

Consolidated Financial Results for the Three Months Ended March 31, 2021 under IFRS

Company Name	THK CO., LTD.
Head Office	Tokyo, Japan (Tel: +81-3-5730-3911)
URL	http://www.thk.com/
Stock exchange listing	Tokyo Stock Exchange-First Section
Code number	6481
Representative	Akihiro Teramachi, President and CEO
Contact	Kenji Nakane, Executive Officer, General Manager of Finance and Accounting Department
Scheduled date of filing quarterly report (Japanese version only)	May 14, 2021
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, 2021 (January 1, 2021 to March 31, 2021)

(1) Consolidated Operating Results

Three Months Ended March 31	Revenue (Millions of Yen)		Operating Income (Loss) (Millions of Yen)		Profit (Loss) Before Tax (Millions of Yen)		Profit (Loss) for the Period (Millions of Yen)		Profit (Loss) Attributable to Owners of the Parent (Millions of Yen)		Total Comprehensive Income (Loss) (Millions of Yen)	
2021	¥70,752	27.6%	¥3,826	—%	¥3,957	—%	¥2,755	—%	¥2,698	—%	¥14,793	—%
2020	55,435	(26.6)	(573)	—	(2,794)	—	(2,810)	—	(2,655)	—	(9,897)	—

Three Months Ended March 31	Basic Earnings (Loss) per Share (Yen)	Diluted Earnings per Share (Yen)
2021	¥21.32	—
2020	(20.98)	—

(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, 2021	¥486,666	¥289,036	¥279,811	57.5%
December 31, 2020	460,173	275,148	266,491	57.9

2. Dividends

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

Changes in dividend projection: None

THK's basic dividend policy is to set its payout ratio at 30% on a consolidated basis. Since THK celebrated its 50th anniversary of its founding on April 10, 2021, THK plans to add commemorative dividends of ¥5.00 per share (¥2.5 per share for 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	¥151,500	47.0%	¥12,900	—%	¥13,200	—%	¥9,200	—%	¥72.69
Year ending December 31, 2021	320,000	46.1	35,000	—	35,400	—	25,000	—	197.52

Changes from forecasts most recently announced: The forecasts announced on February 9, 2021 have been amended to as in the above table.

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:	March 31, 2021	133,856,903
	December 31, 2020	133,856,903
b. Treasury stock as of:	March 31, 2021	7,290,596
	December 31, 2020	7,290,246
c. Average number of common stock for the three months ended:	March 31, 2021	126,566,479
	March 31, 2020	126,567,371

Management's Discussion and Analysis

1. Outline of operating results

(1) Operating results (from January 1, 2021 to March 31, 2021)

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

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

While demand continued to recover in China, which resumed its economic activities earlier than other countries in the latter half of the previous year, demand in other areas including developed countries showed a sign of recovery. 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, consolidated revenue amounted to ¥70,752 million, up ¥15,316 million, or 27.6%, compared to the figure a year earlier.

On the cost front, the cost to revenue ratio improved by 0.2% from a year earlier to 77.9% because of the various activities to improve its productivity that THK Group has implemented and the increased revenue.

Selling, general and administrative (SGA) expenses amounted to ¥12,315 million, down ¥155 million, or 1.2%, compared to the figure a year earlier. This was mainly attributable to the THK Group's endeavors to contain costs and improve operating efficiency. The ratio to revenue improved by 5.1% from a year earlier to 17.4% because of the decreased SGA expenses as well as the increased sales.

As a result, the THK Group recorded operating income of ¥3,826 million, which rose by ¥4,400 million from operating loss of ¥573 million a year earlier. Operating income margin was 5.4%.

Finance income and finance costs were ¥1,186 million and 1,056 million, respectively.

As a result, the THK Group recorded income before tax of ¥3,957 million, which rose by ¥6,752 million from loss before tax of ¥2,794 million a year earlier, and profit for the period attributable to owners of the parent of ¥2,698 million, which rose by ¥5,353 million from loss for the period attributable to owners of the parent of ¥2,655 million a year earlier.

(2) Operating results by segment

(Japan)

In Japan, there were signs of recovery in demand across the board, including demand for electronics products that has continued its recovery trend. In such a situation, the THK Group captured such demand and successfully increased revenue by utilizing various measures to improve its productivity that the THK Group has implemented. As a result, revenue amounted to ¥26,389 million, up ¥3,642 million, or 16.0%, compared to the figure a year earlier. The THK Group recorded operating income (segment income) of ¥2,628 million, which rose by ¥3,088 million from operating loss (segment loss) of ¥460 million a year earlier due mainly to the increased revenue.

