

## Consolidated Financial Results for the Six Months Ended June 30, 2020 under IFRS

Company Name	THK CO., LTD.
Head Office	Tokyo, Japan (Tel: +81-3-5730-3911)
URL	<a href="http://www.thk.com/">http://www.thk.com/</a>
Stock exchange listing	Tokyo Stock Exchange-First Section
Code number	6481
Representative	Akihiro Teramachi, President and CEO
Contact	Kenji Nakane, Executive Officer, General Manager of Finance and Accounting Department
Scheduled date of filing quarterly report (Japanese version only)	August 7, 2020
Scheduled starting date of dividend payment	September 7, 2020

### 1. Consolidated operating results and financial position as of and for the six months ended June 30, 2020 (January 1, 2020 to June 30, 2020)

#### (1) Consolidated Operating Results

Six Months Ended June 30	Revenue (Millions of Yen)		Operating Income (Loss) (Millions of Yen)		Profit (Loss) Before Tax (Millions of Yen)		Profit (Loss) for the Period (Millions of Yen)		Profit (Loss) Attributable to Owners of the Parent (Millions of Yen)		Total Comprehensive Income (Loss) (Millions of Yen)	
2020	¥103,051	(30.2)%	¥(1,404)	—%	¥(2,982)	—%	¥(3,858)	—%	¥(3,358)	—%	¥(8,759)	—%
2019	147,573	—	14,680	—	14,112	—	9,822	—	9,521	—	6,827	—

  

Six Months Ended June 30	Basic Earnings (Loss) per Share (Yen)	Diluted Earnings per Share (Yen)
2020	¥(26.53)	—
2019	75.23	—

#### (2) Consolidated Financial Position

	Total Assets (Millions of Yen)	Total Equity (Millions of Yen)	Equity Attributable to Owners of the Parent (Millions of Yen)	Ratio of Equity Attributable to Owners of the Parent
June 30, 2020	¥456,281	¥281,111	¥271,249	59.4%
December 31, 2019	468,945	291,132	280,344	59.8

## 2. Dividends

	Dividend Per Share (Yen)				
	First Quarter end	Second Quarter end	Third Quarter end	Year/Period end	Total
Year ended December 31, 2019 (Actual)	¥—	¥24.00	¥—	¥8.00	¥32.00
Year ending December 31, 2020 (Actual)	—	¥7.50	n/a	n/a	n/a
Year ending December 31, 2020 (Projected)	n/a	n/a	—	7.50	15.00

(Note) Change in dividend projection: The dividend projection announced on February 13, 2020 have been amended to as in the above table.

## 3. Forecasts for the year ending December 31, 2020 (January 1, 2020 to December 31, 2020)

	Revenue (Millions of Yen)		Operating Income (Millions of Yen)		Profit (Loss) Before Tax (Millions of Yen)		Profit (Loss) Attributable to Owners of the Parent (Millions of Yen)		Profit (Loss) per Share (Yen)
Year ending December 31, 2020	216,000	(21.3)	200	(98.9)	(1,400)	—	(3,100)	—	(24.49)

(Note 1) Change in forecasts: The forecasts announced on February 13, 2020 have been amended to as in the above table.

(Note 2) The above forecasts are based upon the information currently available at the time of the announcement of this report. Actual performance may differ from the estimates due to various unforeseen factors.

## Other Financial Information

(1) Significant change in scope of consolidation: None

(2) Changes in accounting policy and estimates, and restatement due to:

- |                                    |      |
|------------------------------------|------|
| a. Changes in accounting standards | None |
| b. Other changes                   | None |
| c. Changes in accounting estimates | None |

(3) Number of shares

		(shares)
a. Common stock issued, including treasury stock, as of:	June 30, 2020	133,856,903
	December 31, 2019	133,856,903
b. Treasury stock as of:	June 30, 2020	7,289,802
	December 31, 2019	7,289,461
c. Average number of common stock for the six months ended:	June 30, 2020	126,567,273
	June 30, 2019	126,568,001

# Management's Discussion and Analysis

## 1. Outline of operating results

### (1) Operating results (from January 1, 2020 to June 30, 2020)

In this six months period, while demands remained at a low level because of the US-China trade friction, there were growing concerns of the global economic slowdown due to the worldwide COVID-19 epidemic.

