



February 14, 2024

## Consolidated Financial Results for the Fiscal Year Ended December 31, 2023 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	Takashi Teramachi, President and COO
Contact	Kenji Nakane, Director and CFO
Date of the ordinary general meeting of shareholders	March 16, 2024
Scheduled date of commencing dividend payments	March 18, 2024
Date of filing the Securities Report (Japanese version only)	March 18, 2024

### 1. Consolidated Operating Results and Financial Position as of and for the Fiscal Year Ended December 31, 2023 (January 1, 2023 to December 31, 2023)

#### (1) Consolidated Operating Results

Year Ended December 31	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)		Total Comprehensive Income (Millions of Yen)	
2023	¥351,939	(10.6)%	¥23,707	(31.2)%	¥25,289	(29.0)%	¥18,398	(13.2)%	¥35,697	(15.7)%
2022	393,687	23.7	34,460	13.8	35,596	18.7	21,198	(7.9)	42,369	(11.6)

Year Ended December 31	Basic Earnings per Share (Yen)	Diluted Earnings per Share (Yen)	Profit Ratio to Equity Attributable to Owners of the Parent	Profit Before Tax Ratio to Total Assets	Operating Margin
2023	¥150.08	—	5.3%	4.5%	6.7%
2022	172.67	—	6.7	6.6	8.8

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

Year ended December 31, 2023	¥40 million
Year ended December 31, 2022	569 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)
2023	¥556,351	¥362,898	¥357,264	64.2%	¥2,914.23
2022	560,304	337,281	331,887	59.2	2,707.51

#### (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)
2023	¥39,332	¥(27,094)	¥(24,266)	¥156,486
2022	37,561	(30,081)	(3,649)	163,835

## 2. Dividends

	Dividend Per Share (Yen)				
	First Quarter end	Second Quarter end	Third Quarter end	Year/Period end	Total
Year ended December 31, 2022	¥—	¥37.00	¥—	¥50.00	¥87.00
Year ended December 31, 2023	—	30.00	—	16.00	46.00
Year ending December 31, 2024 (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, 2022	¥10,664	50.4%		3.4%	
Year ended December 31, 2023	5,639	30.7		1.6	
Year ending December 31, 2024 (Projected)	n/a	—		n/a	

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, 2024 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, 2024 (January 1, 2024 to December 31, 2024)

	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, 2024	¥169,000	(8.9)%	¥6,200	(62.4)%	¥7,100	(58.6)%	¥4,800	(60.1)%	¥39.15
Year ending December 31, 2024	365,000	3.7	27,000	13.9	28,800	13.9	20,800	13.1	169.67

## 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:	December 31, 2023	129,856,903
	December 31, 2022	129,856,903
b. Treasury stock as of:	December 31, 2023	7,263,677
	December 31, 2022	7,276,353
c. Average number of common stock for the year ended:	December 31, 2023	122,589,728
	December 31, 2022	122,765,128

## 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, 2023 (January 1, 2023 to December 31, 2023)

#### (1) Operating Results

Year Ended (Millions of Yen)	Revenue		Operating Income		Ordinary Income		Net Income	
December 31, 2023	¥144,227	(27.0) %	¥7,138	(72.2) %	¥15,905	(54.7) %	¥13,037	113.9 %
December 31, 2022	197,624	17.9	25,722	53.9	35,105	60.2	6,094	(66.8)

Year Ended (Yen)	Net Income Per Share-Basic	Net Income Per Share-Diluted
December 31, 2023	¥106.35	¥ –
December 31, 2022	49.64	–

#### (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, 2023	¥370,882	¥233,497	63.0 %	¥1,904.60
As of December 31, 2022	399,875	230,001	57.5	1,876.28

(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, 2023:	¥233,497 million
	As of December 31, 2022:	230,001 million

### 2. Non-Consolidated Forecasts for the Year Ending December 31, 2024 (January 1, 2024 to December 31, 2024)

	Revenue (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, 2024	¥65,000	(18.3)%	¥100	(98.2)%	¥3,600	(73.7)%	¥3,200	(71.4)%	¥26.10
Year ending December 31, 2024	151,000	4.7	7,000	(1.9)	11,000	(30.8)	8,800	(32.5)	71.78

# Management's Discussion and Analysis

## 1. Outline of operating results

### (1) Operating results (from January 1, 2023 to December 31, 2023)

In this fiscal year, 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 and in the Middle East, rising inflation, financial instability triggered by the failure of some financial institutions in the U.S., and China's sluggish economy shaken by real estate recession.

