

Consolidated Financial Results for the Fiscal Year Ended December 31, 2020 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
Date of the ordinary general meeting of shareholders	March 20, 2021
Date of filing the Securities Report (Japanese version only)	March 22, 2021

1. Consolidated Operating Results and Financial Position as of and for the fiscal year ended December 31, 2020 (January 1, 2020 to December 31, 2020)

(1) Consolidated Operating Results

Year Ended December 31	Revenue (Millions of Yen)		Operating Income (Loss) (Millions of Yen)		Profit (Loss) Before Tax (Millions of Yen)		Profit (Loss) Attributable to Owners of the Parent (Millions of Yen)		Total Comprehensive Income (Loss) (Millions of Yen)	
2020	¥218,998	(20.2)%	¥(8,499)	—%	¥(9,725)	—%	¥(9,992)	—%	¥(13,791)	—%
2019	274,599	(20.3)	18,277	(65.4)	18,168	(65.2)	11,690	(67.6)	10,116	(57.0)

Year Ended December 31	Basic Earnings (Loss) per Share (Yen)	Diluted Earnings per Share (Yen)	Profit Ratio to Equity Attributable to Owners of the Parent	Profit (Loss) Before Tax Ratio to Total Assets	Operating Margin
2020	¥(78.95)	—	(3.7)%	(2.1)%	(3.9)%
2019	92.37	—	4.2	3.9	6.7

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

Year ended December 31, 2020 ¥160 million
Year ended December 31, 2019 103 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)
2020	¥460,173	¥275,148	¥266,491	57.9%	¥2,105.54
2019	468,945	291,132	280,344	59.8	2,214.98

(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)
2020	¥25,399	¥(18,406)	¥3,977	¥158,839
2019	28,383	(30,040)	18,304	149,091

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 ended December 31, 2020 (Actual)	—	7.50	—	7.50	15.00
Year ending December 31, 2021 (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, 2019 (Actual)	¥4,050	34.6%	1.4%
Year ended December 31, 2020 (Actual)	1,898	—%	0.7%
Year ending December 31, 2021 (Projected)	n/a	—	n/a

THK's basic dividend policy is to set its payout ratio at 30% on a consolidated basis. Since THK will celebrate the 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 both interim dividend and year-end dividend) 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 (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, 2021	¥140,000	35.9%	¥11,000	—%	¥11,200	—%	¥7,800	—%	¥61.63
Year ending December 31, 2021	290,000	32.4	26,000	—	26,200	—	19,000	—	150.12

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, 2020	133,856,903
	December 31, 2019	133,856,903
b. Treasury stock as of:	December 31, 2020	7,290,246
	December 31, 2019	7,289,461
c. Average number of common stock for the year ended:	December 31, 2020	126,567,088
	December 31, 2019	126,567,842

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, 2020 (January 1, 2020 to December 31, 2020)

(1) Operating Results

Year Ended (Millions of Yen)	Net Sales		Operating Income		Ordinary Income		Net Income (Loss)	
December 31, 2020	¥102,866	(24.5) %	¥365	(96.9) %	¥2,118	(86.5) %	¥(13,183)	— %
December 31, 2019	136,189	(26.9)	11,933	(65.6)	15,746	(59.7)	7,559	(73.0)
Year Ended March 31 (Yen)	Net Income (Loss) Per Share-Basic		Net Income Per Share-Diluted					
December 31, 2020	¥(104.16)		¥ —					
December 31, 2019	59.72		—					

(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, 2020	¥370,608	¥230,190	62.1 %	¥1,818.68
As of December 31, 2019	373,849	245,086	65.6	1,936.36

(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, 2020: ¥230,190 million
As of December 31, 2019: 245,086 million

2. Non-Consolidated forecasts for the year ending December 31, 2021 (January 1, 2021 to December 31, 2021)

	Net Sales (Millions of Yen)		Operating Income (Millions of Yen)		Ordinary Income (Millions of Yen)		Net Income Attributable to Owners of the Parent (Millions of Yen)		Net Income per Share(Yen)
Six-month period ending June 30, 2021	¥70,000	35.1%	¥5,500	—%	¥6,700	476.5%	¥5,000	610.2%	¥39.50
Year ending December 31, 2021	145,000	41.0	13,100	—	15,000	608.2	11,100	—	87.70

Management's Discussion and Analysis

1. Outline of operating results

(1) Operating results (from January 1, 2020 to December 31, 2020)

In this fiscal year, 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 pandemic.

