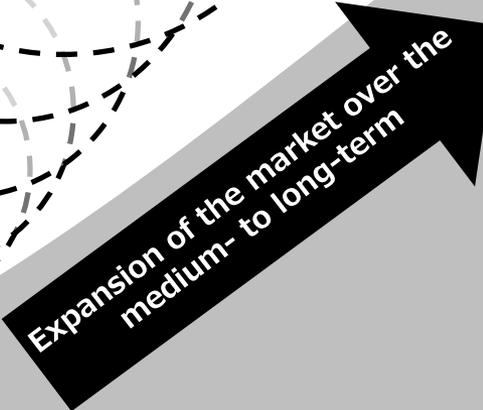
Automotive & Transportation

Net Sales : 150.0

Operating Income : 10.0

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

FY2022(E)



Strengthening of Bottom Line

【Industrial Machinery】

1. Robotization and automation
2. Visualization of global production
3. Reduction of various costs
4. Strategy on fair sales prices

【Automotive & Transportation】

1. Mutual use of factories
2. Shared purchase
3. Integration of products

Orders officially open as of Dec. 18, 2019

	LM Guide	Ball screw
Ordering begins	Dec. 18, 2019	Summer 2020 (Planned release)
Free trial	—	Applications open Dec. 18, 2019 (50 spots)

We adopted a subscription model (annual contract/annual payments).
Starting at ¥8,000/device per month *With an annual contract

Future Developments

Dec. 10, 2019
Press release

Feb. 3, 2020
Shipping starts

Apr. 2020
FANUC FIELD
system
compatibility

June. 2020
OPC-UA
compatibility

Summer 2020
Ball screw
shipping
begins

Dec. 18, 2019
• Ordering begins
• Ball screw trial
recruitment

Mar. 2020
On-premises
compatibility

June. 2020
Edgecross
compatibility

July. 2020
Siemens
MindSphere
compatibility

An IoT Service for Manufacturing, "OMNledge"



Runs a highly reliable network.
Provides communications that support global expansion.



Leading market share in linear motion components.
Global production network.



OMNledge

Leading market share in network devices.
Solid network design.



Technology developed by providing large-scale infrastructure.

Our one-stop service provides everything from the sensor to the network environment.

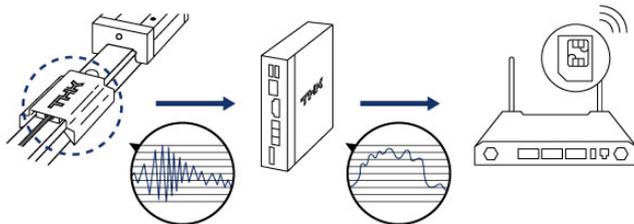
① Simple (Retrofitting)

② Secure

③ Zero initial costs

Easy Set-Up

The network is automatically set up as soon as you install the sensors and turn it on.

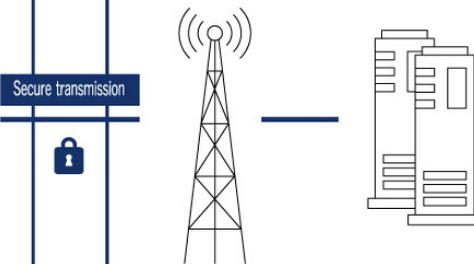


The sensors quantify damage and lubrication status.

Only necessary information is sent to the edge computing router.

Secure Operation

Securely collect data from anywhere in the world via a closed network.



Also supports global expansion.

Predictive Analytics

The software analyzes THK component data and notifies you by e-mail. It learns and evolves through gathering data.

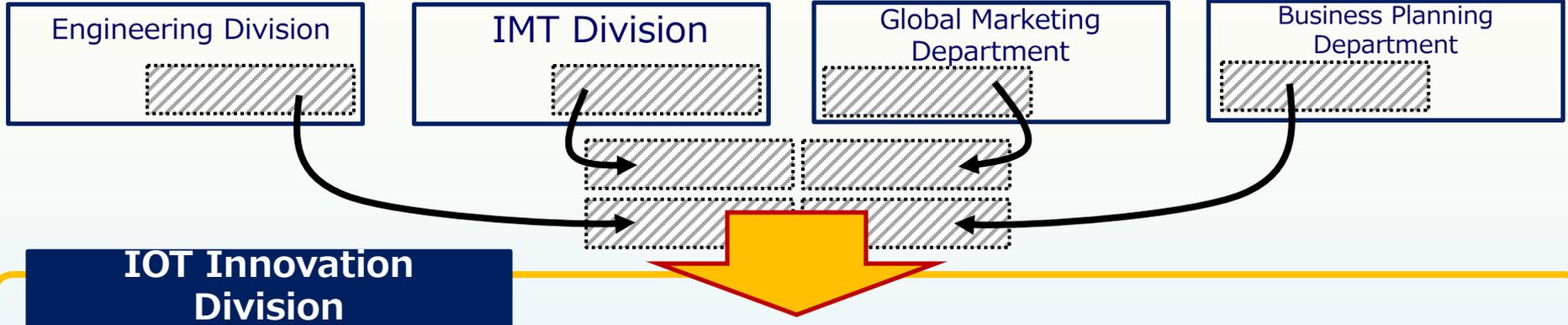


Notification by e-mail.