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 such a situation, while demand for the products of the industrial machinery business was generally weak, THK successfully recorded revenue in the first half of the year from the order backlog which had remained at a high level; however, demand did not show a recovery in the latter half of the year. On the other hand, in the automotive & transportation business, revenue headed for recovery along with the recovery of automobile production and sales as the COVID-19 pandemic subsided and the parts supply shortages were moderated. As a result, consolidated revenue amounted to ¥351,939 million, down ¥41,747 million, or 10.6%, 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 3.5% from a year earlier to 76.8% due to the large decrease in revenue.

Selling, general and administrative (SGA) expenses amounted to ¥58,958 million, down ¥32 million, or 0.1%, compared to the figure a year earlier. The ratio to revenue rose by 1.8% from a year earlier to 16.8% despite the THK Group's endeavors to improve operating efficiency.

As a result, operating income amounted to ¥23,707 million, down ¥10,752 million, or 31.2%, compared to the figure a year earlier. Operating income margin dropped by 2.1% from a year earlier to 6.7%.

Finance income and finance costs were ¥2,446 million and 864 million, respectively.

As a result, income before tax amounted to ¥25,289 million, down ¥10,307 million, or 29.0%, compared to the figure a year earlier. Profit attributable to owners of the parent amounted to ¥18,398 million, down ¥2,799 million, or 13.2%, 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 was generally weak. As a result, revenue amounted to ¥115,357 million, down ¥28,832 million, or 20.0%, compared to the figure a year earlier. The THK Group recorded operating income (segment income) of ¥10,619 million, down ¥6,394 million, or 37.6%, 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 ¥89,225 million, up ¥8,370 million, or 10.4%, compared to the figure a year earlier. The THK Group recorded operating income (segment income) of ¥2,219 million, up ¥4,571 million compared to the figure a year earlier (operating loss of ¥2,351 million), due mainly to the increase in revenue.

### (Europe)

In the industrial machinery business in Europe, although demand was decreasing in general, 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 ¥70,548 million, up ¥7,832 million, or 12.5%, compared to the figure a year earlier. The THK Group recorded operating income (segment income) of ¥1,680 million, up ¥11,365 million compared to the figure a year earlier (operating loss of ¥9,684 million), due mainly to the increase in revenue.

### (China)

In the industrial machinery business in China, while demand was decreasing in general, revenue amounted to ¥59,410 million, down ¥23,901 million, or 28.7%, compared to the figure a year earlier. Operating income (segment income) amounted to ¥7,486 million, down ¥6,286 million, or 45.6%, 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 ¥17,397 million, down ¥5,216 million, or 23.1%, compared to the figure a year earlier. Operating income (segment income) amounted to ¥981 million, down ¥1,879 million or 65.7%, compared to the figure a year earlier due mainly to the decrease in revenue.

## 2. Financial position (as of December 31, 2023)

Total assets stood at ¥556,351 million, ¥3,952 million down from the previous fiscal year-end, due mainly to a combined effect of increase in (1) inventories by ¥4,829 million and (2) property, plant and equipment by ¥14,214 million and decrease in (1) cash and cash equivalents by ¥7,348 million and (2) trade and other receivables by ¥18,043 million.

Total liabilities stood at ¥193,453 million, ¥29,570 million down from the previous fiscal year-end, due mainly to decrease in (1) trade and other payables by ¥10,750 million, (2) income taxes payable by ¥6,319 million, and (3) bonds and borrowings by ¥12,115 million.

Total equity stood at ¥362,898 million, ¥25,617 million up from the previous fiscal year-end, due mainly to increase in (1) retained earnings by ¥7,499 million and (2) other components of equity by ¥17,838 million.

#### For reference: Cash Flow Indices (Consolidated)

	<u>Year ended December 31</u>				
	2019	2020	2021	2022	2023
Ratio of equity attributable to shareholders of the parent (%)	59.8	57.9	59.0	59.2	64.2
Ratio of equity attributable to shareholders of the parent at market value (%)	84.7	96.9	69.8	58.3	64.5
Interest-bearing Debt /Operating Cash Flow (years)	3.8	4.5	7.2	3.5	3.0
Operating Cash Flow /Interest Paid (times)	69.6	68.8	48.6	109.0	97.6

### 3. Outlook

Considering the latest demand situation in the industrial machinery business and the future outlook, THK expects ¥365,000 million of revenue for the year ending December 31, 2024. In terms of profitability, based on the expected increase in revenue and the various activities to improve its productivity, THK expects ¥27,000 million of operating income, ¥28,800 million of profit before tax, and ¥20,800 million of profit for the year attributable to the owners of the parent.

