

Consolidated Financial Results for the Six Months Ended June 30, 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
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Scheduled date of filing quarterly report (Japanese version only)	August 9, 2023
Scheduled starting date of dividend payment	September 12, 2023

1. Consolidated operating results and financial position as of and for the six months ended June 30, 2023 (January 1, 2023 to June 30, 2023)

(1) Consolidated Operating Results

Six Months Ended June 30	Revenue (Millions of Yen)		Operating Income (Millions of Yen)		Profit Before Tax (Millions of Yen)		Profit (Millions of Yen)		Profit Attributable to Owners of the Parent (Millions of Yen)		Total Comprehensive Income (Millions of Yen)	
2023	¥185,593	(0.6)%	¥16,471	(21.2)%	¥17,146	(23.1)%	¥12,283	(15.6)%	¥12,042	(16.2)%	¥35,677	(22.2)%
2022	186,670	23.6	20,905	88.9	22,291	106.2	14,562	93.0	14,366	91.0	45,873	103.7

Six Months Ended June 30	Basic Earnings per Share (Yen)	Diluted Earnings per Share (Yen)
2023	¥98.24	—
2022	116.85	—

(2) Consolidated Financial Position

	Total Assets (Millions of Yen)	Total Equity (Millions of Yen)	Equity Attributable to Owners of the Parent (Millions of Yen)	Ratio of Equity Attributable to Owners of the Parent
June 30, 2023	¥569,464	¥366,557	¥361,010	63.4%
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)	—	¥30.00	n/a	n/a	n/a
Year ending December 31, 2023 (Projected)	n/a	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)
Year ending December 31, 2023	¥345,000	(12.4)%	¥21,000	(39.1)%	¥22,500	(36.8)%	¥16,000	(24.5)%	¥130.51

(Note 1) Changes from forecasts most recently announced: The forecasts announced on February 13, 2023 have been amended to as in the above table.

(Note 2) The above forecasts are based upon the information currently available at the time of the announcement of this report. Actual performance may differ from the estimates due to various unforeseen factors.

Other Financial Information

(1) Significant change in scope of consolidation: None

(2) Changes in accounting policy and estimates, and restatement due to:

- | | |
|------------------------------------|---|
| a. Changes in accounting standards | 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:	June 30, 2023	129,856,903
	December 31, 2022	129,856,903
b. Treasury stock as of:	June 30, 2023	7,263,058
	December 31, 2022	7,276,353
c. Average number of common stock for the six months ended:	June 30, 2023	122,585,990
	June 30, 2022	122,949,587

Management's Discussion and Analysis

1. Outline of operating results

(1) Operating results (from January 1, 2023 to June 30, 2023)

In this six 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 automotive & transportation business, revenue headed for recovery despite the lingering impact of automobile production cuts due to parts supply shortages and other factors. As a result, consolidated revenue amounted to ¥185,593 million, down ¥1,076 million, or 0.6%, 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 1.6% from a year earlier to 75.6% due to the rise of various costs.

Selling, general and administrative (SGA) expenses amounted to ¥29,915 million, up ¥1,256 million, or 4.4%, compared to the figure a year earlier due to the full-fledged activities that THK has implemented in various fields for future growths after the COVID-19 pandemic. The ratio to revenue rose by 0.7% from a year earlier to 16.1% despite the THK Group's endeavors to contain costs and improve operating efficiency.

As a result, operating income amounted to ¥16,471 million, down ¥4,433 million, or 21.2%, compared to the figure a year earlier. Operating income margin dropped by 2.3% from a year earlier to 8.9%.

Finance income and finance costs were ¥1,126 million and 451 million, respectively.

As a result, income before tax amounted to ¥17,146 million, down ¥5,144 million, or 23.1%, compared to the figure a year earlier. Profit attributable to owners of the parent amounted to ¥12,042 million, down ¥2,324 million, or 16.2%, 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 ¥61,131 million, down ¥9,529 million, or 13.5%, compared to the figure a year earlier. The THK Group recorded operating income (segment income) of ¥7,301 million, down ¥8,244 million, or 53.0%, 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 automotive & transportation 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 ¥44,624 million, up ¥7,550 million, or 20.4%, compared to the figure a year earlier. The THK Group recorded operating income (segment income) of ¥1,374 million, up ¥1,647 million compared to the figure a year earlier (operating loss of ¥272 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 automotive & transportation 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 ¥37,019 million, up ¥7,878 million, or 27.0%, compared to the figure a year earlier. The THK Group recorded operating income (segment income) of ¥946 million, up ¥2,239 million compared to the figure a year earlier (operating loss of ¥1,293 million), due mainly to the increase in revenue.

