

Consolidated Financial Results for the Six Months Ended June 30, 2021 under IFRS

Company Name	THK CO., LTD.
Head Office	Tokyo, Japan (Tel: +81-3-5730-3911)
URL	http://www.thk.com/
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 6, 2021
Scheduled starting date of dividend payment	September 6, 2021

1. Consolidated operating results and financial position as of and for the six months ended June 30, 2021 (January 1, 2021 to June 30, 2021)

(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)	
2021	¥151,040	46.6 %	¥11,067	—%	¥10,809	—%	¥7,545	—%	¥7,521	—%	¥22,516	—%
2020	103,051	(30.2)	(1,404)	—	(2,982)	—	(3,858)	—	(3,358)	—	(8,759)	—

Six Months Ended June 30	Basic Earnings (Loss) per Share (Yen)	Diluted Earnings per Share (Yen)
2021	¥59.42	—
2020	(26.53)	—

(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, 2021	¥502,733	¥296,672	¥287,467	57.2%
December 31, 2020	460,173	275,148	266,491	57.9

2. Dividends

	Dividend Per Share (Yen)				
	First Quarter end	Second Quarter end	Third Quarter end	Year/Period end	Total
Year ended December 31, 2020 (Actual)	¥—	¥7.50	¥—	¥7.50	¥15.00
Year ending December 31, 2021 (Actual)	—	¥20.50	n/a	n/a	n/a
Year ending December 31, 2021 (Projected)	n/a	n/a	—	—	—

(Note 1) Change in dividend projection: None

(Note 2) Interim dividend per share at the second quarter end consists of ¥18.00 of ordinary dividend and ¥2.50 of commemorative dividend.

THK's basic dividend policy is to set its payout ratio at 30% on a consolidated basis. Since THK celebrated its 50th anniversary of its founding on April 10, 2021, THK plans to add commemorative dividends of ¥5.00 per share (¥2.5 per share for interim dividend and year-end dividend each) to the dividend determined based on the payout ratio at 30% for the year ending December 31, 2021. The amounts of dividends for the year ending December 31, 2021 are planned to be determined in accordance with this plan and will be announced as soon as they are determined.

3. Forecasts for the year ending December 31, 2021 (January 1, 2021 to December 31, 2021)

	Revenue		Operating Income		Profit Before Tax		Profit Attributable to Owners of the Parent		Profit per Share
	(Millions of Yen)		(Millions of Yen)		(Millions of Yen)		(Millions of Yen)		(Yen)
Year ending December 31, 2021	¥320,000	46.1%	¥35,000	—%	¥35,400	—%	¥25,000	—%	¥197.52

(Note 1) Changes from forecasts most recently announced: None

(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, 2021	133,856,903
	December 31, 2020	133,856,903
b. Treasury stock as of:	June 30, 2021	7,290,796
	December 31, 2020	7,290,246
c. Average number of common stock for the six months ended:	June 30, 2021	126,566,346
	June 30, 2020	126,567,273

Management's Discussion and Analysis

1. Outline of operating results

(1) Operating results (from January 1, 2021 to June 30, 2021)

In this six months period, while there were strong uncertainties remaining in the outlook for the global economy due to the worldwide COVID-19 pandemic; however, in addition to China, which resumed its economic activities earlier than other countries, the U.S. economy also showed a sign of recovery. In such a situation, with the progress of vaccinations in countries around the world, the overall economic sentiment showed a shift toward a recovery trend.

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.

Following China, which resumed its economic activities earlier than other countries in the latter half of the previous year, demand has recovered in other areas including developed countries and entered a period of a full-fledged recovery. The THK Group captured such demand and successfully increased revenue by utilizing various measures to improve its productivity such as plant expansion, automation and robotization that the THK Group has implemented. As a result, consolidated revenue amounted to ¥151,040 million, up ¥47,988 million, or 46.6%, compared to the figure a year earlier.

On the cost front, the cost to revenue ratio improved by 1.6% from a year earlier to 76.2% because of the various activities to improve its productivity that THK Group has implemented and the increased revenue.

Selling, general and administrative (SGA) expenses amounted to ¥25,459 million, up ¥2,324 million, or 10.0%, compared to the figure a year earlier due mainly to the increased sales. The ratio to revenue improved by 5.6% from a year earlier to 16.9% because of the THK Group's endeavors to contain costs and improve operating efficiency as well as the increased sales.

As a result, the THK Group recorded operating income of ¥11,067 million, which rose by ¥12,472 million from operating loss of ¥1,404 million a year earlier. Operating income margin was 7.3%.

