

# FINANCIAL RESULTS BRIEFING FOR FISCAL 2020

February 10<sup>th</sup> 2021  
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 2020

# Financial Highlights

## Consolidated sales revenue: down 20.2% year-on-year to ¥218.9 billion

- Due to the suspension of automobile manufacturing in the face of the global COVID-19 pandemic, sales revenue fell significantly in the Automotive & Transportation business, mainly in the 2nd quarter.
- In the Industrial Machinery business, while demand trended low mainly in the industrial nations due to the pandemic, in China, which has been quick to resume economic activity, a recovery of demand was observed in the latter half of the period.

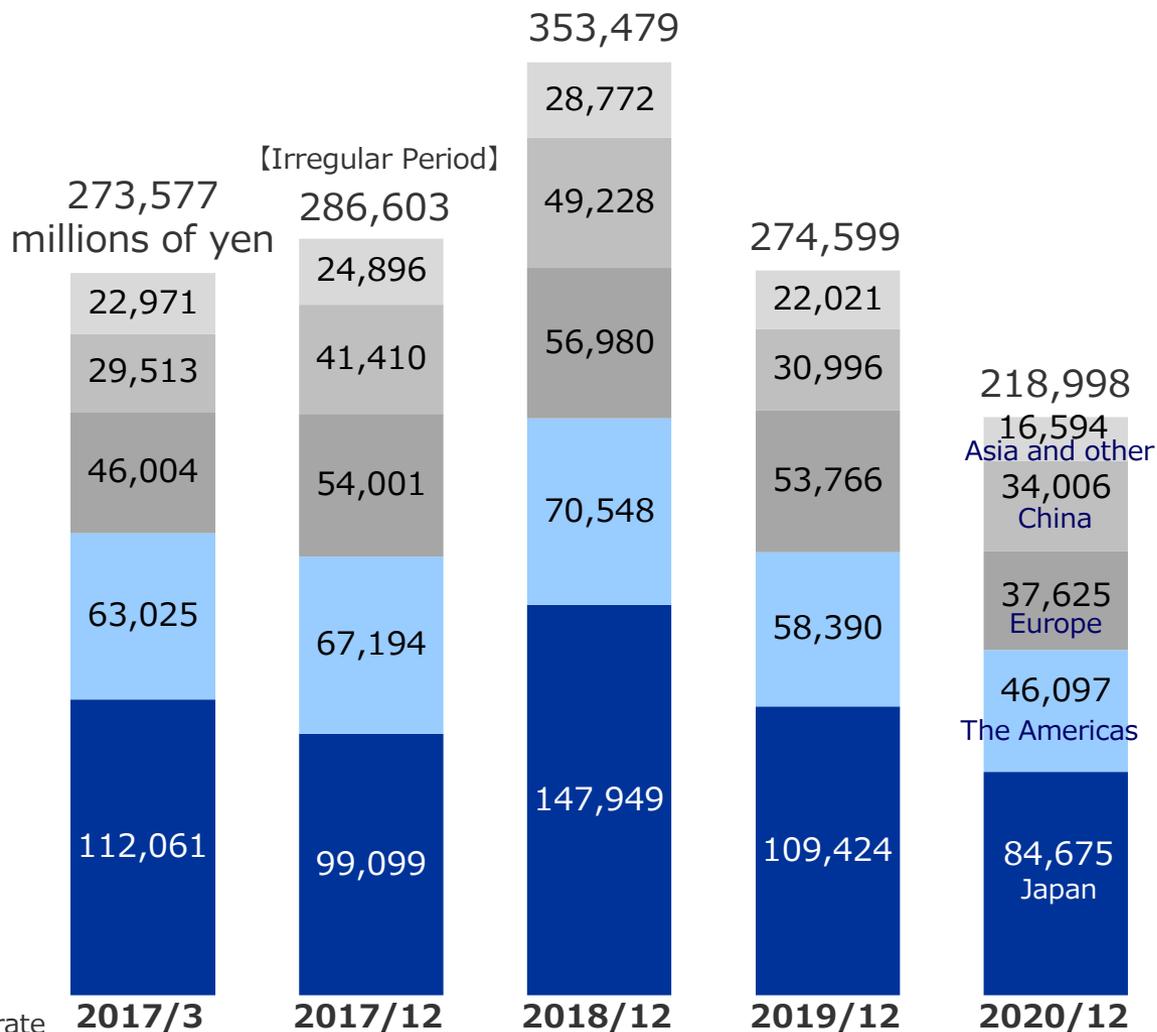
## Consolidated operating income: ¥8.4 billion loss

- Given the circumstances, we did strive to reduce fixed costs and control overall costs more strictly, but in addition to the large negative quantity effect caused by the decline in sales revenue, ¥9.4 billion in impairment losses and structural reform expenses, etc. in the Automotive & Transportation business had a severe impact, resulting in an operating loss of ¥8.4 billion.

## Exceeded plan when impairment losses and structural reform expenses, etc. are excluded

- In addition to sales revenue, operating profit exceeded plan if the above impairment losses and structural reform expenses, etc. are excluded.

# Trend in Net Sales



Asia and other	
● Taiwan	Down 23.8%
● Singapore	Down 19.1%
● India	Down 38.8%

China	
● Machine tools	Up 17.9%
● General machinery	Down 7.8%
● Electronics	Up 54.7%
● Automotive & Transportation	Down 10.4%

Europe	
● Machine tools	Down 51.0%
● General machinery	Down 37.3%
● Electronics	Down 31.1%
● Automotive & Transportation	Down 20.7%

The Americas	
● Machine tools	Down 32.2%
● General machinery	Down 6.7%
● Electronics	Up 8.5%
● Automotive & Transportation	Down 20.9%

Japan	
● Machine tools	Down 49.3%
● General machinery	Down 22.9%
● Electronics	Up 7.7%
● Automotive & Transportation	Down 10.4%

Exchange rate	2017/3	2017/12	2018/12	2019/12	2020/12
1US\$	108.87	112.19	110.42	109.04	106.79
1EUR	120.36	126.66	130.36	122.08	121.79
1CNY	16.37	16.62	16.71	15.79	15.47

\*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.