The THK Group has identified "Full-Scale Globalization," the "Development of New Business Areas," and "Change in Business Style" as cornerstones of its growth strategy to expand the markets of its products such as LM Guide (Linear Motion Guide). As to Full-Scale Globalization, while the markets in emerging countries such as China are growing by dint of the factory automation progress, which is also spreading to developed-country users, the THK Group endeavors to expand its global sales network to meet such demand. Regarding Development of New Business Areas, while the THK Group's products are getting widely adopted in various business fields, the THK Group is working on expanding sales of not only existing products but also new developed products. Such business fields include automobile parts, medical equipment, aircraft, and robot, which are close to consumer goods, as well as seismic isolation and damping systems and renewable energy, which offer products that reduce risks arising from natural disasters and climate change. In addition to promoting these strategies above, the THK Group is also committed to further expand its business fields by changing its business style enabled by making full use of AI and robot technologies in many ways.

In the industrial machinery business, demand remained at a low level due to the US-China trade friction and the COVID-19 epidemic caused temporary operation shutdowns in certain branch offices; however, the demand for electronic products, which showed a sign of recovery in the latter half of the previous year, continued its recovery trend. In the transportation equipment business, the sluggish car sales and the COVID-19 epidemic had an adverse impact on the Group's production and shipping operations. As a result, consolidated revenue amounted to ¥103,051 million, down ¥44,521 million, or 30.2%, compared to the figure a year earlier, which had a large amount of backlog of orders in the industrial machinery business.

On the cost front, the THK Group continued to implement various activities to improve its productivity and to mitigate the decline in profitability. The cost to revenue ratio, however, rose 4.8% from a year earlier to 77.8% due to the sharp decrease in sales.

Selling, general and administrative expenses amounted to ¥23,135 million, down ¥2,635 million, or 10.2%, compared to the figure a year earlier. This was mainly attributable to the THK Group's endeavors to contain costs and improve operating efficiency as well as the decreased sales. The ratio to revenue, however, worsened by 5.0% from a year earlier to 22.5%.

In addition, the temporary operation shutdowns caused by the COVID-19 epidemic had an adverse impact. As a result, THK Group recorded ¥1,404 million of operating loss (¥14,680 million of operating income a year earlier).

Finance income and finance costs were ¥379 million and 1,957 million, respectively.

As a result, loss before tax and loss attributable to owners of the parent were ¥2,982 million (¥14,112 million of profit before tax a year earlier) and ¥3,358 million (¥9,521 million of profit attributable to owners of the parent a year earlier), respectively.

## Operating results by segment

### (Japan)

In the industrial machinery business in Japan, while demand for machine tool products remained at a low level, demand for electronic products, which showed a sign of recovery in the latter half of the previous year, continued its recovery trend. In the transportation equipment business, the COVID-19 epidemic had an adverse impact on the Group's production and shipping operations. As a result, revenue decreased by ¥18,834 million, or 29.2%, to ¥45,617 million, as compared to the figure a year earlier, which had a large amount of backlog of orders in the industrial machinery business. Operating income (segment income) decreased by ¥10,590 million, or 98.4%, to ¥169 million due to the decreased revenue.

### (The Americas)

In the industrial machinery business in the Americas, demand for electronic products showed a sign of recovery. In the transportation equipment business; however, the sluggish car sales and the COVID-19 epidemic had an adverse impact on the Group's production and shipping operations. As a result, revenue decreased by ¥10,533 million, or 34.3%, to ¥20,166 million. Operating income (segment income) dropped by ¥1,074 million, and consequently turned to ¥1,215 million of operating loss (segment loss) due to the decreased revenue and the temporary operation shutdowns.

### (Europe)

In the industrial machinery business in Europe, while demand remained at a low level due to the US-China trade friction, the COVID-19 epidemic caused temporary operation shutdowns in certain branch offices. In the transportation equipment business, the sluggish car sales and the COVID-19 epidemic had an adverse impact on the Group's production and shipping operations. As a result, revenue decreased by ¥11,854 million, or 39.8%, to ¥17,953 million. Operating income (segment income) dropped by ¥2,512 million, and consequently turned to ¥2,022 million of operating loss (segment loss) due to the decreased revenue and the temporary operation shutdowns.