Finance income and finance costs were ¥1,192 million and 1,451 million, respectively.

As a result, the THK Group recorded income before tax of ¥10,809 million, which rose by ¥13,791 million from loss before tax of ¥2,982 million a year earlier, and profit for the period attributable to owners of the parent of ¥7,521 million, which rose by ¥10,879 million from loss for the period attributable to owners of the parent of ¥3,358 million a year earlier.

(2) Operating results by segment

(Japan)

In Japan, there were signs of recovery in demand across the board, including demand for electronics products that has continued its recovery trend. In such a situation, the THK Group captured such demand and successfully increased revenue by utilizing various measures to improve its productivity such as plant expansion, automation and robotization that the THK Group has implemented. As a result, revenue amounted to ¥56,738 million, up ¥11,120 million, or 24.4%, compared to the figure a year earlier. Operating income (segment income) amounted to ¥8,768 million, up ¥8,599 million, or 5,074.5%, compared to the figure a year earlier due mainly to the increased revenue.

(The Americas)

In the Americas, there were signs of recovery in demand across the board, particularly in demand for electronics products. In such a situation, the THK Group captured such demand and successfully increased revenue by utilizing various measures to improve its productivity that the THK Group has implemented. As a result, revenue amounted to ¥27,557 million, up ¥7,391 million, or 36.7%, compared to the figure a year earlier. The THK Group recorded operating loss (segment loss) of ¥618 million, although the degree of loss improved by ¥596 million from operating loss (segment loss) of ¥1,215 million a year earlier due mainly to the increased revenue.

(Europe)

In Europe, while there were signs of recovery in demand across the board, the THK Group captured such demand and successfully increased revenue by utilizing various measures to improve its productivity that the THK Group has implemented. As a result, revenue amounted to ¥26,361 million, up ¥8,407 million, or 46.8%, compared to the figure a year earlier. The THK Group recorded operating loss (segment loss) of ¥933 million, although the degree of loss improved by ¥1,089 million from operating loss (segment loss) of ¥2,022 million a year earlier due mainly to the increased revenue.

(China)

As economic activities in China were resumed earlier than other countries and the recovery trend of demand across the board continues, the THK Group captured such demand and successfully increased revenue by utilizing various measures to improve its productivity that the THK Group has implemented. As a result, revenue amounted to ¥30,950 million, up ¥16,298 million, or 111.2%, compared to the figure a year earlier. Operating income (segment income) amounted to ¥3,851 million, up ¥2,758 million, or 252.4%, compared to the figure a year earlier due mainly to the increased revenue.

(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. In addition, the recovery of demand in China favorably affected the THK Group's revenue in some countries. As a result, revenue amounted to ¥9,433 million, up ¥4,770 million, or 102.3%, compared to the figure a year earlier. Operating income (segment income) amounted to ¥1,170 million, up ¥958 million or 451.8%, compared to the figure a year earlier due mainly to the increased sales.

2. Financial position (as of June 30, 2021)

Total assets stood at ¥502,733 million, ¥42,560 million more than the previous fiscal year-end, due mainly to increase in (1) cash and cash equivalents by ¥8,463 million, (2) trade and other receivables by ¥16,407 million, (3) inventories by ¥10,354 million, (4) property, plant and equipment by ¥4,655 million, and (5) goodwill and intangible assets by ¥342 million.

Total liabilities stood at ¥206,061 million, ¥21,036 million more than the previous fiscal year-end, due mainly to a combined effect of increase in trade and other payables by ¥16,081 million, increase in income taxes payable by ¥2,833 million, and decrease in bonds and borrowings by ¥1,288 million.

Total equity stood at ¥296,672 million, ¥21,523 million more than the previous fiscal year-end, due mainly to increase in (1) retained earnings by ¥6,594 million, (2) other components of equity by ¥14,383 million, and (3) non-controlling interests by ¥547 million.

3. Forecast for the fiscal year ending December 31, 2021

There is no change from the forecasts (for the year ending December 31, 2021) reported in the announcement dated May 13, 2021.