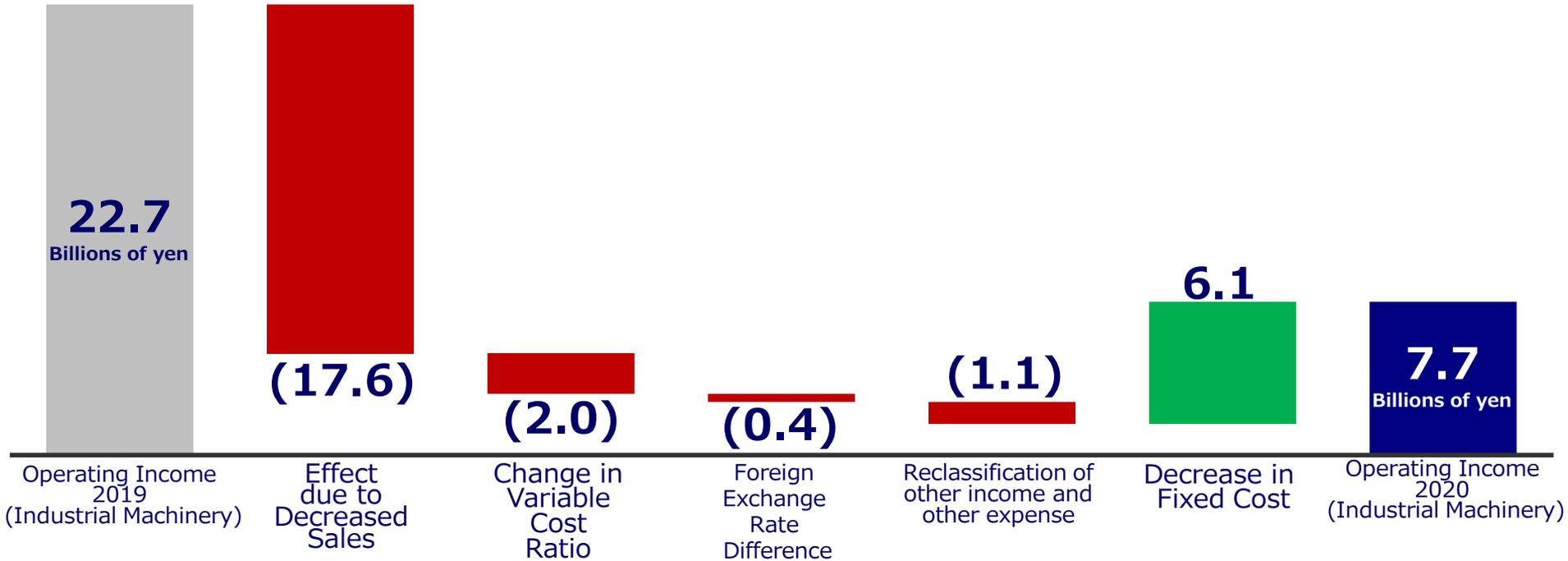
\*The financial results for the fiscal year ending in December 2017 is based on an irregular accounting period:

9 months for Japanese companies and 12 months for overseas companies.

\*IFRS-based figures from 2019/12

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



		FY19	FY20
Unit: billions of yen			
Industrial Machinery	Net Sales	177.8	144.2
	Operating Income	22.7	7.7



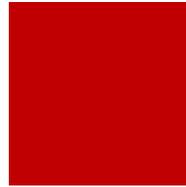
# (Ref.) Operating Income – Change Factors – (Automotive & Transportation)

**(4.5)**

Billions of yen



**(6.7)**



**(9.4)**



**4.1**

**0.3**

**0.1**

**(16.1)**

Billions of yen

Operating Income  
2019  
(Automotive &  
Transportation)

Effect  
due to  
Decreased  
Sales

Reclassification of  
other income and  
other expense

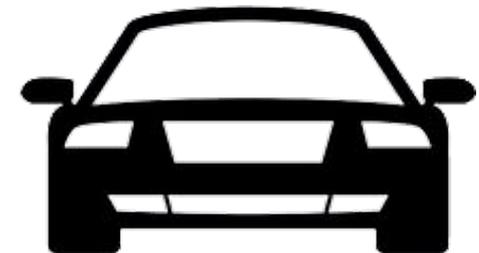
Decrease in  
Fixed Cost

Change in  
Variable  
Cost  
Ratio

Foreign  
Exchange  
Rate  
Difference

Operating Income  
2020  
(Automotive &  
Transportation)

Unit: billions of yen		FY19	FY20
Automotive & Transportation	Net Sales	96.8	74.7
	Operating Income	-4.5	-16.1



# Assets, Liabilities and Equity

**Total Assets 460,173 millions of yen**  
**Down ¥8,771 million from previous period**

**Cash and Cash in Account | Y/Y :**  
**Up ¥9,747 million**

Cash Flows from Operating Activities :  
 ¥ 25,399 million  
 Cash Flows from Investing Activities :  
 ¥(18,406) million  
 Cash Flows from Financing Activities :  
 ¥ 3,977 million  
 Foreign Currency Translation Adjustments  
 on Cash and Cash Equivalents :  
 ¥(1,222) million

**Trade and other receivables | Y/Y :**  
**Down ¥4,229 million**

Number of months' sales receivables :  
 Previous period : 2.8 months  
 This period : 3.3 months

**Inventories | Y/Y :**  
**Down ¥883 million**

Number of months' sales in inventory :  
 Previous period : 2.1 months  
 This period : 2.6 months

**Property, Plant and Equipment | Y/Y :**  
**Down ¥9,133 million**

■ CAPEX : ¥ 15,965 million  
 ■ Depreciation : ¥ 15,541 million

**Goodwill and intangible assets | Y/Y :**  
**Down ¥2,661 million**

**Current assets**

**274,495**  
**Up ¥2,730 Million**  
**from previous period**

**Non-current assets**

**185,678**  
**Down ¥11,502 million**  
**from previous period**

**Liabilities**

**185,024**  
**Up ¥7,211 million**  
**from previous period**

**Equity**

**275,148**  
**Down ¥15,983 million**  
**from previous period**

**Current liabilities | Y/Y :**  
**Down ¥20,162 million**

■ Trade and other payables | Y/Y :  
 Down ¥2,531 million  
 Number of months' notes payable  
 Previous period : 1.5 months  
 This period : 1.9 months

■ Bonds and borrowings | Y/Y :  
 Down ¥19,983 million

**Non-current liabilities | Y/Y :**  
**Up ¥27,374 million**

■ Bonds and borrowings | Y/Y :  
 Up ¥27,283 million

**Profit (Loss) Attributable to  
 Owners of the Parent**  
**¥(9,992) million**

**Dividends Paid :**  
**¥1,990 million**

**Foreign Currency  
 Translation Adjustments | Y/Y:**  
**Down ¥2,721 million**

# II. Major Measures

# FY2022 Management Targets

## Management Targets

Consolidated Revenue : 500.0billions of yen    Operating Income : 100.0billions of yen    ROE:17%    EPS:¥560

## Deviation from premised conditions

【IMF Global economic growth rate】

Premise: Ave. 3.8%    Actual: Ave. 1.0% (2018-20)

【Industrial Machinery business】

Ave. market growth (2018-20)

