



INTERIM FINANCIAL RESULTS BRIEFING

August 10th 2018

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 2018**

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I . Financial Results for 1st Half of Fiscal 2018

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

Net sales increased by 15.9% year on year to 179.4 billion yen *Geographic sales is based on where our customers are located

- In Japan, demand was strong on the whole for goods, for general machines, and machine tools on the back of an acceleration in automation and robot shift in addition to electronics.
- As for overseas markets, overall demand has been growing in China, against the background of accelerating automation and robotization, besides electronics. Electronics and machine tools business is good in the Americas; and there is steady demand for general machinery and machine tools in Europe.

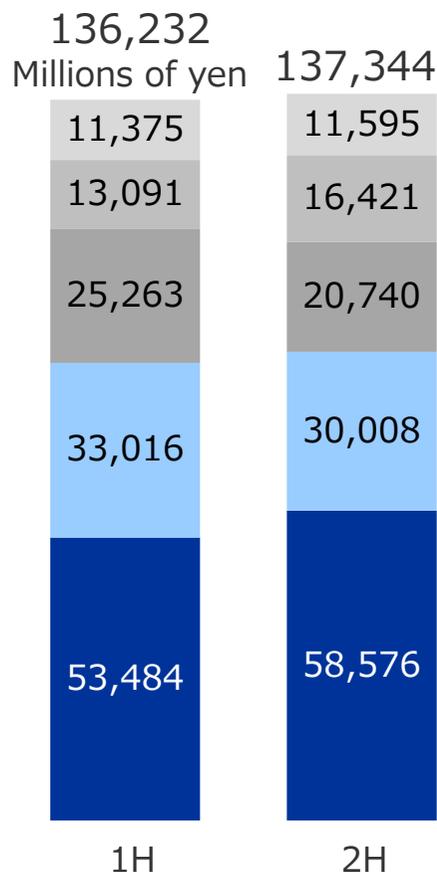
Operating income increased by 43.4% year on year to 26.1 billion yen

- Fixed costs increased due to aggressive investments amid expanding demand, but quantity effects contributed securely to profit rising, resulting in a year-on-year gain in profit.

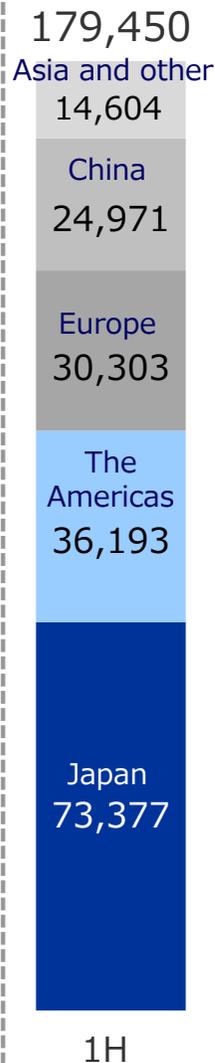
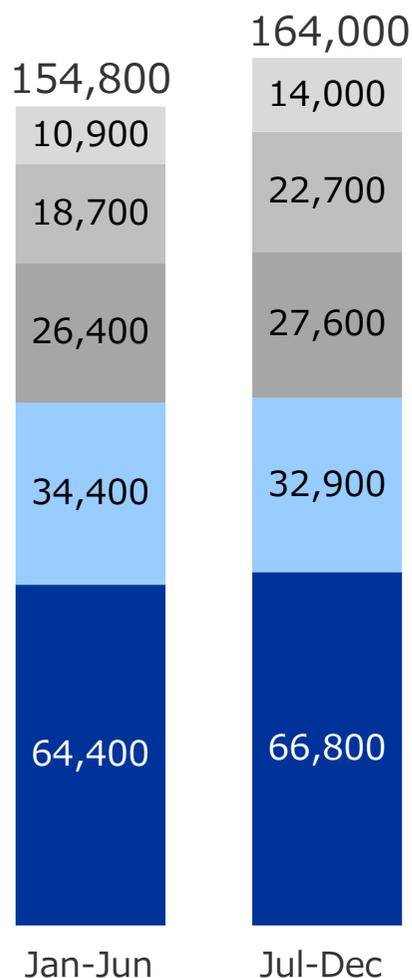
Net sales and operating income exceeded the plan, and increased compared to the previous term

- Net sales and operating income exceeded fiscal year-start plan figures by 6.4 billion and 4.6 billion yen, respectively as a result of the Company translating overall strong demand into sales, and net sales and operating income grew year on year.

