

Consolidated Financial Results for the Fiscal Year Ended December 31, 2021 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-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 19, 2022
Scheduled date of commencing dividend payments	March 22, 2022
Date of filing the Securities Report (Japanese version only)	March 22, 2022

1. Consolidated Operating Results and Financial Position as of and for the fiscal year ended December 31, 2021 (January 1, 2021 to December 31, 2021)

(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)	
2021	¥318,188	45.3%	¥30,268	—%	¥29,984	—%	¥23,007	—%	¥47,934	—%
2020	218,998	(20.2)	(8,499)	—	(9,725)	—	(9,992)	—	(13,791)	—

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
2021	¥181.97	—	8.1%	6.1%	9.5%
2020	(78.95)	—	(3.7)	(2.1)	(3.9)

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

Year ended December 31, 2021	¥358 million
Year ended December 31, 2020	160 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)
2021	¥516,086	¥314,289	¥304,555	59.0%	¥2,442.90
2020	460,173	275,148	266,491	57.9	2,105.54

(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)
2021	¥15,643	¥(19,125)	¥(12,725)	¥151,430
2020	25,399	(18,406)	3,977	158,839

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 ended December 31, 2021 (Actual)	—	20.50	—	39.50	60.00
Year ending December 31, 2022 (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, 2020 (Actual)	¥1,898		—%	0.7%	
Year ended December 31, 2021 (Actual)	7,519		33.0%	2.6%	
Year ending December 31, 2022 (Projected)	n/a		—	n/a	

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

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

THK's basic dividend policy is to set its payout ratio at 30% on a consolidated basis. The amounts of dividends for the year ending December 31, 2022 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, 2022 (January 1, 2022 to December 31, 2022)

	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, 2022	¥177,000	17.2%	¥19,000	71.7%	¥19,200	77.6%	¥13,700	82.2%	¥111.78
Year ending December 31, 2022	365,000	14.7	43,000	42.1	43,200	44.1	30,800	33.9	251.29

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, 2021	129,856,903
	December 31, 2020	133,856,903
b. Treasury stock as of:	December 31, 2021	5,187,536
	December 31, 2020	7,290,246
c. Average number of common stock for the year ended:	December 31, 2021	126,434,949
	December 31, 2020	126,567,088

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

(1) Operating Results

Year Ended (Millions of Yen)	Net Sales		Operating Income		Ordinary Income		Net Income (Loss)	
December 31, 2021	¥167,583	62.9 %	¥16,718	— %	¥21,914	934.6 %	¥18,348	— %
December 31, 2020	102,866	(24.5)	365	(96.9)	2,118	(86.5)	(13,183)	—
Year Ended March 31 (Yen)	Net Income (Loss) Per Share-Basic		Net Income Per Share-Diluted					
December 31, 2021	¥145.12		¥ —					
December 31, 2020	(104.16)		—					

(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, 2021	¥397,066	¥239,760	60.4 %	¥1,923.12
As of December 31, 2020	370,608	230,190	62.1	1,818.68

(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, 2021:	¥239,760 million
	As of December 31, 2020:	230,190 million

2. Non-Consolidated forecasts for the year ending December 31, 2022 (January 1, 2022 to December 31, 2022)

	Net Sales (Millions of Yen)		Operating Income (Millions of Yen)		Ordinary Income (Millions of Yen)		Net Income (Millions of Yen)		Net Income per Share(Yen)
Six-month period ending June 30, 2022	¥91,500	19.3%	¥9,100	80.2%	¥12,300	78.2%	¥9,900	84.4%	¥80.77
Year ending December 31, 2022	188,000	12.2	20,000	19.6	23,900	9.1	18,100	(1.4)	147.67

Management's Discussion and Analysis

1. Outline of operating results

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

In this fiscal year, while there were strong uncertainties remaining in the outlook for the global economy due to the worldwide COVID-19 pandemic; however, in addition to China, which resumed its economic activities earlier than other countries, the economies in the United States and other developed countries 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.