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 mainly in developed countries due to the US-China trade friction and the COVID-19 pandemic. In the transportation equipment business, the sluggish car sales and the COVID-19 pandemic had an adverse impact on the Group's production and shipping operations, especially in the second quarter period from April to June 2020. As a result, consolidated revenue amounted to ¥218,998 million, down ¥55,601 million, or 20.2%, compared to the figure a year earlier.

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 3.4% from a year earlier to 78.8% due to the sharp decrease in revenue.

Selling, general and administrative expenses amounted to ¥44,833 million, down ¥4,604 million, or 9.3%, 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 revenue. The ratio to revenue, however, worsened by 2.5% from a year earlier to 20.5%.

In addition, since there was an indication of impairment arising from decline in revenue impacted by the deterioration of the market environment caused by the COVID-19 pandemic, certain non-current assets held by THK's consolidated subsidiaries who engage in the transportation equipment business were tested for impairment under IFRS. As a result, the THK group recognized an impairment loss of non-current assets of ¥8,083 million as other expenses for the year ended December 31, 2020. On the other hand, the THK group implemented a structural reform to improve its profitability and recorded ¥738 million of restructuring costs of its production system as other expenses. In addition, the THK group also recorded ¥653 million of non-recurring complaints handling costs incurred in the transportation equipment business as other expenses. Consequently, the THK Group recorded ¥8,499 million of operating loss (¥18,277 million of operating income a year earlier).

Finance income and finance costs were ¥764 million and ¥1,990 million, respectively.

As a result, loss before tax and loss attributable to owners of the parent were ¥9,725 million (¥18,168 million of profit before tax a year earlier) and ¥9,992 million (¥11,690 million of profit attributable to owners of the parent a year earlier), respectively.

(2) 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 pandemic had an adverse impact on the Group's production and shipping operations, especially in the second quarter period from April to June 2020. As a result, revenue decreased by ¥27,361 million, or 23.2%, to ¥90,378 million, as compared to the figure a year earlier. Operating income (segment income) dropped by ¥27,884 million, and consequently turned to ¥17,400 million of operating loss (segment loss) due to the decreased revenue, the temporary operation shutdowns, and ¥5,158 million of other expenses recorded for an impairment loss of non-current assets held by THK RHYTHM CO., LTD., a consolidated subsidiary who engages in the transportation equipment business.

(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 COVID-19 pandemic had an adverse impact on the Group's production and shipping operations, especially in the second quarter period from April to June 2020. As a result, revenue decreased by ¥12,461 million, or 21.3%, to ¥46,019 million. Operating loss (segment loss) worsened by ¥2,226 million to ¥3,239 million due to the decreased revenue, the temporary operation shutdowns, and ¥994 million of other expenses recorded for an impairment loss of non-current assets held by THK RHYTHM MEXICANA, S.A. DE C.V., a consolidated subsidiary who engages in the transportation equipment business.

(Europe)

In the industrial machinery business in Europe, the COVID-19 pandemic caused temporary operation shutdowns in certain branch offices from the middle of March to the middle of April 2020. In the transportation equipment business, the COVID-19 pandemic had an adverse impact on the Group's production and shipping operations, especially in the second quarter period from April to June 2020. As a result, revenue decreased by ¥15,868 million, or 28.8%, to ¥39,274 million. Operating income (segment income) dropped by ¥6,271 million, and consequently turned to ¥5,983 million of operating loss (segment loss) due to the decreased revenue, the temporary operation shutdowns, and ¥1,930 million of other expenses recorded for an impairment loss of non-current assets held by THK RHYTHM AUTOMOTIVE GmbH, a consolidated subsidiary who engages in the transportation equipment business.

(China)

In China, the COVID-19 pandemic 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 recovered as economic activities in China subsequently resumed earlier than the other countries. As a result, as compared to the figure a year earlier, revenue increased by ¥3,115 million, or 10.4%, to ¥33,085 million. Operating income (segment income) also increased by ¥1,192 million, or 47.0%, to ¥3,730 million 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. Revenue, however, decreased by ¥3,024 million, or 22.8%, to ¥10,240 million, because of the weakness in the overall demand situation due to the COVID-19 pandemic. Operating income (segment income) decreased by ¥528 million, or 45.0%, to ¥647 million due to the decreased revenue.