Premise: Ave. 8%

Actual: Negative growth



\*Actual figures are THK estimates

【Automotive & Transportation business】

■ Postponement of major projects slated for realization in 2020

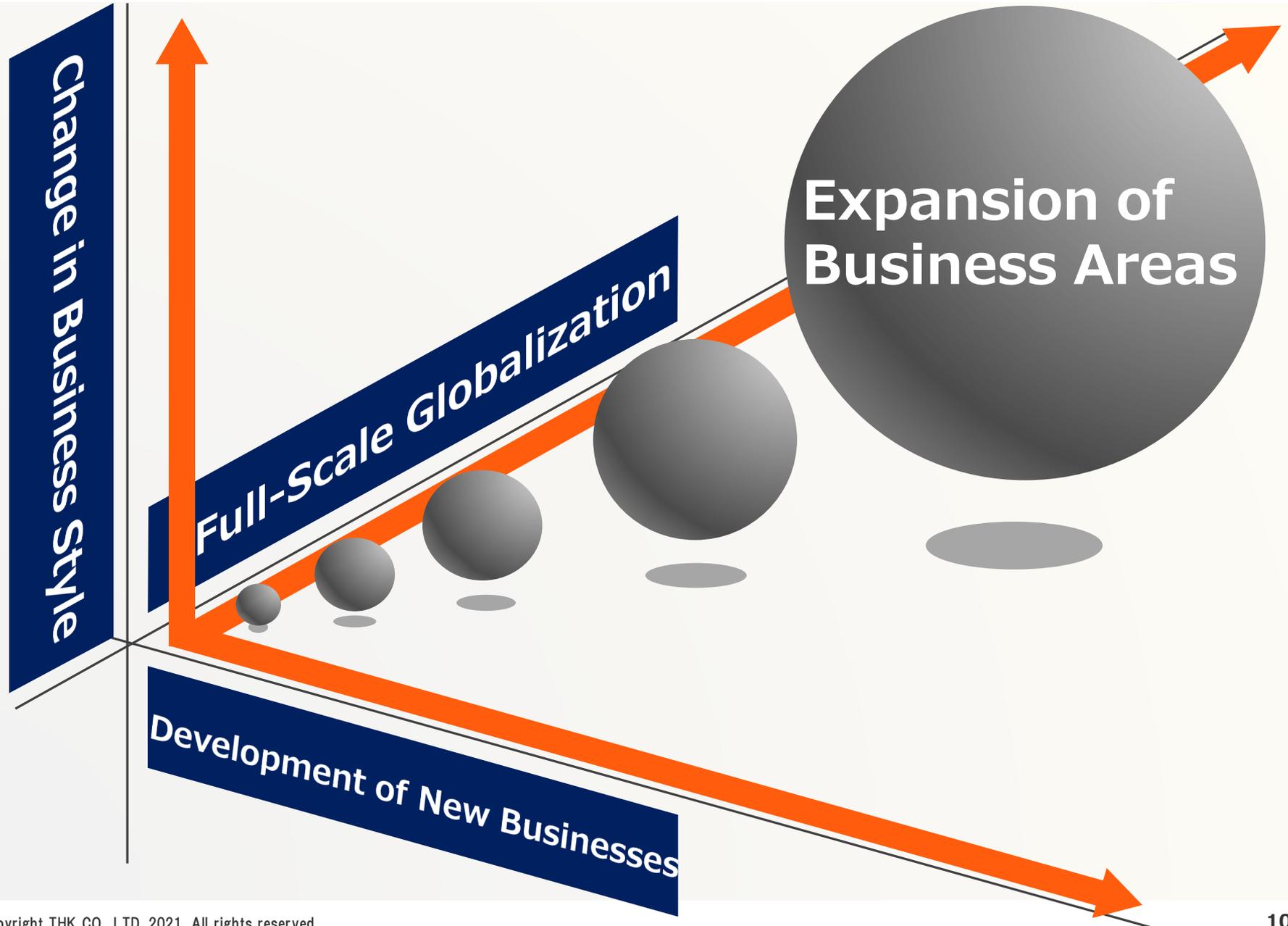
■ Impact of IFRS adoption on sales revenue



Although a review of the target achievement timings is necessary, long-term growth potential is actually expanding.

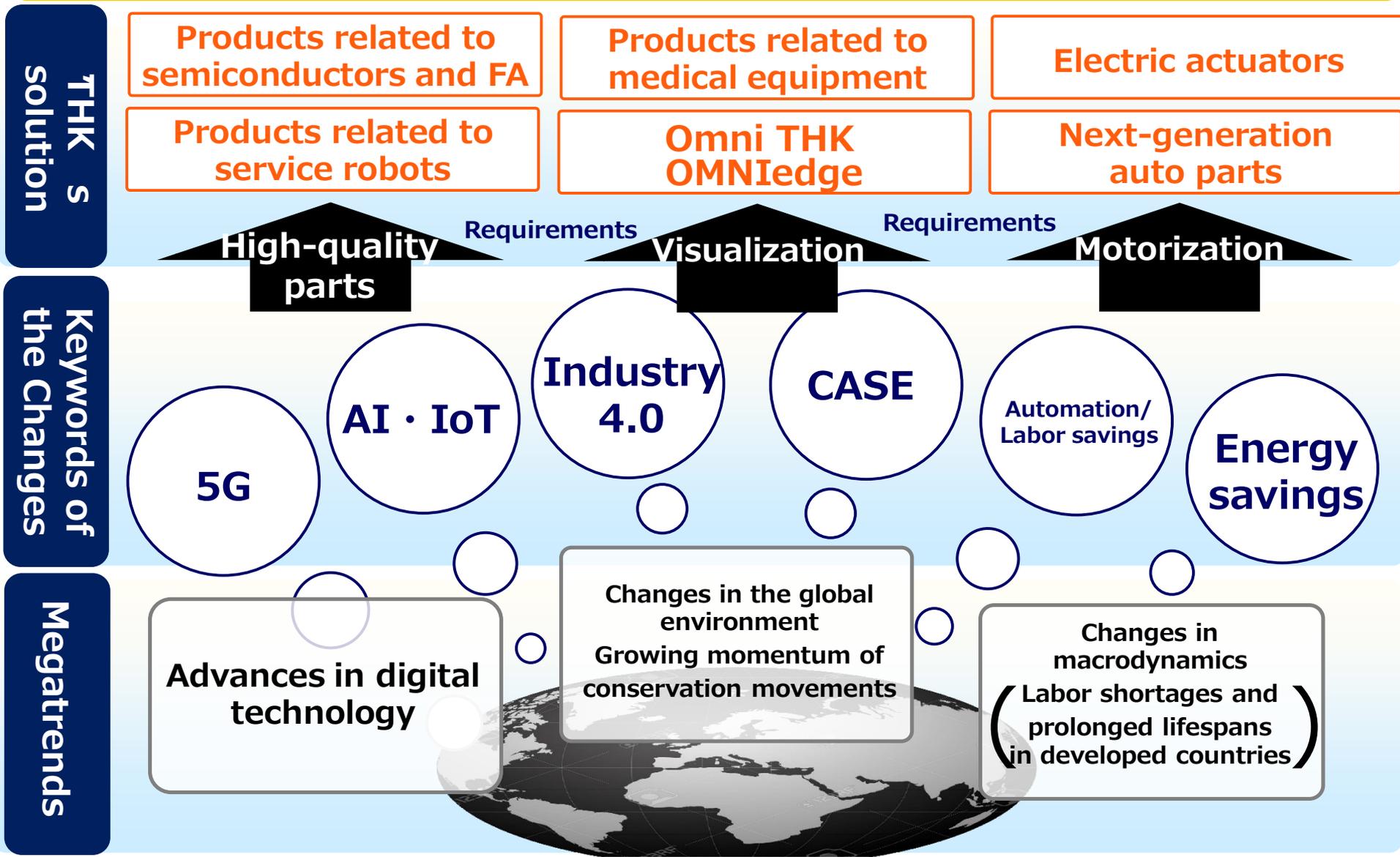
- This means that a review of the target achievement timings is necessary.
- However, long-term growth potential is actually expanding, due to the expansion of demand for semiconductor-related products and increasing non-contact requirements in automation and robot deployment driven by the impact of COVID-19, and the increasing incorporation of electrical components in automobiles,
- Therefore, the three-axis growth strategy will remain unchanged and will be accelerated.