Trend in Net Sales



Reference figures by using January-June as the first half and July-December as the second half for all regions due to an irregular financial closing



*The growth ratios are just for reference

Asia and other

*Taiwan	Up 13.1%
*Singapore	Up 23.8%
*India	Up 60.6%

China

*Machine tools	Up 34.7%
*General machinery	Up 59.7%
*Electronics	Up 36.3%
*Automotive & Transportation	Up 5.9%

Europe

*Machine tools	Up 17.6%
*General machinery	Up 13.9%
*Electronics	Up 56.5%
*Automotive & Transportation	Down 2.1%

The Americas

*Machine tools	Up 36.9%
*General machinery	Down 7.4%
*Electronics	Up 55.0%
*Automotive & Transportation	Up 2.0%

Japan

*Machine tools	Up 50.0%
*General machinery	Up 29.6%
*Electronics	Up 7.7%
*Automotive & Transportation	Down 12.9%

Exchange rate

2017/3

2017/12

2018/12

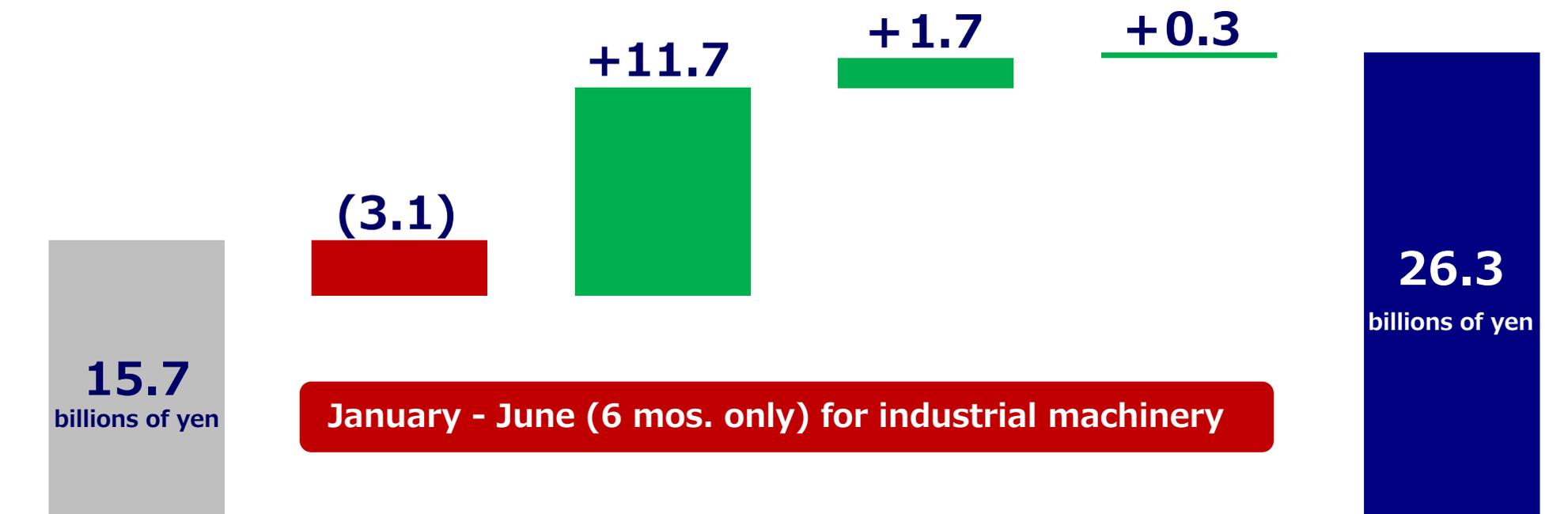
1US\$	111.85	105.89	112.37	112.01	108.72
1EUR	124.68	116.05	121.63	131.70	131.56
1CNY	17.08	15.67	16.39	16.86	17.07

*Geographic sales is based on where our customers are located

*Growth rates by industry are for 6 months (Jan-Jun) and based on local currency

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

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



Operating Income
January - June 2017
(Industrial Machinery)

Increase in
Fixed Cost

Effect
due to
Increased
Sales

Change in
Variable
Cost
Ratio

Foreign
Exchange
Rate
Difference

Operating Income
January - June 2018
(Industrial Machinery)

FY17: Reference figures by using January-June as the first half and July-December as the second half due to an irregular financial closing

By type of business (Jan.-Jun. 6 mos.) (Unit: billions of yen)		FY17		FY18
		Jan-Jun	Jul-Dec	Jan-Jun
Industrial Machinery	Net Sales	96.1	106.0	119.5
	Operating Income	15.7	17.5	26.3
Automotive & Transportation	Net Sales	58.7	58.0	59.9
	Operating Income	2.6	0.6	-0.2

FY18_1H Operating Income by segment	
Japan	¥20,150 million
The Americas	¥577 million
Europe	¥223 million
China	¥3,746 million
Asia and Other	¥1,110 million
Adjustments	¥380 million

Assets, Liabilities and Net Assets

Cash and Cash in Account | Y/Y : Up ¥11,795 million

Cash Flows from Operating Activities :
¥26,445 million
Cash Flows from Investing Activities :
¥(16,065) million
Cash Flows from Financing Activities :
¥4,402 million
Foreign Currency Translation Adjustments
on Cash and Cash Equivalents :
¥(2,986) million