In the industrial machinery business, following China, which resumed its economic activities earlier than other countries, demand has rapidly recovered in other areas including developed countries. The THK Group captured such demand and successfully increased revenue. On the other hand, the transportation equipment business was affected by the automobile production cuts due to shortages in semiconductors and other components. As a result, consolidated revenue amounted to ¥318,188 million, up ¥99,189 million, or 45.3%, compared to the figure a year earlier.

On the cost front, in spite of the automobile production cuts and price hikes in steel products, the cost to revenue ratio improved by 3.9% from a year earlier to 74.9% because of the increased revenue in the industrial machinery business and the various activities to improve its productivity that THK Group has implemented.

Selling, general and administrative (SGA) expenses amounted to ¥50,988 million, up ¥6,154 million, or 13.7%, compared to the figure a year earlier due mainly to the increased sales. The ratio to revenue improved by 4.5% from a year earlier to 16.0% because of the THK Group's endeavors to contain costs and improve operating efficiency as well as the increased sales.

As a result, the THK Group recorded operating income of ¥30,268 million, which rose by ¥38,768 million from operating loss of ¥8,499 million a year earlier.

Finance income and finance costs were ¥2,145 million and 2,430 million, respectively.

As a result, the THK Group recorded income before tax of ¥29,984 million, which rose by ¥39,709 million from loss before tax of ¥9,725 million a year earlier, and profit for the year attributable to owners of the parent of ¥23,007 million, which rose by ¥32,999 million from loss for the year attributable to owners of the parent of ¥9,992 million a year earlier.

(2) Operating results by segment

(Japan)

In the industrial machinery business 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 stably captured such demand and successfully increased revenue by utilizing various measures to improve its productivity such as plant expansion, automation and robotization that the THK Group has implemented. As a result, revenue amounted to ¥123,373 million, up ¥32,994 million, or 36.5%, compared to the figure a year earlier. The THK Group recorded operating income (segment income) of ¥22,262 million, which rose by ¥39,663 million from operating loss (segment loss) of ¥17,400 million a year earlier due mainly to the increased revenue.

(The Americas)

In the industrial machinery business 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 stably captured such demand and successfully increased revenue by utilizing various measures to improve its productivity that the THK Group has implemented. As a result, revenue amounted to ¥57,220 million, up ¥11,201 million, or 24.3%, compared to the figure a year earlier. The THK Group recorded operating loss (segment loss) of ¥1,134 million due to the loss recorded in the transportation equipment business, although the degree of loss improved by ¥2,105 million from operating loss (segment loss) of ¥3,239 million a year earlier mainly because of the increased revenue.

(Europe)

In the industrial machinery business in Europe, while there were signs of recovery in demand across the board, the THK Group stably captured such demand and successfully increased revenue by utilizing various measures to improve its productivity that the THK Group has implemented. As a result, revenue amounted to ¥50,247 million, up ¥10,973 million, or 27.9%, compared to the figure a year earlier. The THK Group recorded operating loss (segment loss) of ¥1,337 million due to the loss recorded in the transportation equipment business, although the degree of loss improved by ¥4,645 million from operating loss (segment loss) of ¥5,983 million a year earlier mainly because of 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 ¥67,072 million, up ¥33,987 million, or 102.7%, compared to the figure a year earlier. Operating income (segment income) amounted to ¥9,459 million, up ¥5,729 million, or 153.6%, compared to the figure 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 the THK Group's revenue in some countries. As a result, revenue amounted to ¥20,274 million, up ¥10,033 million, or 98.0%, compared to the figure a year earlier. Operating income (segment income) amounted to ¥2,278 million, up ¥1,631 million or 252.2%, compared to the figure a year earlier due mainly to the increased sales.

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

Total assets stood at ¥516,086 million, ¥55,912 million more than the previous fiscal year-end, due mainly to a combined effect of decrease in cash and cash equivalents by ¥7,408 million and increase in (1) trade and other receivables by ¥26,788 million, (2) inventories by ¥17,141 million, (3) property, plant and equipment by ¥12,213 million, and (4) deferred tax assets by ¥2,592 million.