# Growth Strategy



# Expansion of the market

## THK's growth potential dramatically expands



# Key Initiatives in Business Lines

## Industrial Machinery Business



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

## Expansion of Top Line

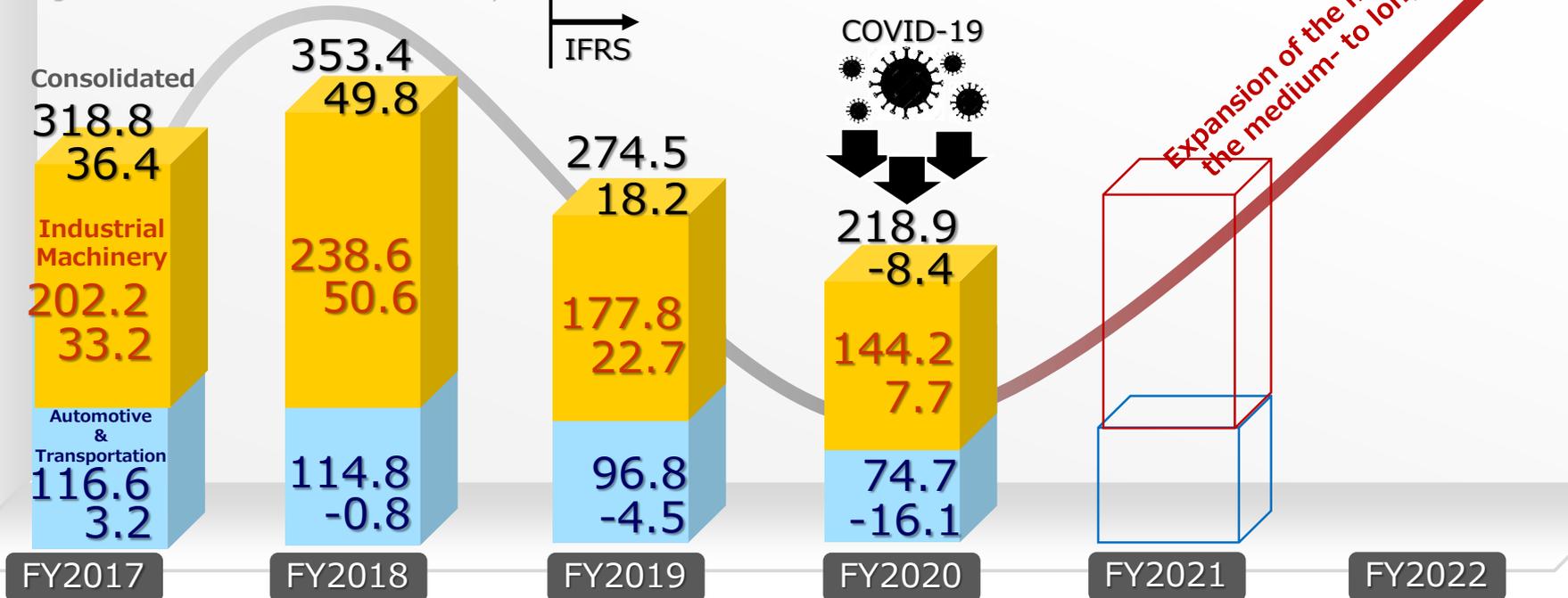
## Automotive & Transportation Business



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

Revenue (Upper row : billions of yen)

Operating Income (Lower row : billions of yen)



## 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

# Realizing Digital Transformation (DX) Through Omni THK

Establishing overall image of Omni THK through promotion of THK DX project

Before: In-person operations are the norm (meetings, phone calls, e-mail, etc.)



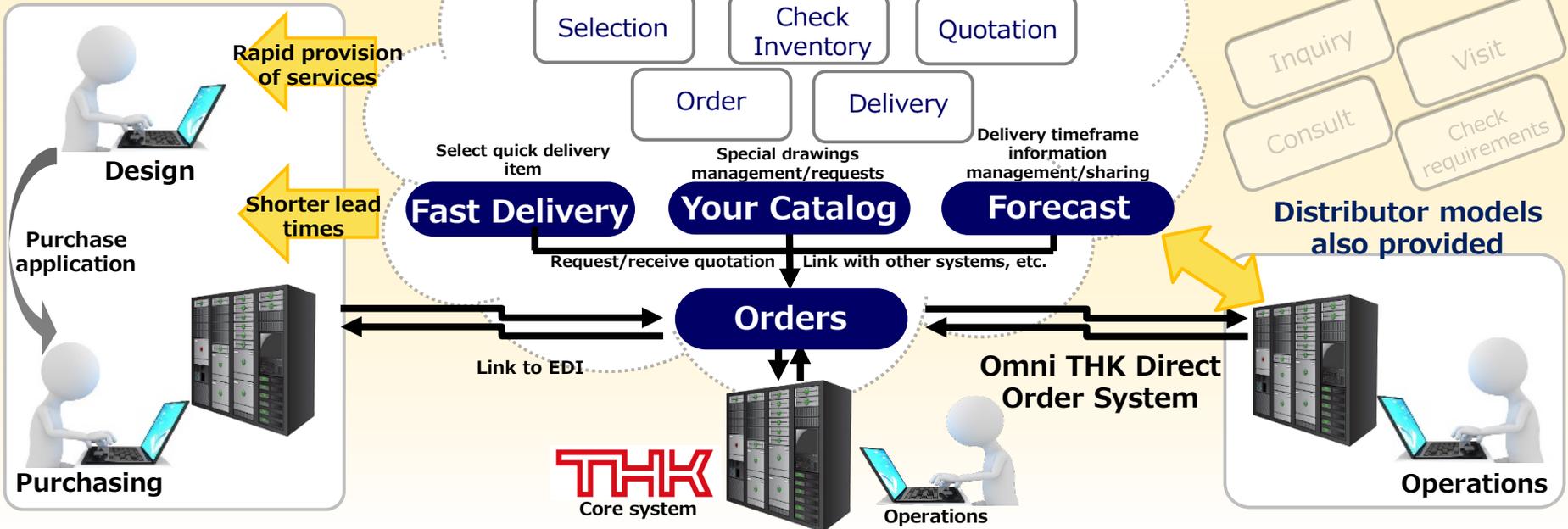
Fuse with non-in-person Omni THK for greater customer satisfaction and productivity

## Omni THK

Greater customer satisfaction  
End User

Greater productivity

✗ Less work



# “OMNI edge” IoT Service for the Manufacturing Industry

**In second round, service for ball screws launched in November 2020**

**— Long-awaited additional service for ball screws —**

**High demand for predictive analytics for ball screws, which are often used in conjunction with LM guides, was raising hopes for the early provision of this service.**

## **【Features】**

**Visualization of strange noises and vibration in ball screws**

**Increased productivity through more efficient maintenance work**

**Contributes to problem-solving in manufacturing industry**



# “OMNI edge” IoT Service for the Manufacturing Industry

Third round plan: Free trial of “OMNI edge” on rotating parts

— Plan to launch services for rotating parts —

Outline: Free trial for 30 companies that request it

\* 30-company quota reached in January 2021, so program has been expanded.