Accounts Receivable | Y/Y : Up ¥10,853 million

Number of months' sales receivables :
Previous period : 3.6 months
This period : 3.3 months

Inventories | Y/Y : Up ¥852 million

Number of months' sales in inventory :
Previous period : 1.8 months
This period : 1.5 months

Property, Plant and Equipment | Y/Y : Up ¥5,278 million

- CAPEX : ¥ 14,134 million
- Depreciation : ¥ 6,440 million

Intangibles | Y/Y : Down ¥2,421 million

Investments and Other | Y/Y : Up ¥498 million

Total Assets
464,456 millions of yen
Up ¥27,791 million
from previous period

Current Assets
295,412

Up ¥24,436 million
from previous period

Fixed Assets

169,044

Up ¥3,354 million
from previous period

Liabilities
173,045

Up ¥18,135 million
from previous period

Net Assets
291,411

Up ¥9,656 million
from previous period

Current Liabilities | Y/Y : Up ¥10,671 million

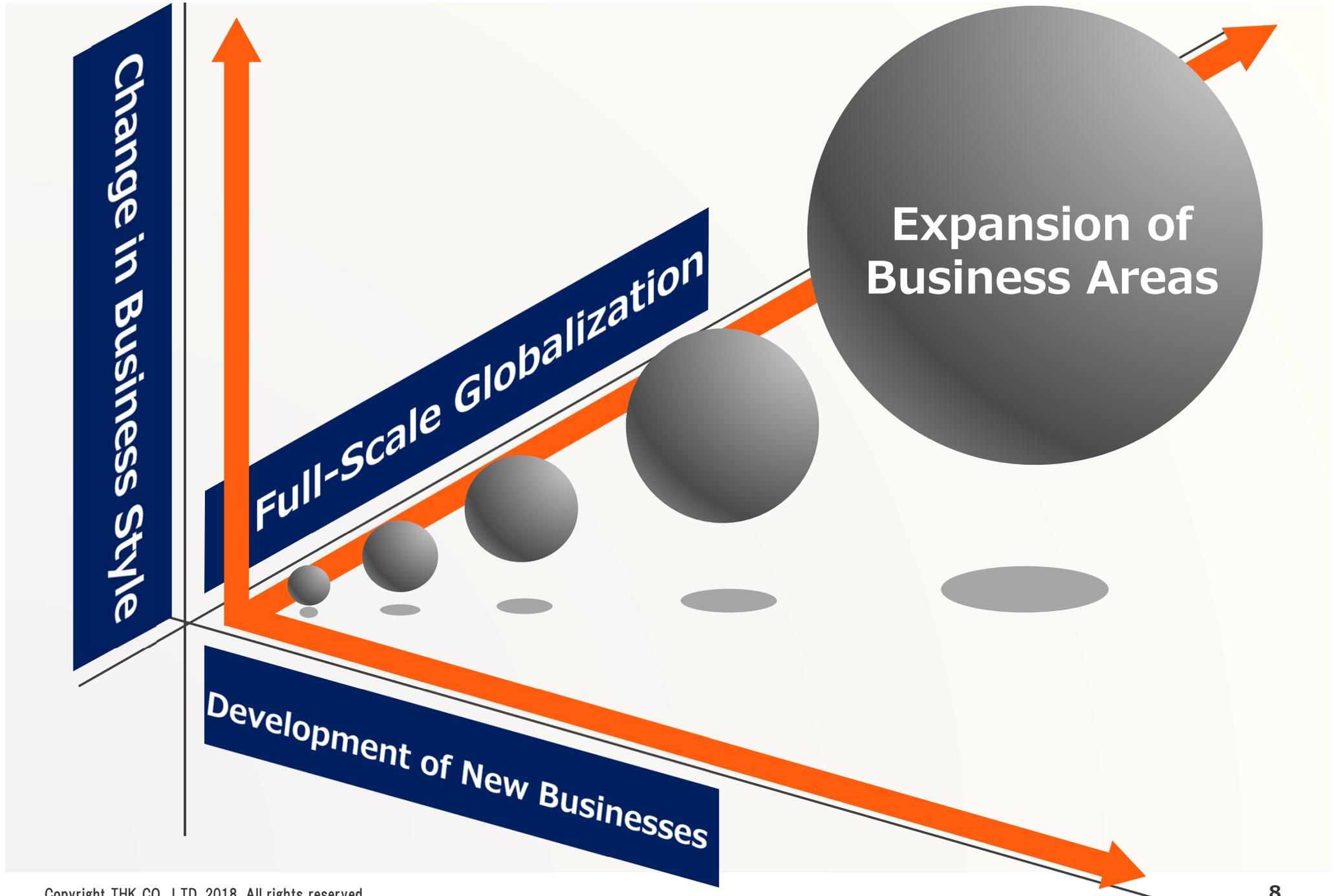
- Accounts Payable | Y/Y :
Up ¥3,406 million
Number of months' notes payable
Previous period : 1.9 months
This period : 1.7 months
 - Income Taxes Payable | Y/Y :
Up ¥6,059 million
 - Current portion of long-term bank loans | Y/Y :
Up ¥10,000 million
 - Current portion of long-term bonds | Y/Y :
Down ¥10,000 million
- Long-term Liabilities | Y/Y :
Up ¥7,464 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 ¥19,607 million