2. Financial position (as of December 31, 2020)

Total assets stood at ¥460,173 million, ¥8,771 million less than the previous fiscal year-end, due mainly to a combined effect of increase in cash and cash equivalents by ¥9,747 million and decrease in (1) trade and other receivables by ¥4,229 million, (2) property, plant and equipment by ¥9,133 million, and (3) goodwill and intangible assets by ¥2,661 million.

Total liabilities stood at ¥185,024 million, ¥7,211 million more than the previous fiscal year-end, due mainly to increase in bonds and borrowings by ¥7,300 million.

Total equity stood at ¥275,148 million, ¥15,983 million less than the previous fiscal year-end, due mainly to decrease in (1) retained earnings by ¥11,214 million, (2) other components of equity by ¥2,637 million, and (3) non-controlling interests by ¥2,129 million.

For reference: Cash Flow Indices (Consolidated)

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

3. Outlook

Considering the latest demand situation in the industrial machinery business that has been recovering in China and other countries, THK expects ¥290,000 million of revenue for the year ending December 31, 2021. In terms of profit or loss, because of the higher revenue and various activities to improve its profitability, THK expects ¥26,000 million of operating income, ¥26,200 million of profit before tax, and ¥19,000 million of profit for the year attributable to the owners of the parent.

Year ending December 31, 2021 (Consolidated)

	Revenue	Operating Income	Profit before Tax	Profit for the Year
Millions of Yen	290,000	¥26,000	¥26,200	¥19,000
Component Ratio	100.0%	9.0%	9.0%	6.6%
Percentage Change	32.4%	—%	—%	—%

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

U.S. dollar 1=¥100.00

Euro 1=¥122.00

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.

In accordance with this policy, THK plans ¥7.5 per share for the year-end dividends. As a result, cash dividends applicable for the year ended December 31, 2020 will be ¥15.0 per share, including the interim dividends of ¥7.5 per share.

Since THK will celebrate the 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 both interim dividend and year-end dividend) 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.

Consolidated Financial Statements

Consolidated Statements of Financial Position

(Millions of Yen)

	As of December 31, 2019	As of December 31, 2020
Assets:		
Current assets:		
Cash and cash equivalents	¥149,091	¥158,839
Trade and other receivables	63,734	59,505
Inventories	48,120	47,237
Other financial assets	2	14
Other current assets	10,815	8,899
Total current assets	<u>271,764</u>	<u>274,495</u>
Non-current assets:		
Property, plant and equipment	155,055	145,922
Goodwill and intangible assets	21,440	18,779
Investments accounted for using the equity method	5,280	5,686
Other financial assets	9,991	10,013
Deferred tax assets	3,407	2,937
Net defined benefit asset	1,869	2,227
Other non-current assets	135	110
Total non-current assets	<u>197,180</u>	<u>185,678</u>
Total assets	<u><u>468,945</u></u>	<u><u>460,173</u></u>

(Millions of Yen)

As of December 31, 2019

As of December 31, 2020

Liabilities and equity:**Liabilities:**

Current liabilities:

Trade and other payables	¥42,825	¥40,293
Bonds and borrowings	22,228	2,244
Other financial liabilities	2,417	2,579
Provisions	—	763
Income taxes payable	709	1,001
Other current liabilities	10,483	11,617
Total current liabilities	78,663	58,500

Non-current liabilities:

Bonds and borrowings	73,041	100,325
Other financial liabilities	11,056	11,243
Net defined benefit liabilities	7,438	7,014
Provisions	176	182
Deferred tax liabilities	5,468	5,463
Other non-current liabilities	1,968	2,295
Total non-current liabilities	99,149	126,524

Total Liabilities

177,813 185,024

Equity

Common stock	34,606	34,606
Capital surplus	40,413	40,413
Retained earnings	230,927	219,712
Treasury stock	(14,004)	(14,006)
Other components of equity	(11,598)	(14,235)
Total equity attributable to owners of the parent	280,344	266,491
Non-controlling interests	10,787	8,657
Total Equity	291,132	275,148
Total liabilities and equity	468,945	460,173