(China)

In the industrial machinery business in China, while demand was decreasing overall, revenue amounted to ¥33,884 million, down ¥4,852 million, or 12.5%, compared to the figure a year earlier. Operating income (segment income) amounted to ¥5,395 million, down ¥1,624 million, or 23.1%, 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 ¥8,931 million, down ¥2,123 million, or 19.2%, compared to the figure a year earlier. Operating income (segment income) amounted to ¥725 million, down ¥252 million or 25.8%, compared to the figure a year earlier due mainly to the decrease in revenue.

2. Financial position (as of June 30, 2023)

Total assets stood at ¥569,464 million, ¥9,159 million up from the previous fiscal year-end, due mainly to a combined effect of decrease in (1) cash and cash equivalents by ¥4,193 million and (2) trade and other receivables by ¥5,158 million and increase in (1) inventories by ¥8,236 million and (2) property, plant and equipment by ¥10,562 million.

Total liabilities stood at ¥202,906 million, ¥20,117 million down from the previous fiscal year-end, due mainly to decrease in (1) trade and other payables by ¥5,307 million, (2) income taxes payable by ¥3,947 million, and (3) bonds and borrowings by ¥11,972 million.

Total equity stood at ¥366,557 million, ¥29,276 million up from the previous fiscal year-end, due mainly to increase in (1) retained earnings by ¥6,249 million and (2) other components of equity by ¥22,832 million.

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

For details of the financial forecasts for the year ending December 31, 2023, please refer to “Notice Regarding the Revision of Financial Forecasts” announced on today, August 8, 2023.

Consolidated Financial Statements

Consolidated Statements of Financial Position

(Millions of Yen)

	As of December 31, 2022	As of June 30, 2023
Assets:		
Current assets:		
Cash and cash equivalents	¥163,835	¥159,641
Trade and other receivables	96,665	91,507
Inventories	77,630	85,867
Other financial assets	1,500	501
Other current assets	13,309	12,184
Total current assets	<u>352,942</u>	<u>349,702</u>
Non-current assets:		
Property, plant and equipment	172,342	182,904
Goodwill and intangible assets	9,321	10,016
Investments accounted for using the equity method	6,814	7,055
Other financial assets	10,571	11,355
Deferred tax assets	5,305	4,966
Retirement benefit asset	2,926	3,386
Other non-current assets	80	76
Total non-current assets	<u>207,361</u>	<u>219,761</u>
Total assets	<u><u>560,304</u></u>	<u><u>569,464</u></u>

(Millions of Yen)

	As of December 31, 2022	As of June 30, 2023
Liabilities and equity:		
Liabilities:		
Current liabilities:		
Trade and other payables	¥51,631	¥46,324
Bonds and borrowings	22,961	23,123
Other financial liabilities	3,732	3,656
Provisions	129	42
Income taxes payable	7,169	3,221
Other current liabilities	17,538	18,743
Total current liabilities	<u>103,162</u>	<u>95,112</u>
Non-current liabilities:		
Bonds and borrowings	97,917	85,781
Other financial liabilities	9,130	8,849
Retirement benefit liabilities	4,256	4,197
Provisions	179	171
Deferred tax liabilities	5,939	6,059
Other non-current liabilities	2,437	2,734
Total non-current liabilities	<u>119,860</u>	<u>107,793</u>
Total Liabilities	223,023	202,906
Equity		
Common stock	34,606	34,606
Capital surplus	40,094	40,102
Retained earnings	245,941	252,191
Treasury stock	(17,160)	(17,129)
Other components of equity	28,406	51,239
Total equity attributable to owners of the parent	331,887	361,010
Non-controlling interests	5,393	5,547
Total Equity	<u>337,281</u>	<u>366,557</u>
Total liabilities and equity	<u><u>560,304</u></u>	<u><u>569,464</u></u>