**Foreign Currency
Translation Adjustments | Y/Y:
Down ¥5,826 million**

Dividends Paid : ¥(3,342) million

II. Major Measures



FY2022

Consolidated Net Sales	¥500 billion
Operating Income	¥100 billion
ROE	17%
EPS	¥560

[The Point] Continuation and further augmentation of the basic strategy

[Assumptions] Exchange rate US\$1 = ¥105

IMF Global economic growth rate of 3.8% on average

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

Industrial Machinery Business

Billions of yen

	FY17	FY18	...	FY22
Net Sales	202.2	235.0	...	350.0
Operating Income	33.2	42.5	...	90.0

Automotive & Transportation Business

Billions of yen

	FY17	FY18	...	FY22
Net Sales	116.6	115.0	...	150.0
Operating Income	3.2	2.5	...	10.0

Key Initiatives in Business Lines

FY2018_1H

Industrial Machinery Business

Net Sales 119.5 billions of yen
Y/Y +24.4%

FY2018_1H

Automotive and Transportation Business

Net Sales 59.9 billions of yen
Y/Y +2.0%

Expansion of Top Line

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 Top Line

Expansion of L&S Business

The launch of new products for Automobile



FY2018_1H
Net Sales (Consolidated)
179.4 billions of yen
Y/Y +15.9%

Strengthening of Bottom Line

【Industrial Machinery Business】

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

【Automotive & Transportation Business】

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

Expand Sales to a Wide Range of Customers (Semi-custom made products with quick delivery)

Semi-custom made products with quick delivery
The number of products has been increasing

Being a semi-custom order product allows the customer to procure an optimal item

Can check delivery date and price instantly on the web

Global short delivery times and support system



LM Guide Actuator
Rolled out in August 2016



LM Guide
Planned roll-out in September 2018



Precision ball screw
Rolled out in July 2018



Ball spline
Planned roll-out in September 2018

Expand Sales to a Wide Range of Customers (Omni THK)

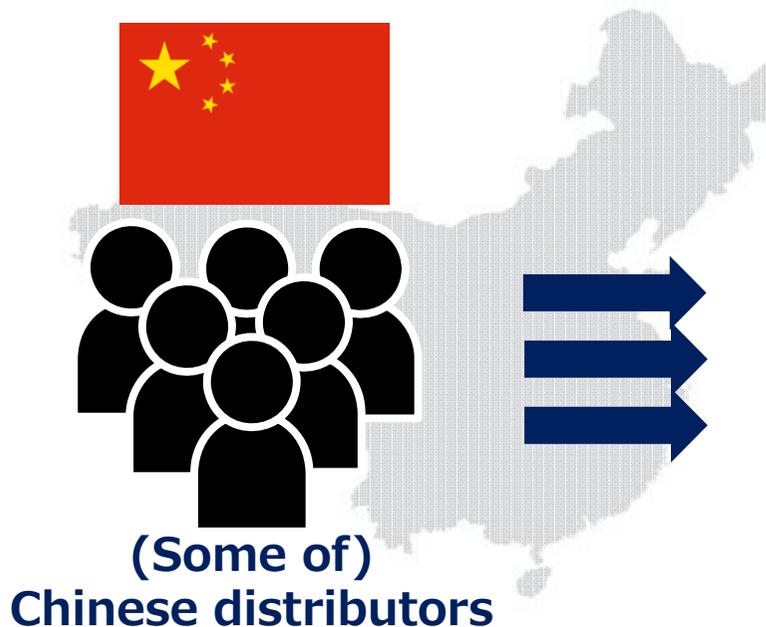
May 2018: Omni THK was launched in China