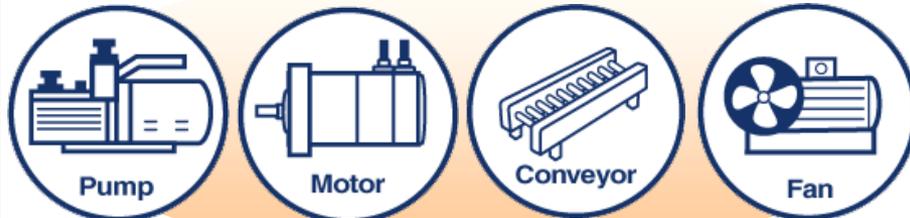
Application Period: From Mon., Nov. 16 2020

Applications will close when partner companies are finalized.\*

\*Applying partner companies must complete an entry form, after which decisions will be made upon strict evaluation of applications.

## Eligible products

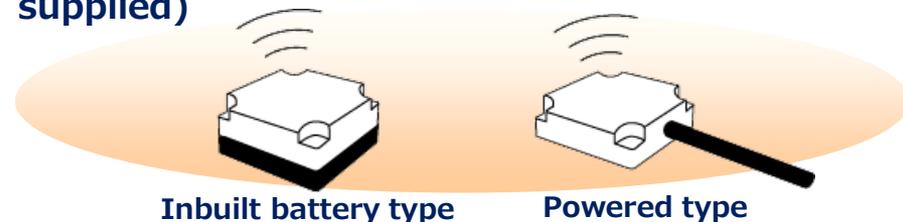
Rotating parts of pumps, motors, conveyors, fans, etc.



## Sensor used

### Wireless sensor

(Inbuilt battery type and powered type will be supplied)



## Collectable data

Vibration, temperature, noise

# "OMNI edge" IoT Service for the Manufacturing Industry

Global service launch –new service available with global SIM-



## Countries

U.S.A, Thailand,  
Indonesia, China

\*Shipping begins in the  
end of Feb. 2021.

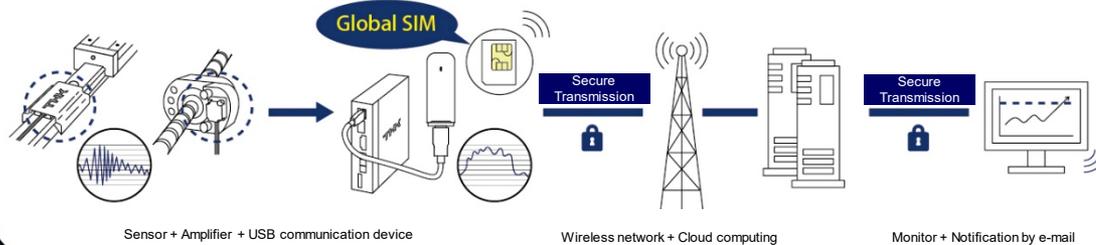
## Features

■ Equipment maintenance  
in overseas plants  
accessible from Japan

■ Simple price list  
\*JPY10,000 per device per  
month in each of the countries

■ App's content available  
in three languages  
\*Japanese, English, and  
Simplified Chinese

OMNI edge –New service available with global SIM-



# Development of new business areas

## Existing Areas

Bring high-precision products to increasingly high-precision semiconductor manufacturing devices

Caged Ball LM Guide Model SPR/SPS



Super-low waving comparable to hydrostatic guides / Ultra-high rigidity

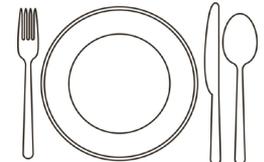
## New business areas

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

Distribution

Shop

Restaurant



Medical Equipment

Renewable Energy



Seismic Isolation Home Automation

Train / Aircraft



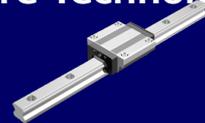
Semiconductor manufacturing equipment



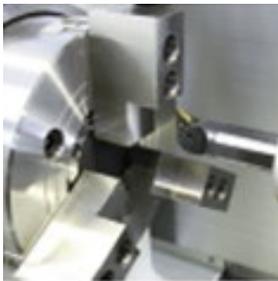
Industrial Machinery Robots



Linear Motion Core Technology



Machine Tools



## Utility slide ATG/ ARG

**ATG**  
**ARG**

**Railway carriage door**

**Carriage seat**

**Automated warehouse equipment**

**Railway carriage maintenance drawer**

The image shows two types of utility slides, ATG and ARG. The ATG is a long, thin slide with a ball bearing. The ARG is a wider slide with a carriage. A yellow arrow points from the slides to four application diagrams: a railway carriage door, carriage seats, automated warehouse equipment, and a railway carriage maintenance drawer. Each application diagram shows the slide in use with orange arrows indicating movement.

## Utility slide UGR

**UGR**

**Kitchen lifting mechanism**

**Assistive vehicle**

The image shows the UGR utility slide. A yellow arrow points from the slide to two application diagrams: a kitchen lifting mechanism and an assistive vehicle. Both diagrams show the slide in use with orange arrows indicating movement.

## Rod actuator CRES6000

**CRES6000**

**Hoist for hospital and nursing care beds, etc.**

**Open/close mechanism for smoke extraction windows**

The image shows the CRES6000 rod actuator. A yellow arrow points from the actuator to two application diagrams: a hoist for hospital and nursing care beds, and an open/close mechanism for smoke extraction windows. Both diagrams show the actuator in use with blue arrows indicating movement.

## Transport robot SIGNAS / SEED Mover

- Easy setting with proprietary autonomous movement control system
- Suitable for a variety of applications and environments



## Autonomous mobile display robot



Swivel 360° even in tight spaces

Used for many different applications, e.g. viewing multimedia contents, temperature measurement monitoring, etc.

## Temperature check robot

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



## Autonomous transport robot

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



## Product select robot

Expect to be used in convenience stores, etc.



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

## THK India

**New plant**

**Planned operation in the summer of 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**

**Completed in Nov. 2020**

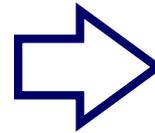
- Target products : LM Guide
- Space of land : About 50,000m<sup>2</sup>
- Floor space : About 43,000m<sup>2</sup>



# Improvement of Automotive & Transport Business Profitability

## Effects of FY2020 recovery plans in FY2021

- Plan 1: Restructuring of global production
- Plan 2: Restructuring of global organization
- Plan 3: Improvement of productivity/processes  
Cost reduction



Envisage cost reduction effect of approx. ¥1.3B in FY2021

However, shortfall of approx. ¥16B in sales revenue from envisaged figure led to negative impact on operating income (fewer specified vehicles, delays in shipment of large-scale orders, etc.)

