

Consolidated Financial Results for the Nine Months Ended September 30, 2022 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
Contact	Kenji Nakane, Executive Officer, General Manager of Finance and Accounting Department
Scheduled date of filing quarterly report (Japanese version only)	November 8, 2022
Scheduled starting date of dividend payment	n/a

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

(1) Consolidated Operating Results

Nine Months Ended September 30	Revenue		Operating Income		Profit Before Tax		Profit for the Period		Profit Attributable to Owners of the Parent		Total Comprehensive Income	
	(Millions of Yen)		(Millions of Yen)		(Millions of Yen)		(Millions of Yen)		(Millions of Yen)		(Millions of Yen)	
2022	¥287,536	24.9%	¥34,229	78.3%	¥35,072	86.5%	¥23,615	82.3%	¥23,314	80.5%	¥62,190	123.0%
2021	230,146	47.0	19,192	—	18,802	—	12,954	—	12,913	—	27,884	—

Nine Months Ended September 30	Basic Earnings per Share (Yen)	Diluted Earnings per Share (Yen)
	2022	¥189.82
2021	102.03	—

(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
September 30, 2022	¥571,396	¥360,332	¥350,745	61.4%
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
Year ending December 31, 2022 (Projected)	n/a	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		Operating Income		Profit Before Tax		Profit Attributable to Owners of the Parent		Profit per Share (Yen)
	(Millions of Yen)		(Millions of Yen)		(Millions of Yen)		(Millions of 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 the 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:	September 30, 2022	129,856,903
	December 31, 2021	129,856,903
b. Treasury stock as of:	September 30, 2022	7,276,253
	December 31, 2021	5,187,536
c. Average number of common stock for the Nine Months ended:	September 30, 2022	122,826,643
	September 30, 2021	126,566,256

Management's Discussion and Analysis

1. Outline of operating results

(1) Operating results (from January 1, 2022 to September 30, 2022)

In this nine 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 ¥287,536 million, up ¥57,389 million, or 24.9%, compared to the figure a year earlier.

On the cost front, the cost to revenue ratio improved by 2.1% from a year earlier to 73.5% 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 ¥43,575 million, up ¥5,715 million, or 15.1%, compared to the figure a year earlier due mainly to the increased sales. The ratio to revenue improved by 1.3% from a year earlier to 15.2% 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 ¥34,229 million, up ¥15,037 million, or 78.3%, compared to the figure a year earlier. Operating income margin improved by 3.6% from a year earlier to 11.9%.

Finance income and finance costs were ¥3,265 million and 2,423 million, respectively.

As a result, income before tax amounted to ¥35,072 million, up ¥16,270 million, or 86.5%, compared to the figure a year earlier. Profit for the period attributable to owners of the parent amounted to ¥23,314 million, up ¥10,401 million, or 80.5%, 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 ¥106,064 million, up ¥18,396 million, or 21.0%, compared to the figure a year earlier. The THK Group recorded operating income (segment income) of ¥24,512 million, up ¥9,597 million, or 64.3%, 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 ¥58,534 million, up ¥16,718 million, or 40.0%, compared to the figure a year earlier. The THK Group recorded operating loss (segment loss) of ¥328 million, due to the loss recorded in the transportation equipment business, despite that the profitability of this segment improved by ¥951 million compared to the figure a year earlier (operating loss of ¥1,279 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 ¥44,483 million, up ¥6,754 million, or 17.9%, compared to the figure a year earlier. The THK Group recorded operating loss (segment loss) of ¥1,705 million, which worsened by ¥192 million compared to the figure a year earlier (operating loss of ¥1,513 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 ¥61,384 million, up ¥12,697 million, or 26.1%, compared to the figure a year earlier. Operating income (segment income) amounted to ¥11,124 million, up ¥4,556 million, or 69.4%, 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 ¥17,068 million, up ¥2,822 million, or 19.8%, compared to the figure a year earlier. Operating income (segment income) amounted to ¥2,144 million, up ¥469 million, or 28.0%, compared to the figure a year earlier due mainly to the increased revenue.