Establishment of IOT Innovation Division

The Mark of Linear Motion

Utilize digital technologies, such as IoT and AI, to realize innovations for society, customers, and THK



Solution Development Unit
Platform, Software, Device
Linear motor, Controllers

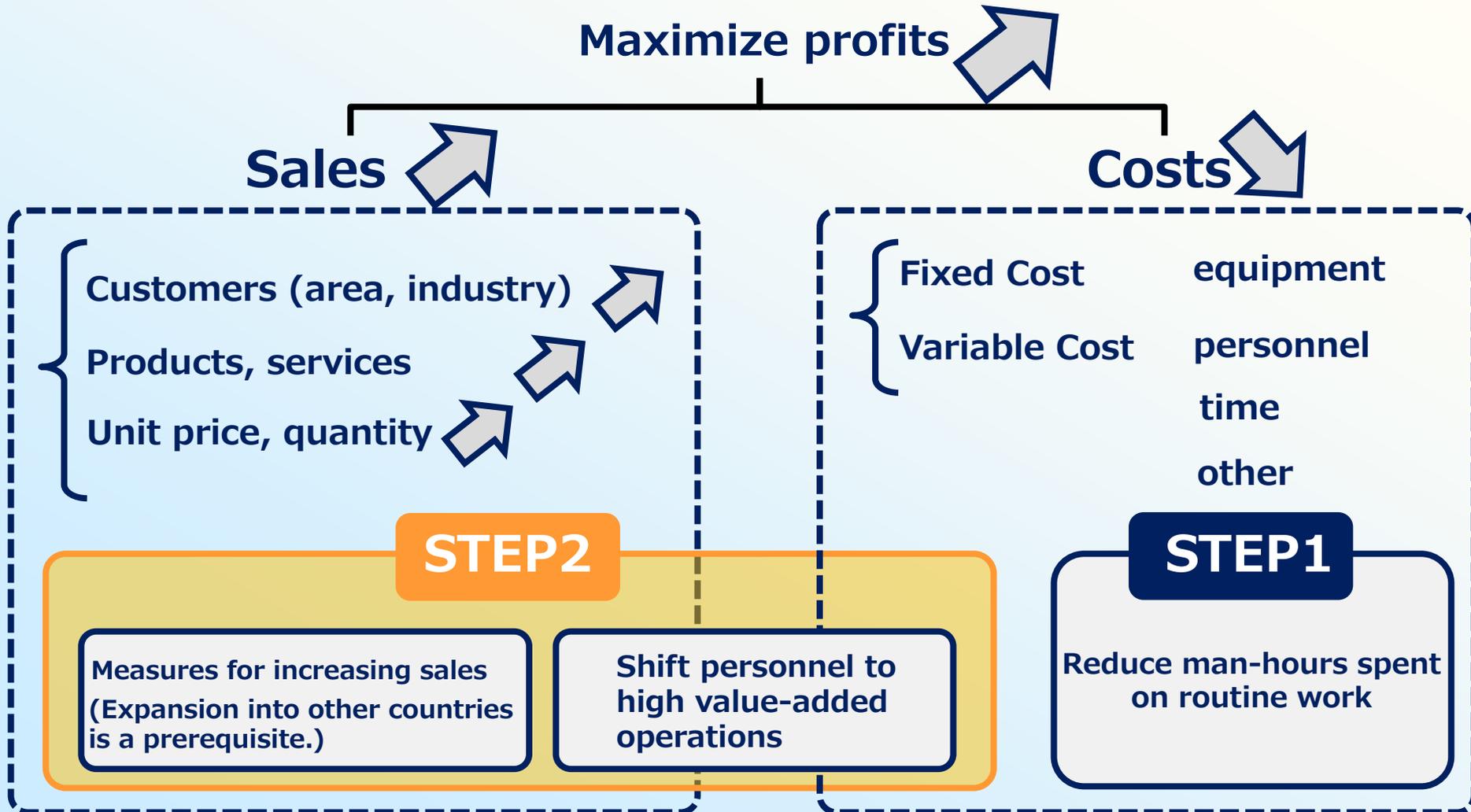
Account Sales Unit
OMNIedge, Omni THK
Linear motor/Control

Planning and Marketing Unit
OMNIedge, Omni THK
Linear motor/Control

Plan, develop, and sell new products related to OMNIedge, Omni THK, and other IoT and AI

THK DX (digital transformation)