### (China)

In China, while demand remained at a low level due to the US-China trade friction, the COVID-19 epidemic caused temporary operation shutdowns in the branch offices of the industrial machinery business and the transportation equipment business for a period starting from the end of the Chinese New Year to the middle of February 2020. However, demand showed a sign of recovery as economic activities in China subsequently resumed earlier than the other countries. As a result, as compared to the figure a year earlier, which had a large amount of backlog of orders in the industrial machinery business, revenue decreased by ¥1,088 million, or 6.9%, to ¥14,651 million. Operating income (segment income) decreased by ¥773 million, or 41.4%, to ¥1,093 million due to the decreased revenue and the temporary operation shutdowns.

### (Other)

In other countries and regions, the THK Group continued to expand and deepen transactions with existing customers and to cultivate new customers while demand for THK Group's products was widely expanded in India and the ASEAN countries. Revenue, however, decreased by ¥2,211 million, or 32.2%, to ¥4,662 million, mainly owing to the decreased demand in China that unfavorably affected the revenue in some countries. Operating income (segment income) decreased by ¥552 million, or 72.3%, to ¥212 million due to the decreased sales.

## **2. Financial position (As of June 30, 2020)**

Total assets stood at ¥456,281 million, ¥12,663 million less than the previous fiscal year-end, due mainly to a combined effect of increase in (1) cash and cash equivalents by ¥3,581 million and (2) inventories by ¥1,725 million and decrease in (1) trade and other receivables by ¥8,860 million, (2) property, plant and equipment by ¥2,726 million, and (3) goodwill and intangible assets by ¥1,689 million.

Total liabilities stood at ¥175,170 million, ¥2,643 million less than the previous fiscal year-end, due mainly to a combined effect of increase in bonds and borrowings by ¥2,775 million and decrease in trade and other payables by ¥7,120 million.

Total equity stood at ¥281,111 million, ¥10,020 million less than the previous fiscal year-end, due mainly to decrease in retained earnings by ¥4,372 million and other components of equity by ¥4,722 million.

## **3. Forecast for the fiscal year ending December 31, 2020**

For details of the financial forecasts for the year ending December 31, 2020, please refer to “Notice Regarding Amendments in Financial Forecasts and Dividend Projection” announced on today, August 6, 2020.

## Consolidated Financial Statements

### Consolidated Statements of Financial Position

(Millions of Yen)

	As of December 31, 2019	As of June 30, 2020
<b>Assets:</b>		
Current assets:		
Cash and cash equivalents	¥149,091	¥152,672
Trade and other receivables	63,734	54,874
Inventories	48,120	49,846
Other financial assets	2	2
Other current assets	10,815	6,694
Total current assets	<u>271,764</u>	<u>264,090</u>
Non-current assets:		
Property, plant and equipment	155,055	152,329
Goodwill and intangible assets	21,440	19,751
Investments accounted for using the equity method	5,280	5,354
Other financial assets	9,991	8,976
Deferred tax assets	3,407	3,858
Net defined benefit asset	1,869	1,801
Other non-current assets	135	118
Total non-current assets	<u>197,180</u>	<u>192,191</u>
Total assets	<u><u>468,945</u></u>	<u><u>456,281</u></u>

(Millions of Yen)

As of December 31, 2019

As of June 30, 2020

**Liabilities and equity:****Liabilities:**

## Current liabilities:

Trade and other payables	¥42,825	¥35,705
Bonds and borrowings	22,228	17,256
Other financial liabilities	2,417	2,508
Income taxes payable	709	1,550
Other current liabilities	10,483	11,448
Total current liabilities	78,663	68,469

## Non-current liabilities:

Bonds and borrowings	73,041	80,789
Other financial liabilities	11,056	10,845
Net defined benefit liabilities	7,438	7,309
Provisions	176	179
Deferred tax liabilities	5,468	5,331
Other non-current liabilities	1,968	2,246
Total non-current liabilities	99,149	106,700

## Total Liabilities

177,813 175,170

**Equity**

Common stock	34,606	34,606
Capital surplus	40,413	40,413
Retained earnings	230,927	226,554
Treasury stock	(14,004)	(14,005)
Other components of equity	(11,598)	(16,320)
Total equity attributable to owners of the parent	280,344	271,249
Non-controlling interests	10,787	9,862
Total Equity	291,132	281,111