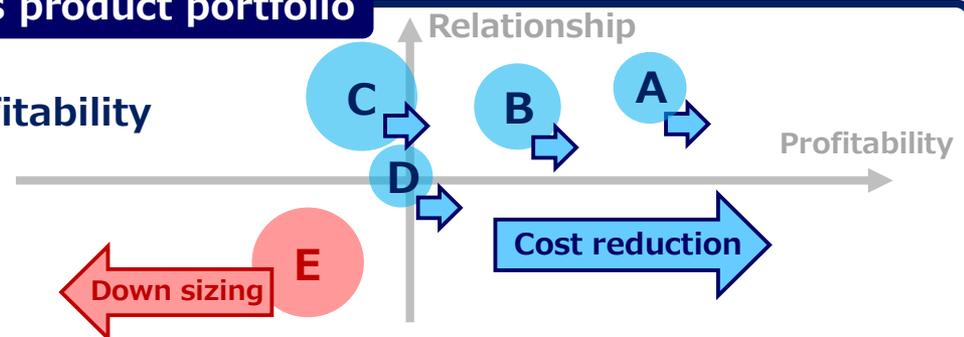
## Treatment of impairment loss in non-current assets in FY20\_4Q

Impairment loss treatment has effect of reduction in depreciation expenses of approx. ¥1.1B/year

## Review of Automotive & Transport business product portfolio

- Product range A,B,C,D ⇒ Improved profitability
- Product range E ⇒ Reduction in scale

Commence in FY2021



Through these measures, strive to bring Automotive & Transport business into black in FY21\_4Q

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

**Unit for integrated  
brake system**



**Unit for active suspension  
system**



**Mechanical Level  
control unit**



**Electric power  
steering parts**

**Next-generation  
Suspension parts**

**Next-generation  
Brake parts**

**Interior**

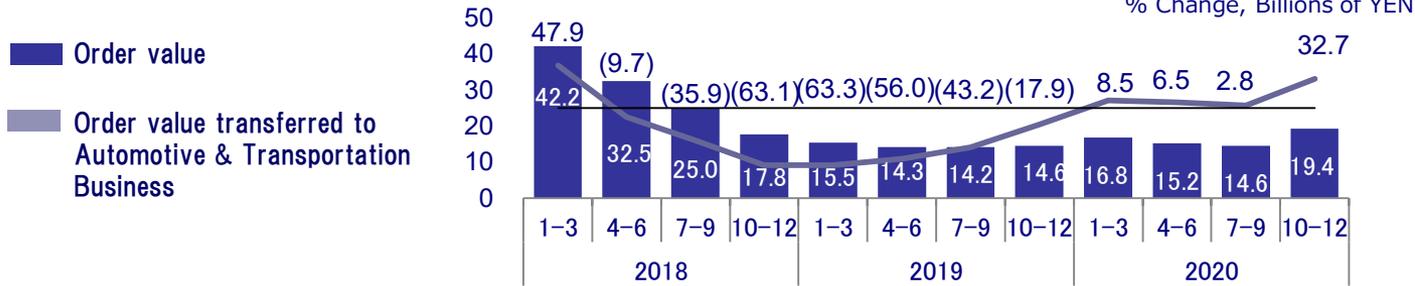


# **Ⅲ. Financial Forecast for Fiscal 2021**

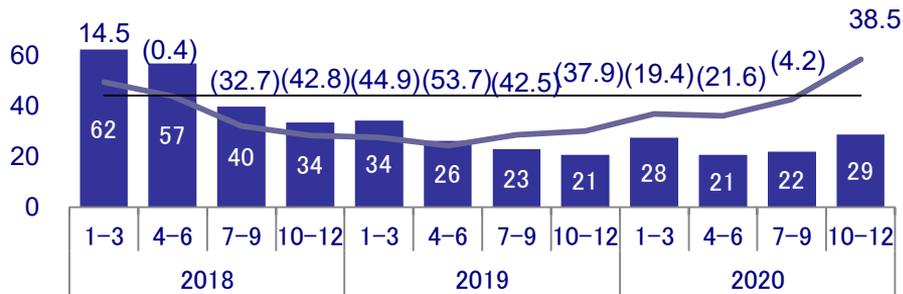
# Orders Received by Region <Industrial Machinery Business>



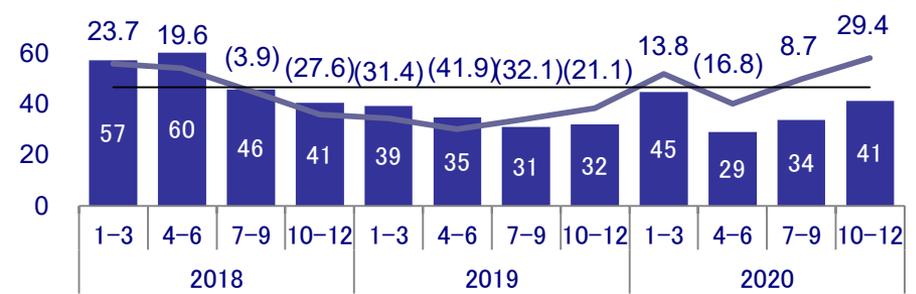
THK CO., LTD. (Japan) \* exclude export



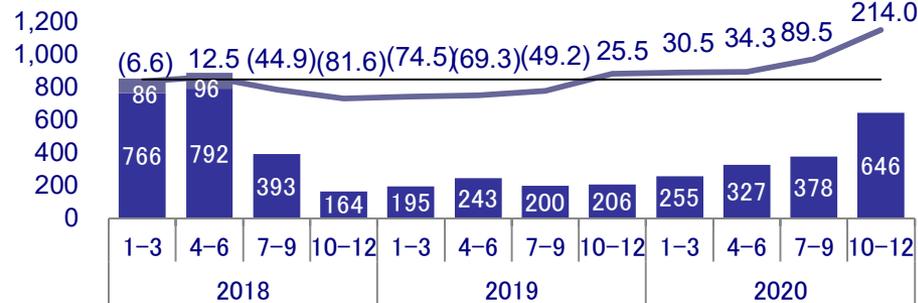
THK Europe % Change, Millions of EUR



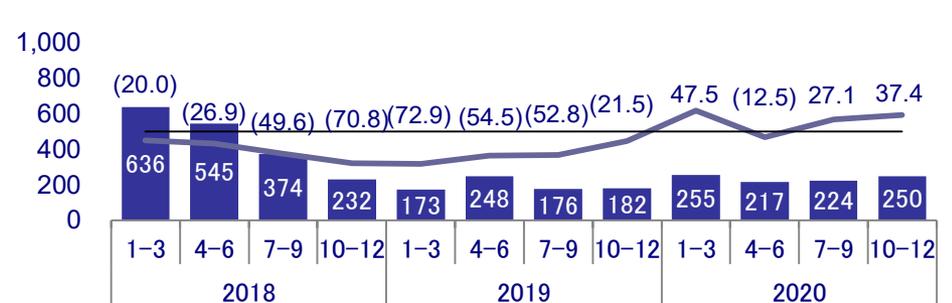
THK Holdings of America % Change, Millions of USD



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)