Provide accounts to approx. 60 distributor companies

Roll out semi-custom made products with quick delivery

Acquiring orders smoothly

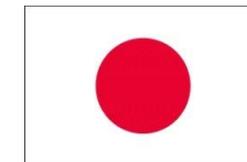
2018 2H
Scheduled to deploy



Omni THK



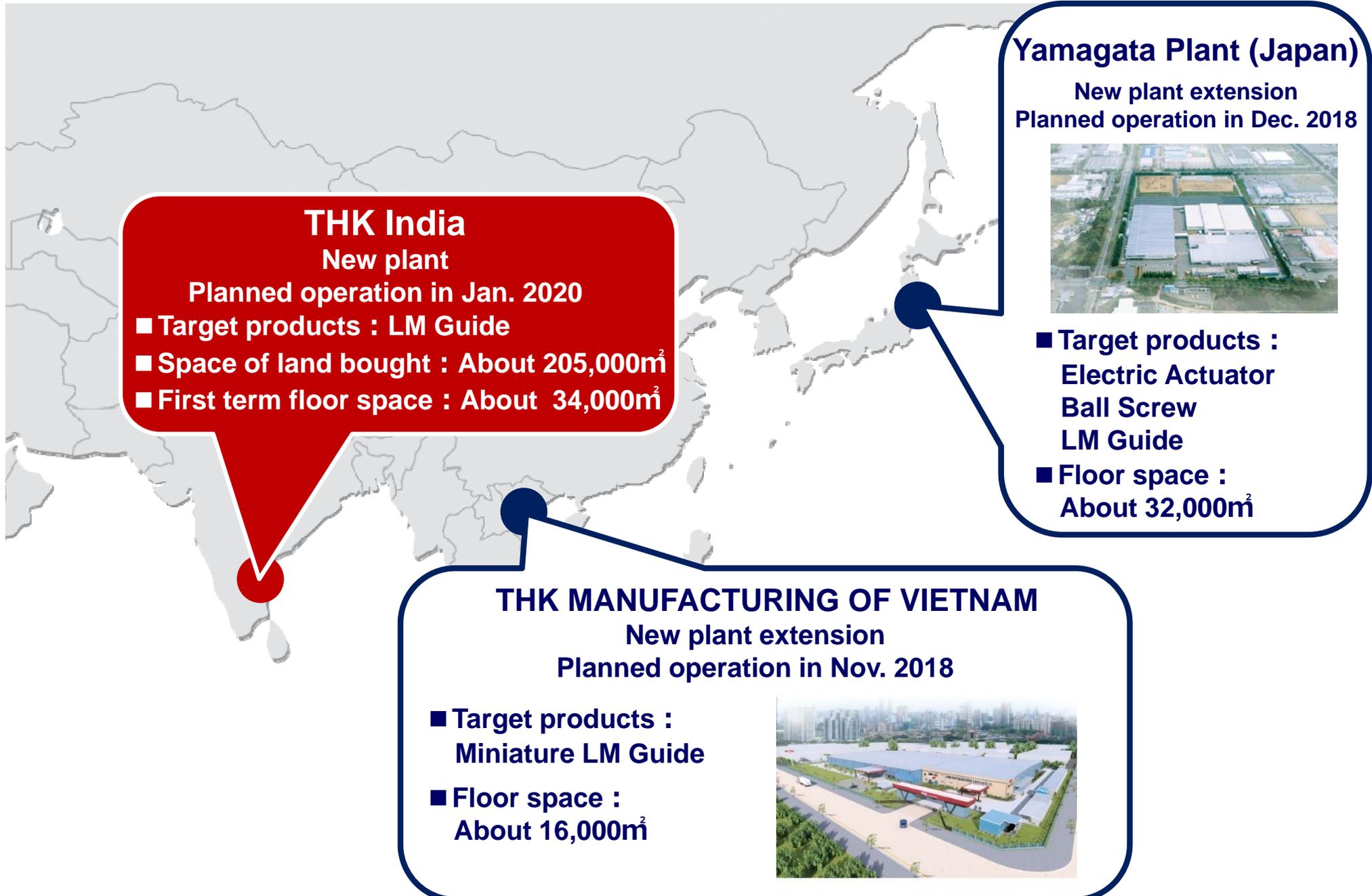
Brazil



Japan

The Company plans to deploy Omni THK in Brazil and Japan following the deployment in five ASEAN states and China
We will deploy Omni THK in other countries as well on a step-by-step basis to expand sales to a wide range of customers

Enhancement of the Global Manufacturing Structure (Industrial Machinery Business)



Construction of a New Plant in India by THK India

THK India



- Construction is expected to start in Aug. 2018
Planned operation in Jan. 2020
- Location : Sri City, Andhra Pradesh, India
- Target products : LM Guide
- Space of land bought : About 205,000m²
- First term floor space : About 34,000m²
- Amount of investment :
 - For the first term: 3 billions of India rupee (About 5 billions of yen)
 - For the second term: 5 billions of India rupee (About 8 billions of yen)
 - Total: 8 billions of India rupee (About 13 billions of yen)

**A new plant anticipating the growth potential of the Indian markets and long-term demand expansion
The plant will export goods to foreign countries while catering to India's domestic demand in the early days after coming into operation**

Development of new business areas

Consumer goods-related fields

Medical Equipment



Aircraft



Seismic Isolation



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

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 CHANGZHOU
(CHINA)