Total liabilities stood at ¥201,796 million, ¥16,771 million more than the previous fiscal year-end, due mainly to a combined effect of decrease in bonds and borrowings by ¥811 million and increase in (1) trade and other payables by ¥9,691 million and (2) income taxes payable by ¥6,962 million.

Total equity stood at ¥314,289 million, ¥39,140 million more than the previous fiscal year-end, due mainly to increase in (1) retained earnings by ¥13,894 million, (2) treasury stock by ¥2,768 million, (3) other components of equity by ¥21,400 million, and (4) non-controlling interests by ¥1,076 million.

For reference: Cash Flow Indices (Consolidated)

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

3. Outlook

Considering the latest demand situation in the industrial machinery business that has been robust in Japan and overseas, THK expects ¥365,000 million of revenue for the year ending December 31, 2022. In terms of profit or loss, because of the higher revenue and various activities to improve its profitability, THK expects ¥43,000 million of operating income, ¥43,200 million of profit before tax, and ¥30,800 million of profit for the year attributable to the owners of the parent.

Year ending December 31, 2022 (Consolidated)

	Revenue	Operating Income	Profit before Tax	Profit for the Year
Millions of Yen	365,000	¥43,000	¥43,200	¥30,800
Component Ratio	100.0%	11.8%	11.8%	8.4%
Percentage Change	14.7%	42.1%	44.1%	33.9%

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

U.S. dollar 1=¥110.00

Euro 1=¥125.00

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.

Since THK celebrated 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 ended December 31, 2021. In accordance with this policy, THK plans to pay ¥39.5 per share for the year-end dividends. As a result, cash dividends applicable for the year ended December 31, 2021 will be ¥60.0 per share, including the interim dividends of ¥20.5 per share.

The amounts of dividends for the year ending December 31, 2022 will be announced as soon as they are determined.

Consolidated Financial Statements

Consolidated Statements of Financial Position

(Millions of Yen)

	As of December 31, 2020	As of December 31, 2021
Assets:		
Current assets:		
Cash and cash equivalents	¥158,839	¥151,430
Trade and other receivables	59,505	86,293
Inventories	47,237	64,378
Other financial assets	14	0
Other current assets	8,899	11,818
Total current assets	<u>274,495</u>	<u>313,922</u>
Non-current assets:		
Property, plant and equipment	145,922	158,135
Goodwill and intangible assets	18,779	18,744
Investments accounted for using the equity method	5,686	6,048
Other financial assets	10,013	10,388
Deferred tax assets	2,937	5,530
Net defined benefit asset	2,227	3,224
Other non-current assets	110	90
Total non-current assets	<u>185,678</u>	<u>202,163</u>
Total assets	<u><u>460,173</u></u>	<u><u>516,086</u></u>

(Millions of Yen)

As of December 31, 2020

As of December 31, 2021

Liabilities and equity:**Liabilities:**

Current liabilities:

Trade and other payables	¥40,293	¥49,984
Bonds and borrowings	2,244	2,545
Other financial liabilities	2,579	2,931
Provisions	763	341
Income taxes payable	1,001	7,964
Other current liabilities	11,617	14,831
Total current liabilities	58,500	78,599

Non-current liabilities:

Bonds and borrowings	100,325	99,212
Other financial liabilities	11,243	10,128
Net defined benefit liabilities	7,014	5,701
Provisions	182	189
Deferred tax liabilities	5,463	5,396
Other non-current liabilities	2,295	2,569
Total non-current liabilities	126,524	123,197

Total Liabilities	185,024	201,796
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Equity

Common stock	34,606	34,606
Capital surplus	40,413	40,413
Retained earnings	219,712	233,607
Treasury stock	(14,006)	(11,237)
Other components of equity	(14,235)	7,165
Total equity attributable to owners of the parent	266,491	304,555
Non-controlling interests	8,657	9,733
Total Equity	275,148	314,289

Total liabilities and equity	460,173	516,086
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Consolidated Statements of Profit or Loss