(The Americas)

In the Americas, there were signs of recovery in demand across the board, particularly in demand for electronics products. In such a situation, the THK Group captured such demand and successfully increased revenue by utilizing various measures to improve its productivity that the THK Group has implemented. As a result, revenue amounted to ¥13,582 million, up ¥695 million, or 5.4%, compared to the figure a year earlier. The THK Group recorded operating income (segment income) of ¥49 million, which rose by ¥439 million from operating loss (segment loss) of ¥389 million a year earlier due mainly to the increased revenue.

(Europe)

In Europe, while there were signs of recovery in demand across the board, the THK Group captured such demand and successfully increased revenue by utilizing various measures to improve its productivity that the THK Group has implemented. As a result, revenue amounted to ¥13,237 million, up ¥1,560 million, or 13.4%, compared to the figure a year earlier. The THK Group recorded operating loss (segment loss) of ¥375 million, although the degree of loss improved by ¥33 million from operating loss (segment loss) of ¥408 million a year earlier due mainly to the increased revenue.

(China)

As economic activities in China were resumed earlier than other countries and the recovery trend of demand across the board continues, the THK Group captured such demand and successfully increased revenue by utilizing various measures to improve its productivity that the THK Group has implemented. As a result, revenue amounted to ¥13,170 million, up ¥7,774 million, or 144.1%, compared to the figure a year earlier. THK Group recorded operating income (segment income) of ¥1,843 million, which rose by ¥1,853 million from operating loss (segment loss) of ¥10 million a year earlier due mainly to the increased revenue.

(Other)

In other countries and regions, the THK Group continued to expand and deepen transactions with existing customers and to cultivate new customers while demand for THK Group's products was widely expanded in India and the ASEAN countries. In addition, the recovery of demand in China favorably affected on the THK Group's revenue in some countries. As a result, revenue amounted to ¥4,371 million, up ¥1,642 million, or 60.2%, compared to the figure a year earlier. Operating income (segment income) amounted to ¥553 million, up ¥310 million or 128.2%, compared to the figure a year earlier due mainly to the increased sales.

2. Financial position (as of March 31, 2021)

Total assets stood at ¥486,666 million, ¥26,493 million more than the previous fiscal year-end, due mainly to increase in (1) cash and cash equivalents by ¥1,921 million, (2) trade and other receivables by ¥11,964 million, (3) inventories by ¥6,938 million, (4) property, plant and equipment by ¥4,277 million, and (5) goodwill and intangible assets by ¥366 million.

Total liabilities stood at ¥197,630 million, ¥12,605 million more than the previous fiscal year-end, due mainly to a combined effect of increase in trade and other payables by ¥11,871 million and decrease in bonds and borrowings by ¥1,377 million.

Total equity stood at ¥289,036 million, ¥13,887 million more than the previous fiscal year-end, due mainly to increase in (1) retained earnings by ¥1,767 million, (2) other components of equity by ¥11,554 million, and (3) non-controlling interests by ¥567 million.

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

For details of the financial forecasts for the year ending December 31, 2021, please refer to “Notice Regarding Amendments in Financial Forecasts” announced on today, May 13, 2021.

Consolidated Financial Statements

Consolidated Statements of Financial Position

(Millions of Yen)

	As of December 31, 2020	As of March 31, 2021
Assets:		
Current assets:		
Cash and cash equivalents	¥158,839	¥160,760
Trade and other receivables	59,505	71,469
Inventories	47,237	54,175
Other financial assets	14	14
Other current assets	8,899	9,125
Total current assets	<u>274,495</u>	<u>295,546</u>
Non-current assets:		
Property, plant and equipment	145,922	150,200
Goodwill and intangible assets	18,779	19,145
Investments accounted for using the equity method	5,686	5,823
Other financial assets	10,013	10,341
Deferred tax assets	2,937	3,051
Net defined benefit asset	2,227	2,456
Other non-current assets	110	102
Total non-current assets	<u>185,678</u>	<u>191,120</u>
Total assets	<u><u>460,173</u></u>	<u><u>486,666</u></u>

(Millions of Yen)