Construction is expected to start in 2018



THK RHYTHM Kyushu Plant
(JAPAN)

Construction began in 2018



THK RHYTHM NORTH AMERICA
(USA)

Construction began in 2018



THK RHYTHM MEXICANA
(MEXICO)

Construction began in 2017



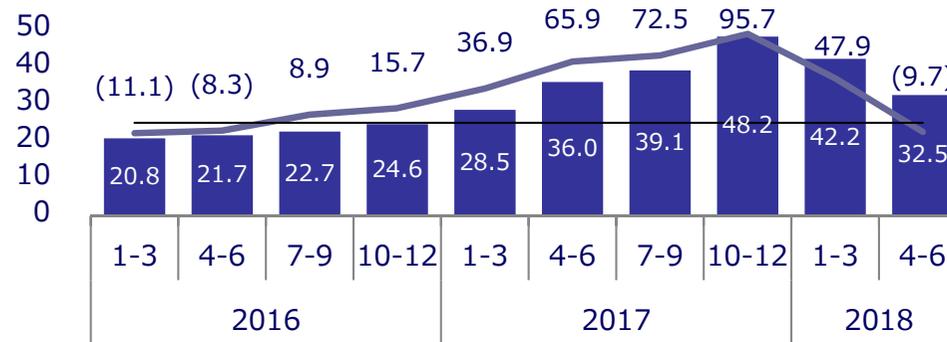


Ⅲ. Financial Forecast for Fiscal 2018

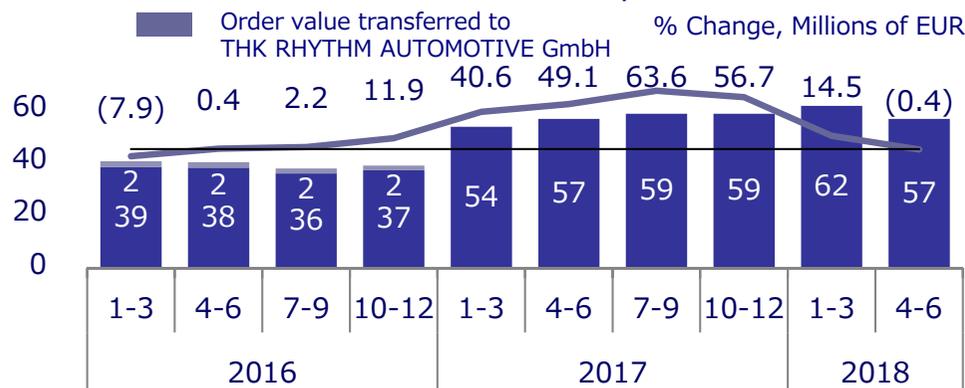
Orders Received by Region(Industrial Machinery Business)