2. Financial position (as of September 30, 2022)

Total assets stood at ¥571,396 million, ¥55,310 million more than the previous fiscal year-end, due mainly to increase in: (1) cash and cash equivalents by ¥1,969 million, (2) trade and other receivables by ¥12,972 million, (3) inventories by ¥15,829 million, (4) property, plant and equipment by ¥20,632 million, and (5) goodwill and intangible assets by ¥1,354 million.

Total liabilities stood at ¥211,063 million, ¥9,266 million more than the previous fiscal year-end, due mainly to a combined effect of decrease in income taxes payable by ¥4,211 million and increase in: (1) trade and other payables by ¥1,441 million and (2) bonds and borrowings by ¥10,107 million

Total equity stood at ¥360,332 million, ¥46,043 million more than the previous fiscal year-end, due mainly to a combined effect of decrease owing to purchase of treasury stock by ¥5,922 million and increase in: (1) retained earnings by ¥14,021 million and (2) other components of equity by ¥37,100 million.

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

No revision has been made to the consolidated forecasts for the year ending December 31, 2022, which were reported in the announcement dated February 9, 2022.

Consolidated Financial Statements

Consolidated Statements of Financial Position

(Millions of Yen)

	As of December 31, 2021	As of September 30, 2022
Assets:		
Current assets:		
Cash and cash equivalents	¥151,430	¥153,400
Trade and other receivables	86,293	99,266
Inventories	64,378	80,208
Other financial assets	0	1,501
Other current assets	11,818	12,552
Total current assets	<u>313,922</u>	<u>346,928</u>
Non-current assets:		
Property, plant and equipment	158,135	178,768
Goodwill and intangible assets	18,744	20,099
Investments accounted for using the equity method	6,048	6,567
Other financial assets	10,388	10,745
Deferred tax assets	5,530	4,433
Net defined benefit asset	3,224	3,760
Other non-current assets	90	91
Total non-current assets	<u>202,163</u>	<u>224,467</u>
Total assets	<u><u>516,086</u></u>	<u><u>571,396</u></u>

(Millions of Yen)

As of December 31, 2021

As of September 30, 2022

Liabilities and equity:**Liabilities:**

Current liabilities:

Trade and other payables	¥49,984	¥51,425
Bonds and borrowings	2,545	23,181
Other financial liabilities	2,931	4,176
Provisions	341	156
Income taxes payable	7,964	3,753
Other current liabilities	14,831	15,714
Total current liabilities	78,599	98,407

Non-current liabilities:

Bonds and borrowings	99,212	88,685
Other financial liabilities	10,128	9,221
Net defined benefit liabilities	5,701	5,744
Provisions	189	178
Deferred tax liabilities	5,396	6,209
Other non-current liabilities	2,569	2,617
Total non-current liabilities	123,197	112,656

Total Liabilities

201,796 211,063

Equity

Common stock	34,606	34,606
Capital surplus	40,413	41,403
Retained earnings	233,607	247,629
Treasury stock	(11,237)	(17,160)
Other components of equity	7,165	44,266
Total equity attributable to owners of the parent	304,555	350,745
Non-controlling interests	9,733	9,587
Total Equity	314,289	360,332

Total liabilities and equity

516,086 571,396

Consolidated Statements of Profit or Loss

(Millions of Yen)

	Nine months ended September 30, 2021	Nine months ended September 30, 2022
Revenue	¥230,146	¥287,536
Cost of sales	173,928	211,256
Gross profit	56,218	76,279
Selling, general and administrative expenses	37,860	43,575
Other income	1,621	1,448
Other expenses	943	417
Share of profit in investments accounted for using the equity method	156	495
Operating income	19,192	34,229
Financial income	1,536	3,265
Financial costs	1,927	2,423
Profit before tax	18,802	35,072
Income tax expense	5,847	11,456
Profit for the period	<u>12,954</u>	<u>23,615</u>
Attributable to:		
Owners of the parent	12,913	23,314
Non-controlling interests	40	301
Total	<u>12,954</u>	<u>23,615</u>
Earnings per share:		
Basic (Yen)	102.03	189.82
Diluted (Yen)	—	—