Start of STEP 2 of THK DX Project
—Exhaustively pursue improvement of profitability—



Enhancement of the Global Manufacturing Structure (Industrial Machinery Business)

THK India

New plant

Planned operation in Apr. 2020

- Target products : LM Guide
- Space of land bought : About 205,000m²
- First term floor space : About 37,000m²



SAMICK-THK Daegu Technopolis Plant (KOREA)

New plant

Planned operation in Apr. 2020

- Target products : LM Guide
- Space of land : About 50,000m²
- Floor space : About 43,000m²



Yamagata Plant (Japan)

New plant extension

Completed in Mar. 2019



- 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

Supporting labor-saving in the service industry

Distribution



Shop



Restaurant



Aircraft



**Seismic Isolation
Home Automation**



**Renewable
Energy**



**Medical
Equipment**



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

The hand adjusts to the shape of the workpiece.

Versatile end effector adapts to various production line applications



Picking Robot Hand System 「PRS」

Versatile robot hand adapts to various logistics picking applications



The autonomous motion control system 「SIGNAS」

Navigates easily through various terrains for construction site



Automotive and Transportation Business Initiative



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 MEXICANA (MEXICO)
Completed in 2018



THK RHYTHM Kyushu Plant (JAPAN)
Completed in 2019



THK RHYTHM NORTH AMERICA (USA)
Completed in 2019



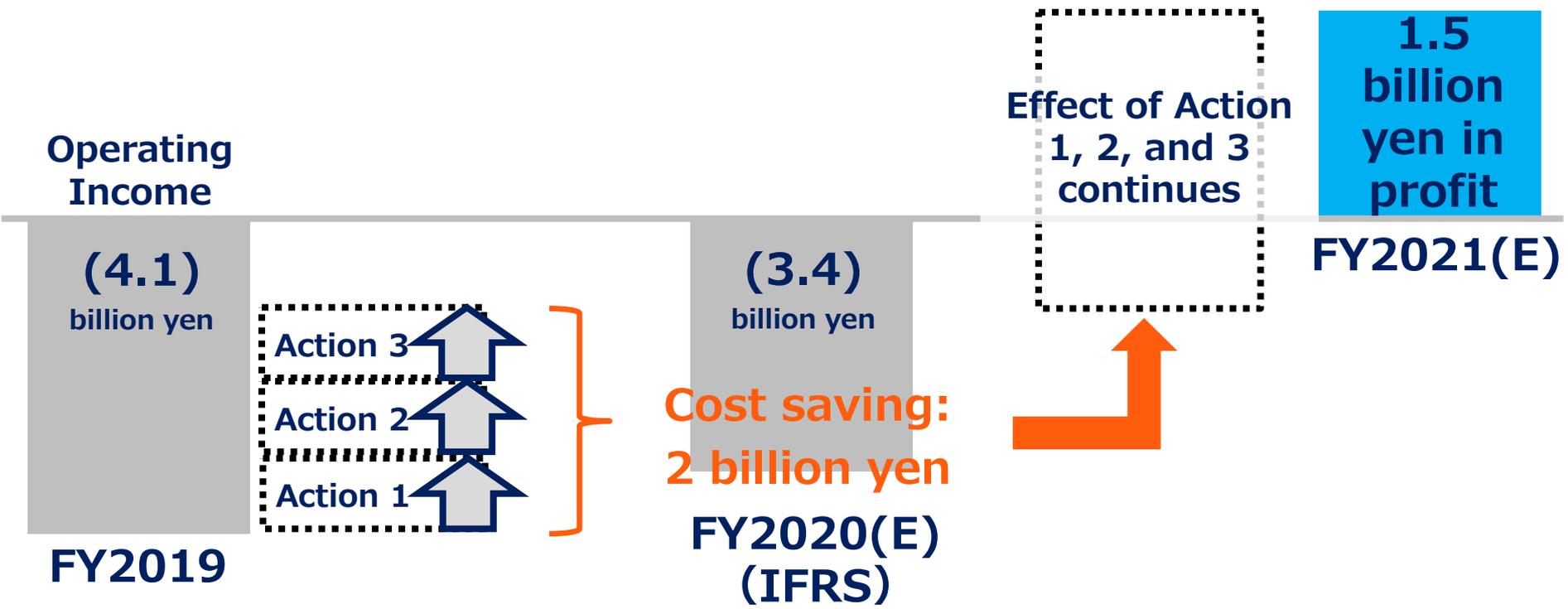
THK RHYTHM CHANGZHOU (CHINA)
Completed in 2019



Action 1: Manufacturing restructuring (Global review of products and manufacturing line)
Action 2: Organizational restructuring (Global reshuffling of personnel and organization, and outsourcing)
Action 3: Improvement of productivity and process (Enhanced technical support for bottleneck points)

