

Notice Regarding Recognition of Impairment Losses and the Differences Between Financial Forecasts and Actual Results

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THK CO., LTD. hereby announces that THK recorded impairment losses for the year ended December 31, 2022 (January 1, 2022 to December 31, 2022) and that, as a result, there are differences between the actual results for the year ended December 31, 2022 and the financial forecasts both on consolidated and non-consolidated basis that were announced on February 9, 2022 and August 9, 2022, respectively.

1. Recognition of impairment losses

For the year ended December 31, 2022, revenue of subsidiaries that engage in the transportation equipment business decreased due to a shortage of semiconductors and other parts procurement by automobile manufacturers, who are customers of the THK Group, and production cutbacks in some regions in China as a result of the lockdowns. Since there was an indication of impairment arising from the decreased revenue and decline in profitability caused by the rising steel and energy prices, the THK Group performed tests of impairment in accordance with IFRS, and as a result, recorded ¥4,021 million of impairment losses of non-current assets as other expenses.

In addition, for goodwill associated with the transportation equipment business operated by overseas subsidiaries, the THK Group performs a test of impairment annually in accordance with IFRS. For the year ended December 31, 2022, the THK Group recorded ¥9,620 million of impairment losses of goodwill and intangible assets, which were attributable to the rise in the discount rate corresponding to the hike in the interest rate due to the monetary tightening policies of various countries amid the continued global rise in prices.

In relation to the deterioration of financial position due to the impairment losses, THK recorded ¥20,244 million of loss on write-down of investments in subsidiaries' stock in the extraordinary loss section in its non-consolidated financial statements. The loss on write-down of investments in subsidiaries' stock has been eliminated in consolidation and do not affect the THK Group's consolidated operating results.

2. Differences between financial forecasts and actual results for the year ended December 31, 2022

(Consolidated)

	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)	Basic Earnings per Share (Yen)
Year ended December 31, 2022					
Forecasts (A)	¥365,000	¥43,000	¥43,200	30,800	¥251.29
Actual results (B)	393,687	34,460	35,596	21,198	172.67
Difference (B-A)	28,687	(8,539)	(7,603)	(9,601)	—
(Percentage)	7.9%	(19.9)%	(17.6)%	(31.2)%	—%
(For reference) Actual results for the year ended December 31, 2021	318,188	30,268	29,984	23,007	181.97

(Non-consolidated)

	Revenue (Millions of Yen)	Operating Income (Millions of Yen)	Ordinary Income (Millions of Yen)	Net Income (Millions of Yen)	Basic Earnings per Share (Yen)
Year ended December 31, 2022					
Forecasts (A)	¥188,000	¥20,000	¥29,600	¥23,300	¥190.07
Actual results (B)	197,624	25,722	35,105	6,094	49.64
Difference (B-A)	9,624	5,722	5,505	(17,205)	—
(Percentage)	5.1%	28.6%	18.6%	(73.8)%	—%
(For reference) Actual results for the year ended December 31, 2021	167,583	16,718	21,914	18,348	145.12

3. Reasons for the differences

(Consolidated)

Operating income and other line items were recorded at amounts less than the respective forecasts due mainly to the impairment losses of non-current assets as discussed above.

(Non-consolidated)

Net income was recorded at an amount less than the forecast due to the loss on write-down of investments in subsidiaries' stock as discussed above.