Year ending December 31, 2024 (Consolidated)

	Millions of Yen	Component Ratio	Percentage Change
Revenue	¥365,000	100.0%	3.7%
Operating income	27,000	7.4	13.9
Profit before tax	28,800	7.9	13.9
Profit attributable to owners of the parent	20,800	5.7	13.1

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

*U.S. dollar 1=¥135.00      Euro 1=¥150.00*

### 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 ¥15.0 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.

Based on the policy, THK has decided to pay the year-end dividend of ¥16.0 per share, considering the operating results for the year ended December 31, 2023. As a result, cash dividends applicable for the year ended December 31, 2023 will be ¥46.0 per share, including the interim dividends of ¥30.0 per share.

The amounts of dividends for the year ending December 31, 2024 will be announced as soon as they are determined.

# Consolidated Financial Statements

## Consolidated Statements of Financial Position

(Millions of Yen)

	As of December 31, 2022	As of December 31, 2023
<b>Assets:</b>		
Current assets:		
Cash and cash equivalents	¥163,835	¥156,486
Trade and other receivables	96,665	78,621
Inventories	77,630	82,460
Other financial assets	1,500	504
Other current assets	13,309	15,388
Total current assets	<u>352,942</u>	<u>333,462</u>
Non-current assets:		
Property, plant and equipment	172,342	186,556
Goodwill and intangible assets	9,321	9,492
Investments accounted for using the equity method	6,814	6,960
Other financial assets	10,571	10,724
Deferred tax assets	5,305	5,891
Retirement benefit asset	2,926	3,182
Other non-current assets	80	80
Total non-current assets	<u>207,361</u>	<u>222,889</u>
Total assets	<u><u>560,304</u></u>	<u><u>556,351</u></u>

(Millions of Yen)

As of December 31, 2022

As of December 31, 2023

**Liabilities and equity:****Liabilities:**

## Current liabilities:

Trade and other payables	¥51,631	¥40,881
Bonds and borrowings	22,961	13,123
Other financial liabilities	3,732	4,352
Provisions	129	114
Income taxes payable	7,169	849
Other current liabilities	17,538	14,320
Total current liabilities	103,162	73,643

## Non-current liabilities:

Bonds and borrowings	97,917	95,639
Other financial liabilities	9,130	8,491
Retirement benefit liabilities	4,256	6,278
Provisions	179	171
Deferred tax liabilities	5,939	6,488
Other non-current liabilities	2,437	2,740
Total non-current liabilities	119,860	119,810

## Total Liabilities

223,023

193,453

**Equity**

Common stock	34,606	34,606
Capital surplus	40,094	40,102
Retained earnings	245,941	253,440
Treasury stock	(17,160)	(17,130)
Other components of equity	28,406	46,245
Total equity attributable to owners of the parent	331,887	357,264
Non-controlling interests	5,393	5,633
Total Equity	337,281	362,898

**Total liabilities and equity**

560,304

556,351



## Consolidated Statements of Profit or Loss

(Millions of Yen)

	Year Ended December 31, 2022	Year Ended December 31, 2023
Revenue	¥393,687	¥351,939
Cost of sales	288,398	270,308
Gross profit	105,288	81,630
Selling, general and administrative expenses	58,991	58,958
Other income	2,015	2,318
Other expenses	14,421	1,322
Share of profit in investments accounted for using the equity method	569	40
Operating income	34,460	23,707
Financial income	3,335	2,446
Financial costs	2,199	864
Profit before tax	35,596	25,289
Income tax expense	14,785	6,550
Profit	<u>20,811</u>	<u>18,738</u>
Profit attributable to:		
Owners of the parent	21,198	18,398
Non-controlling interests	<u>(386)</u>	<u>339</u>
Profit	<u>20,811</u>	<u>18,738</u>
Earnings per share:		
Basic earnings per share (yen)	172.67	150.08
Diluted earnings per share (yen)	—	—

## Consolidated Statements of Comprehensive Income

(Millions of Yen)

