

Consolidated Financial Results for the Three Months Ended March 31, 2023 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, Director and CFO
Scheduled date of filing quarterly report (Japanese version only)	May 15, 2023
Scheduled starting date of dividend payment	N/A

1. Consolidated operating results and financial position as of and for the three months ended March 31, 2023 (January 1, 2023 to March 31, 2023)

(1) Consolidated Operating Results

Three Months Ended March 31	Revenue		Operating Income		Profit Before Tax		Profit for the Period		Profit Attributable to Owners of the Parent		Total Comprehensive Income	
	(Millions of Yen)	(%)	(Millions of Yen)	(%)	(Millions of Yen)	(%)	(Millions of Yen)	(%)	(Millions of Yen)	(%)	(Millions of Yen)	(%)
2023	¥93,537	6.2%	¥9,670	(0.9)%	¥9,371	(9.5)%	¥7,009	(0.8)%	¥6,891	(0.0)%	¥12,120	(35.6)%
2022	88,097	24.5	9,760	155.0	10,349	161.5	7,064	156.4	6,894	155.5	18,814	27.2

Three Months Ended March 31	Basic Earnings per Share (Yen)	Diluted Earnings per Share (Yen)
2023	¥56.22	—
2022	55.90	—

(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
March 31, 2023	¥545,172	¥343,272	¥337,653	61.9%
December 31, 2022	560,304	337,281	331,887	59.2

2. Dividends

	Dividend Per Share (Yen)				
	First Quarter end	Second Quarter end	Third Quarter end	Year/Period end	Total
Year ended December 31, 2022 (Actual)	¥—	¥37.00	¥—	¥50.00	¥87.00
Year ending December 31, 2023 (Actual)	—	n/a	n/a	n/a	n/a
Year ending December 31, 2023 (Projected)	n/a	—	—	—	—

(Note) Change in dividend projection: None

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

(Note) Changes from forecasts most recently announced: None

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 | Please refer to "Change in accounting policy" |
| b. Other changes | None |
| c. Changes in accounting estimates | None |

(3) Number of shares

		(shares)
a. Common stock issued, including treasury stock, as of:	March 31, 2023	129,856,903
	December 31, 2022	129,856,903
b. Treasury stock as of:	March 31, 2023	7,276,403
	December 31, 2022	7,276,353
c. Average number of common stock for the three months ended:	March 31, 2023	122,580,547
	March 31, 2022	123,321,233

Management's Discussion and Analysis

1. Outline of operating results

(1) Operating results (from January 1, 2023 to March 31, 2023)

In this three months period, while the trend toward normalization of economic activities from the COVID-19 pandemic continued in various regions, the outlook of the global economy remained uncertain amid concerns such as rising geopolitical risks including the situation in Ukraine, rising inflation, and financial instability triggered by the failure of some financial institutions in the U.S. as a side effect of monetary tightening in response to these risks.

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, THK successfully recorded revenue from the order backlog, which had remained at a high level; however, demand decreased overall including those related to electronics products. In the transportation equipment business, revenue headed for recovery despite the lingering impact of automobile production cuts due to parts supply shortages and other factors. As a result, along with the depreciation of yen as compared to a year earlier, consolidated revenue amounted to ¥93,537 million, up ¥5,439 million, or 6.2%, compared to the figure a year earlier.

On the cost front, the THK Group continued to implement various activities to improve its productivity. The cost to revenue ratio, however, rose 0.7% from a year earlier to 74.3% due to the rise of various costs.

Selling, general and administrative (SGA) expenses amounted to ¥15,180 million, up ¥1,214 million, or 8.7%, compared to the figure a year earlier. The ratio to revenue rose by 0.3% from a year earlier to 16.2% despite the THK Group's endeavors to contain costs and improve operating efficiency.

As a result, operating income amounted to ¥9,670 million, down ¥89 million, or 0.9%, compared to the figure a year earlier. Operating income margin dropped by 0.8% from a year earlier to 10.3%.

Finance income and finance costs were ¥724 million and 1,023 million, respectively.

As a result, income before tax amounted to ¥9,371 million, down ¥978 million, or 9.5%, compared to the figure a year earlier. Profit for the period attributable to owners of the parent amounted to ¥6,891 million, down ¥2 million, or 0.0%, compared to the figure a year earlier.

(2) Operating results by segment

(Japan)

In the industrial machinery business in Japan, THK successfully recorded revenue from the order backlog, which had remained at a high level; however, demand decreased particularly for electronics products. As a result, revenue amounted to ¥31,542 million, down ¥2,228 million, or 6.6%, compared to the figure a year earlier. The THK Group recorded operating income (segment income) of ¥4,180 million, down ¥2,759 million, or 39.8%, compared to the figure a year earlier due mainly to the decrease in revenue.

