

## Consolidated Financial Results for the Six Months Ended June 30, 2022 under IFRS

Company Name	THK CO., LTD.
Head Office	Tokyo, Japan (Tel: +81-3-5730-3911)
URL	<a href="https://www.thk.com/">https://www.thk.com/</a>
Stock exchange listing	Tokyo Stock Exchange Prime Market
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)	August 10, 2022
Scheduled starting date of dividend payment	September 9, 2022

### 1. Consolidated operating results and financial position as of and for the six months ended June 30, 2022 (January 1, 2022 to June 30, 2022)

#### (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 for the Period (Millions of Yen)		Profit Attributable to Owners of the Parent (Millions of Yen)		Total Comprehensive Income (Millions of Yen)	
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%
2021	151,040	46.6	11,067	—	10,809	—	7,545	—	7,521	—	22,516	—

  

Six Months Ended June 30	Basic Earnings per Share (Yen)	Diluted Earnings per Share (Yen)
2022	¥116.85	—
2021	59.42	—

#### (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, 2022	¥550,599	¥348,458	¥339,118	61.6%
December 31, 2021	516,086	314,289	304,555	59.0

## 2. Dividends

	Dividend Per Share (Yen)				
	First Quarter end	Second Quarter end	Third Quarter end	Year/Period end	Total
Year ended December 31, 2021 (Actual)	¥—	¥20.50	¥—	¥39.50	¥60.00
Year ending December 31, 2022 (Actual)	—	¥37.00	n/a	n/a	n/a
Year ending December 31, 2022 (Projected)	n/a	n/a	—	—	—

(Note 1) Change in dividend projection: None

(Note 2) Dividends for the year ended December 31, 2021 consisted 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)
Year ending December 31, 2022	365,000	14.7	43,000	42.1	43,200	44.1	30,800	33.9	251.29

(Note) Changes from forecasts most recently announced: None

### Other Financial Information

(1) Significant change in scope of consolidation: None

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

- a. Changes in accounting standards: 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:	June 30, 2022	129,856,903
	December 31, 2021	129,856,903
b. Treasury stock as of:	June 30, 2022	7,276,053
	December 31, 2021	5,187,536
c. Average number of common stock for the six months ended:	June 30, 2022	122,949,587
	June 30, 2021	126,566,346

# Management's Discussion and Analysis

## 1. Outline of operating results

### (1) Operating results (from January 1, 2022 to June 30, 2022)

In this six months period, while there were strong uncertainties remaining in the outlook for the global economy due to the worldwide COVID-19 pandemic; however, the recovery trend continued in the economies in China and other regions including developed countries.

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, while demand for products related to semiconductor, automation, robotization, and electric vehicles was robust across the board in China and other regions, the THK Group captured such demand and successfully increased revenue by utilizing various measures to improve its productivity and plant expansion that the THK Group has implemented. On the other hand, in the transportation equipment business, the impact of the automobile production cutbacks continued due to shortages in semiconductors and other components, as well as parts procurement difficulties caused by the lockdowns in some regions of China and the situation in Ukraine. As a result, along with the depreciation of yen, consolidated revenue amounted to ¥186,670 million, up ¥35,630 million, or 23.6%, compared to the figure a year earlier.

On the cost front, the cost to revenue ratio improved by 2.2% from a year earlier to 74.0% because of the increased revenue and the depreciation of yen, as well as the various activities to improve its productivity that THK Group has implemented.

Selling, general and administrative (SGA) expenses amounted to ¥28,658 million, up ¥3,199 million, or 12.6%, compared to the figure a year earlier due mainly to the increased sales. The ratio to revenue improved by 1.5% from a year earlier to 15.4% because of the THK Group's endeavors to contain costs and improve operating efficiency as well as the increased sales.

As a result, operating income amounted to ¥20,905 million, up ¥9,837 million, or 88.9%, compared to the figure a year earlier. Operating income margin improved by 3.9% from a year earlier to 11.2%.

Finance income and finance costs were ¥2,285 million and 899 million, respectively.

As a result, income before tax amounted to ¥22,291 million, up ¥11,481 million, or 106.2%, compared to the figure a year earlier. Profit for the period attributable to owners of the parent amounted to ¥14,366 million, up ¥6,845 million, or 91.0%, compared to the figure a year earlier.

