

Consolidated Financial Results for the Fiscal Year Ended December 31, 2022 under IFRS

| | |
|--|---|
| Company Name | THK CO., LTD. |
| Head Office | Tokyo, Japan (Tel: +81-3-5730-3911) |
| URL | https://www.thk.com/ |
| Stock exchange listing | Tokyo Stock Exchange Prime Market |
| Code number | 6481 |
| Representative | Akihiro Teramachi, President and CEO |
| Contact | Kenji Nakane, Executive Officer, General Manager of Finance and Accounting Department |
| Date of the ordinary general meeting of shareholders | March 18, 2023 |
| Scheduled date of commencing dividend payments | March 20, 2023 |
| Date of filing the Securities Report (Japanese version only) | March 20, 2023 |

1. Consolidated Operating Results and Financial Position as of and for the Fiscal Year Ended December 31, 2022 (January 1, 2022 to December 31, 2022)

(1) Consolidated Operating Results

| Year Ended December 31 | Revenue (Millions of Yen) | | Operating Income (Millions of Yen) | | Profit Before Tax (Millions of Yen) | | Profit Attributable to Owners of the Parent (Millions of Yen) | | Total Comprehensive Income (Millions of Yen) | |
|------------------------|---------------------------|-------|------------------------------------|-------|-------------------------------------|-------|---|--------|--|---------|
| 2022 | ¥393,687 | 23.7% | ¥34,460 | 13.8% | ¥35,596 | 18.7% | ¥21,198 | (7.9)% | ¥42,369 | (11.6)% |
| 2021 | 318,188 | 45.3 | 30,268 | — | 29,984 | — | 23,007 | — | 47,934 | — |

| Year Ended December 31 | Basic Earnings per Share (Yen) | Diluted Earnings per Share (Yen) | Profit Ratio to Equity Attributable to Owners of the Parent | Profit Before Tax Ratio to Total Assets | Operating Margin |
|------------------------|--------------------------------|----------------------------------|---|---|------------------|
| 2022 | ¥172.67 | — | 6.7% | 6.6% | 8.8% |
| 2021 | 181.97 | — | 8.1 | 6.1 | 9.5 |

(For Reference) Share of profit in investments accounted for using the equity method:

| | |
|------------------------------|--------------|
| Year ended December 31, 2022 | ¥569 million |
| Year ended December 31, 2021 | 358 million |

(2) Consolidated Financial Position

| As of December 31 | 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 | Equity Attributable to Owners of the Parent per Share (Yen) |
|-------------------|--------------------------------|--------------------------------|---|--|---|
| 2022 | ¥560,304 | ¥337,281 | ¥331,887 | 59.2% | ¥2,707.51 |
| 2021 | 516,086 | 314,289 | 304,555 | 59.0 | 2,442.90 |

(3) Consolidated Cash Flows

| Year Ended December 31 | Net Cash Flows from Operating Activities (Millions of Yen) | Net Cash Flows from Investing Activities (Millions of Yen) | Net Cash Flows from Financing Activities (Millions of Yen) | Cash and Cash Equivalents at the End of Year (Millions of Yen) |
|------------------------|--|--|--|--|
| 2022 | ¥37,561 | ¥(30,081) | ¥(3,649) | ¥163,835 |
| 2021 | 15,643 | (19,125) | (12,725) | 151,430 |

2. Dividends

| | Dividend Per Share (Yen) | | | | |
|---|---|-----------------------------|-------------------|---|--------|
| | First Quarter end | Second Quarter end | Third Quarter end | Year/Period end | Total |
| Year ended December 31, 2021 (Actual) | ¥— | ¥20.50 | ¥— | ¥39.50 | ¥60.00 |
| Year ended December 31, 2022 (Actual) | — | 37.00 | — | 50.00 | 87.00 |
| Year ending December 31, 2023 (Projected) | — | — | — | — | — |
| | Total Amount of Dividends for the Year/Period (Millions of Yen) | Payout Ratio (Consolidated) | | Cash Dividends / Equity Attributable to Owners of the Parent (Consolidated) | |
| Year ended December 31, 2021 (Actual) | ¥7,519 | 33.0% | | 2.6% | |
| Year ended December 31, 2022 (Actual) | 10,664 | 50.4 | | 3.4 | |
| Year ending December 31, 2023 (Projected) | n/a | — | | n/a | |

(Note) Dividends for the year ended December 31, 2021 consist of the following ordinary and the 50th anniversary commemorative dividends:

| | Ordinary | Commemorative |
|--------------------|----------|---------------|
| Interim dividend: | ¥18.00 | ¥2.50 |
| Year-end dividend: | ¥37.00 | ¥2.50 |