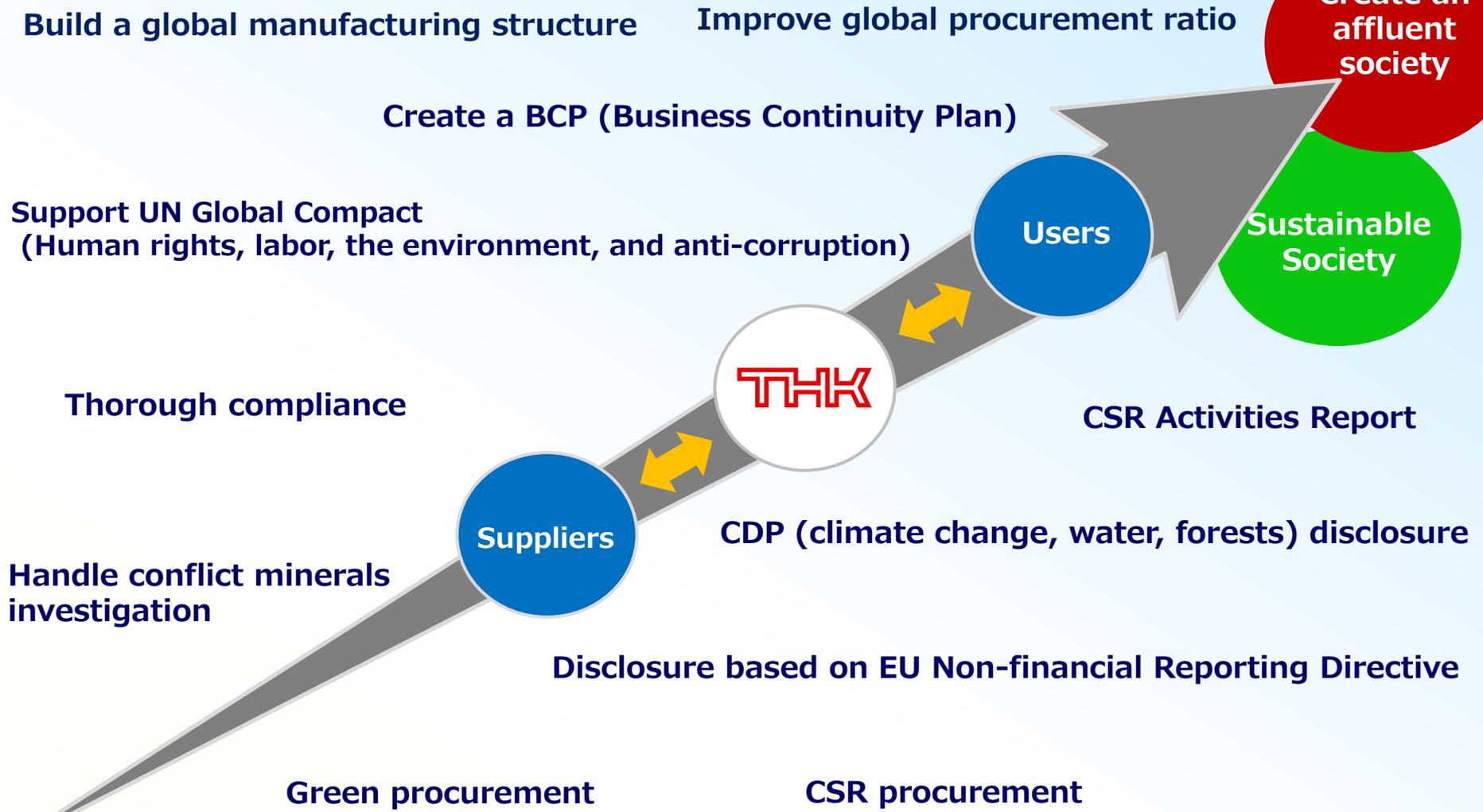
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Turn profitable in FY2021