	Year Ended December 31, 2022	Year Ended December 31, 2023
Profit	¥20,811	¥18,738
Other comprehensive income		
Items that will not be reclassified to profit or loss:		
Financial assets measured at fair value through other comprehensive income	(482)	532
Remeasurements of defined benefit plans	649	(1,430)
Share of other comprehensive income of associates accounted for using the equity method	(59)	54
Total of items that will not be reclassified to profit or loss	108	(843)
Items that may be reclassified to profit or loss:		
Exchange differences on translation of foreign operations	20,937	17,442
Share of other comprehensive income of investments accounted for using the equity method	511	360
Total of items that may be reclassified to profit or loss	21,449	17,802
Other comprehensive income, net of tax	21,557	16,959
Comprehensive income	42,369	35,697
Comprehensive income attributable to:		
Owners of the parent	42,086	35,145
Non-controlling interests	282	551
Comprehensive income	42,369	35,697

## Consolidated Statements of Changes in Equity

(Millions of Yen)

Year Ended December 31, 2022	Equity attributable to owners of the parent				Other components of equity
	Common stock	Capital surplus	Retained earnings	Treasury stock	Exchange differences on translation of foreign operations
Beginning balance	¥34,606	¥40,413	¥233,607	¥(11,237)	¥5,506
Profit	—	—	21,198	—	—
Other comprehensive income	—	—	—	—	20,779
Total comprehensive income	—	—	21,198	—	20,779
Purchase of treasury stock	—	—	—	(5,958)	—
Disposal of treasury stock	—	3	—	36	—
Dividends	—	—	(9,460)	—	—
Changes in ownership interests in subsidiaries without losing control	—	(323)	—	—	948
Transfer from other components of equity to retained earnings	—	—	595	—	—
Other	—	—	—	—	—
Total transactions with owners	—	(319)	(8,864)	(5,922)	948
Ending balance	34,606	40,094	245,941	(17,160)	27,234

	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	—	—	—	21,198	(386)	20,811
Other comprehensive income	(487)	595	20,888	20,888	669	21,557
Total comprehensive income	(487)	595	20,888	42,086	282	42,369
Purchase of treasury stock	—	—	—	(5,958)	—	(5,958)
Disposal of treasury stock	—	—	—	39	—	39
Dividends	—	—	—	(9,460)	—	(9,460)
Changes in ownership interests in subsidiaries without losing control	—	—	948	624	(3,865)	(3,240)
Transfer from other components of equity to retained earnings	—	(595)	(595)	—	—	—
Other	—	—	—	—	(758)	(758)
Total transactions with owners	—	(595)	352	(14,754)	(4,623)	(19,377)
Ending balance	1,171	—	28,406	331,887	5,393	337,281

(Millions of Yen)

Year Ended December 31, 2023	Equity attributable to owners of the parent				Other components of equity
	Common stock	Capital surplus	Retained earnings	Treasury stock	Exchange differences on translation of foreign operations
Beginning balance	¥34,606	¥40,094	¥245,941	¥(17,160)	¥27,234
Profit	—	—	18,398	—	—
Other comprehensive income	—	—	—	—	17,590
Total comprehensive income	—	—	18,398	—	17,590
Purchase of treasury stock	—	—	—	(2)	—
Disposal of treasury stock	—	8	—	31	—
Dividends	—	—	(9,807)	—	—
Transfer from other components of equity to retained earnings	—	—	(1,091)	—	—
Other	—	—	—	—	—
Total transactions with owners	—	8	(10,898)	29	—
Ending balance	34,606	40,102	253,440	(17,130)	44,825

	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	¥1,171	¥—	¥28,406	¥331,887	¥5,393	¥337,281
Profit	—	—	—	18,398	339	18,738
Other comprehensive income	535	(1,379)	16,747	16,747	211	16,959
Total comprehensive income	535	(1,379)	16,747	35,145	551	35,697
Purchase of treasury stock	—	—	—	(2)	—	(2)
Disposal of treasury stock	—	—	—	40	—	40
Dividends	—	—	—	(9,807)	—	(9,807)
Transfer from other components of equity to retained earnings	(287)	1,379	1,091	—	—	—
Other	—	—	—	—	(311)	(311)
Total transactions with owners	(287)	1,379	1,091	(9,769)	(311)	(10,080)
Ending balance	1,419	—	46,245	357,264	5,633	362,898

## Consolidated Statements of Cash Flows

(Millions of Yen)