## (2) Operating results by segment

### (Japan)

In the industrial machinery business in Japan, demand was strong across the board, particularly in electronics products that has been robust. 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 ¥70,661 million, up ¥13,923 million, or 24.5%, compared to the figure a year earlier. The THK Group recorded operating income (segment income) of ¥15,546 million, up ¥6,778 million, or 77.3%, compared to the figure a year earlier due mainly to the increased revenue.

### (The Americas)

In the industrial machinery business in the Americas, demand was strong across the board, particularly in 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 ¥37,074 million, up ¥9,517 million, or 34.5%, compared to the figure a year earlier. The THK Group recorded operating loss (segment loss) of ¥272 million, due to the loss recorded in the transportation equipment business, despite that the profitability of this segment improved by ¥346 million compared to the figure a year earlier (operating loss of ¥618 million) because of the increased revenue.

### (Europe)

In the industrial machinery business in Europe, while demand was strong 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 ¥29,141 million, up ¥2,780 million, or 10.5%, compared to the figure a year earlier. The THK Group recorded operating loss (segment loss) of ¥1,293 million, which worsened by ¥360 million compared to the figure a year earlier (operating loss of ¥933 million), due to the loss recorded in the transportation equipment business.

### (China)

In China, while demand was strong 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 ¥38,737 million, up ¥7,787 million, or 25.2%, compared to the figure a year earlier. Operating income (segment income) amounted to ¥7,019 million, up ¥3,168 million, or 82.3%, 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 ¥11,054 million, up ¥1,621 million, or 17.2%, compared to the figure a year earlier. As to profitability, however, operating income (segment income) amounted to ¥978 million, down ¥192 million or 16.4%, compared to the figure a year earlier.

## **2. Financial position (as of June 30, 2022)**

Total assets stood at ¥550,599 million, ¥34,513 million more than the previous fiscal year-end, due mainly to a combined effect of decrease in cash and cash equivalents by ¥8,626 million and increase in: (1) trade and other receivables by ¥13,126 million, (2) inventories by ¥10,969 million, (3) property, plant and equipment by ¥15,449 million, and (4) goodwill and intangible assets by ¥1,311 million.

Total liabilities stood at ¥202,140 million, ¥343 million more than the previous fiscal year-end, due mainly to a combined effect of decrease in: (1) bonds and borrowings by ¥653 million and (2) income taxes payable by ¥2,578 million and increase in: (1) trade and other payables by ¥496 million and (2) other current liabilities by ¥3,011 million.

Total equity stood at ¥348,458 million, ¥34,169 million more than the previous fiscal year-end, due mainly to a combined effect of decrease owing to purchase of treasury stock by ¥5,921 million and increase in: (1) retained earnings by ¥9,606 million and (2) other components of equity by ¥29,888 million.

## **3. Forecast for the fiscal year ending December 31, 2022**

THK has not revised the consolidated forecasts for the year ending December 31, 2022, which were reported in the announcement dated February 9, 2022. As to non-consolidated forecasts, THK has revised the non-consolidated forecasts announced on February 9, 2022. For details, please refer to "Notice Regarding the Differences between Non-Consolidated Financial Forecasts and Actual Results for the Six Months Ended June 30, 2022 and Revision of Non-Consolidated Financial Forecasts for the Year Ending December 31, 2022" announced today, August 9, 2022.

## Consolidated Financial Statements

### Consolidated Statements of Financial Position

(Millions of Yen)

	As of December 31, 2021	As of June 30, 2022
<b>Assets:</b>		
Current assets:		
Cash and cash equivalents	¥151,430	¥142,804
Trade and other receivables	86,293	99,420
Inventories	64,378	75,348
Other financial assets	0	1,502
Other current assets	11,818	12,688
Total current assets	<u>313,922</u>	<u>331,764</u>
Non-current assets:		
Property, plant and equipment	158,135	173,585
Goodwill and intangible assets	18,744	20,056
Investments accounted for using the equity method	6,048	6,579
Other financial assets	10,388	9,775
Deferred tax assets	5,530	4,993
Net defined benefit asset	3,224	3,752
Other non-current assets	90	91
Total non-current assets	<u>202,163</u>	<u>218,834</u>
Total assets	<u><u>516,086</u></u>	<u><u>550,599</u></u>

(Millions of Yen)