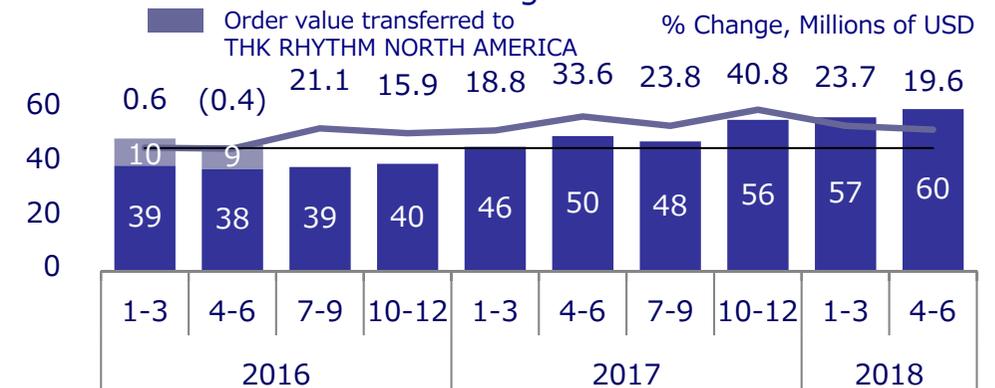
THK(Domestic) % Change, Billions of Yen



THK Europe



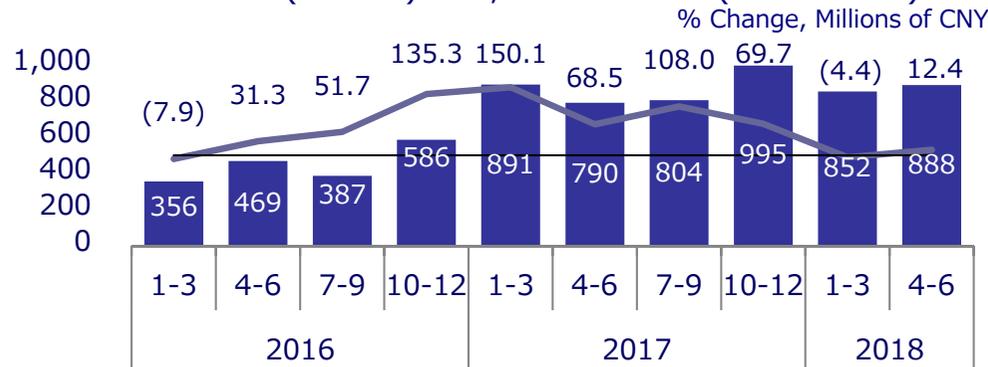
THK Holdings of America



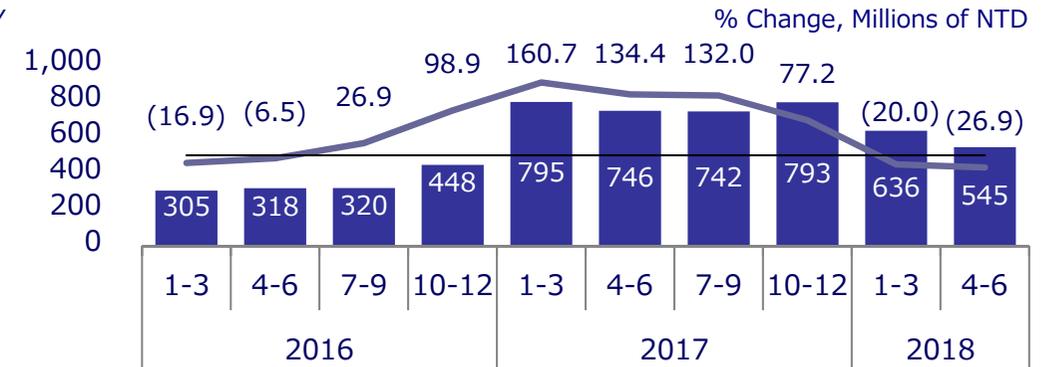
※Because the automotive parts business was transferred to THK RHYTHM AUTOMOTIVE GmbH effective January 2017, the data were revised retroactively in consideration of the transfer
 ※The year-on-year changes were calculated based on order intake figures after exclusion of the automotive parts business.

※Because the automotive parts business was transferred to THK RHYTHM NORTH AMERICA effective July 2016, the data were revised retroactively in consideration of the transfer
 ※The year-on-year changes were calculated based on order intake figures after exclusion of the automotive parts business.

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



THK TAIWAN



Financial Forecast (Consolidated)



(Millions of yen)

	2018/12		2017/12	
	Forecast (Percentage changes from the previous fiscal year are just for reference)	1H Results (Percentage changes from the previous fiscal year are just for reference)	Reference (Based on Jan.-Dec.)	Irregular accounting period
Net Sales	350,000	179,450	318,800	286,603
<i>Y/Y</i>	+9.8%	+15.9%	—	+18.7%*
Operating Income	45,000	26,187	36,400	29,279
<i>Y/Y</i>	+23.6%	+43.4%	—	+64.1%*
Ordinary Income	46,900	27,019	38,100	31,254
<i>Y/Y</i>	+23.1%	+43.5%	—	+81.3%*
Net Income Attributable to Owners of the Parent	34,100	19,607	30,300	25,729
<i>Y/Y</i>	+12.5%	+47.2%	—	+120.4%*

*The growth ratios are just for reference as they are based on the figures in the previous fiscal year that are adjusted to the irregular accounting period (9 months for Japanese companies and 12 months for overseas companies)

Financial Forecast (Unconsolidated)



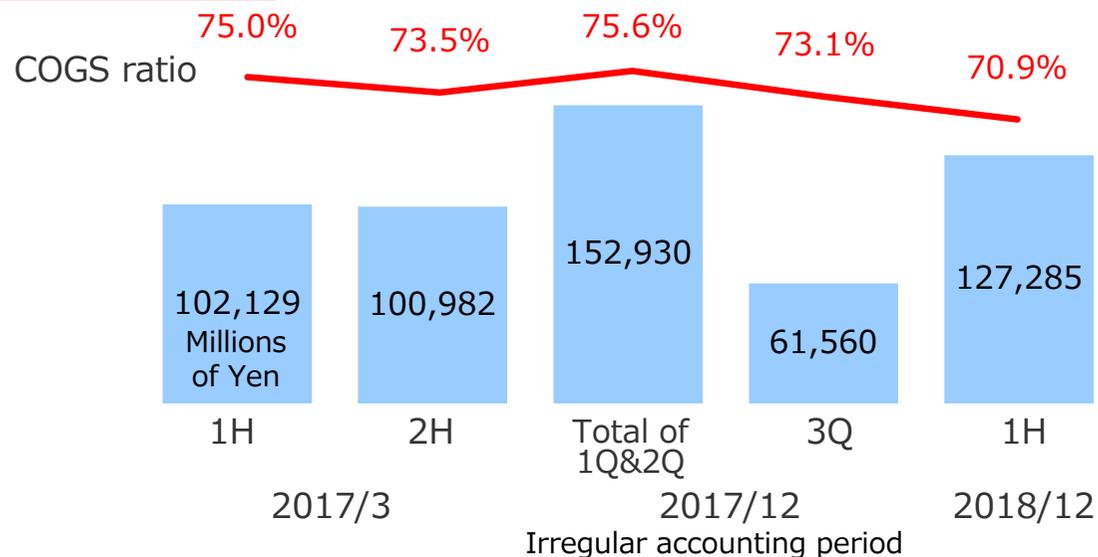
(Millions of yen)