THK's basic dividend policy is to set its payout ratio at 30% on a consolidated basis. The amounts of dividends for the year ending December 31, 2023 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, 2023 (January 1, 2023 to December 31, 2023)

| | Revenue (Millions of Yen) | | Operating Income (Millions of Yen) | | Profit Before Tax (Millions of Yen) | | Profit Attributable to Owners of the Parent (Millions of Yen) | | Profit per Share (Yen) |
|---------------------------------------|---------------------------|--------|------------------------------------|---------|-------------------------------------|---------|---|---------|------------------------|
| Six-month period ending June 30, 2023 | ¥174,700 | (6.4)% | ¥12,500 | (40.2)% | ¥13,300 | (40.3)% | ¥9,400 | (34.6)% | ¥76.68 |
| Year ending December 31, 2023 | 360,000 | (8.6) | 30,000 | (12.9) | 31,600 | (11.2) | 22,400 | 5.7 | 182.74 |

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: | December 31, 2022 | 129,856,903 |
| | December 31, 2021 | 129,856,903 |
| b. Treasury stock as of: | December 31, 2022 | 7,276,353 |
| | December 31, 2021 | 5,187,536 |
| c. Average number of common stock for the year ended: | December 31, 2022 | 122,765,128 |
| | December 31, 2021 | 126,434,949 |

For Reference: Outline of Non-consolidated Financial Statements under Japanese GAAP

1. Non-Consolidated Operating Results and Financial Position as of and for the Year Ended December 31, 2022 (January 1, 2022 to December 31, 2022)

(1) Operating Results

| Year Ended (Millions of Yen) | Revenue | | Operating Income | | Ordinary Income | | Net Income | |
|---------------------------------|----------|--------|---------------------|--------|--------------------|--------|------------|----------|
| December 31, 2022 | ¥197,624 | 17.9 % | ¥25,722 | 53.9 % | ¥35,105 | 60.2 % | ¥6,094 | (66.8) % |
| December 31, 2021 | 167,583 | 62.9 | 16,718 | — | 21,914 | 934.6 | 18,348 | — |

(Note) Effective January 1, 2022, THK adopted ASBJ Statement No. 29, "Accounting Standard for Revenue Recognition" issued on March 31, 2020. In relation to the adoption of new accounting standard, net sales are currently presented as revenue.

| Year Ended March 31 (Yen) | Net Income Per Share-Basic | Net Income Per Share-Diluted |
|------------------------------|-------------------------------|---------------------------------|
| December 31, 2022 | ¥49.64 | ¥ — |
| December 31, 2021 | 145.12 | — |

(2) Financial Position

| | Total Assets (Millions of Yen) | Net Assets (Millions of Yen) | Net Worth Ratio (%) | Net Assets Per Share (Yen) |
|-------------------------|-----------------------------------|---------------------------------|------------------------|-------------------------------|
| As of December 31, 2022 | ¥399,875 | ¥230,001 | 57.5 % | ¥1,876.28 |
| As of December 31, 2021 | 397,066 | 239,760 | 60.4 | 1,923.12 |

(Note) Net worth ratio is defined as net worth divided by total assets. Net worth consists of shareholders' equity and adjustment/valuation items in net assets.

| | | |
|-----------|--------------------------|------------------|
| Net worth | As of December 31, 2022: | ¥230,001 million |
| | As of December 31, 2021: | 239,760 million |

2. Non-Consolidated Forecasts for the Year Ending December 31, 2023 (January 1, 2023 to December 31, 2023)

| | Revenue (Millions of Yen) | | Operating Income (Millions of Yen) | | Ordinary Income (Millions of Yen) | | Net Income (Millions of Yen) | | Net Income per Share(Yen) |
|--|------------------------------|---------|--|---------|---|---------|---------------------------------|---------|---------------------------------|
| Six-month period ending June 30, 2023 | ¥76,000 | (20.8)% | ¥4,100 | (64.2)% | ¥11,300 | (44.5)% | ¥9,800 | (38.7)% | ¥79.95 |
| Year ending December 31, 2023 | 157,500 | (20.3) | 10,100 | (60.7) | 18,100 | (48.4) | 14,700 | 141.2 | 119.92 |

Management's Discussion and Analysis

1. Outline of operating results

(1) Operating results (from January 1, 2022 to December 31, 2022)

In this fiscal year, while there were strong uncertainties remaining in the outlook for the global economy due to the worldwide COVID-19 pandemic; however, the recovery trend continued in the economies in China and other regions including developed countries.

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, while demand for products related to semiconductor, automation, robotization, and electric vehicles was robust across the board in China and other regions, the THK Group captured such demand and successfully increased revenue by utilizing various measures to improve its productivity and plant expansion that the THK Group has implemented. On the other hand, in the transportation equipment business, the impact of the automobile production cutbacks continued due to shortages in semiconductors and other components, as well as parts procurement difficulties caused by the lockdowns in some regions of China and the situation in Ukraine. As a result, along with the depreciation of yen, consolidated revenue amounted to ¥393,687 million, up ¥75,498 million, or 23.7%, 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 73.3% because of the increased revenue and the depreciation of yen, as well as the various activities to improve its productivity that THK Group has implemented.