Consolidated Statements of Profit or Loss

(Millions of Yen)

	Six months ended June 30, 2022	Six months ended June 30, 2023
Revenue	¥186,670	¥185,593
Cost of sales	138,092	140,300
Gross profit	48,577	45,292
Selling, general and administrative expenses	28,658	29,915
Other income	1,035	1,393
Other expenses	335	394
Share of profit in investments accounted for using the equity method	287	94
Operating income	20,905	16,471
Financial income	2,285	1,126
Financial costs	899	451
Profit before tax	22,291	17,146
Income tax expense	7,728	4,862
Profit	14,562	12,283
Profit attributable to:		
Owners of the parent	14,366	12,042
Non-controlling interests	195	241
Profit	14,562	12,283
Earnings per share:		
Basic earnings per share (yen)	116.85	98.24
Diluted earnings per share (yen)	—	—

Consolidated Statements of Comprehensive Income

(Millions of Yen)

	Six months ended June 30, 2022	Six months ended June 30, 2023
Profit	¥14,562	¥12,283
Other comprehensive income		
Items that will not be reclassified to profit or loss:		
Financial assets measured at fair value through other comprehensive income	(564)	678
Remeasurements of defined benefit plans	183	179
Share of other comprehensive income of associates accounted for using the equity method	(18)	154
Total of items that will not be reclassified to profit or loss	(399)	1,012
Items that may be reclassified to profit or loss:		
Exchange differences on translation of foreign operations	31,186	22,010
Share of other comprehensive income of investments accounted for using the equity method	524	370
Total of items that may be reclassified to profit or loss	31,710	22,380
Other comprehensive income, net of tax	31,310	23,393
Comprehensive income	45,873	35,677
Comprehensive income attributable to:		
Owners of the parent	44,346	35,212
Non-controlling interests	1,527	465
Comprehensive income	45,873	35,677

Consolidated Statements of Changes in Equity

(Millions of Yen)

Six Months Ended June 30, 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	—	—	14,366	—	—
Other comprehensive income	—	—	—	—	30,383
Total comprehensive income	—	—	14,366	—	30,383
Purchase of treasury stock	—	—	—	(5,957)	—
Disposal of treasury stock	—	—	—	36	—
Dividends	—	—	(4,924)	—	—
Changes in ownership interests in subsidiaries without losing control	—	985	—	—	73
Transfer from other components of equity to retained earnings	—	—	163	—	—
Other	—	3	—	—	—
Total transactions with owners	—	989	(4,760)	(5,921)	73
Ending balance	34,606	41,403	243,213	(17,159)	35,963

	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	¥1,658	¥—	¥7,165	¥304,555	¥9,733	¥314,289
Profit	—	—	—	14,366	195	14,562
Other comprehensive income	(568)	163	29,979	29,979	1,331	31,310
Total comprehensive income	(568)	163	29,979	44,346	1,527	45,873
Purchase of treasury stock	—	—	—	(5,957)	—	(5,957)
Disposal of treasury stock	—	—	—	36	—	36
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	—	(163)	(163)	—	—	—
Other	—	—	—	3	(862)	(858)
Total transactions with owners	—	(163)	(90)	(9,783)	(1,921)	(11,704)
Ending balance	1,090	—	37,054	339,118	9,340	348,458

(Millions of Yen)

Six Months Ended June 30, 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	—	—	12,042	—	—	
Other comprehensive income	—	—	—	—	22,156	
Total comprehensive income	—	—	12,042	—	22,156	
Purchase of treasury stock	—	—	—	(0)	—	
Disposal of treasury stock	—	8	—	31	—	
Dividends	—	—	(6,129)	—	—	
Transfer from other components of equity to retained earnings	—	—	336	—	—	
Other	—	—	—	—	—	
Total transactions with owners	—	8	(5,792)	31	—	
Ending balance	34,606	40,102	252,191	(17,129)	49,390	