**Total liabilities and equity**

468,945 456,281

## Consolidated Statements of Profit or Loss

(Millions of Yen)

	Six months Ended June 30, 2019	Six months Ended June 30, 2020
Revenue	¥147,573	¥103,051
Cost of sales	107,750	80,137
Gross profit	39,822	22,913
Selling, general and administrative expenses	25,771	23,135
Other income	1,042	1,863
Other expenses	467	3,173
Share of profit in investments accounted for using the equity method	54	127
Operating income (loss)	14,680	(1,404)
Financial income	763	379
Financial costs	1,331	1,957
Profit (loss) before tax	14,112	(2,982)
Income tax expense	4,289	876
Profit (loss) for the period	<u>9,822</u>	<u>(3,858)</u>
Attributable to:		
Owners of the parent	9,521	(3,358)
Non-controlling interests	301	(500)
Total	<u>9,822</u>	<u>(3,858)</u>
Earnings (loss) per share:		
Basic (Yen)	75.23	(26.53)
Diluted (Yen)	—	—



## Consolidated Statements of Comprehensive Income

(Millions of Yen)

	Six months Ended June 30, 2019	Six months Ended June 30, 2020
Profit (loss) for the period	¥9,822	¥(3,858)
Other comprehensive income		
Items that may not be reclassified subsequently to profit or loss:		
Financial assets measured at fair value through other comprehensive income	400	(582)
Remeasurements of defined benefit plans	75	11
Share of other comprehensive losses of associates accounted under the equity method	(9)	(8)
Subtotal	466	(580)
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translating foreign operations	(3,332)	(4,277)
Share of other comprehensive losses of associates	(128)	(43)
Subtotal	(3,461)	(4,320)
Other comprehensive loss, net of tax	(2,995)	(4,900)
Comprehensive loss	6,827	(8,759)
Attributable to:		
Owners of the parent	6,623	(8,082)
Non-controlling interests	204	(677)
Total	6,827	(8,759)

## Consolidated Statements of Changes in Equity

(Millions of Yen)

Six Months Ended June 30, 2019	Equity attributable to owners of the parent				Other components of equity
	Common stock	Capital surplus	Retained earnings	Treasury stock	Exchange differences on translating foreign operations
	Beginning balance	¥34,606	¥40,420	¥226,358	¥(14,002)
Profit for the period	—	—	9,521	—	—
Other comprehensive income (loss)	—	—	—	—	(3,356)
Total comprehensive income for the period	—	—	9,521	—	(3,356)
Purchase of treasury stock	—	—	—	(0)	—
Payment of dividends	—	—	(4,809)	—	—
Transfer from other components of equity to retained earnings	—	—	56	—	—
Other	—	(6)	(3)	—	—
Total transactions with owners	—	(6)	(4,756)	(0)	—
Ending balance	<u>34,606</u>	<u>40,413</u>	<u>231,122</u>	<u>(14,003)</u>	<u>(13,623)</u>

	Equity attributable to owners of the parent				Other components of equity	
	Financial assets measured at fair value through other comprehensive income				Remeasurements of defined benefit plans	
	comprehensive income	Remeasurements of defined benefit plans	Subtotal	Total	Non-controlling interests	Total equity
Beginning balance	¥1,102	¥—	¥(9,164)	¥278,217	¥11,060	¥289,278
Profit for the period	—	—	—	9,521	301	9,822
Other comprehensive income (loss)	402	56	(2,898)	(2,898)	(96)	(2,995)
Total comprehensive income for the period	402	56	(2,898)	6,623	204	6,827
Purchase of treasury stock	—	—	—	(0)	—	(0)
Payment of dividends	—	—	—	(4,809)	—	(4,809)
Transfer from other components of equity to retained earnings	—	(56)	(56)	—	—	—
Other	—	—	—	(9)	(364)	(374)
Total transactions with owners	—	(56)	(56)	(4,819)	(364)	(5,184)
Ending balance	<u>1,504</u>	<u>—</u>	<u>(12,118)</u>	<u>280,020</u>	<u>10,899</u>	<u>290,920</u>

(Millions of Yen)