Selling, general and administrative expenses amounted to ¥58,991 million, up ¥8,003 million, or 15.7%, compared to the figure a year earlier due mainly to the increased sales. The ratio to revenue improved by 1.0% from a year earlier to 15.0% because of the THK Group's endeavors to contain costs and improve operating efficiency as well as the increased sales.

In addition, the THK Group recorded ¥4,021 million of impairment losses of non-current assets as other expenses, as a result of performing tests of impairment in accordance with IFRS for certain non-current assets of consolidated subsidiaries that engage in the transportation equipment business. The indication of impairment for such assets were attributable to decrease in revenue due to the difficulty in procurement of semiconductors and other parts by automobile manufacturers, who are customers of the THK Group, and production cutbacks in some regions in China as a result of the lockdowns, as well as decline in profitability due to the rising steel and energy prices.

Moreover, the THK Group recorded ¥9,620 million of impairment losses of goodwill and intangible assets associated with

the transportation equipment business operated by overseas subsidiaries, as a result of performing tests of impairment in accordance with IFRS, owing to the rise in the discount rate corresponding to the hike in the interest rate due to the monetary tightening policies of various countries amid the continued global rise in prices.

As a result, operating income amounted to ¥34,460 million, up ¥4,191 million, or 13.8%, compared to the figure a year earlier. However, operating income margin dropped by 0.7% from a year earlier to 8.8%.

Finance income and finance costs were ¥3,335 million and ¥2,199 million, respectively.

As a result, income before tax amounted to ¥35,596 million, up ¥5,612 million, or 18.7%, compared to the figure a year earlier. However, profit for the period attributable to owners of the parent amounted to ¥21,198 million, down ¥1,808 million, or 7.9%, compared to the figure a year earlier.

(2) Operating results by segment

(Japan)

In the industrial machinery business in Japan, demand was strong across the board, particularly in electronics products. In such a situation, the THK Group stably 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 ¥144,189 million, up ¥20,816 million, or 16.9%, compared to the figure a year earlier. Operating income (segment income) amounted to ¥17,014 million, down ¥5,248 million, or 23.6%, compared to the figure a year earlier. This was attributable to the following: (a) ¥1,286 million of impairment losses of non-current assets as other expenses recorded by THK RHYTHM CO., LTD., a subsidiary that engages in the transportation equipment business; and (b) loss on write-down of investments in subsidiaries' stock.

(The Americas)

In the industrial machinery business in the Americas, demand was strong across the board, particularly in electronics products. In such a situation, the THK Group stably 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 ¥80,855 million, up ¥23,634 million, or 41.3%, compared to the figure a year earlier. Despite of the increased revenue, the THK Group recorded operating loss (segment loss) of ¥2,351 million, which worsened by ¥1,217 million compared to the figure a year earlier (operating loss of ¥1,134 million). This was because THK RHYTHM NORTH AMERICA CO., LTD., a subsidiary that engages in the transportation equipment business, recorded ¥2,094 million of impairment losses of non-current assets as other expenses.

(Europe)

In the industrial machinery business in Europe, while demand was strong across the board, the THK Group stably 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 ¥62,715 million, up ¥12,467 million, or 24.8%, compared to the figure a year earlier. Despite of the increased revenue, the THK Group recorded operating loss (segment loss) of ¥9,684 million, which worsened by ¥8,347 million compared to the figure a year earlier (operating loss of ¥1,337 million). This was attributable to ¥9,620 million of impairment losses of goodwill and intangible assets recorded as other expenses associated with THK RHYTHM AUTOMOTIVE CZECH a.s., a subsidiary that engages in the transportation equipment business.

(China)

In China, while demand was strong 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 ¥83,312 million, up ¥16,239 million, or 24.2%, compared to the figure a year earlier. Operating income (segment income) amounted to ¥13,773 million, up ¥4,314 million, or 45.6%, compared to the figure a year earlier due mainly to the increased revenue, despite that THK RHYTHM (CHANGZHOU) CO., LTD., a subsidiary that engages in the transportation equipment business, recorded ¥1,009 million of impairment losses of non-current assets as other expenses.

(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 ¥22,614 million, up ¥2,340 million, or 11.5%, compared to the figure a year earlier. Operating income (segment income) amounted to ¥2,861 million, up ¥582 million, or 25.6%, compared to the figure a year earlier due mainly to the increased revenue, despite that THK RHYTHM MALAYSIA Sdn. Bhd., a subsidiary that engages in the transportation equipment business, recorded ¥12 million of impairment losses of non-current assets as other expenses.