	2021/12 Forecast	2020/12 Results	2019/12 Results
Revenue	290,000	218,998	274,599
Y/Y	+32.4%	-20.2%	-20.3%
Operating Income	26,000	-8,499	18,277
Y/Y	-	-	-65.4%
Income before income taxes	26,200	-9,725	18,168
Y/Y	-	-	-65.2%
Profit Attributable to Owners of the Parent	19,000	-9,992	11,690
Y/Y	-	-	-67.6%

# Financial Forecast (Unconsolidated)

The Mark of Linear Motion

(Millions of Yen)

	2021/12 Forecast (Japanese GAAP)	2020/12 Results (Japanese GAAP)	2019/12 Results (Japanese GAAP)
<b>Net Sales</b>	145,000	102,866	136,189
<i>Y/Y</i>	+41.0%	-24.5%	-26.9%
<b>Domestic</b>	93,700	69,817	92,800
<i>Y/Y</i>	+34.2%	-24.8%	-26.9%
<b>Operating Income</b>	13,100	365	11,933
<i>Y/Y</i>	-	-96.9%	-65.6%
<b>Ordinary Income</b>	15,000	2,118	15,746
<i>Y/Y</i>	+608.2%	-86.5%	-59.7%
<b>Net Income</b>	11,100	-13,183	7,559
<i>Y/Y</i>	-	-	-73.0%

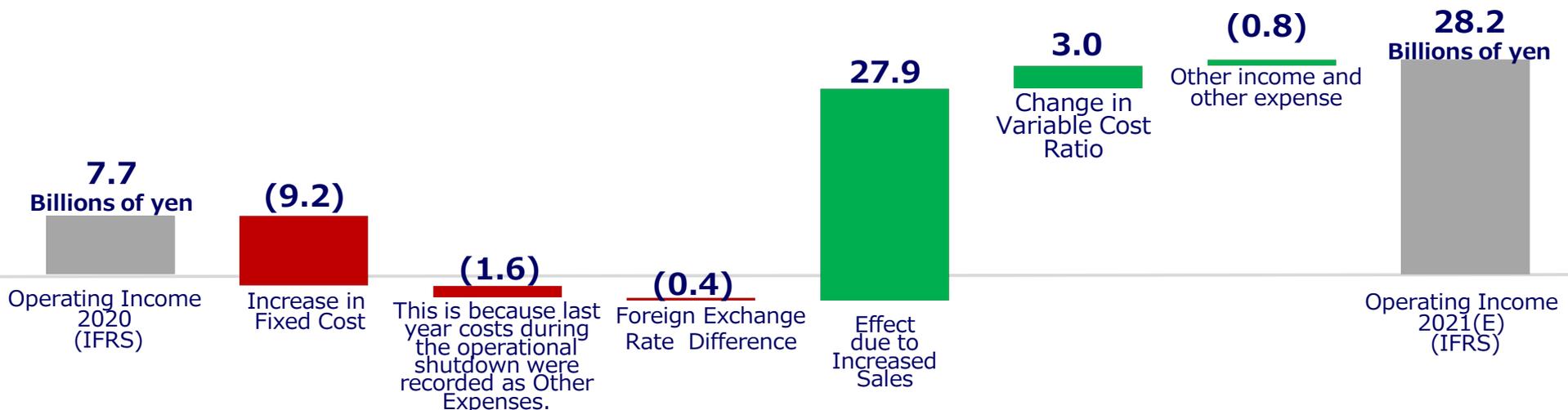
# (Ref.) Operating Income (FY2021E) – Change Factors –



Industrial Machinery

**FY2020 (IFRS)** Revenue: 144.2 billions of yen  
Operating Income: 7.7 billions of yen

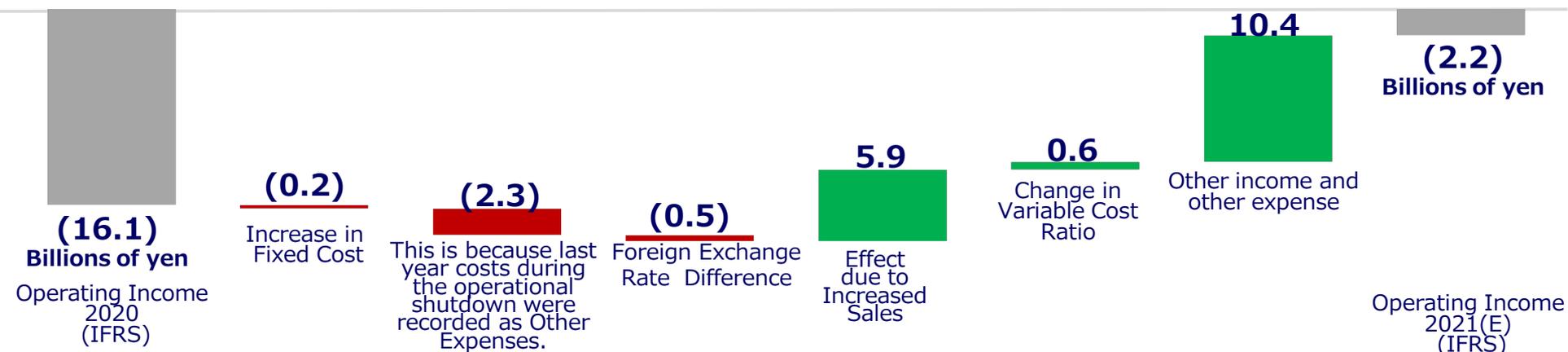
**FY2021(E) (IFRS)** Revenue: 198.5 billions of yen  
Operating Income: 28.2 billions of yen



Automotive & Transportation

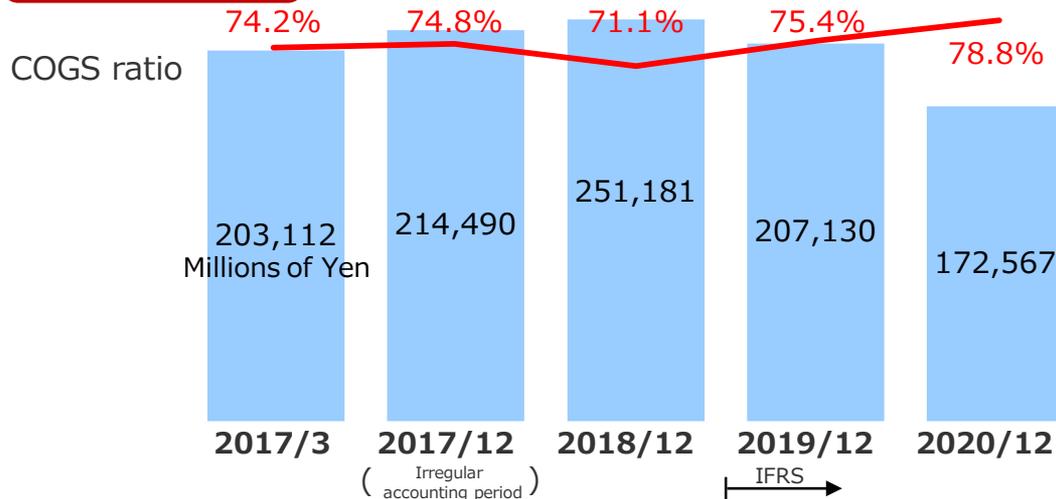
**FY2020 (IFRS)** Revenue: 74.7 billions of yen  
Operating Income: (16.1) billions of yen