Consolidated Statements of Profit or Loss

(Millions of Yen)

	Year Ended December 31, 2019	Year Ended December 31, 2020
Revenue	¥274,599	¥218,998
Cost of sales	207,130	172,567
Gross profit	67,469	46,430
Selling, general and administrative expenses	49,437	44,833
Other income	2,184	3,960
Other expenses	2,042	14,217
Share of profit in investments accounted for using the equity method	103	160
Operating income (loss)	18,277	(8,499)
Financial income	1,010	764
Financial costs	1,119	1,990
Profit (loss) before tax	18,168	(9,725)
Income tax expense	6,301	2,132
Profit (loss) for the year	<u>11,866</u>	<u>(11,857)</u>
Attributable to:		
Owners of the parent	11,690	(9,992)
Non-controlling interests	175	(1,865)
Total	<u>11,866</u>	<u>(11,857)</u>
Earnings (loss) per share:		
Basic(Yen)	92.37	(78.95)
Diluted(Yen)	—	—

Consolidated Statements of Comprehensive Income

(Millions of Yen)

	Year Ended December 31, 2019	Year Ended December 31, 2020
Profit (loss) for the year	¥11,866	¥(11,857)
Other comprehensive income		
Items that may not be reclassified subsequently to profit or loss:		
Financial assets measured at fair value through other comprehensive income	778	109
Remeasurements of defined benefit plans	658	718
Share of other comprehensive income of associates accounted under the equity method	102	7
Subtotal	1,539	836
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translating foreign operations	(2,789)	(3,076)
Share of other comprehensive income (losses) of associates	(499)	306
Subtotal	(3,289)	(2,769)
Other comprehensive loss, net of tax	(1,749)	(1,933)
Comprehensive income (loss)	10,116	(13,791)
Attributable to:		
Owners of the parent	9,982	(11,897)
Non-controlling interests	134	(1,893)
Total	10,116	(13,791)

Consolidated Statements of Changes in Equity

(Millions of Yen)

Year Ended December 31, 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)	¥(10,267)
Profit for the year	—	—	11,690	—	—
Other comprehensive income	—	—	—	—	(3,212)
Total comprehensive income for the year	—	—	11,690	—	(3,212)
Purchase of treasury stock	—	—	—	(1)	—
Payment of dividends	—	—	(7,847)	—	—
Transfer from other components of equity to retained earnings	—	—	725	—	—
Other	—	(6)	—	—	—
Total transactions with owners	—	(6)	(7,121)	(1)	—
Ending balance	34,606	40,413	230,927	(14,004)	(13,479)

	Equity attributable to owners of the parent				Other components of equity	
	Financial assets measured at fair value through other comprehensive income				Non-controlling interests	Total equity
	comprehensive income	Remeasurements of defined benefit plans	Subtotal	Total		
Beginning balance	¥1,102	¥—	¥(9,164)	¥278,217	¥11,060	¥289,278
Profit for the year	—	—	—	11,690	175	11,866
Other comprehensive income	779	725	(1,708)	(1,708)	(41)	(1,749)
Total comprehensive income for the year	779	725	(1,708)	9,982	134	10,116
Purchase of treasury stock	—	—	—	(1)	—	(1)
Payment of dividends	—	—	—	(7,847)	—	(7,847)
Transfer from other components of equity to retained earnings	—	(725)	(725)	—	—	—
Other	—	—	—	(6)	(406)	(413)
Total transactions with owners	—	(725)	(725)	(7,855)	(406)	(8,262)
Ending balance	1,881	—	(11,598)	280,344	10,787	291,132

(Millions of Yen)

Year Ended December 31, 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 year	—	—	(9,992)	—	—
Other comprehensive income	—	—	—	—	(2,721)
Total comprehensive income for the year	—	—	(9,992)	—	(2,721)
Purchase of treasury stock	—	—	—	(2)	—
Payment of dividends	—	—	(1,961)	—	—
Transfer from other components of equity to retained earnings	—	—	732	—	—
Other	—	—	8	—	—
Total transactions with owners	—	—	(1,221)	(2)	—
Ending balance	34,606	40,413	219,712	(14,006)	(16,201)