2. Financial position (as of December 31, 2022)

Total assets stood at ¥560,304 million, ¥44,218 million more than the previous fiscal year-end, due mainly to a combined effect of decrease in goodwill and intangible assets by ¥9,423 million and increase in (1) cash and cash equivalents by ¥12,404 million, (2) trade and other receivables by ¥10,372 million, (3) inventories by ¥13,252 million, and (4) property, plant and equipment by ¥14,206 million.

Total liabilities stood at ¥223,023 million, ¥21,226 million more than the previous fiscal year-end, due mainly to a combined effect of decrease in (1) income taxes payable by ¥795 million and (2) net defined benefit liabilities by ¥1,445 million and increase in (1) trade and other payables by ¥1,647 million and (2) bonds and borrowings by ¥19,119 million.

Total equity stood at ¥337,281 million, ¥22,991 million more than the previous fiscal year-end, due mainly to a combined effect of decrease owing to purchase of treasury stock by ¥5,922 million, decrease in non-controlling interests by ¥4,340 million, and increase in (1) retained earnings by ¥12,333 million and (2) other components of equity by ¥21,240 million.

For reference: Cash Flow Indices (Consolidated)

| | Year ended December 31 | | | | |
|--|------------------------|------|------|------|-------|
| | 2018 | 2019 | 2020 | 2021 | 2022 |
| Ratio of equity attributable to shareholders of the parent (%) | 59.0 | 59.8 | 57.9 | 59.0 | 59.2 |
| Ratio of equity attributable to shareholders of the parent at market value (%) | 58.6 | 84.7 | 96.9 | 69.8 | 58.3 |
| Interest-bearing Debt /Operating Cash Flow (years) | 1.4 | 3.8 | 4.5 | 7.2 | 3.5 |
| Operating Cash Flow /Interest Paid (times) | 156.7 | 69.6 | 68.8 | 48.6 | 109.0 |

3. Outlook

Considering the latest demand situation in the industrial machinery business that has been lower than the previous fiscal year, THK expects ¥360,000 million of revenue for the year ending December 31, 2023. In terms of profit or loss, despite of various activities to improve its profitability, THK expects ¥30,000 million of operating income, ¥31,600 million of profit before tax, and ¥22,400 million of profit for the year attributable to the owners of the parent due to a decrease in revenue.

Year ending December 31, 2023 (Consolidated)

| | Millions of Yen | Component Ratio | Percentage Change |
|---|-----------------|-----------------|-------------------|
| Revenue | ¥360,000 | 100.0% | (8.6)% |
| Operating income | 30,000 | 8.3 | (12.9) |
| Profit before tax | 31,600 | 8.8 | (11.2) |
| Profit attributable to owners of the parent | 22,400 | 6.2 | 5.7 |

The average exchange rates used for the calculation of the forecasts are as follows:

U.S. dollar 1=¥130.00 Euro 1=¥140.00

4. Basic policies regarding distribution of profits and dividends

Not only its basic policy which is to provide shareholders with stable and continuous dividends, THK also places priority on providing shareholders with proactive distribution of profit befitting operating results, simultaneously strengthening its financial soundness by securing internal reserve. According to this policy, THK sets its payout ratio on a consolidated basis at 30% and a minimum dividend for a fiscal year at ¥15.00 per share (¥7.5 per share for both interim dividend and year-end dividend). THK plans to make effective use of internal reserve by investing it to research and development activities, production facilities, and IT systems, to respond globalization.

However, THK has decided to pay the year-end dividend of ¥50.0 per share, considering the operating results for the year ended December 31, 2022 that were affected by the external operating environment. As a result, cash dividends applicable for the year ended December 31, 2022 will be ¥87.0 per share, including the interim dividends of ¥37.0 per share.

The amounts of dividends for the year ending December 31, 2023 will be announced as soon as they are determined.

Consolidated Financial Statements

Consolidated Statements of Financial Position

(Millions of Yen)

| | As of December 31, 2021 | As of December 31, 2022 |
|---|-------------------------|-------------------------|
| Assets: | | |
| Current assets: | | |
| Cash and cash equivalents | ¥151,430 | ¥163,835 |
| Trade and other receivables | 86,293 | 96,665 |
| Inventories | 64,378 | 77,630 |
| Other financial assets | 0 | 1,500 |
| Other current assets | 11,818 | 13,309 |
| Total current assets | <u>313,922</u> | <u>352,942</u> |
| Non-current assets: | | |
| Property, plant and equipment | 158,135 | 172,342 |
| Goodwill and intangible assets | 18,744 | 9,321 |
| Investments accounted for using the equity method | 6,048 | 6,814 |
| Other financial assets | 10,388 | 10,571 |
| Deferred tax assets | 5,530 | 5,305 |
| Net defined benefit asset | 3,224 | 2,926 |
| Other non-current assets | 90 | 80 |
| Total non-current assets | <u>202,163</u> | <u>207,361</u> |
| Total assets | <u><u>516,086</u></u> | <u><u>560,304</u></u> |