	As of December 31, 2020	As of March 31, 2021
Liabilities and equity:		
Liabilities:		
Current liabilities:		
Trade and other payables	¥40,293	¥52,164
Bonds and borrowings	2,244	2,352
Other financial liabilities	2,579	3,776
Provisions	763	745
Income taxes payable	1,001	1,503
Other current liabilities	11,617	12,791
Total current liabilities	<u>58,500</u>	<u>73,334</u>
Non-current liabilities:		
Bonds and borrowings	100,325	98,840
Other financial liabilities	11,243	10,433
Net defined benefit liabilities	7,014	7,140
Provisions	182	188
Deferred tax liabilities	5,463	5,447
Other non-current liabilities	2,295	2,245
Total non-current liabilities	<u>126,524</u>	<u>124,295</u>
Total Liabilities	185,024	197,630
Equity		
Common stock	34,606	34,606
Capital surplus	40,413	40,413
Retained earnings	219,712	221,480
Treasury stock	(14,006)	(14,007)
Other components of equity	(14,235)	(2,680)
Total equity attributable to owners of the parent	<u>266,491</u>	<u>279,811</u>
Non-controlling interests	8,657	9,224
Total Equity	<u>275,148</u>	<u>289,036</u>
Total liabilities and equity	<u><u>460,173</u></u>	<u><u>486,666</u></u>

Consolidated Statements of Profit or Loss

(Millions of Yen)

	Three months Ended March 31, 2020	Three months Ended March 31, 2021
Revenue	¥55,435	¥70,752
Cost of sales	43,301	55,096
Gross profit	12,134	15,655
Selling, general and administrative expenses	12,470	12,315
Other income	373	627
Other expenses	624	190
Share of profit in investments accounted for using the equity method	14	49
Operating income (loss)	(573)	3,826
Financial income	211	1,186
Financial costs	2,432	1,056
Profit (loss) before tax	(2,794)	3,957
Income tax expense	15	1,202
Profit (loss) for the period	<u>(2,810)</u>	<u>2,755</u>
Attributable to:		
Owners of the parent	(2,655)	2,698
Non-controlling interests	(155)	57
Total	<u>(2,810)</u>	<u>2,755</u>
Earnings (loss) per share:		
Basic(Yen)	(20.98)	21.32
Diluted(Yen)	—	—

Consolidated Statements of Comprehensive Income

(Millions of Yen)

	Three months Ended March 31, 2020	Three months Ended March 31, 2021
Profit (loss) for the period	¥(2,810)	¥2,755
Other comprehensive income		
Items that may not be reclassified subsequently to profit or loss:		
Financial assets measured at fair value through other comprehensive income	(883)	80
Remeasurements of defined benefit plans	8	22
Share of other comprehensive income of associates accounted for using the equity method	88	0
Subtotal	(786)	103
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translating foreign operations	(6,190)	11,765
Share of other comprehensive income (losses) of associates accounted for using the equity method	(109)	169
Subtotal	(6,300)	11,935
Other comprehensive income (loss), net of tax	(7,087)	12,038
Comprehensive income (loss)	(9,897)	14,793
Attributable to:		
Owners of the parent	(9,509)	14,271
Non-controlling interests	(388)	522
Total	(9,897)	14,793

Consolidated Statements of Changes in Equity

(Millions of Yen)

Three Months Ended March 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 period	—	—	(2,655)	—	—
Other comprehensive income (loss)	—	—	—	—	(6,063)
Total comprehensive income for the period	—	—	(2,655)	—	(6,063)
Purchase of treasury stock	—	—	—	(0)	—
Payment of dividends	—	—	(1,012)	—	—
Transfer from other components of equity to retained earnings	—	—	99	—	—
Other	—	—	—	—	—
Total transactions with owners	—	—	(913)	(0)	—
Ending balance	34,606	40,413	227,358	(14,005)	(19,543)

	Equity attributable to owners of the parent				Other components of equity	
	comprehensive income	Remeasurements of defined benefit plans	Subtotal	Total	Non-controlling interests	Total equity
Beginning balance	¥1,881	¥—	¥(11,598)	¥280,344	¥10,787	¥291,132
Loss for the period	—	—	—	(2,655)	(155)	(2,810)
Other comprehensive income (loss)	(889)	99	(6,854)	(6,854)	(233)	(7,087)
Total comprehensive income (loss) for the period	(889)	99	(6,854)	(9,509)	(388)	(9,897)
Purchase of treasury stock	—	—	—	(0)	—	(0)
Payment of dividends	—	—	—	(1,012)	—	(1,012)
Transfer from other components of equity to retained earnings	—	(99)	(99)	—	—	—
Other	—	—	—	—	(245)	(245)
Total transactions with owners	—	(99)	(99)	(1,013)	(245)	(1,258)
Ending balance	992	—	(18,551)	269,822	10,153	279,975

(Millions of Yen)

Three Months Ended March 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 period	—	—	2,698	—	—
Other comprehensive income	—	—	—	—	11,473
Total comprehensive income for the period	—	—	2,698	—	11,473
Purchase of treasury stock	—	—	—	(1)	—
Payment of dividends	—	—	(949)	—	—
Transfer from other components of equity to retained earnings	—	—	18	—	—
Other	—	—	—	—	—
Total transactions with owners	—	—	(930)	(1)	—
Ending balance	34,606	40,413	221,480	(14,007)	(4,727)