Consolidated Statements of Comprehensive Income

(Millions of Yen)

	Nine months ended September 30, 2021	Nine months ended September 30, 2022
Profit for the period	¥12,954	¥23,615
Other comprehensive income		
Items that may not be reclassified subsequently to profit or loss:		
Financial assets measured at fair value through other comprehensive income	222	(618)
Remeasurements of defined benefit plans	44	191
Share of other comprehensive losses of associates accounted for using the equity method	(7)	(20)
Subtotal	259	(447)
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translating foreign operations	14,712	38,732
Share of other comprehensive income (losses) of associates accounted for using the equity method	(41)	289
Subtotal	14,671	39,022
Other comprehensive income, net of tax	14,930	38,574
Comprehensive income	27,884	62,190
Attributable to:		
Owners of the parent	27,199	60,509
Non-controlling interests	685	1,680
Total	27,884	62,190

Consolidated Statements of Changes in Equity

(Millions of Yen)

Nine Months Ended September 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	—	—	12,913	—	—
Other comprehensive income	—	—	—	—	14,037
Total comprehensive income for the period	—	—	12,913	—	14,037
Purchase of treasury stock	—	—	—	(2)	—
Payment of dividends	—	—	(3,543)	—	—
Transfer from other components of equity to retained earnings	—	—	25	—	—
Other	—	—	—	—	—
Total transactions with owners	—	—	(3,518)	(2)	—
Ending balance	<u>34,606</u>	<u>40,413</u>	<u>229,108</u>	<u>(14,008)</u>	<u>(2,163)</u>

	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
						Total equity
Beginning balance	¥1,966	¥—	¥(14,235)	¥266,491	¥8,657	¥275,148
Profit for the period	—	—	—	12,913	40	12,954
Other comprehensive income	224	24	14,286	14,286	644	14,930
Total comprehensive income for the period	224	24	14,286	27,199	685	27,884
Purchase of treasury stock	—	—	—	(2)	—	(2)
Payment of dividends	—	—	—	(3,543)	—	(3,543)
Transfer from other components of equity to retained earnings	(1)	(24)	(25)	—	—	—
Other	—	—	—	—	(108)	(108)
Total transactions with owners	(1)	(24)	(25)	(3,546)	(108)	(3,654)
Ending balance	<u>2,188</u>	<u>—</u>	<u>24</u>	<u>290,144</u>	<u>9,234</u>	<u>299,379</u>

(Millions of Yen)

Nine Months Ended September 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	—	—	23,314	—	—
Other comprehensive income	—	—	—	—	37,650
Total comprehensive income for the period	—	—	23,314	—	37,650
Purchase of treasury stock	—	—	—	(5,958)	—
Disposal of treasury stock	—	—	—	36	—
Payment of dividends	—	—	(9,460)	—	—
Changes in ownership interests in subsidiaries without losing control	—	985	—	—	73
Transfer from other components of equity to retained earnings	—	—	167	—	—
Other	—	3	—	—	—
Total transactions with owners	—	989	(9,292)	(5,922)	73
Ending balance	34,606	41,403	247,629	(17,160)	43,230

	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 for the period	—	—	—	23,314	301	23,615
Other comprehensive income	(622)	167	37,194	37,194	1,379	38,574
Total comprehensive income for the period	(622)	167	37,194	60,509	1,680	62,190
Purchase of treasury stock	—	—	—	(5,958)	—	(5,958)
Disposal of treasury stock	—	—	—	36	—	36
Payment of dividends	—	—	—	(9,460)	—	(9,460)
Changes in ownership interests in subsidiaries without losing control	—	—	73	1,059	(1,059)	—
Transfer from other components of equity to retained earnings	—	(167)	(167)	—	—	—
Other	—	—	—	3	(768)	(764)
Total transactions with owners	—	(167)	(94)	(14,319)	(1,827)	(16,146)
Ending balance	1,036	—	44,266	350,745	9,587	360,332