(Millions of Yen)

As of December 31, 2021

As of December 31, 2022

Liabilities and equity:**Liabilities:**

Current liabilities:

| | | |
|-----------------------------|---------|---------|
| Trade and other payables | ¥49,984 | ¥51,631 |
| Bonds and borrowings | 2,545 | 22,961 |
| Other financial liabilities | 2,931 | 3,732 |
| Provisions | 341 | 129 |
| Income taxes payable | 7,964 | 7,169 |
| Other current liabilities | 14,831 | 17,538 |
| Total current liabilities | 78,599 | 103,162 |

Non-current liabilities:

| | | |
|---------------------------------|---------|---------|
| Bonds and borrowings | 99,212 | 97,917 |
| Other financial liabilities | 10,128 | 9,130 |
| Net defined benefit liabilities | 5,701 | 4,256 |
| Provisions | 189 | 179 |
| Deferred tax liabilities | 5,396 | 5,939 |
| Other non-current liabilities | 2,569 | 2,437 |
| Total non-current liabilities | 123,197 | 119,860 |

Total Liabilities

201,796 223,023

Equity

| | | |
|---|----------|----------|
| Common stock | 34,606 | 34,606 |
| Capital surplus | 40,413 | 40,094 |
| Retained earnings | 233,607 | 245,941 |
| Treasury stock | (11,237) | (17,160) |
| Other components of equity | 7,165 | 28,406 |
| Total equity attributable to owners of the parent | 304,555 | 331,887 |
| Non-controlling interests | 9,733 | 5,393 |
| Total Equity | 314,289 | 337,281 |

Total liabilities and equity

516,086 560,304

Consolidated Statements of Profit or Loss

(Millions of Yen)

| | Year Ended December 31, 2021 | Year Ended December 31, 2022 |
|--|---------------------------------|---------------------------------|
| Revenue | ¥318,188 | ¥393,687 |
| Cost of sales | 238,434 | 288,398 |
| Gross profit | 79,753 | 105,288 |
| Selling, general and administrative expenses | 50,988 | 58,991 |
| Other income | 2,316 | 2,015 |
| Other expenses | 1,171 | 14,421 |
| Share of profit in investments accounted for using the equity method | 358 | 569 |
| Operating income | 30,268 | 34,460 |
| Financial income | 2,145 | 3,335 |
| Financial costs | 2,430 | 2,199 |
| Profit before tax | 29,984 | 35,596 |
| Income tax expense | 6,820 | 14,785 |
| Profit for the year | <u>23,164</u> | <u>20,811</u> |
| Attributable to: | | |
| Owners of the parent | 23,007 | 21,198 |
| Non-controlling interests | 157 | (386) |
| Total | <u>23,164</u> | <u>20,811</u> |
| Earnings per share: | | |
| Basic (Yen) | 181.97 | 172.67 |
| Diluted (Yen) | — | — |

Consolidated Statements of Comprehensive Income

(Millions of Yen)

| | Year Ended December 31, 2021 | Year Ended December 31, 2022 |
|---|---------------------------------|---------------------------------|
| Profit for the year | ¥23,164 | ¥20,811 |
| Other comprehensive income | | |
| Items that may not be reclassified subsequently to profit or loss: | | |
| Financial assets measured at fair value through other comprehensive income | 28 | (482) |
| Remeasurements of defined benefit plans | 2,062 | 649 |
| Share of other comprehensive losses of associates accounted for using the equity method | (46) | (59) |
| Subtotal | 2,044 | 108 |
| Items that may be reclassified subsequently to profit or loss: | | |
| Exchange differences on translating foreign operations | 22,601 | 20,937 |
| Share of other comprehensive income of associates accounted for using the equity method | 124 | 511 |
| Subtotal | 22,725 | 21,449 |
| Other comprehensive income, net of tax | 24,770 | 21,557 |
| Comprehensive income | 47,934 | 42,369 |
| Attributable to: | | |
| Owners of the parent | 46,696 | 42,086 |
| Non-controlling interests | 1,237 | 282 |
| Total | 47,934 | 42,369 |