	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 period	—	—	—	2,698	57	2,755	
Other comprehensive income	83	16	11,572	11,572	465	12,038	
Total comprehensive income for the period	83	16	11,572	14,271	522	14,793	
Purchase of treasury stock	—	—	—	(1)	—	(1)	
Payment of dividends	—	—	—	(949)	—	(949)	
Transfer from other components of equity to retained earnings	(1)	(16)	(18)	—	—	—	
Other	—	—	—	—	44	44	
Total transactions with owners	(1)	(16)	(18)	(950)	44	(906)	
Ending balance	2,047	—	(2,680)	279,811	9,224	289,036	

Consolidated Statements of Cash Flows

(Millions of Yen)

	Three months Ended March 31, 2020	Three months Ended March 31, 2021
Cash flows from operating activities:		
Profit (loss) before tax	¥(2,794)	¥3,957
Depreciation and amortization	4,647	4,608
Change in net defined benefit assets and liabilities	(44)	(62)
Financial income	(211)	(1,186)
Financial costs	1,526	1,192
Share of profit in investments accounted for using the equity method	(14)	(49)
Decrease (increase) in trade and other receivables	4,227	(10,792)
Increase in inventories	(3,249)	(5,504)
Increase in trade and other payables	1,298	13,537
Other	(58)	(669)
Subtotal	5,327	5,028
Interests and dividends received	221	156
Interests paid	(95)	(86)
Income taxes paid	(380)	(1,251)
Net cash flows from operating activities	5,072	3,846
Cash flows from investing activities:		
Purchase of property, plant and equipment	(5,187)	(2,801)
Proceeds from sales of property, plant and equipment	6	3
Purchase of other financial assets	(6)	(32)
Proceeds from sales of other financial assets	—	4
Other	12	(73)
Net cash flows from investing activities	(5,174)	(2,899)
Cash flows from financing activities:		
Repayments of long-term borrowings	(2,185)	(2,185)
Proceeds from issuance of bonds	10,000	—
Purchase of treasury stock	(0)	(1)
Dividends paid	(1,014)	(950)
Dividends paid to non-controlling shareholders	(225)	—
Repayments of lease obligations	(435)	(451)
Net cash flows from financing activities	6,139	(3,587)
Effects of exchange rate changes on cash and cash equivalents	(667)	4,562
Net increase in cash and cash equivalents	5,369	1,921
Cash and cash equivalents at the beginning of the period	149,091	158,839
Cash and cash equivalents at the end of the period	154,461	160,760

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

	Japan	The Americas	Europe	China	Other	Total	Adjustments	Consolidated
(Millions of Yen)								
Revenue:								
Sales to customers	¥22,747	¥12,887	¥11,677	¥5,395	¥2,728	¥55,435	¥-	¥55,435
Inter-segment	9,713	64	51	331	457	10,618	(10,618)	-
Total	32,460	12,951	11,728	5,726	3,186	66,054	(10,618)	55,435
Segment income (loss)	(460)	(389)	(408)	(10)	242	(1,026)	452	(573)
Financial income	296	46	130	80	20	574	(363)	211
Financial costs	1,088	384	954	46	0	2,474	(42)	2,432
Profit (loss) before tax	(1,251)	(728)	(1,232)	23	262	(2,926)	131	(2,794)

(Note) All adjustments are intercompany elimination.

For the three months ended March 31, 2021 (January 1, 2021 to March 31, 2021)

	Japan	The Americas	Europe	China	Other	Total	Adjustments	Consolidated
(Millions of Yen)								
Revenue:								
Sales to customers	¥26,389	¥13,582	¥13,237	¥13,170	¥4,371	¥70,752	¥-	¥70,752
Inter-segment	14,103	38	48	597	699	15,487	(15,487)	-
Total	40,493	13,620	13,286	13,767	5,070	86,239	(15,487)	70,752
Segment income (loss)	2,628	49	(375)	1,843	553	4,699	(873)	3,826
Financial income	2,361	0	47	103	5	2,519	(1,332)	1,186
Financial costs	963	50	49	5	33	1,103	(47)	1,056
Profit (loss) before tax	4,026	(0)	(376)	1,941	525	6,115	(2,158)	3,957

(Note) All adjustments are intercompany elimination.

Subsequent event

Not applicable.

Additional information

(Accounting estimates on the effect of the novel coronavirus)

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

Additional notes:

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

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