Consolidated Financial Statements

Consolidated Statements of Financial Position

(Millions of Yen)

	As of December 31, 2020	As of June 30, 2021
Assets:		
Current assets:		
Cash and cash equivalents	¥158,839	¥167,302
Trade and other receivables	59,505	75,912
Inventories	47,237	57,591
Other financial assets	14	11
Other current assets	8,899	9,515
Total current assets	<u>274,495</u>	<u>310,333</u>
Non-current assets:		
Property, plant and equipment	145,922	150,577
Goodwill and intangible assets	18,779	19,121
Investments accounted for using the equity method	5,686	5,981
Other financial assets	10,013	10,396
Deferred tax assets	2,937	3,688
Net defined benefit asset	2,227	2,541
Other non-current assets	110	92
Total non-current assets	<u>185,678</u>	<u>192,400</u>
Total assets	<u><u>460,173</u></u>	<u><u>502,733</u></u>

(Millions of Yen)

	As of December 31, 2020	As of June 30, 2021
Liabilities and equity:		
Liabilities:		
Current liabilities:		
Trade and other payables	¥40,293	¥56,374
Bonds and borrowings	2,244	2,402
Other financial liabilities	2,579	2,900
Provisions	763	663
Income taxes payable	1,001	3,835
Other current liabilities	11,617	15,426
Total current liabilities	<u>58,500</u>	<u>81,602</u>
Non-current liabilities:		
Bonds and borrowings	100,325	98,879
Other financial liabilities	11,243	10,418
Net defined benefit liabilities	7,014	7,232
Provisions	182	188
Deferred tax liabilities	5,463	5,474
Other non-current liabilities	2,295	2,264
Total non-current liabilities	<u>126,524</u>	<u>124,458</u>
Total Liabilities	185,024	206,061
Equity		
Common stock	34,606	34,606
Capital surplus	40,413	40,413
Retained earnings	219,712	226,307
Treasury stock	(14,006)	(14,008)
Other components of equity	(14,235)	148
Total equity attributable to owners of the parent	266,491	287,467
Non-controlling interests	8,657	9,205
Total Equity	<u>275,148</u>	<u>296,672</u>
Total liabilities and equity	<u><u>460,173</u></u>	<u><u>502,733</u></u>

Consolidated Statements of Profit or Loss

(Millions of Yen)

	Six months ended June 30, 2020	Six months ended June 30, 2021
Revenue	¥103,051	¥151,040
Cost of sales	80,137	115,121
Gross profit	22,913	35,919
Selling, general and administrative expenses	23,135	25,459
Other income	1,863	1,198
Other expenses	3,173	740
Share of profit in investments accounted for using the equity method	127	150
Operating income (loss)	(1,404)	11,067
Financial income	379	1,192
Financial costs	1,957	1,451
Profit (loss) before tax	(2,982)	10,809
Income tax expense	876	3,263
Profit (loss) for the period	<u>(3,858)</u>	<u>7,545</u>
Attributable to:		
Owners of the parent	(3,358)	7,521
Non-controlling interests	(500)	24
Total	<u>(3,858)</u>	<u>7,545</u>
Earnings (loss) per share:		
Basic (Yen)	(26.53)	59.42
Diluted (Yen)	—	—

Consolidated Statements of Comprehensive Income

(Millions of Yen)

	Six months ended June 30, 2020	Six months ended June 30, 2021
Profit (loss) for the period	¥(3,858)	¥7,545
Other comprehensive income		
Items that may not be reclassified subsequently to profit or loss:		
Financial assets measured at fair value through other comprehensive income	(582)	72
Remeasurements of defined benefit plans	11	35
Share of other comprehensive losses of associates accounted for using the equity method	(8)	(3)
Subtotal	(580)	103
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translating foreign operations	(4,277)	14,634
Share of other comprehensive income (losses) of associates accounted for using the equity method	(43)	232
Subtotal	(4,320)	14,867
Other comprehensive loss, net of tax	(4,900)	14,970
Comprehensive loss	(8,759)	22,516
Attributable to:		
Owners of the parent	(8,082)	21,927
Non-controlling interests	(677)	589
Total	(8,759)	22,516

Consolidated Statements of Changes in Equity

(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 loss	—	—	—	—	(4,136)
Total comprehensive loss 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	
	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 loss	(585)	(1)	(4,723)	(4,723)	(176)	(4,900)
Total comprehensive 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

(Millions of Yen)

Six Months Ended June 30, 2021	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	¥219,712	¥(14,006)	¥(16,201)
Profit for the period	—	—	7,521	—	—
Other comprehensive income	—	—	—	—	14,310
Total comprehensive income for the period	—	—	7,521	—	14,310
Purchase of treasury stock	—	—	—	(1)	—
Payment of dividends	—	—	(949)	—	—
Transfer from other components of equity to retained earnings	—	—	22	—	—
Other	—	—	—	—	—
Total transactions with owners	—	—	(926)	(1)	—
Ending balance	34,606	40,413	226,307	(14,008)	(1,891)