Consolidated Statements of Changes in Equity

(Millions of Yen)

| Year Ended December 31, 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 year | — | — | 23,007 | — | — |
| Other comprehensive income | — | — | — | — | 21,707 |
| Total comprehensive income for the year | — | — | 23,007 | — | 21,707 |
| Purchase of treasury stock | — | — | — | (5,088) | — |
| Cancellation of treasury stock | — | — | (7,857) | 7,857 | — |
| Payment of dividends | — | — | (3,543) | — | — |
| Transfer from other components of equity to retained earnings | — | — | 2,288 | — | — |
| Other | — | — | — | — | — |
| Total transactions with owners | — | — | (9,112) | 2,768 | — |
| Ending balance | 34,606 | 40,413 | 233,607 | (11,237) | 5,506 |

| | 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 | ¥1,966 | ¥— | ¥(14,235) | ¥266,491 | ¥8,657 | ¥275,148 |
| Profit for the year | — | — | — | 23,007 | 157 | 23,164 |
| Other comprehensive income | 30 | 1,951 | 23,689 | 23,689 | 1,080 | 24,770 |
| Total comprehensive income for the year | 30 | 1,951 | 23,689 | 46,696 | 1,237 | 47,934 |
| Purchase of treasury stock | — | — | — | (5,088) | — | (5,088) |
| Cancellation of treasury stock | — | — | — | — | — | — |
| Payment of dividends | — | — | — | (3,543) | — | (3,543) |
| Transfer from other components of equity to retained earnings | (337) | (1,951) | (2,288) | — | — | — |
| Other | — | — | — | — | (161) | (161) |
| Total transactions with owners | (337) | (1,951) | (2,288) | (8,632) | (161) | (8,794) |
| Ending balance | 1,658 | — | 7,165 | 304,555 | 9,733 | 314,289 |

(Millions of Yen)

| Year Ended December 31, 2022 | 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 | ¥233,607 | ¥(11,237) | ¥5,506 |
| Profit for the year | — | — | 21,198 | — | — |
| Other comprehensive income | — | — | — | — | 20,779 |
| Total comprehensive income for the year | — | — | 21,198 | — | 20,779 |
| Purchase of treasury stock | — | — | — | (5,958) | — |
| Disposal of treasury stock | — | 3 | — | 36 | — |
| Payment of dividends | — | — | (9,460) | — | — |
| Changes in equity interests in subsidiaries without losing control | — | (323) | — | — | 948 |
| Transfer from other components of equity to retained earnings | — | — | 595 | — | — |
| Other | — | — | — | — | — |
| Total transactions with owners | — | (319) | (8,864) | (5,922) | 948 |
| Ending balance | 34,606 | 40,094 | 245,941 | (17,160) | 27,234 |

| | 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 | ¥1,658 | ¥— | ¥7,165 | ¥304,555 | ¥9,733 | ¥314,289 |
| Profit for the year | — | — | — | 21,198 | (386) | 20,811 |
| Other comprehensive income | (487) | 595 | 20,888 | 20,888 | 669 | 21,557 |
| Total comprehensive income for the year | (487) | 595 | 20,888 | 42,086 | 282 | 42,369 |
| Purchase of treasury stock | — | — | — | (5,958) | — | (5,958) |
| Disposal of treasury stock | — | — | — | 39 | — | 39 |
| Payment of dividends | — | — | — | (9,460) | — | (9,460) |
| Changes in equity interests in subsidiaries without losing control | — | — | 948 | 624 | (3,865) | (3,240) |
| Transfer from other components of equity to retained earnings | — | (595) | (595) | — | — | — |
| Other | — | — | — | — | (758) | (758) |
| Total transactions with owners | — | (595) | 352 | (14,754) | (4,623) | (19,377) |
| Ending balance | 1,171 | — | 28,406 | 331,887 | 5,393 | 337,281 |

Consolidated Statements of Cash Flows

(Millions of Yen)

| | Year Ended December 31, 2021 | Year Ended December 31, 2022 |
|---|---------------------------------|---------------------------------|
| Cash flows from operating activities: | | |
| Profit before tax | ¥29,984 | ¥35,596 |
| Depreciation and amortization | 18,748 | 20,834 |
| Impairment losses | — | 13,641 |
| Change in net defined benefit assets and liabilities | 63 | (413) |
| Financial income | (2,145) | (3,335) |
| Financial costs | 1,719 | 1,086 |
| Share of profit in investments accounted for using the equity method | (358) | (569) |
| Increase in trade and other receivables | (24,898) | (9,481) |
| Increase in inventories | (14,196) | (9,714) |
| Increase in trade and other payables | 10,601 | 2,477 |
| Other | (958) | 491 |
| Subtotal | 18,559 | 50,613 |
| Interests and dividends received | 622 | 1,109 |
| Interests paid | (322) | (331) |
| Income taxes paid | (3,216) | (13,830) |
| Net cash flows from operating activities | 15,643 | 37,561 |
| Cash flows from investing activities: | | |
| Purchase of property, plant and equipment | (19,248) | (29,407) |
| Proceeds from sales of property, plant and equipment | 46 | 435 |
| Purchase of other financial assets | (215) | (551) |
| Proceeds from sales of other financial assets | 507 | 10 |
| Other | (215) | (568) |
| Net cash flows from investing activities | (19,125) | (30,081) |
| Cash flows from financing activities: | | |
| Repayments of long-term borrowings | (2,185) | (2,185) |
| Proceeds from issuance of bonds | — | 20,000 |
| Purchase of treasury stock | (5,088) | (5,958) |
| Dividends paid | (3,568) | (9,582) |
| Dividends paid to non-controlling shareholders | (98) | (766) |
| Repayments of lease obligations | (1,785) | (1,916) |
| Payments for acquisition of interests in subsidiaries from non-controlling shareholders | — | (3,240) |
| Net cash flows from financing activities | (12,725) | (3,649) |
| Effects of exchange rate changes on cash and cash equivalents | 8,799 | 8,573 |
| Net increase (decrease) in cash and cash equivalents | (7,408) | 12,404 |
| Cash and cash equivalents at the beginning of the year | 158,839 | 151,430 |
| Cash and cash equivalents at the end of the year | 151,430 | 163,835 |