	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 year	—	—	—	(9,992)	(1,865)	(11,857)
Other comprehensive income	110	705	(1,905)	(1,905)	(28)	(1,933)
Total comprehensive income for the year	110	705	(1,905)	(11,897)	(1,893)	(13,791)
Purchase of treasury stock	—	—	—	(2)	—	(2)
Payment of dividends	—	—	—	(1,961)	—	(1,961)
Transfer from other components of equity to retained earnings	(26)	(705)	(732)	—	—	—
Other	—	—	—	8	(236)	(228)
Total transactions with owners	(26)	(705)	(732)	(1,955)	(236)	(2,192)
Ending balance	1,966	—	(14,235)	266,491	8,657	275,148

Consolidated Statements of Cash Flows

(Millions of Yen)

	Year Ended December 31, 2019	Year Ended December 31, 2020
Cash flows from operating activities:		
Profit (loss) before tax	¥18,168	¥(9,725)
Depreciation and amortization	18,085	18,675
Impairment losses	678	8,083
Change in net defined benefit assets and liabilities	(38)	(14)
Financial income	(1,010)	(764)
Financial costs	1,405	1,121
Share of profit in investments accounted for using the equity method	(103)	(160)
Decrease in trade and other receivables	28,588	3,754
Decrease in inventories	1,615	687
Increase (decrease) in trade and other payables	(19,887)	1,381
Other	(770)	1,794
Subtotal	46,731	24,834
Interests and dividends received	1,004	775
Interests paid	(419)	(368)
Income taxes refunded (paid)	(18,933)	158
Net cash flows from operating activities	28,383	25,399
Cash flows from investing activities:		
Purchase of property, plant and equipment	(29,192)	(18,009)
Proceeds from sales of property, plant and equipment	51	77
Purchase of other financial assets	(392)	(183)
Proceeds from sales of other financial assets	—	20
Other	(507)	(312)
Net cash flows from investing activities	(30,040)	(18,406)
Cash flows from financing activities:		
Proceeds from long-term borrowings	20,000	—
Repayments of long-term borrowings	(12,185)	(2,185)
Proceeds from issuance of bonds	20,000	30,000
Payments for redemption of bonds	—	(20,000)
Purchase of treasury stock	(1)	(2)
Dividends paid	(7,944)	(1,990)
Dividends paid to non-controlling shareholders	(106)	(232)
Repayments of lease obligations	(1,498)	(1,613)
Other	40	—
Net cash flows from financing activities	18,304	3,977
Effects of exchange rate changes on cash and cash equivalents	(2,069)	(1,222)
Net increase in cash and cash equivalents	14,577	9,747
Cash and cash equivalents at the beginning of the year	134,513	149,091
Cash and cash equivalents at the end of the year	149,091	158,839

Notes to Consolidated Statements of Profit or Loss

1. Employment Adjustment Subsidy

The THK group recorded ¥1,913 million of other income for the employment adjustment subsidy corresponding to the COVID-19 pandemic.

2. Impairment of Non-financial Assets

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, 2020 were as follows:

				(Millions of Yen)
Subsidiary	Location	Type of Assets	Impairment Loss	
THK RHYTHM CO., LTD.	Minami-ku, Hamamatsu-city, Shizuoka, Japan	Buildings and structures	¥541	
		Machinery and vehicles	3,502	
		Land	585	
		Others	527	
THK RHYTHM MEXICANA, S.A. DE C.V.	Guanajuato, Mexico	Machinery and vehicles	985	
		Others	8	
THK RHYTHM AUTOMOTIVE GmbH	Düsseldorf, Nordrhein-Westfalen, Germany	Buildings and structures	24	
		Machinery and vehicles	572	
		Land	400	
		Others	933	
Total			¥8,083	

(Note) All assets in the table above are operating assets.

The carrying amount of the operating assets held by THK RHYTHM CO., LTD., THK RHYTHM MEXICANA, S.A. DE C.V., and THK RHYTHM AUTOMOTIVE GmbH in the table above was written down to the recoverable amount because the investments in such assets were not considered to be recoverable. As a result, the THK group recorded ¥8,083 million of impairment loss for the year ended December 31, 2020. 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.

3. Employment Adjustment Subsidy

The THK group implemented a structural reform to improve its profitability and recorded ¥738 million of restructuring costs of its production system as other expenses.