	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
	income						
Beginning balance	¥1,966	¥—	¥(14,235)	¥266,491	¥8,657	¥275,148	
Profit for the period	—	—	—	7,521	24	7,545	
Other comprehensive income	75	21	14,406	14,406	564	14,970	
Total comprehensive income for the period	75	21	14,406	21,927	589	22,516	
Purchase of treasury stock	—	—	—	(1)	—	(1)	
Payment of dividends	—	—	—	(949)	—	(949)	
Transfer from other components of equity to retained earnings	(1)	(21)	(22)	—	—	—	
Other	—	—	—	—	(41)	(41)	
Total transactions with owners	(1)	(21)	(22)	(951)	(41)	(992)	
Ending balance	2,039	—	148	287,467	9,205	296,672	

Consolidated Statements of Cash Flows

(Millions of Yen)

	Six months ended June 30, 2020	Six months ended June 30, 2021
Cash flows from operating activities:		
Profit (loss) before tax	¥(2,982)	¥10,809
Depreciation and amortization	9,222	9,289
Change in net defined benefit assets and liabilities	(111)	(52)
Financial income	(379)	(1,192)
Financial costs	985	1,113
Share of profit in investments accounted for using the equity method	(127)	(150)
Decrease (increase) in trade and other receivables	7,912	(15,347)
Increase in inventories	(2,346)	(8,439)
Increase (decrease) in trade and other payables	(3,764)	17,527
Other	1,612	1,354
Subtotal	10,021	14,909
Interests and dividends received	384	312
Interests paid	(202)	(164)
Income taxes paid	2,803	(1,075)
Net cash flows from operating activities	13,007	13,981
Cash flows from investing activities:		
Purchase of property, plant and equipment	(9,676)	(6,819)
Proceeds from sales of property, plant and equipment	47	19
Purchase of other financial assets	(20)	(43)
Proceeds from sales of other financial assets	—	4
Other	63	(85)
Net cash flows from investing activities	(9,586)	(6,925)
Cash flows from financing activities:		
Net increase in commercial paper	5,000	—
Repayments of long-term borrowings	(2,185)	(2,185)
Proceeds from issuance of bonds	10,000	—
Redemption of bonds	(10,000)	—
Purchase of treasury stock	(0)	(1)
Dividends paid	(1,034)	(963)
Dividends paid to non-controlling shareholders	(232)	(96)
Repayments of lease obligations	(787)	(827)
Net cash flows from financing activities	759	(4,074)
Effects of exchange rate changes on cash and cash equivalents	(599)	5,481
Net increase in cash and cash equivalents	3,581	8,463
Cash and cash equivalents at the beginning of the period	149,091	158,839
Cash and cash equivalents at the end of the period	152,672	167,302

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 or loss is computed based on operating income or loss. 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, 2020 (January 1, 2020 to June 30, 2020)

	(Millions of Yen)							
	Japan	The Americas	Europe	China	Other	Total	Adjust -ments	Consoli -dated
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.

For the six months ended June 30, 2021 (January 1, 2021 to June 30, 2021)

	(Millions of Yen)							
	Japan	The Americas	Europe	China	Other	Total	Adjust -ments	Consoli -dated
Revenue:								
Sales to customers	¥56,738	¥27,557	¥26,361	¥30,950	¥9,433	¥151,040	¥-	¥151,040
Inter-segment	33,642	61	171	1,112	1,463	36,452	(36,452)	-
Total	90,381	27,619	26,533	32,062	10,896	187,492	(36,452)	151,040
Segment income (loss)	8,768	(618)	(933)	3,851	1,170	12,239	(1,171)	11,067
Financial income	2,724	0	95	277	8	3,106	(1,914)	1,192
Financial costs	1,285	56	136	9	48	1,536	(85)	1,451
Profit (loss) before tax	10,207	(674)	(973)	4,119	1,130	13,809	(2,999)	10,809

(Note) All adjustments are intercompany elimination.

Subsequent event

Not applicable.

Additional Information

(Accounting estimates on the effect of the novel coronavirus)

There are no significant changes in the assumptions regarding the effect of the COVID-19 pandemic as disclosed in Note 37, "Additional Information on Accounting Estimate Regarding the COVID-19 Pandemic" in THK's Securities Report for the year ended December 31, 2020 (Japanese version only).

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.