Notes to Consolidated Statements of Profit or Loss

Impairment of Non-financial Assets

For the year ended December 31, 2021 (January 1, 2021 to December 31, 2021)

Not applicable.

For the year ended December 31, 2022 (January 1, 2022 to December 31, 2022)

1. Impairment losses

The THK group classifies its assets into asset groups based on cash-generating unit which is the smallest identifiable group of assets that generates independent cash inflows.

Impairment losses, which are included in other expenses in the consolidated statement of profit or loss, for the year ended December 31, 2022 were as follows:

| (Millions of Yen) | | | |
|---------------------------------------|---|---|------------------------|
| Subsidiary | Location | Type of Assets | Impairment Loss |
| THK RHYTHM CO., LTD. | Minami-ku, Hamamatsu-city, Shizuoka, Japan | Operating assets: Machinery and vehicles | ¥1,286 |
| THK RHYTHM NORTH AMERICA CO., LTD. | Sparta, Tennessee, USA | Operating assets: Buildings and structures Machinery and vehicles Furniture and fixtures Others | 12 1,757 34 8 |
| THK RHYTHM (CHANGZHOU) CO., LTD. | Changzhou, Jiangsu, China | Operating assets: Machinery and vehicles | 908 |
| THK RHYTHM MALAYSIA Sdn. Bhd. | Penang, Malaysia | Operating assets: Machinery and vehicles | 12 |
| Total | | | <u>¥4,021</u> |

The carrying amount of the operating assets in the table above was written down to the recoverable amount because the investments in such assets were not considered to be recoverable due to decline of profitability. As a result, the THK group recorded ¥4,021 million of impairment loss as other expenses for the year ended December 31, 2022. The recoverable amount of such assets was measured at its fair value less cost to sell and principally based on real estate appraisal value. The fair value hierarchy of these assets is Level 3.

2. Impairment losses

Goodwill arising from business combinations are allocated to cash-generating unit to which the business combination will benefit as of the date of business combination.

Impairment losses of goodwill and intangible assets, which are included in other expenses in the consolidated statement of profit or loss, for the year ended December 31, 2022 were as follows:

| (Millions of Yen) | | | |
|-------------------------------------|---------------|-------------------------------------|-----------------|
| Subsidiary | Location | Type of Assets | Impairment Loss |
| THK RHYTHM AUTOMOTIVE CZECH a.s. | Dacice, Czech | Goodwill Customer-related assets | ¥5,361 4,259 |
| Total | | | <u>¥9,620</u> |

For goodwill associated with the transportation equipment business operated by overseas subsidiaries, the Group performs a test of impairment annually in accordance with IFRS. The recoverable amount of goodwill is measured at its value in use. Value in use is determined by discounting the estimated future cash flows to their present value based on the business plan and growth rate for the following five years approved by management that were prepared by reflecting past experiences and external information. The discount rates used in determining value in use are based on the pretax weighted-average cost of capital of the cash-generating unit or the group of cash-generating unit.

In the current fiscal year, the Group recorded ¥9,620 million of impairment losses of goodwill and intangible assets associated with THK RHYTHM AUTOMOTIVE CZECH a.s. This was attributable to the rise in the discount rate used in the impairment test of goodwill as a result of the hike in the interest rate due to the monetary tightening policies of various countries amid the continued global rise in prices. The fair value hierarchy of these assets is Level 3.