Six Months Ended June 30, 2020	Equity attributable to owners of the parent				Other components of equity
	Common stock	Capital surplus	Retained earnings	Treasury stock	Exchange differences on translating foreign operations
Beginning balance	¥34,606	¥40,413	¥230,927	¥(14,004)	¥(13,479)
Loss for the period	—	—	(3,358)	—	—
Other comprehensive income (loss)	—	—	—	—	(4,136)
Total comprehensive income for the period	—	—	(3,358)	—	(4,136)
Purchase of treasury stock	—	—	—	(0)	—
Payment of dividends	—	—	(1,012)	—	—
Transfer from other components of equity to retained earnings	—	—	(1)	—	—
Other	—	—	(0)	—	—
Total transactions with owners	—	—	(1,013)	(0)	—
Ending balance	34,606	40,413	226,554	(14,005)	(17,616)

	Equity attributable to owners of the parent				Other components of equity		
	Financial assets measured at fair value through other comprehensive income		Remeasurements of defined benefit plans	Subtotal	Total	Non-controlling interests	Total equity
Beginning balance	¥1,881	¥—	¥(11,598)	¥280,344	¥10,787	¥291,132	
Loss for the period	—	—	—	(3,358)	(500)	(3,858)	
Other comprehensive income (loss)	(585)	(1)	(4,723)	(4,723)	(176)	(4,900)	
Total comprehensive income (loss) for the period	(585)	(1)	(4,723)	(8,082)	(677)	(8,759)	
Purchase of treasury stock	—	—	—	(0)	—	(0)	
Payment of dividends	—	—	—	(1,012)	—	(1,012)	
Transfer from other components of equity to retained earnings	—	1	1	—	—	—	
Other	—	—	—	(0)	(247)	(247)	
Total transactions with owners	—	1	1	(1,013)	(247)	(1,261)	
Ending balance	1,296	—	(16,320)	271,249	9,862	281,111	

## Consolidated Statements of Cash Flows

(Millions of Yen)

	Six months Ended June 30, 2019	Six months Ended June 30, 2020
<b>Cash flows from operating activities:</b>		
Profit (loss) before tax	¥14,112	¥(2,982)
Depreciation and amortization	8,905	9,222
Change in net defined benefit assets and liabilities	(49)	(111)
Financial income	(548)	(379)
Financial costs	1,562	985
Share of profit in investments accounted for using the equity method	(54)	(127)
Decrease in trade and other receivables	13,698	7,912
Increase in inventories	(3,926)	(2,346)
Decrease in trade and other payables	(9,701)	(3,764)
Other	188	1,612
Subtotal	24,185	10,021
Interests and dividends received	547	384
Interests paid	(215)	(202)
Income taxes paid	(12,224)	2,803
Net cash flows from operating activities	12,293	13,007
<b>Cash flows from investing activities:</b>		
Purchase of property, plant and equipment	(17,057)	(9,676)
Proceeds from sales of property, plant and equipment	32	47
Purchase of other financial assets	(266)	(20)
Other	96	63
Net cash flows from investing activities	(17,195)	(9,586)
<b>Cash flows from financing activities:</b>		
Net increase in commercial paper	—	5,000
Proceeds from long-term borrowings	20,000	—
Repayments of long-term borrowings	(12,185)	(2,185)
Proceeds from issuance of bonds	20,000	10,000
Redemption of bonds	—	(10,000)
Purchase of treasury stock	(0)	(0)
Dividends paid	(4,887)	(1,034)
Dividends paid to non-controlling shareholders	(108)	(232)
Repayments of lease obligations	(875)	(787)
Net cash flows from financing activities	21,942	759
Effects of exchange rate changes on cash and cash equivalents	(2,298)	(599)
Net increase in cash and cash equivalents	14,743	3,581
Cash and cash equivalents at the beginning of the period	134,513	149,091
Cash and cash equivalents at the end of the period	149,256	152,672

## Segment Information

### 1. Outline of reportable segments

THK's reportable segments are components of THK Group for which respective financial information is separately available. Operating results of each segment is reviewed periodically by the Board of Directors to determine allocation of operating resources and evaluate its performance.

THK Group's main products are machinery parts such as LM (linear motion) guides and ball screws, and transportation equipment-related parts such as link balls and suspension ball joints. In each country, local subsidiaries establish their comprehensive business strategies and conduct their business activities in a similar way that THK and domestic subsidiaries do in Japan.