Consolidated Statements of Cash Flows

(Millions of Yen)

	Nine months ended September 30, 2021	Nine months ended September 30, 2022
Cash flows from operating activities:		
Profit before tax	¥18,802	¥35,072
Depreciation and amortization	13,930	15,351
Change in net defined benefit assets and liabilities	(68)	(348)
Financial income	(1,536)	(3,265)
Financial costs	1,178	2,269
Share of profit in investments accounted for using the equity method	(156)	(495)
Increase in trade and other receivables	(17,566)	(9,731)
Increase in inventories	(12,707)	(9,264)
Increase in trade and other payables	11,695	1,275
Other	(1,417)	(508)
Subtotal	12,151	30,354
Interests and dividends received	449	663
Interests paid	(238)	(245)
Income taxes paid	(2,182)	(12,415)
Net cash flows from operating activities	10,179	18,356
Cash flows from investing activities:		
Purchase of property, plant and equipment	(13,068)	(20,741)
Proceeds from sales of property, plant and equipment	38	234
Purchase of other financial assets	(120)	(443)
Proceeds from sales of other financial assets	4	10
Other	(155)	(373)
Net cash flows from investing activities	(13,301)	(21,314)
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	(2)	(5,958)
Dividends paid	(3,558)	(9,557)
Dividends paid to non-controlling shareholders	(97)	(764)
Repayments of lease obligations	(1,337)	(1,424)
Net cash flows from financing activities	(7,180)	(9,889)
Effects of exchange rate changes on cash and cash equivalents	5,825	14,817
Net (decrease) increase in cash and cash equivalents	(4,477)	1,969
Cash and cash equivalents at the beginning of the period	158,839	151,430
Cash and cash equivalents at the end of the period	154,361	153,400

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 nine months ended September 30, 2021 (January 1, 2021 to September 30, 2021)

							(Millions of Yen)	
	Japan	The Americas	Europe	China	Other	Total	Adjustments	Consolidated
Revenue:								
Sales to customers	¥87,668	¥41,816	¥37,729	¥48,686	¥14,246	¥230,146	¥-	¥230,146
Inter-segment	50,863	79	213	1,773	1,997	54,927	(54,927)	-
Total	138,531	41,895	37,942	50,460	16,244	285,074	(54,927)	230,146
Segment income (loss)	14,914	(1,279)	(1,513)	6,568	1,675	20,367	(1,174)	19,192
Financial income	2,955	1	145	369	18	3,490	(1,954)	1,536
Financial costs	1,539	113	320	8	72	2,054	(126)	1,927
Profit (loss) before tax	16,330	(1,391)	(1,687)	6,930	1,621	21,803	(3,001)	18,802

(Note) All adjustments are intercompany elimination.

For the nine months ended September 30, 2022 (January 1, 2022 to September 30, 2022)

							(Millions of Yen)	
	Japan	The Americas	Europe	China	Other	Total	Adjustments	Consolidated
Revenue:								
Sales to customers	¥106,064	¥58,534	¥44,483	¥61,384	¥17,068	¥287,536	¥-	¥287,536
Inter-segment	58,266	137	305	3,841	2,975	65,526	(65,526)	-
Total	164,331	58,672	44,789	65,225	20,043	353,062	(65,526)	287,536
Segment income (loss)	24,512	(328)	(1,705)	11,124	2,144	35,748	(1,518)	34,229
Financial income	7,983	305	357	602	37	9,287	(6,021)	3,265
Financial costs	1,199	173	1,384	17	168	2,943	(519)	2,423
Profit (loss) before tax	31,296	(195)	(2,732)	11,709	2,013	42,092	(7,020)	35,072

(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.