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 year ended December 31, 2021 (January 1, 2021 to December 31, 2021)

| | Japan | The Americas | Europe | China | Other | Total | Adjustments | Consolidated |
|--|----------|--------------|---------|---------|---------|----------|-------------|--------------|
| (Millions of Yen) | | | | | | | | |
| Revenue: | | | | | | | | |
| Sales to customers | ¥123,373 | ¥57,220 | ¥50,247 | ¥67,072 | ¥20,274 | ¥318,188 | ¥- | ¥318,188 |
| Inter-segment | 69,263 | 79 | 200 | 2,565 | 2,759 | 74,868 | (74,868) | - |
| Total | 192,636 | 57,299 | 50,448 | 69,638 | 23,033 | 393,056 | (74,868) | 318,188 |
| Segment income (loss) | 22,262 | (1,134) | (1,337) | 9,459 | 2,278 | 31,529 | (1,260) | 30,268 |
| Financial income | 5,719 | 2 | 1,532 | 483 | 32 | 7,770 | (5,625) | 2,145 |
| Financial costs | 1,700 | 189 | 607 | 19 | 95 | 2,612 | (182) | 2,430 |
| Profit (loss) before tax | 26,280 | (1,321) | (411) | 9,923 | 2,216 | 36,688 | (6,703) | 29,984 |
| Segment assets | 440,575 | 80,456 | 105,001 | 90,651 | 31,307 | 747,992 | (231,906) | 516,086 |
| Other items: | | | | | | | | |
| Depreciation and amortization | 7,537 | 3,279 | 2,708 | 4,166 | 746 | 18,438 | (331) | 18,106 |
| Investments accounted for using the equity method | 6,048 | - | - | - | - | 6,048 | - | 6,048 |
| Share of profit in investments accounted for using the equity method | 358 | - | - | - | - | 358 | - | 358 |
| Capital expenditures | 1,645 | 877 | 769 | 298 | 97 | 3,689 | - | 3,689 |

(Note) All adjustments are intercompany elimination.

For the year ended December 31, 2022 (January 1, 2022 to December 31, 2022)

| | | | | | | | (Millions of Yen) | |
|--|----------------|---------------|---------------|---------------|---------------|----------------|-------------------|----------------|
| | Japan | The Americas | Europe | China | Other | Total | Adjust-ments | Consoli-dated |
| Revenue: | | | | | | | | |
| Sales to customers | ¥144,189 | ¥80,855 | ¥62,715 | ¥83,312 | ¥22,614 | ¥393,687 | ¥- | ¥393,687 |
| Inter-segment | 79,270 | 253 | 453 | 5,443 | 4,265 | 89,687 | (89,687) | - |
| Total | 223,459 | 81,109 | 63,169 | 88,755 | 26,880 | 483,374 | (89,687) | 393,687 |
| Segment income (loss) | 17,014 | (2,351) | (9,684) | 13,773 | 2,861 | 21,613 | 12,847 | 34,460 |
| Financial income | 7,654 | 546 | 732 | 700 | 53 | 9,688 | (6,352) | 3,335 |
| Financial costs | 941 | 264 | 1,644 | 25 | 173 | 3,048 | (849) | 2,199 |
| Profit (loss) before tax | 23,727 | (2,069) | (10,595) | 14,449 | 2,741 | 28,252 | 7,344 | 35,596 |
| Segment assets | 451,156 | 91,454 | 107,745 | 100,490 | 38,251 | 789,098 | (228,794) | 560,304 |
| Other items: | | | | | | | | |
| Depreciation and amortization | 8,111 | 3,738 | 3,072 | 4,644 | 1,093 | 20,660 | (286) | 20,374 |
| Impairment losses | 1,286 | 2,094 | 9,620 | 1,009 | 12 | 14,024 | (382) | 13,641 |
| Investments accounted for using the equity method | 6,814 | - | - | - | - | 6,814 | - | 6,814 |
| Share of profit in investments accounted for using the equity method | 569 | - | - | - | - | 569 | - | 569 |
| Capital expenditures | 2,180 | 786 | 236 | 232 | - | 3,436 | - | 3,436 |

(Note) All adjustments are intercompany elimination.

Per Share Information

| | Year Ended December 31, 2021 | Year Ended December 31, 2022 |
|---|---------------------------------|---------------------------------|
| Profit attributable to owners of the parent (millions of yen) | ¥23,007 | ¥21,198 |
| Weighted-average number of issued shares (thousands of shares) | 126,434 | 122,765 |
| Basic earnings per share (yen) | 181.97 | 172.67 |

(Note) THK did not have any shares with potentially-dilutive effects for the years ended December 31, 2021 and 2022.

Subsequent event

Not applicable

Appointment/resignation of directors (Scheduled effective date: March 18, 2023)

1、 Appointment/resignation of representative

Not applicable

2、 Director to be newly nominated

| <u>Name</u> | <u>Current position</u> |
|--------------|--|
| Kenji Nakane | Executive Officer General Manager of Finance & Accounting Department, Corporate Strategy Headquarters |

3、 Director to retire

| <u>Name</u> | <u>Current position</u> | <u>Scheduled position after retirement</u> |
|---------------|-------------------------|--|
| Junichi Sakai | Director | Advisor |

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.