Towards achieving a sustainable society

Deal with various risks and demands of society



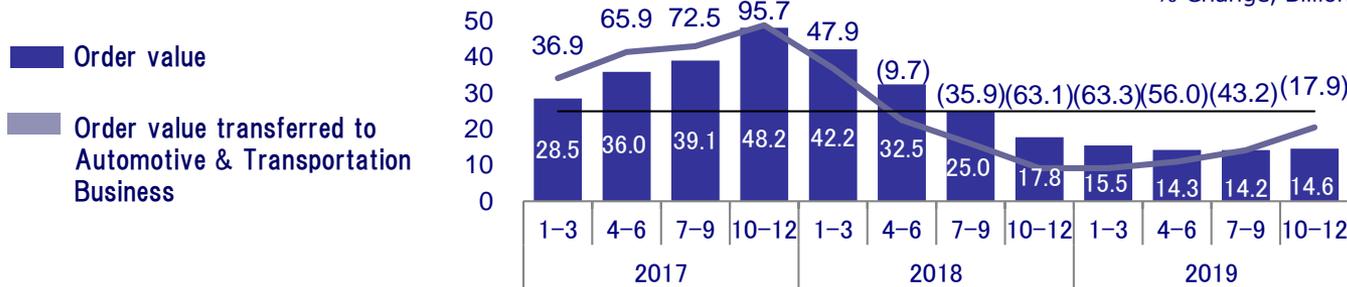
Ⅲ. Financial Forecast for Fiscal 2020

Orders Received by Region <Industrial Machinery Business>

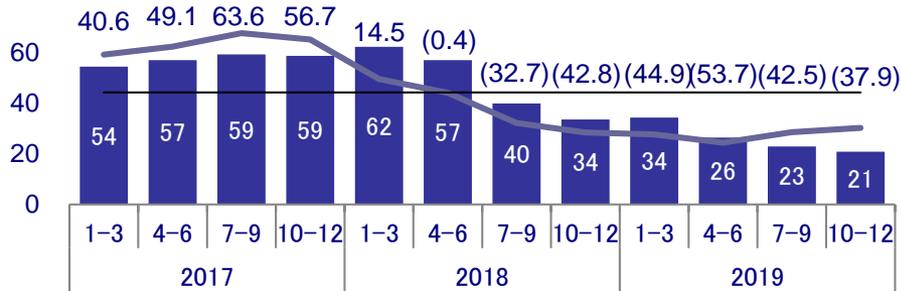


THK CO., LTD. (Japan)

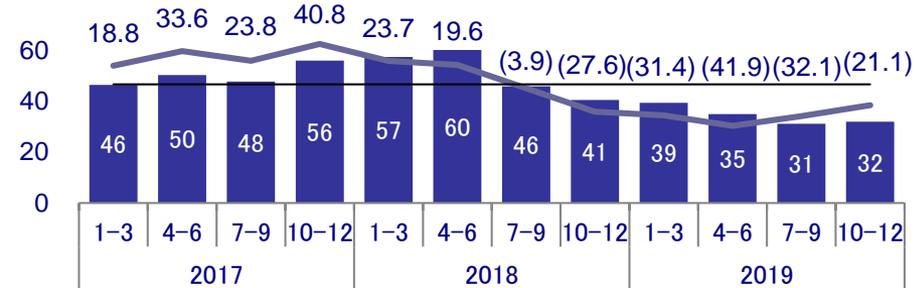
* exclude export
% Change, Billions of YEN



THK Europe % Change, Millions of EUR

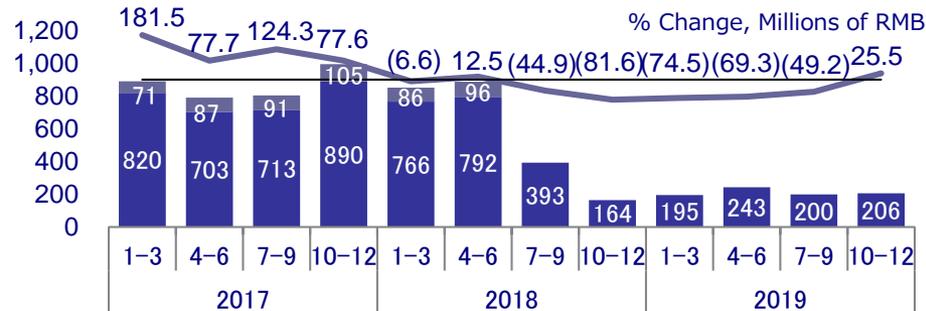


THK Holdings of America % Change, Millions of USD

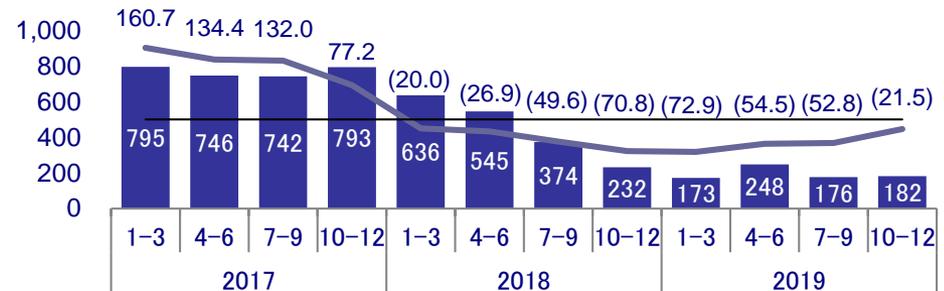


THK (CHINA) CO., LTD. + THK (SHANGHAI)

% 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

Voluntary Adoption of International Financial Reporting Standards

■ Purpose

The decision to voluntarily adopt IFRS has been made in order to improve the international comparability of financial information in capital market and to enhance its business management by unifying accounting standards across THK group.