Therefore, the reportable segments consist of the five geographical segments, namely; (1) Japan, (2) The Americas (the United States and others), (3) Europe (Germany, France and others), (4) China, and (5) Other (Taiwan, Singapore and others) based on the THK Group's production/sales structure.

Segment income is computed based on operating income. The reportable segment information is prepared under the same accounting policies as those used in consolidation. Inter-segment sales and transfer are stated at amounts based on their fair market values. All adjustments in the following tables are intersegment elimination on consolidation.

### 2. Reportable segments

#### For the six months ended June 30, 2019 (January 1, 2019 to June 30, 2019)

							(Millions of Yen)	
	Japan	The Americas	Europe	China	Other	Total	Adjustments	Consolidated
Revenue:								
Sales to customers	¥64,451	¥30,700	¥29,807	¥15,739	¥6,873	¥147,573	¥—	¥147,573
Inter-segment	25,959	78	120	3,208	917	30,284	(30,284)	—
Total	90,411	30,778	29,928	18,948	7,790	177,857	(30,284)	147,573
Segment income (loss)	10,759	(140)	489	1,866	764	13,740	940	14,680
Financial income	466	173	469	218	63	1,392	(628)	763
Financial costs	1,323	158	183	16	4	1,685	(354)	1,331
Profit (loss) before tax	9,902	(125)	776	2,068	824	13,446	665	14,112

(Note) All adjustments are intercompany elimination.

#### For the six months ended June 30, 2020 (January 1, 2020 to June 30, 2020)

							(Millions of Yen)	
	Japan	The Americas	Europe	China	Other	Total	Adjustments	Consolidated
Revenue:								
Sales to customers	¥45,617	¥20,166	¥17,953	¥14,651	¥4,662	¥103,051	¥—	¥103,051
Inter-segment	18,239	89	76	705	956	20,067	(20,067)	—
Total	63,857	20,255	18,030	15,356	5,618	123,118	(20,067)	103,051
Segment income (loss)	169	(1,215)	(2,022)	1,093	212	(1,763)	358	(1,404)
Financial income	798	49	187	160	31	1,227	(848)	379
Financial costs	1,012	335	684	61	0	2,094	(137)	1,957
Profit (loss) before tax	(44)	(1,500)	(2,519)	1,192	243	(2,629)	(352)	(2,982)

(Note) All adjustments are intercompany elimination.

## Per Share Information

Basis of computation of basic earnings (loss) per share is as follows. THK did not have any shares with potentially-dilutive effects for the reporting periods in the following table.

### For the six months ended June 30 (January 1 to June 30)

	(Millions of Yen)	
	Six Months Ended June 30, 2019	Six Months Ended June 30, 2020
Profit (loss) attributable to owners of the parent	¥9,521	¥(3,358)
Weighted-average number of issued shares	126,568	126,567
Basic earnings (loss) per share	75.23	(26.53)

### For the three months ended June 30 (April 1 to June 30)

	(Millions of Yen)	
	Three Months Ended June 30, 2019	Three Months Ended June 30, 2020
Profit (loss) attributable to owners of the parent	¥4,500	¥(702)
Weighted-average number of issued shares	126,567	126,567
Basic earnings (loss) per share	35.56	(5.55)

## Subsequent event

Not applicable.

## Additional Information

(Accounting estimates associated with the COVID-19 epidemic)

The COVID-19 epidemic has an adverse impact on the THK Group's business activities and has caused the decline in revenue for the year ending December 31, 2020; however, the THK Group has assumed that the THK Group's operations will gradually recover. The estimates regarding impairment of fixed assets, recoverability of deferred tax assets, and other items have been made based on such assumption.

However, if the impact of the COVID-19 epidemic becomes more significant than expected, it may affect the THK Group's financial position and operating results.

**Additional notes:**

All the figures in this report except per share information are rounded down to the nearest million.

This information is summarized and translated from the original Japanese version submitted to the Tokyo Securities Exchange in accordance with its disclosure rules and presentation manners, which are different from those applied in the annual reports of THK due to reclassification and rearrangement made therein. This English translation is intended solely for the convenience of readers, and not intended in any way to substitute or replace the original Japanese version. If there is any discrepancy between the original Japanese version and this translation, the original Japanese version shall supersede all information in this translation. All the figures in this report are unaudited.