4. Temporary Lay-Off Costs

In relation to the temporary operation shutdowns in the THK Group's offices and branches due to the COVID-19 pandemic, the THK Group recorded ¥3,907 million of other expenses for the fixed costs of such locations incurred during shutdowns as temporary lay-off costs.

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, 2019 (January 1, 2019 to December 31, 2019)

	Japan	The Americas	Europe	China	Other	Total	Adjustments	Consolidated
	(Millions of Yen)							
Revenue:								
Sales to customers	¥117,740	¥58,480	¥55,143	¥29,969	¥13,265	¥274,599	¥—	¥274,599
Inter-segment	48,470	146	269	4,635	1,695	55,217	(55,217)	—
Total	166,210	58,627	55,413	34,604	14,961	329,817	(55,217)	274,599
Segment income (loss)	10,483	(1,012)	288	2,537	1,175	13,473	4,803	18,277
Financial income	4,048	1,228	1,089	1,880	470	8,718	(7,707)	1,010
Financial costs	1,148	1,162	707	1,527	369	4,914	(3,794)	1,119
Profit before tax	13,383	(946)	671	2,891	1,277	17,276	891	18,168
Segment assets	414,049	68,513	98,861	66,692	24,815	672,931	(203,985)	468,945
Other items:								
Depreciation and amortization	7,526	2,872	2,892	3,539	615	17,447	(74)	17,373
Impairment losses	—	678	—	—	—	678	—	678
Investments accounted for using the equity method	5,280	—	—	—	—	5,280	—	5,280
Share of profit in investments accounted for using the equity method	103	—	—	—	—	103	—	103
Capital expenditures	648	938	1,882	1,843	363	5,677	—	5,677

(Note) All adjustments are intercompany elimination.

For the year ended December 31, 2020 (January 1, 2020 to December 31, 2020)

(Millions of Yen)

	Japan	The Americas	Europe	China	Other	Total	Adjustments	Consolidated
Revenue:								
Sales to customers	¥90,378	¥46,019	¥39,274	¥33,085	¥10,240	¥218,998	¥—	¥218,998
Inter-segment	35,931	77	234	1,474	1,797	39,515	(39,515)	—
Total	126,309	46,096	39,508	34,560	12,038	258,513	(39,515)	218,998
Segment income (loss)	(17,400)	(3,239)	(5,983)	3,730	647	(22,245)	13,746	(8,499)
Financial income	1,015	49	279	337	48	1,731	(966)	764
Financial costs	2,858	247	442	24	6	3,578	(1,588)	1,990
Profit (loss) before tax	(19,243)	(3,437)	(6,145)	4,044	689	(24,093)	14,368	(9,725)
Segment assets	400,473	65,127	94,956	71,022	24,730	656,311	(196,137)	460,173
Other items:								
Depreciation and amortization	7,504	3,004	2,926	3,688	692	17,816	(176)	17,639
Impairment losses	5,158	994	1,930	—	—	8,083	—	8,083
Investments accounted for using the equity method	5,686	—	—	—	—	5,686	—	5,686
Share of profit in investments accounted for using the equity method	160	—	—	—	—	160	—	160
Capital expenditures	1,467	645	573	1,240	177	4,103	—	4,103

(Note) All adjustments are intercompany elimination.

Per Share Information

(Millions of Yen)

	Year Ended December 31, 2019	Year Ended December 31, 2020
Profit (loss) attributable to owners of the parent	¥11,690	¥(9,992)
Weighted-average number of issued shares	126,567	126,567
Basic earnings (loss) per share	92.37	(78.95)

(Note)THK did not have any shares with potentially-dilutive effects for the years ended December 31, 2019 and 2020.

Subsequent event

Not applicable

Additional Information

(Accounting estimates associated with the COVID-19 pandemic)

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

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

As a result of revising the business plans of certain consolidated subsidiaries after reviewing the uncertainties underlying in the accounting estimates considering the situation where the COVID-19 pandemic has prolonged, the THK Group recorded impairment losses for certain property, plant and equipment, goodwill, and intangible assets. The amounts and other details are discussed in "2. Impairment of Non-financial Assets" in the notes to consolidated statements of Profit or loss.

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.