■ Disclosure schedule

Date	Disclosure Documents	Accounting Standard
February,23 2020	For the year ending December 31, 2019 • Financial Results (Notes) • Consolidated financial documents	Japanese GAAP
March 2020	For the year ending December 31, 2019 • Securities Report	IFRS
May 2020	For the year ending December 31, 2020 • Financial Results for the 1st quarter period • Quarterly Securities Report for the 1st quarter period	IFRS

※Consolidated financial forecasts for the year ending December 31, 2020 to be disclosed will be prepared under IFRS.

※Financial Results for the year ending December 31, 2019 under IFRS will be disclosed after submitting the Securities Report.

Financial Forecast (Consolidated)

	2020/12		2019/12	2018/12
	Forecast (IFRS)	Forecast (Japanese GAAP)	Results (Japanese GAAP)	Results (Percentage changes from the previous fiscal year are just for reference)
Net Sales	264,000	267,500	277,900	353,479
<i>Y/Y</i>	-	-3.7%	-21.4%	+10.9%
Operating Income	11,400	10,400	17,265	49,832
<i>Y/Y</i>	-	-39.8%	-65.4%	+36.9%
Income before income taxes	11,600	10,800	16,471	51,529
<i>Y/Y</i>	-	-34.4%	-68.0%	+37.0%
Net Income Attributable to Owners of the Parent	7,000	6,200	9,602	35,400
<i>Y/Y</i>	-	-35.4%	-72.9%	+16.8%

Financial Forecast (Unconsolidated)

The Mark of Linear Motion

(Millions of Yen)

	2020/12 Forecast (Japanese GAAP)	2019/12 Results (Japanese GAAP)	2018/12 Results <small>(Percentage changes from the previous fiscal year are just for reference)</small>
Net Sales	125,000	136,189	186,311
<i>Y/Y</i>	-8.2%	-26.9%	+17.8%
Domestic	87,500	92,800	126,899
<i>Y/Y</i>	-5.7%	-26.9%	+19.0%
Operating Income	7,400	11,933	34,699
<i>Y/Y</i>	-38.0%	-65.6%	+65.9%
Ordinary Income	8,900	15,746	39,053
<i>Y/Y</i>	-43.5%	-59.7%	+71.9%
Net Income	6,800	7,559	28,035
<i>Y/Y</i>	-10.0%	-73.0%	-2.0%

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

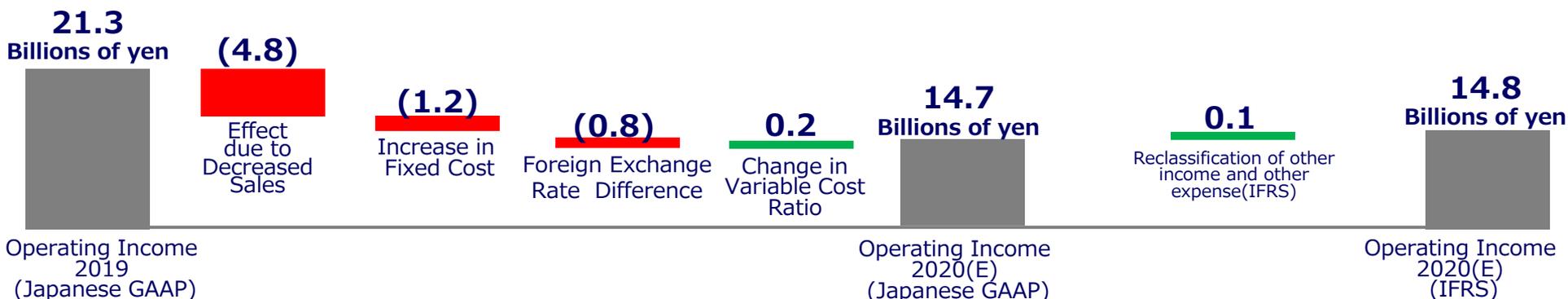


Industrial Machinery

Japanese GAAP Net Sales:167.5 billions of yen
Operating Income:14.7 billions of yen