(The Americas)

In the industrial machinery business in the Americas, although demand was decreasing particularly in electronics products, THK successfully recorded revenue from the order backlog, which had remained at a high level. In the transportation equipment business, revenue headed for recovery as compared to a year earlier. As a result, along with the depreciation of yen as compared to a year earlier, revenue amounted to ¥21,972 million, up ¥4,767 million, or 27.7%, compared to the figure a year earlier. The THK Group recorded operating income (segment income) of ¥884 million, up ¥929 million compared to the figure a year earlier (operating loss of ¥44 million), due mainly to the increase in revenue.

(Europe)

In the industrial machinery business in Europe, although demand was decreasing overall, THK successfully recorded revenue from the order backlog, which had remained at a high level. In the transportation equipment business, revenue headed for recovery as compared to a year earlier. As a result, along with the depreciation of yen as compared to a year earlier, revenue amounted to ¥18,276 million, up ¥4,184 million, or 29.7%, compared to the figure a year earlier. The THK Group recorded operating income (segment income) of ¥633 million, up ¥1,181 million compared to the figure a year earlier (operating loss of ¥548 million), due mainly to the increase in revenue.

(China)

In the industrial machinery business in China, while demand was decreasing overall, revenue amounted to ¥17,143 million, down ¥422 million, or 2.4%, compared to the figure a year earlier. Operating income (segment income) amounted to ¥2,809 million, down ¥194 million, or 6.5%, compared to the figure a year earlier due mainly to the decrease in 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. However, due to the impact of decrease in demand in China in some regions, revenue amounted to ¥4,602 million, down ¥860 million, or 15.8%, compared to the figure a year earlier. Operating income (segment income) amounted to ¥403 million, down ¥274 million or 40.5%, compared to the figure a year earlier due mainly to the decrease in revenue.

2. Financial position (as of March 31, 2023)

Total assets stood at ¥545,172 million, ¥15,132 million down from the previous fiscal year-end, due mainly to a combined effect of increase in (1) inventories by ¥3,615 million and (2) property, plant and equipment by ¥3,688 million and decrease in (1) cash and cash equivalents by ¥20,230 million and (2) trade and other receivables by ¥1,358 million.

Total liabilities stood at ¥201,899 million, ¥21,123 million down from the previous fiscal year-end, due mainly to decrease in (1) trade and other payables by ¥2,777 million, (2) income taxes payable by ¥5,212 million, and (3) bonds and borrowings by ¥12,635 million.

Total equity stood at ¥343,272 million, ¥5,991 million up from the previous fiscal year-end, due mainly to increase in (1) retained earnings by ¥804 million and (2) other components of equity by ¥4,961 million.

3. Forecast for the fiscal year ending December 31, 2023

For the six-month period ending June 30, 2023 and the year ending December 31, 2023, THK has not revised the consolidated forecasts announced on February 13, 2023.

Consolidated Financial Statements

Consolidated Statements of Financial Position

(Millions of Yen)

	As of December 31, 2022	As of March 31, 2023
Assets:		
Current assets:		
Cash and cash equivalents	¥163,835	¥143,605
Trade and other receivables	96,665	95,307
Inventories	77,630	81,246
Other financial assets	1,500	1,507
Other current assets	13,309	13,960
Total current assets	<u>352,942</u>	<u>335,626</u>
Non-current assets:		
Property, plant and equipment	172,342	176,030
Goodwill and intangible assets	9,321	9,493
Investments accounted for using the equity method	6,814	6,558
Other financial assets	10,571	10,073
Deferred tax assets	5,305	4,314
Net defined benefit asset	2,926	2,998
Other non-current assets	80	77
Total non-current assets	<u>207,361</u>	<u>209,545</u>
Total assets	<u><u>560,304</u></u>	<u><u>545,172</u></u>

(Millions of Yen)

	As of December 31, 2022	As of March 31, 2023
Liabilities and equity:		
Liabilities:		
Current liabilities:		
Trade and other payables	¥51,631	¥48,854
Bonds and borrowings	22,961	22,919
Other financial liabilities	3,732	4,817
Provisions	129	99
Income taxes payable	7,169	1,956
Other current liabilities	17,538	16,129
Total current liabilities	103,162	94,776
Non-current liabilities:		
Bonds and borrowings	97,917	85,323
Other financial liabilities	9,130	8,945
Net defined benefit liabilities	4,256	4,107
Provisions	179	171
Deferred tax liabilities	5,939	5,841
Other non-current liabilities	2,437	2,733
Total non-current liabilities	119,860	107,123
Total Liabilities	223,023	201,899
Equity		
Common stock	34,606	34,606
Capital surplus	40,094	40,094
Retained earnings	245,941	246,745
Treasury stock	(17,160)	(17,160)
Other components of equity	28,406	33,368
Total equity attributable to owners of the parent	331,887	337,653
Non-controlling interests	5,393	5,619
Total Equity	337,281	343,272
Total liabilities and equity	560,304	545,172