**FY2021(E) (IFRS)** Revenue: 91.5 billions of yen  
Operating Income: (2.2) billions of yen



# Trends in COGS and SG&A

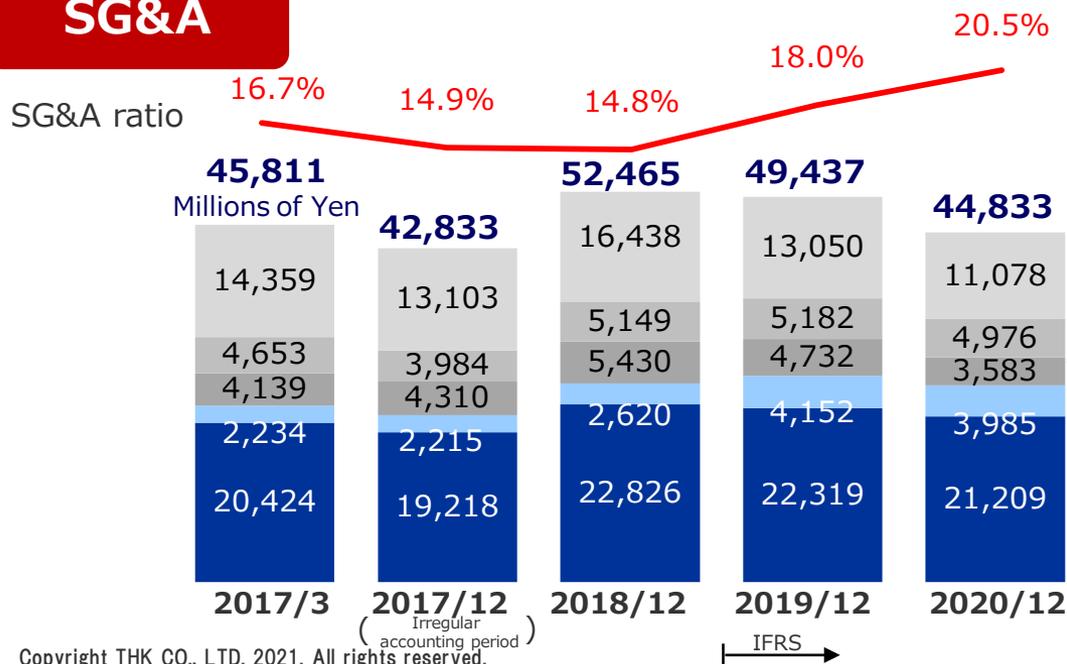
## COGS



Sales-cost ratio increased by 3.4 points Y/Y

- Due to decrease revenue

## SG&A



SG&A ratio increased by 2.5 points Y/Y

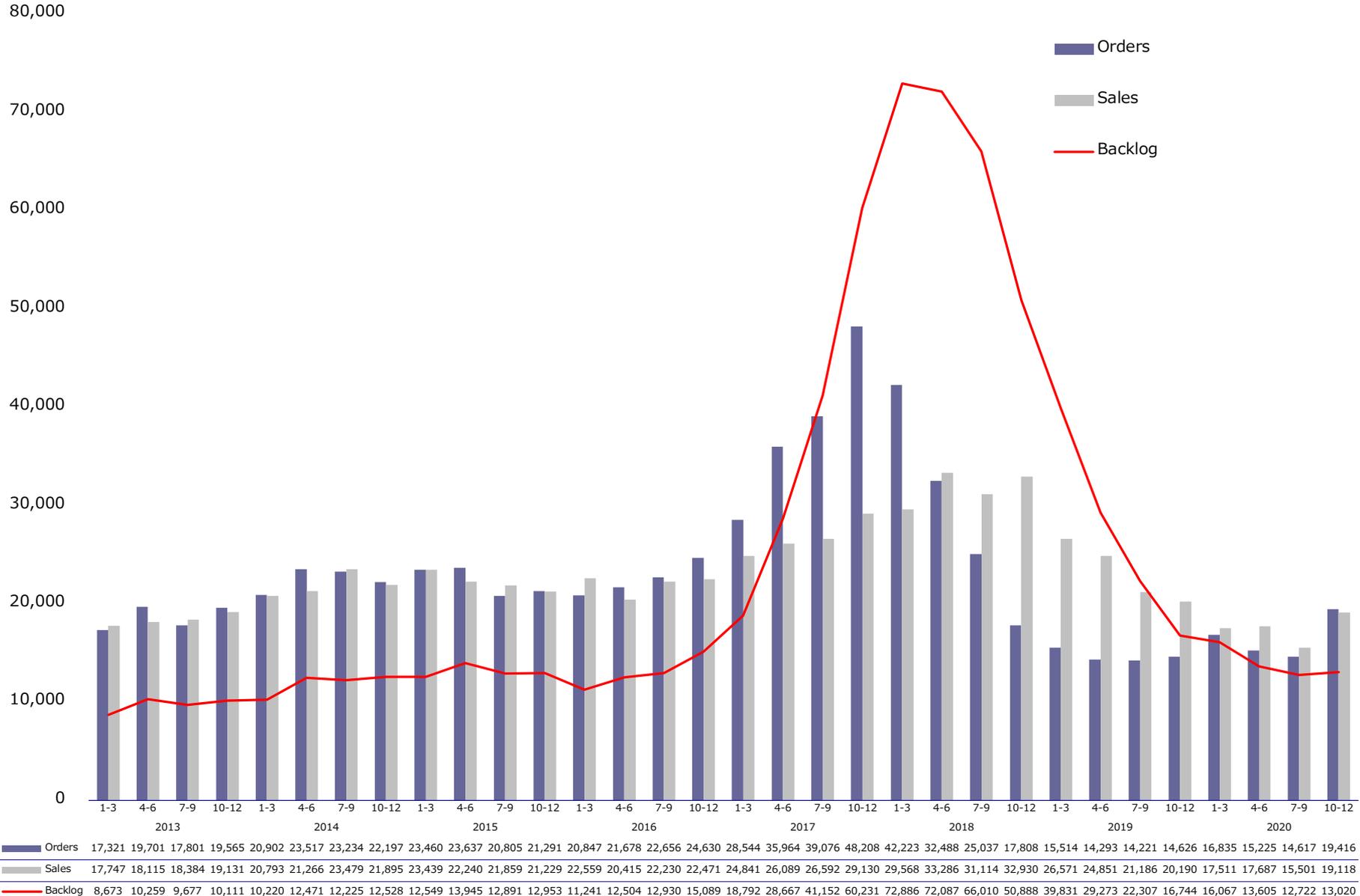
- Due to decrease revenue

# [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

Machine Tool

General Machinery

Electronics

8,000

6,000

4,000

2,000

0

	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	5,534	4,139	2,489	1,737	1,355	1,324	1,138	1,260	1,350	1,301	2,217
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	2,287	2,431	2,482	3,024	2,659	2,891	3,706
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	3,369	4,472