IFRS Net Sales:167.4 billions of yen
Operating Income:14.8 billions of yen

Adjustment for IFRS

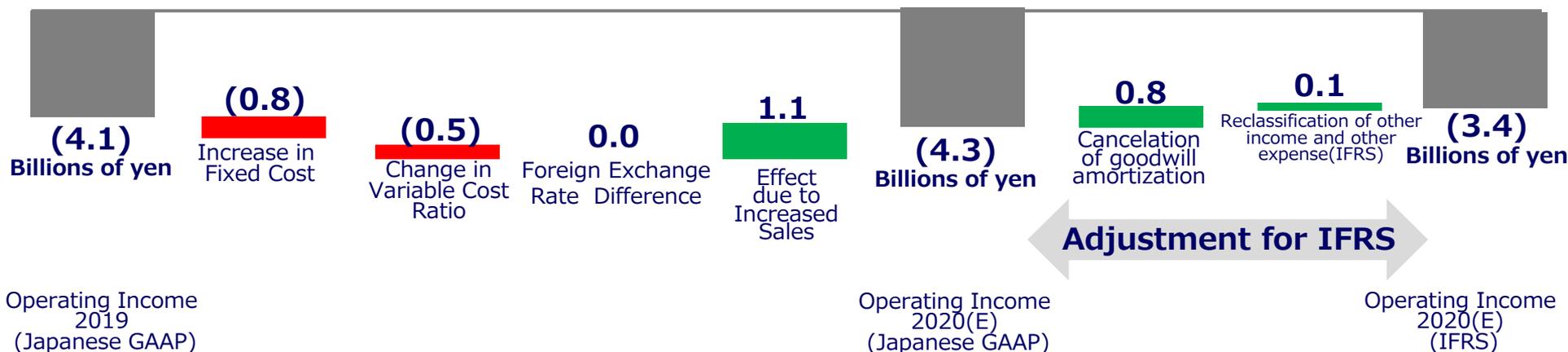


Automotive & Transportation

Japanese GAAP Net Sales:100.0 billions of yen
Operating Income: (4.3) billions of yen

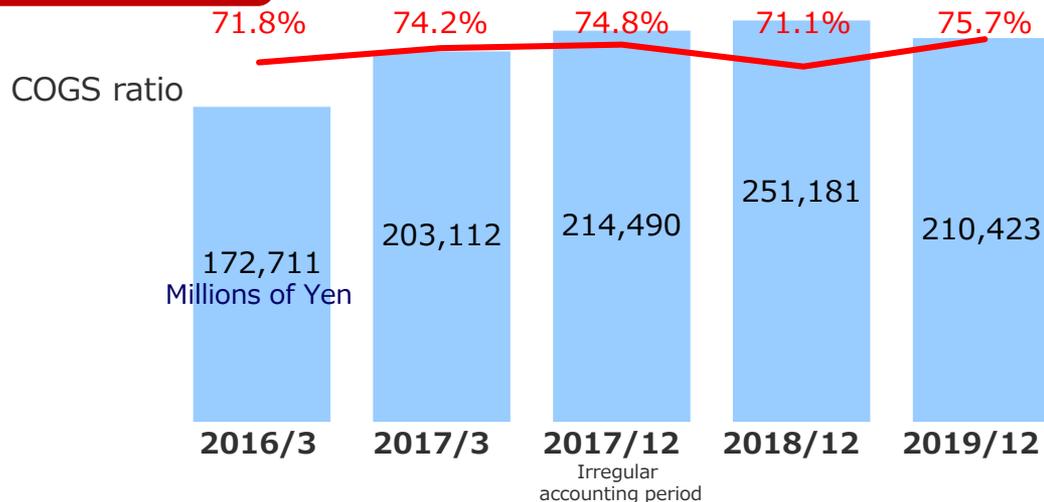
IFRS Net Sales:96.6 billions of yen
Operating Income: (3.4) billions of yen