(Millions of Yen)

	Year Ended December 31, 2020	Year Ended December 31, 2021
Revenue	¥218,998	¥318,188
Cost of sales	172,567	238,434
Gross profit	46,430	79,753
Selling, general and administrative expenses	44,833	50,988
Other income	3,960	2,316
Other expenses	14,217	1,171
Share of profit in investments accounted for using the equity method	160	358
Operating income (loss)	(8,499)	30,268
Financial income	764	2,145
Financial costs	1,990	2,430
Profit (loss) before tax	(9,725)	29,984
Income tax expense	2,132	6,820
Profit (loss) for the year	<u>(11,857)</u>	<u>23,164</u>
Attributable to:		
Owners of the parent	(9,992)	23,007
Non-controlling interests	<u>(1,865)</u>	157
Total	<u>(11,857)</u>	<u>23,164</u>
Earnings (loss) per share:		
Basic(Yen)	(78.95)	181.97
Diluted(Yen)	—	—

Consolidated Statements of Comprehensive Income

(Millions of Yen)

	Year Ended December 31, 2020	Year Ended December 31, 2021
Profit (loss) for the year	¥(11,857)	¥23,164
Other comprehensive income		
Items that may not be reclassified subsequently to profit or loss:		
Financial assets measured at fair value through other comprehensive income	109	28
Remeasurements of defined benefit plans	718	2,062
Share of other comprehensive income (losses) of associates accounted for using the equity method	7	(46)
Subtotal	836	2,044
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translating foreign operations	(3,076)	22,601
Share of other comprehensive income of associates accounted for using the equity method	306	124
Subtotal	(2,769)	22,725
Other comprehensive income (loss), net of tax	(1,933)	24,770
Comprehensive income (loss)	(13,791)	47,934
Attributable to:		
Owners of the parent	(11,897)	46,696
Non-controlling interests	(1,893)	1,237
Total	(13,791)	47,934

Consolidated Statements of Changes in Equity

(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

(Millions of Yen)

Year Ended December 31, 2021	Equity attributable to owners of the parent				Other components of equity
	Common stock	Capital surplus	Retained earnings	Treasury stock	Exchange differences on translating foreign operations
Beginning balance	¥34,606	¥40,413	¥219,712	¥(14,006)	¥(16,201)
Profit for the year	—	—	23,007	—	—
Other comprehensive income	—	—	—	—	21,707
Total comprehensive income for the year	—	—	23,007	—	21,707
Purchase of treasury stock	—	—	—	(5,088)	—
Cancellation of treasury stock	—	—	(7,857)	7,857	—
Payment of dividends	—	—	(3,543)	—	—
Transfer from other components of equity to retained earnings	—	—	2,288	—	—
Other	—	—	—	—	—
Total transactions with owners	—	—	(9,112)	2,768	—
Ending balance	34,606	40,413	233,607	(11,237)	5,506

	Equity attributable to owners of the parent				Other components of equity	
	Financial assets measured at fair value through other comprehensive income	Remeasurements of defined benefit plans	Subtotal	Total	Non-controlling interests	Total equity
Beginning balance	¥1,966	¥—	¥(14,235)	¥266,491	¥8,657	¥275,148
Profit for the year	—	—	—	23,007	157	23,164
Other comprehensive income	30	1,951	23,689	23,689	1,080	24,770
Total comprehensive income for the year	30	1,951	23,689	46,696	1,237	47,934
Purchase of treasury stock	—	—	—	(5,088)	—	(5,088)
Cancellation of treasury stock	—	—	—	—	—	—
Payment of dividends	—	—	—	(3,543)	—	(3,543)
Transfer from other components of equity to retained earnings	(337)	(1,951)	(2,288)	—	—	—
Other	—	—	—	—	(161)	(161)
Total transactions with owners	(337)	(1,951)	(2,288)	(8,632)	(161)	(8,794)
Ending balance	1,658	—	7,165	304,555	9,733	314,289

Consolidated Statements of Cash Flows

(Millions of Yen)