Consolidated Statements of Profit or Loss

(Millions of Yen)

	Three months Ended March 31, 2022	Three months Ended March 31, 2023
Revenue	¥88,097	¥93,537
Cost of sales	64,859	69,531
Gross profit	23,238	24,005
Selling, general and administrative expenses	13,965	15,180
Other income	562	907
Other expenses	214	224
Share of profit in investments accounted for using the equity method	139	161
Operating income	9,760	9,670
Financial income	798	724
Financial costs	208	1,023
Profit before tax	10,349	9,371
Income tax expense	3,285	2,361
Profit for the period	7,064	7,009
Attributable to:		
Owners of the parent	6,894	6,891
Non-controlling interests	170	118
Total	7,064	7,009
Earnings per share:		
Basic (Yen)	55.90	56.22
Diluted (Yen)	—	—

Consolidated Statements of Comprehensive Income

(Millions of Yen)

	Three months Ended March 31, 2022	Three months Ended March 31, 2023
Profit for the period	¥7,064	¥7,009
Other comprehensive income		
Items that may not be reclassified subsequently to profit or loss:		
Financial assets measured at fair value through other comprehensive income	(389)	276
Remeasurements of defined benefit plans	82	37
Share of other comprehensive losses of associates accounted for using the equity method	(5)	(1)
Subtotal	(312)	312
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translating foreign operations	11,845	4,947
Share of other comprehensive income of associates accounted for using the equity method	216	(148)
Subtotal	12,062	4,798
Other comprehensive income, net of tax	11,749	5,111
Comprehensive income	18,814	12,120
Attributable to:		
Owners of the parent	18,077	11,894
Non-controlling interests	736	226
Total	18,814	12,120

Consolidated Statements of Changes in Equity

(Millions of Yen)

Three Months Ended March 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 period	—	—	6,894	—	—
Other comprehensive income (loss)	—	—	—	—	11,499
Total comprehensive income (loss) for the period	—	—	6,894	—	11,499
Purchase of treasury stock	—	—	—	(5,957)	—
Payment of dividends	—	—	(4,924)	—	—
Changes in ownership interests in subsidiaries without losing control	—	985	—	—	73
Transfer from other components of equity to retained earnings	—	—	73	—	—
Other	—	(0)	—	—	—
Total transactions with owners	—	985	(4,851)	(5,957)	73
Ending balance	34,606	41,399	235,650	(17,195)	17,079

	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 period	—	—	—	6,894	170	7,064
Other comprehensive income (loss)	(389)	73	11,183	11,183	566	11,749
Total comprehensive income (loss) for the period	(389)	73	11,183	18,077	736	18,814
Purchase of treasury stock	—	—	—	(5,957)	—	(5,957)
Payment of dividends	—	—	—	(4,924)	—	(4,924)
Changes in ownership interests in subsidiaries without losing control	—	—	73	1,059	(1,059)	—
Transfer from other components of equity to retained earnings	—	(73)	(73)	—	—	—
Other	—	—	—	(0)	(451)	(451)
Total transactions with owners	—	(73)	(0)	(9,822)	(1,511)	(11,333)
Ending balance	1,269	—	18,349	312,810	8,959	321,769

(Millions of Yen)

Three Months Ended March 31, 2023	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	¥40,094	¥245,941	¥(17,160)	¥27,234
Profit for the period	—	—	6,891	—	—
Other comprehensive income	—	—	—	—	4,690
Total comprehensive income for the period	—	—	6,891	—	4,690
Purchase of treasury stock	—	—	—	(0)	—
Payment of dividends	—	—	(6,129)	—	—
Transfer from other components of equity to retained earnings	—	—	42	—	—
Other	—	—	—	—	—
Total transactions with owners	—	—	(6,087)	(0)	—
Ending balance	34,606	40,094	246,745	(17,160)	31,925