Adjustment for IFRS



Trends in COGS and SG&A

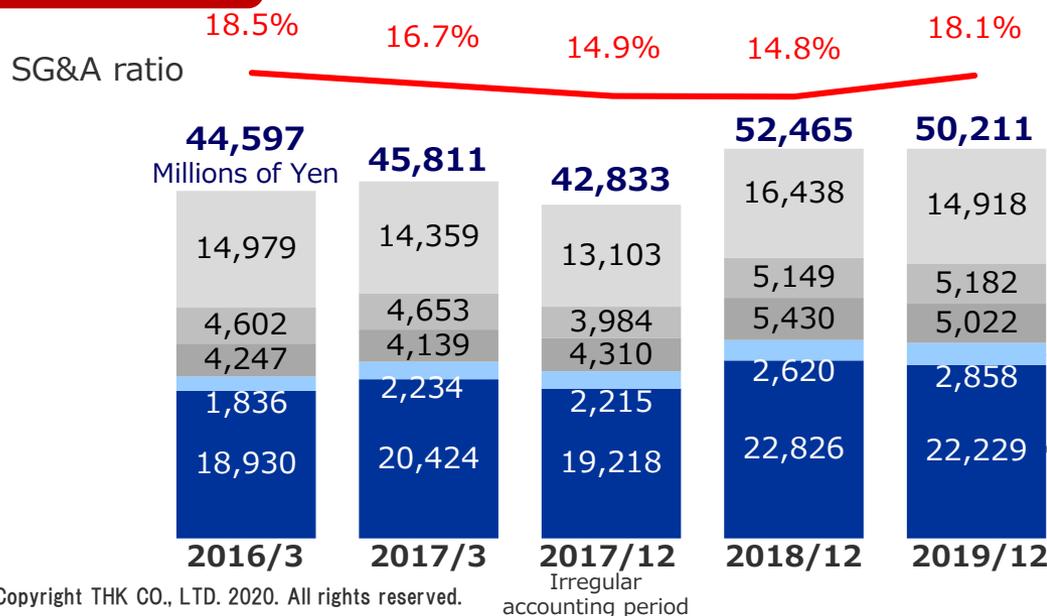
COGS



Sales-cost ratio increased by 4.6 points Y/Y

- Due to decreased sales

SG&A



SG&A ratio increased by 3.3 points Y/Y

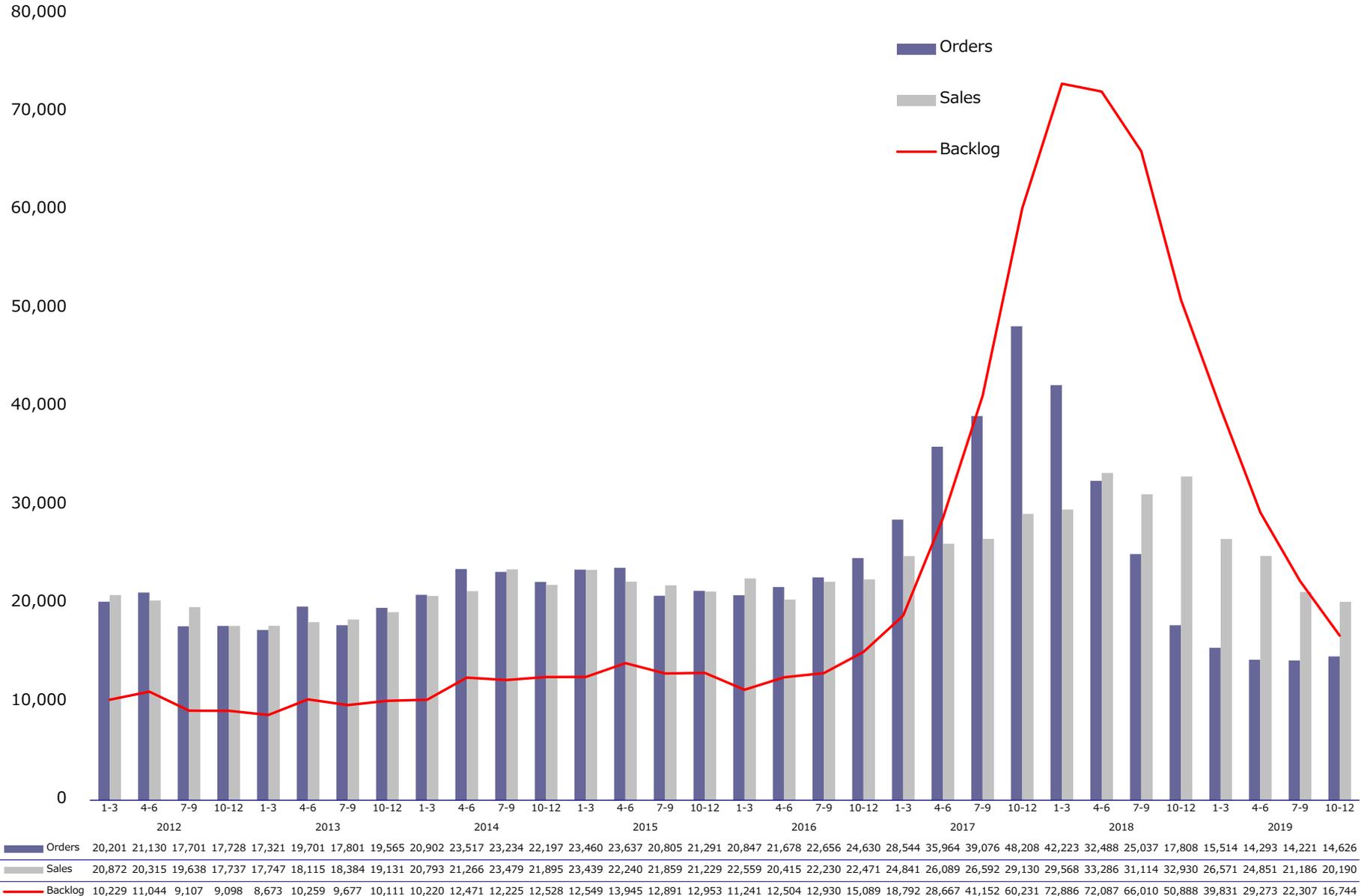
- Due to decreased sales

【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

10,000

8,000

6,000

4,000

2,000

0

Machine Tool
General Machinery
Electronics

	2012				2013				2014				2015				2016				2017				2018				2019			
	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	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	6,021	5,534	4,139	2,489	1,737	1,355	1,324
General Machinery	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	2,485	2,287	2,431	2,482
Electronics	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	2,793	2,717	2,542	2,950