	Year Ended December 31, 2020	Year Ended December 31, 2021
Cash flows from operating activities:		
Profit (loss) before tax	¥(9,725)	¥29,984
Depreciation and amortization	18,675	18,748
Impairment losses	8,083	—
Change in net defined benefit assets and liabilities	(14)	63
Financial income	(764)	(2,145)
Financial costs	1,121	1,719
Share of profit in investments accounted for using the equity method	(160)	(358)
Decrease (increase) in trade and other receivables	3,754	(24,898)
Decrease (increase) in inventories	687	(14,196)
Increase in trade and other payables	1,381	10,601
Other	1,794	(958)
Subtotal	24,834	18,559
Interests and dividends received	775	622
Interests paid	(368)	(322)
Income taxes refunded (paid)	158	(3,216)
Net cash flows from operating activities	25,399	15,643
Cash flows from investing activities:		
Purchase of property, plant and equipment	(18,009)	(19,248)
Proceeds from sales of property, plant and equipment	77	46
Purchase of other financial assets	(183)	(215)
Proceeds from sales of other financial assets	20	507
Other	(312)	(215)
Net cash flows from investing activities	(18,406)	(19,125)
Cash flows from financing activities:		
Repayments of long-term borrowings	(2,185)	(2,185)
Proceeds from issuance of bonds	30,000	—
Payments for redemption of bonds	(20,000)	—
Purchase of treasury stock	(2)	(5,088)
Dividends paid	(1,990)	(3,568)
Dividends paid to non-controlling shareholders	(232)	(98)
Repayments of lease obligations	(1,613)	(1,785)
Net cash flows from financing activities	3,977	(12,725)
Effects of exchange rate changes on cash and cash equivalents	(1,222)	8,799
Net increase (decrease) in cash and cash equivalents	9,747	(7,408)
Cash and cash equivalents at the beginning of the year	149,091	158,839
Cash and cash equivalents at the end of the year	158,839	151,430

Notes to Consolidated Statements of Profit or Loss

1. Employment Adjustment Subsidy

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

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

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

The THK group recorded ¥417 million of other income for the employment adjustment subsidy corresponding to the COVID-19 pandemic.

2. Impairment of Non-financial Assets

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

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.

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

Not applicable.

3. Restructuring Costs

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

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.

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

Not applicable.

4. Temporary Lay-Off Costs

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

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.

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

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 ¥288 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, 2020 (January 1, 2020 to December 31, 2020)

	Japan	The Americas	Europe	China	Other	Total	Adjustments	Consolidated
(Millions of Yen)								
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.

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

(Millions of Yen)

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

(Note) All adjustments are intercompany elimination.

Per Share Information

	Year Ended December 31, 2020	Year Ended December 31, 2021
Profit (loss) attributable to owners of the parent (millions of yen)	¥(9,992)	¥23,007
Weighted-average number of issued shares (thousands of shares)	126,567	126,434
Basic earnings (loss) per share (yen)	(78.95)	181.97

(Note) THK did not have any shares with potentially-dilutive effects for the years ended December 31, 2020 and 2021.

Subsequent event

Not applicable

Additional Information

(Accounting estimates associated with the COVID-19 pandemic)

Although demand has been recovering in the industrial machinery business, the transportation equipment business has been affected by the automobile production cuts due to shortages in semiconductors and other components. In addition, the impact of the spread of the new variant of COVID-19 still remains uncertain. In such circumstances, the THK Group has assumed that it would not significantly affect the THK Group's operations. The estimates regarding impairment of non-current assets, recoverability of deferred tax assets, and other items have been made based on such assumption.

However, because of its high uncertainty, it will affect the THK Group's financial position and operating results depending on the circumstances in the future.

Appointment/resignation of directors (Scheduled effective date: March 19, 2022)

1、 Appointment/resignation of representative

Not applicable

2、 Director to be newly nominated

Name
Junko Kai (Lawyer)

Scheduled position in the THK Group
Outside Director of THK CO., LTD.

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.