	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	—	—	—	12,042	241	12,283	
Other comprehensive income	683	329	23,169	23,169	224	23,393	
Total comprehensive income	683	329	23,169	35,212	465	35,677	
Purchase of treasury stock	—	—	—	(0)	—	(0)	
Disposal of treasury stock	—	—	—	40	—	40	
Dividends	—	—	—	(6,129)	—	(6,129)	
Transfer from other components of equity to retained earnings	(7)	(329)	(336)	—	—	—	
Other	—	—	—	—	(311)	(311)	
Total transactions with owners	(7)	(329)	(336)	(6,089)	(311)	(6,400)	
Ending balance	1,848	—	51,239	361,010	5,547	366,557	

Consolidated Statements of Cash Flows

(Millions of Yen)

	Six months ended June 30, 2022	Six months ended June 30, 2023
Cash flows from operating activities :		
Profit before tax	¥22,291	¥17,146
Depreciation and amortization	10,052	10,521
Change in retirement benefit assets or liabilities	(225)	(365)
Financial income	(2,285)	(31)
Financial costs	1,613	451
Share of profit of investments accounted for using the equity method	(287)	(94)
(Increase) decrease in trade and other receivables	(10,833)	9,266
(Increase) decrease in inventories	(5,587)	(3,455)
Increase (decrease) in trade and other payables	(387)	(6,179)
Other	2,137	1,317
Subtotal	16,489	28,576
Interests and dividends received	406	1,072
Interests paid	(189)	(210)
Income taxes paid	(7,880)	(8,306)
Net cash provided by (used in) operating activities	8,826	21,132
Cash flows from investing activities:		
Purchase of property, plant and equipment	(13,062)	(12,046)
Proceeds from sales of property, plant and equipment	169	75
Purchase of other financial assets	(130)	(162)
Proceeds from sales of other financial assets	10	13
Other	(316)	325
Net cash provided by (used in) investing activities	(13,329)	(11,793)
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	(5,018)	(6,119)
Dividends paid to non-controlling interests	(758)	(343)
Repayments of lease liabilities	(949)	(950)
Net cash provided by (used in) financing activities	(14,869)	(19,598)
Effects of exchange rate changes on cash and cash equivalents	10,745	6,066
Net increase (decrease) in cash and cash equivalents	(8,626)	(4,193)
Cash and cash equivalents at the beginning of the period	151,430	163,835
Cash and cash equivalents at the end of the period	142,804	159,641

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 or loss is computed based on operating income or loss. The reportable segment information is prepared under the same accounting policies as those used in consolidation. Inter-segment sales and transfer are stated at amounts based on their fair market values. All adjustments in the following tables are intersegment elimination on consolidation.

2. Reportable segments

For the six months ended June 30, 2022 (January 1, 2022 to June 30, 2022)

	Japan	The Americas	Europe	China	Other	Total	Adjustments	Consolidated
(Millions of Yen)								
Revenue:								
Revenue from external customers	¥70,661	¥37,074	¥29,141	¥38,737	¥11,054	¥186,670	¥-	¥186,670
Intersegment revenue	37,560	144	239	2,270	1,912	42,126	(42,126)	-
Total	108,221	37,219	29,381	41,007	12,967	228,797	(42,126)	186,670
Segment income (loss)	15,546	(272)	(1,293)	7,019	978	21,979	(1,074)	20,905
Financial income	7,245	95	154	480	22	7,998	(5,712)	2,285
Financial costs	471	92	425	11	114	1,116	(216)	899
Profit (loss) before tax	22,320	(269)	(1,564)	7,488	886	28,861	(6,570)	22,291

(Note) All adjustments are intercompany elimination.

For the six months ended June 30, 2023 (January 1, 2023 to June 30, 2023)

	Japan	The Americas	Europe	China	Other	Total	Adjustments	Consolidated
(Millions of Yen)								
Revenue:								
Revenue from external customers	¥61,131	¥44,624	¥37,019	¥33,884	¥8,931	¥185,593	¥-	¥185,593
Intersegment revenue	32,342	42	153	2,678	2,259	37,476	(37,476)	-
Total	93,473	44,667	37,173	36,563	11,191	223,069	(37,476)	185,593
Segment income	7,301	1,374	946	5,395	725	15,744	727	16,471
Financial income	5,852	660	892	244	37	7,687	(6,561)	1,126
Financial costs	519	182	826	12	60	1,601	(1,149)	451
Profit before tax	12,634	1,853	1,012	5,627	703	21,830	(4,684)	17,146

(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.