	2018/12		2017/12
	Forecast (Percentage changes from the previous fiscal year are just for reference)	1H Results (Percentage changes from the previous fiscal year are just for reference)	Irregular accounting period
Net Sales	182,000	89,846	123,403
<i>Y/Y</i>	+15.1%	+18.0%	+31.8%*
Domestic	124,100	62,854	81,811
<i>Y/Y</i>	+16.6%	+23.4%	+25.6%*
Operating Income	28,200	16,366	18,656
<i>Y/Y</i>	+34.9%	+67.6%	+110.1%*
Ordinary Income	31,100	18,697	20,756
<i>Y/Y</i>	+37.0%	+74.0%	+120.5%*
Net Income	22,600	13,693	28,215
<i>Y/Y</i>	-21.0%	+82.1%	+299.7%*

*The growth ratios are just for reference as they are based on the figures in the previous fiscal year that are adjusted to the irregular accounting period (9 months for Japanese companies and 12 months for overseas companies)

Trends in COGS and SG&A

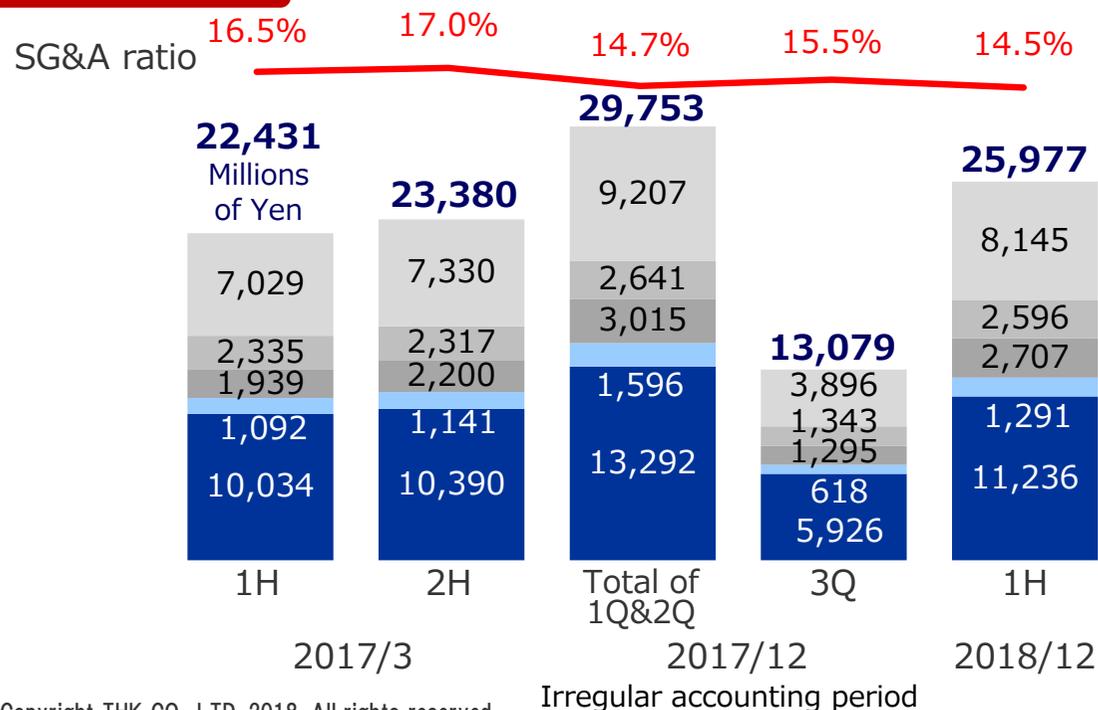
COGS



COGS ratio falling steadily

※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

SG&A



SG&A ratio falling steadily

※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

- Other
- R&D
- Seles & Distribution Costs
- Depreciation and Amortization
- Personnel Costs

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



(Million 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)–



(Million of Yen)

12,000

10,000

8,000

6,000

4,000

2,000

0

Machine Tool

General Machinery

Electronics

	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						
	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		
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		
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		