	Year Ended December 31, 2022	Year Ended December 31, 2023
<b>Cash flows from operating activities:</b>		
Profit before tax	¥35,596	¥25,289
Depreciation and amortization	20,834	21,803
Impairment losses	13,641	—
Change in retirement benefit assets or liabilities	(413)	(409)
Financial income	(3,335)	(2,446)
Financial costs	1,086	1,589
Share of profit of investments accounted for using the equity method	(569)	(40)
(Increase) decrease in trade and other receivables	(9,481)	22,035
Increase in inventories	(9,714)	(1,049)
Increase (decrease) in trade and other payables	2,477	(13,808)
Other	491	(1,036)
Subtotal	50,613	51,926
Interests and dividends received	1,109	2,424
Interests paid	(331)	(419)
Income taxes paid	(13,830)	(14,599)
Net cash provided by (used in) operating activities	37,561	39,332
<b>Cash flows from investing activities:</b>		
Purchase of property, plant and equipment	(29,407)	(27,045)
Proceeds from sales of property, plant and equipment	435	125
Purchase of other financial assets	(551)	(366)
Proceeds from sales of other financial assets	10	624
Other	(568)	(433)
Net cash provided by (used in) investing activities	(30,081)	(27,094)
<b>Cash flows from financing activities:</b>		
Repayments of long-term borrowings	(2,185)	(2,185)
Proceeds from issuance of bonds	20,000	10,000
Payments for redemption of bonds	—	(20,000)
Purchase of treasury stock	(5,958)	(2)
Dividends paid	(9,582)	(9,795)
Dividends paid to non-controlling interests	(766)	(349)
Repayments of lease liabilities	(1,916)	(1,934)
Payments for acquisition of interests in subsidiaries from non-controlling shareholders	(3,240)	—
Net cash provided by (used in) financing activities	(3,649)	(24,266)
Effects of exchange rate changes on cash and cash equivalents	8,573	4,680
Net increase (decrease) in cash and cash equivalents	12,404	(7,348)
Cash and cash equivalents at the beginning of the year	151,430	163,835
Cash and cash equivalents at the end of the year	163,835	156,486

## Change in Accounting Policy

The significant accounting policies applied to the accompanying consolidated financial statements are the same as those applied to the consolidated financial statements for the previous fiscal year, except for the following:

(1) Amendments to IAS 12 (Income taxes) clarifying "Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction," and;

(2) Amendments to IAS 12 (Income taxes) providing a temporary exception to the requirements regarding deferred tax assets and liabilities related to "International Tax Reform—Pillar Two Model Rules."

The application of Amendments to IAS 12 did not have a significant impact on the accompanying consolidated financial statements.

## Notes to Consolidated Statements of Profit or Loss

### Impairment of Non-financial Assets

For the year ended December 31, 2022 (January 1, 2022 to December 31, 2022)

#### 1. Impairment losses

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, 2022 were as follows:

				(Millions of Yen)
Subsidiary	Location	Type of Assets	Impairment Loss	
THK RHYTHM CO., LTD.	Minami-ku, Hamamatsu-city, Shizuoka, Japan	Operating assets: Machinery and vehicles	¥1,286	
THK RHYTHM NORTH AMERICA CO., LTD.	Sparta, Tennessee, USA	Operating assets: Buildings and structures Machinery and vehicles Furniture and fixtures Others	12  1,757 34 8	
THK RHYTHM (CHANGZHOU) CO., LTD.	Changzhou, Jiangsu, China	Operating assets: Machinery and vehicles	908	
THK RHYTHM MALAYSIA Sdn. Bhd.	Penang, Malaysia	Operating assets: Machinery and vehicles	12	
Total			¥4,021	

The carrying amount of the operating assets in the table above was written down to the recoverable amount because the investments in such assets were not considered to be recoverable due to decline of profitability. As a result, the THK group recorded ¥4,021 million of impairment loss as other expenses for the year ended December 31, 2022. 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.

## 2. Impairment losses

Goodwill arising from business combinations are allocated to cash-generating unit to which the business combination will benefit as of the date of business combination.

Impairment losses of goodwill and intangible assets, which are included in other expenses in the consolidated statement of profit or loss, for the year ended December 31, 2022 were as follows:

(Millions of Yen)			
Subsidiary	Location	Type of Assets	Impairment Loss
THK RHYTHM AUTOMOTIVE CZECH a.s.	Dacice, Czech	Goodwill	¥5,361
		Customer-related assets	4,259
Total			<u>¥9,620</u>

For goodwill associated with the automotive & transportation business operated by overseas subsidiaries, the Group performs a test of impairment annually in accordance with IFRS. The recoverable amount of goodwill is measured at its value in use. Value in use is determined by discounting the estimated future cash flows to their present value based on the business plan and growth rate for the following five years approved by management that were prepared by reflecting past experiences and external information. The discount rates used in determining value in use are based on the pretax weighted-average cost of capital of the cash-generating unit or the group of cash-generating unit.