	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	¥1,171	¥—	¥28,406	¥331,887	¥5,393	¥337,281	
Profit for the period	—	—	—	6,891	118	7,009	
Other comprehensive income	277	34	5,003	5,003	107	5,111	
Total comprehensive income for the period	277	34	5,003	11,894	226	12,120	
Purchase of treasury stock	—	—	—	(0)	—	(0)	
Payment of dividends	—	—	—	(6,129)	—	(6,129)	
Transfer from other components of equity to retained earnings	(7)	(34)	(42)	—	—	—	
Other	—	—	—	—	(0)	(0)	
Total transactions with owners	(7)	(34)	(42)	(6,129)	(0)	(6,129)	
Ending balance	1,442	—	33,368	337,653	5,619	343,272	

Consolidated Statements of Cash Flows

(Millions of Yen)

	Three months Ended March 31, 2022	Three months Ended March 31, 2023
Cash flows from operating activities:		
Profit before tax	¥10,349	¥9,371
Depreciation and amortization	4,903	5,151
Change in net defined benefit assets and liabilities	(135)	(196)
Financial income	(798)	(739)
Financial costs	561	1,023
Share of profit in investments accounted for using the equity method	(139)	(161)
Decrease (increase) in trade and other receivables	(3,731)	2,079
Increase in inventories	(5,025)	(2,576)
Increase (decrease) in trade and other payables	51	(1,153)
Other	(2,266)	(2,502)
Subtotal	3,769	10,295
Interests and dividends received	197	501
Interests paid	(78)	(95)
Income taxes paid	(7,072)	(6,679)
Net cash flows from operating activities	(3,183)	4,022
Cash flows from investing activities:		
Purchase of property, plant and equipment	(6,362)	(6,418)
Proceeds from sales of property, plant and equipment	104	62
Purchase of other financial assets	(39)	(110)
Proceeds from sales of other financial assets	10	13
Other	(214)	(345)
Net cash flows from investing activities	(6,502)	(6,799)
Cash flows from financing activities:		
Repayments of long-term borrowings	(2,185)	(2,185)
Redemption of bonds	—	(10,000)
Purchase of treasury stock	(5,957)	(0)
Dividends paid	(4,926)	(6,050)
Dividends paid to non-controlling shareholders	(450)	—
Repayments of lease obligations	(475)	(450)
Net cash flows from financing activities	(13,993)	(18,685)
Effects of exchange rate changes on cash and cash equivalents	3,956	1,232
Net decrease in cash and cash equivalents	(19,723)	(20,230)
Cash and cash equivalents at the beginning of the period	151,430	163,835
Cash and cash equivalents at the end of the period	131,707	143,605

Change in Accounting Policy

The significant accounting policies applied to the accompanying condensed quarterly consolidated financial statements are the same as those applied to the consolidated financial statements for the previous fiscal year, except for Amendments to IAS 12, "Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction." The application of Amendments to IAS 12 did not have a significant impact on the accompanying condensed quarterly consolidated financial statements.

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 three months ended March 31, 2022 (January 1, 2022 to March 31, 2022)

	Japan	The Americas	Europe	China	Other	Total	Adjustments	Consolidated
(Millions of Yen)								
Revenue:								
Sales to customers	¥33,771	¥17,205	¥14,092	¥17,565	¥5,463	¥88,097	¥—	¥88,097
Inter-segment	17,485	90	47	980	929	19,533	(19,533)	—
Total	51,256	17,295	14,139	18,546	6,393	107,631	(19,533)	88,097
Segment income (loss)	6,940	(44)	(548)	3,003	677	10,029	(269)	9,760
Financial income	841	9	67	109	10	1,039	(241)	798
Financial costs	203	38	2	5	27	276	(68)	208
Profit (loss) before tax	7,578	(73)	(482)	3,107	661	10,791	(441)	10,349

(Note) All adjustments are intercompany elimination.

For the three months ended March 31, 2023 (January 1, 2023 to March 31, 2023)

	Japan	The Americas	Europe	China	Other	Total	Adjustments	Consolidated
(Millions of Yen)								
Revenue:								
Sales to customers	¥31,542	¥21,972	¥18,276	¥17,143	¥4,602	¥93,537	¥—	¥93,537
Inter-segment	16,765	10	66	1,376	1,320	19,538	(19,538)	—
Total	48,307	21,982	18,342	18,520	5,923	113,075	(19,538)	93,537
Segment income	4,180	884	633	2,809	403	8,911	759	9,670
Financial income	1,463	358	409	111	13	2,356	(1,632)	724
Financial costs	1,064	88	587	19	3	1,764	(741)	1,023
Profit before tax	4,580	1,153	454	2,901	413	9,503	(132)	9,371

(Note) All adjustments are intercompany elimination.

Subsequent event

Not applicable.

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.