	As of December 31, 2021	As of June 30, 2022
<b>Liabilities and equity:</b>		
<b>Liabilities:</b>		
Current liabilities:		
Trade and other payables	¥49,984	¥50,481
Bonds and borrowings	2,545	12,953
Other financial liabilities	2,931	2,749
Provisions	341	214
Income taxes payable	7,964	5,385
Other current liabilities	14,831	17,843
Total current liabilities	<u>78,599</u>	<u>89,627</u>
Non-current liabilities:		
Bonds and borrowings	99,212	88,151
Other financial liabilities	10,128	9,608
Net defined benefit liabilities	5,701	5,841
Provisions	189	179
Deferred tax liabilities	5,396	6,138
Other non-current liabilities	2,569	2,593
Total non-current liabilities	<u>123,197</u>	<u>112,513</u>
Total Liabilities	201,796	202,140
<b>Equity</b>		
Common stock	34,606	34,606
Capital surplus	40,413	41,403
Retained earnings	233,607	243,213
Treasury stock	(11,237)	(17,159)
Other components of equity	7,165	37,054
Total equity attributable to owners of the parent	<u>304,555</u>	<u>339,118</u>
Non-controlling interests	9,733	9,340
Total Equity	<u>314,289</u>	<u>348,458</u>
<b>Total liabilities and equity</b>	<u><u>516,086</u></u>	<u><u>550,599</u></u>

## Consolidated Statements of Profit or Loss

(Millions of Yen)

	Six months ended June 30, 2021	Six months ended June 30, 2022
Revenue	¥151,040	¥186,670
Cost of sales	115,121	138,092
Gross profit	35,919	48,577
Selling, general and administrative expenses	25,459	28,658
Other income	1,198	1,035
Other expenses	740	335
Share of profit in investments accounted for using the equity method	150	287
Operating income	11,067	20,905
Financial income	1,192	2,285
Financial costs	1,451	899
Profit before tax	10,809	22,291
Income tax expense	3,263	7,728
Profit for the period	<u>7,545</u>	<u>14,562</u>
Attributable to:		
Owners of the parent	7,521	14,366
Non-controlling interests	24	195
Total	<u>7,545</u>	<u>14,562</u>
Earnings per share:		
Basic (Yen)	59.42	116.85
Diluted (Yen)	—	—



## Consolidated Statements of Comprehensive Income

(Millions of Yen)

	Six months ended June 30, 2021	Six months ended June 30, 2022
Profit for the period	¥7,545	¥14,562
Other comprehensive income		
Items that may not be reclassified subsequently to profit or loss:		
Financial assets measured at fair value through other comprehensive income	72	(564)
Remeasurements of defined benefit plans	35	183
Share of other comprehensive losses of associates accounted for using the equity method	(3)	(18)
Subtotal	103	(399)
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translating foreign operations	14,634	31,186
Share of other comprehensive income of associates accounted for using the equity method	232	524
Subtotal	14,867	31,710
Other comprehensive income, net of tax	14,970	31,310
Comprehensive income	22,516	45,873
Attributable to:		
Owners of the parent	21,927	44,346
Non-controlling interests	589	1,527
Total	22,516	45,873

## Consolidated Statements of Changes in Equity

(Millions of Yen)

Six Months Ended June 30, 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	—	—	7,521	—	—
Other comprehensive income	—	—	—	—	14,310
Total comprehensive income for the period	—	—	7,521	—	14,310
Purchase of treasury stock	—	—	—	(1)	—
Payment of dividends	—	—	(949)	—	—
Transfer from other components of equity to retained earnings	—	—	22	—	—
Other	—	—	—	—	—
Total transactions with owners	—	—	(926)	(1)	—
Ending balance	34,606	40,413	226,307	(14,008)	(1,891)

	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
	Remeasurements of defined benefit plans	Subtotal	Total			
Beginning balance	¥—	¥(14,235)	¥266,491	¥8,657	¥275,148	
Profit for the period	—	—	7,521	24	7,545	
Other comprehensive income	75	14,406	14,406	564	14,970	
Total comprehensive income for the period	75	14,406	21,927	589	22,516	
Purchase of treasury stock	—	—	(1)	—	(1)	
Payment of dividends	—	—	(949)	—	(949)	
Transfer from other components of equity to retained earnings	(1)	(22)	—	—	—	
Other	—	—	—	(41)	(41)	
Total transactions with owners	(1)	(22)	(951)	(41)	(992)	
Ending balance	2,039	148	287,467	9,205	296,672	