In the current fiscal year, the Group recorded ¥9,620 million of impairment losses of goodwill and intangible assets associated with THK RHYTHM AUTOMOTIVE CZECH a.s. This was attributable to the rise in the discount rate used in the impairment test of goodwill as a result of the hike in the interest rate due to the monetary tightening policies of various countries amid the continued global rise in prices. The fair value hierarchy of these assets is Level 3.

### For the year ended December 31, 2023 (January 1, 2023 to December 31, 2023)

No items to report.

## 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, 2022 (January 1, 2022 to December 31, 2022)

	Japan	The Americas	Europe	China	Other	Total	Adjustments	Consolidated
(Millions of Yen)								
Revenue:								
Revenue from external customers	¥144,189	¥80,855	¥62,715	¥83,312	¥22,614	¥393,687	¥-	¥393,687
Inter-segment revenue	79,270	253	453	5,443	4,265	89,687	(89,687)	-
Total	223,459	81,109	63,169	88,755	26,880	483,374	(89,687)	393,687
Segment income (loss)	17,014	(2,351)	(9,684)	13,773	2,861	21,613	12,847	34,460
Financial income	7,654	546	732	700	53	9,688	(6,352)	3,335
Financial costs	941	264	1,644	25	173	3,048	(849)	2,199
Profit (loss) before tax	23,727	(2,069)	(10,595)	14,449	2,741	28,252	7,344	35,596
Segment assets	451,156	91,454	107,745	100,490	38,251	789,098	(228,794)	560,304
Other items:								
Depreciation and amortization	8,111	3,738	3,072	4,644	1,093	20,660	(286)	20,374
Impairment losses	1,286	2,094	9,620	1,009	12	14,024	(382)	13,641
Investments accounted for using the equity method	6,814	-	-	-	-	6,814	-	6,814
Share of profit in investments accounted for using the equity method	569	-	-	-	-	569	-	569
Capital investments	15,106	3,500	2,083	9,075	2,329	32,095	-	32,095

(Note) All adjustments are intercompany elimination.



**For the year ended December 31, 2023 (January 1, 2023 to December 31, 2023)**

(Millions of Yen)

	Japan	The Americas	Europe	China	Other	Total	Adjustments	Consolidated
<b>Revenue:</b>								
Revenue from external customers	¥115,357	¥89,225	¥70,548	¥59,410	¥17,397	¥351,939	¥—	¥351,939
Inter-segment revenue	57,812	268	410	4,544	3,749	66,785	(66,785)	—
<b>Total</b>	<b>173,170</b>	<b>89,494</b>	<b>70,958</b>	<b>63,954</b>	<b>21,147</b>	<b>418,724</b>	<b>(66,785)</b>	<b>351,939</b>
Segment income	10,619	2,219	1,680	7,486	981	22,989	718	23,707
Financial income	6,058	1,367	2,034	483	158	10,102	(7,656)	2,446
Financial costs	899	372	1,794	29	61	3,157	(2,292)	864
Profit before tax	15,778	3,215	1,921	7,940	1,078	29,934	(4,644)	25,289
Segment assets	437,859	85,250	118,445	102,325	43,514	787,393	(231,042)	556,351
<b>Other items:</b>								
Depreciation and amortization	8,792	3,862	2,813	4,645	1,369	21,484	(202)	21,281
Impairment losses	—	—	—	—	—	—	—	—
Investments accounted for using the equity method	6,960	—	—	—	—	6,960	—	6,960
Share of profit in investments accounted for using the equity method	40	—	—	—	—	40	—	40
Capital investments	14,759	2,860	1,872	7,086	3,574	30,153	—	30,153

(Note 1) All adjustments are intercompany elimination.

(Note 2) Effective the current fiscal year, capital investments of each reportable segment are disclosed instead of capital expenditures. The reportable segment information for the previous fiscal year presented in the previous page has been adjusted in accordance with this change.

## Per Share Information

	Year Ended December 31, 2022	Year Ended December 31, 2023
Profit attributable to owners of the parent (millions of yen)	¥21,198	¥18,398
Weighted-average number of issued shares (thousands of shares)	122,765	122,589
Basic earnings per share (yen)	172.67	150.08

*(Note) THK did not have any shares with potentially-dilutive effects for the years ended December 31, 2022 and 2023.*

## Subsequent event

No items to report.

**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.