(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 for the period	—	—	14,366	—	—
Other comprehensive income	—	—	—	—	30,383
Total comprehensive income for the period	—	—	14,366	—	30,383
Purchase of treasury stock	—	—	—	(5,957)	—
Disposal of treasury stock	—	—	—	36	—
Payment of dividends	—	—	(4,924)	—	—
Changes in ownership interests in subsidiaries without losing control	—	985	—	—	73
Transfer from other components of equity to retained earnings	—	—	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	
	Financial assets measured at fair value through other comprehensive income	Remeasurements of defined benefit plans	Subtotal	Total	Non-controlling interests	Total equity
Beginning balance	¥1,658	¥—	¥7,165	¥304,555	¥9,733	¥314,289
Profit for the period	—	—	—	14,366	195	14,562
Other comprehensive income	(568)	163	29,979	29,979	1,331	31,310
Total comprehensive income for the period	(568)	163	29,979	44,346	1,527	45,873
Purchase of treasury stock	—	—	—	(5,957)	—	(5,957)
Disposal of treasury stock	—	—	—	36	—	36
Payment of dividends	—	—	—	(4,924)	—	(4,924)
Changes in ownership interests in subsidiaries without losing control	—	—	73	1,059	(1,059)	—
Transfer from other components of equity to retained earnings	—	(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

## Consolidated Statements of Cash Flows

(Millions of Yen)

	Six months ended June 30, 2021	Six months ended June 30, 2022
<b>Cash flows from operating activities :</b>		
Profit before tax	¥10,809	¥22,291
Depreciation and amortization	9,289	10,052
Change in net defined benefit assets and liabilities	(52)	(225)
Financial income	(1,192)	(2,285)
Financial costs	1,113	1,613
Share of profit in investments accounted for using the equity method	(150)	(287)
Increase in trade and other receivables	(15,347)	(10,833)
Increase in inventories	(8,439)	(5,587)
Increase (decrease) in trade and other payables	17,527	(387)
Other	1,354	2,137
Subtotal	14,909	16,489
Interests and dividends received	312	406
Interests paid	(164)	(189)
Income taxes paid	(1,075)	(7,880)
Net cash flows from operating activities	13,981	8,826
<b>Cash flows from investing activities:</b>		
Purchase of property, plant and equipment	(6,819)	(13,062)
Proceeds from sales of property, plant and equipment	19	169
Purchase of other financial assets	(43)	(130)
Proceeds from sales of other financial assets	4	10
Other	(85)	(316)
Net cash flows from investing activities	(6,925)	(13,329)
<b>Cash flows from financing activities:</b>		
Repayments of long-term borrowings	(2,185)	(2,185)
Purchase of treasury stock	(1)	(5,957)
Dividends paid	(963)	(5,018)
Dividends paid to non-controlling shareholders	(96)	(758)
Repayments of lease obligations	(827)	(949)
Net cash flows from financing activities	(4,074)	(14,869)
Effects of exchange rate changes on cash and cash equivalents	5,481	10,745
Net increase in cash and cash equivalents	8,463	(8,626)
Cash and cash equivalents at the beginning of the period	158,839	151,430
Cash and cash equivalents at the end of the period	167,302	142,804

## 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, 2021 (January 1, 2021 to June 30, 2021)

	(Millions of Yen)							Adjust	Consoli
	Japan	The Americas	Europe	China	Other	Total	-ments	-dated	
Revenue:									
Sales to customers	¥56,738	¥27,557	¥26,361	¥30,950	¥9,433	¥151,040	¥-	¥151,040	
Inter-segment	33,642	61	171	1,112	1,463	36,452	(36,452)	-	
Total	90,381	27,619	26,533	32,062	10,896	187,492	(36,452)	151,040	
Segment income (loss)	8,768	(618)	(933)	3,851	1,170	12,239	(1,171)	11,067	
Financial income	2,724	0	95	277	8	3,106	(1,914)	1,192	
Financial costs	1,285	56	136	9	48	1,536	(85)	1,451	
Profit (loss) before tax	10,207	(674)	(973)	4,119	1,130	13,809	(2,999)	10,809	

(Note) All adjustments are intercompany elimination.

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

	(Millions of Yen)							Adjust	Consoli
	Japan	The Americas	Europe	China	Other	Total	-ments	-dated	
Revenue:									
Sales to customers	¥70,661	¥37,074	¥29,141	¥38,737	¥11,054	¥186,670	¥-	¥186,670	
Inter-segment	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.

## **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, 2021 (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.