

Consolidated Financial Results for the Nine Months Ended September 30, 2024 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	Takashi Teramachi, President and COO
Contact	Kenji Nakane, Director and CFO
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, 2024 (January 1, 2024 to September 30, 2024)

(1) Consolidated Operating Results

Nine Months Ended September 30	Revenue		Operating Income		Profit Before Tax		Profit		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)	(%)
2024	¥265,130	(1.1)%	¥12,919	(32.7)%	¥13,694	(32.2)%	¥9,478	(34.1)%	¥9,190	(34.7)%	¥14,482	(67.2)%
2023	268,119	(6.8)	19,199	(43.9)	20,201	(42.4)	14,383	(39.1)	14,074	(39.6)	44,105	(29.1)

Nine Months Ended September 30	Basic Earnings per Share (Yen)	Diluted Earnings per Share (Yen)
	2024	¥74.96
2023	114.81	—

(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, 2024	¥547,172	¥373,083	¥367,178	67.1%
December 31, 2023	556,351	362,898	357,264	64.2

2. Dividends

	Dividend Per Share (Yen)				
	First Quarter end	Second Quarter end	Third Quarter end	Year/Period end	Total
Year ended December 31, 2023 (Actual)	¥—	¥30.00	¥—	¥16.00	¥46.00
Year ending December 31, 2024 (Actual)	—	18.00	—	n/a	n/a
Year ending December 31, 2024 (Projected)	n/a	n/a	n/a	—	—

(Note) Change in dividend projection: None

As described in "Notice Regarding Decision of Basic Policy (Early Realization of ROE of Over 10%) for Revision of the Current "Management Targets for FY2026 (Five-Year Plan)" announced today, the year-end dividend for the fiscal year ending December 31, 2024, will be calculated based on a DOE (dividend on equity ratio) of 4%, which is for the half of the fiscal year.

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)
Year ending December 31, 2024	¥350,000	(0.6)%	¥17,000	(28.3)%	¥18,400	(27.2)%	¥12,100	(34.2)%	¥98.68

(Note) Changes from the forecasts most recently announced: The forecasts announced on February 14, 2024 have been amended to as in the above table.

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, 2024	129,856,903
	December 31, 2023	129,856,903
b. Treasury stock as of:	September 30, 2024	7,244,520
	December 31, 2023	7,263,677
c. Average number of common stock for the nine months ended:	September 30, 2024	122,605,069
	September 30, 2023	122,588,541

Management's Discussion and Analysis

1. Outline of operating results

(1) Operating results (from January 1, 2024 to September 30, 2024)

In this nine months period, 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, continuing inflation, 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, demand for products of the industrial machinery business bottomed out and headed for a moderate recovery trend; however, revenue decreased as compared to the figure a year earlier, when the order backlog was at a high level. The automotive & transportation business was generally strong, mainly due to the easing of the impact of automotive production cutbacks caused by parts supply shortages and other factors. As a result, consolidated revenue amounted to ¥265,130 million, down ¥2,988 million, or 1.1%, 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 0.4% from a year earlier to 77.2% due to the decrease in revenue.

Selling, general and administrative (SGA) expenses amounted to ¥48,279 million, up ¥4,069 million, or 9.2%, compared to the figure a year earlier. The ratio to revenue rose by 1.7% from a year earlier to 18.2% despite the THK Group's endeavors to improve operating efficiency.

As a result, operating income amounted to ¥12,919 million, down ¥6,279 million, or 32.7%, compared to the figure a year earlier. Operating income margin dropped by 2.3% from a year earlier to 4.9%.

Financial income and financial costs were ¥2,211 million and ¥1,437 million, respectively.

As a result, income before tax amounted to ¥13,694 million, down ¥6,507 million, or 32.2%, compared to the figure a year earlier. Profit attributable to owners of the parent amounted to ¥9,190 million, down ¥4,884 million, or 34.7%, compared to the figure a year earlier.

(2) Operating results by segment

(Japan)

In Japan, revenue amounted to ¥81,966 million, down ¥5,070 million, or 5.8%, compared to the figure a year earlier, when the order backlog of the industrial machinery business was at a high level. Segment income (operating income) amounted to ¥6,153 million, down ¥2,887 million, or 31.9%, compared to the figure a year earlier due mainly to the decrease in revenue.

(The Americas)

In the Americas, revenue amounted to ¥71,462 million, up ¥3,965 million, or 5.9%, compared to the figure a year earlier due mainly to the weak yen compared to the period a year earlier. Segment income (operating income) amounted to ¥1,920 million, up ¥165 million, or 9.4%, compared to the figure a year earlier.

(Europe)

In Europe, revenue amounted to ¥52,831 million, down ¥617 million, or 1.2%, compared to the figure a year earlier, when the order backlog of the industrial machinery business was at a high level. Segment income (operating income) dropped by ¥1,387 million, and consequently turned to ¥589 million of segment loss (operating loss).

(China)

In China, revenue amounted to ¥45,785 million, down ¥1,245 million, or 2.6%, compared to the figure a year earlier, when the order backlog of the industrial machinery business was at a high level. Segment income (operating income) amounted to ¥5,242 million, down ¥1,486 million, or 22.1%, compared to the figure a year earlier due mainly to the decrease in revenue.

(Other)

In other countries and regions, the THK Group expanded its sales channels and implemented aggressive sales activities to cultivate new customers while demand for THK Group's products was widely expanded in India and the ASEAN countries. In such a situation, demand headed for a moderate recovery trend; however, revenue amounted to ¥13,084 million, down ¥20 million, or 0.2%, compared to the figure a year earlier, when the order backlog was at a high level. Segment income (operating income) amounted to ¥805 million, down ¥54 million or 6.4%, compared to the figure a year earlier due mainly to the decrease in revenue.

2. Financial position (as of September 30, 2024)

Total assets stood at ¥547,172 million, ¥9,178 million down from the previous fiscal year-end, due mainly to a combined effect of increase in (1) trade and other receivables by ¥1,279 million, (2) inventories by ¥6,007 million, and (3) property, plant and equipment by ¥7,007 million and decrease in cash and cash equivalents by ¥20,980 million.

Total liabilities stood at ¥174,089 million, ¥19,363 million down from the previous fiscal year-end, due mainly to a combined effect of increase in income taxes payable by ¥644 million and decrease in (1) trade and other payables by ¥6,886 million, and (2) bonds and borrowings by ¥12,863 million.

Total equity stood at ¥373,083 million, ¥10,185 million up from the previous fiscal year-end, due mainly to increase in (1) retained earnings by ¥4,730 million and (2) other components of equity by ¥5,121 million.

3. Forecast for the fiscal year ending December 31, 2024

For details of the financial forecasts for the year ending December 31, 2024, please refer to “Notice Regarding Amendments in Financial Forecasts” announced on today, November 12, 2024.

Consolidated Financial Statements

Consolidated Statements of Financial Position

(Millions of Yen)

	As of December 31, 2023	As of September 30, 2024
Assets:		
Current assets:		
Cash and cash equivalents	¥156,486	¥135,506
Trade and other receivables	78,621	79,901
Inventories	82,460	88,468
Other financial assets	504	1,500
Other current assets	15,388	12,524
Total current assets	<u>333,462</u>	<u>317,901</u>
Non-current assets:		
Property, plant and equipment	186,556	193,564
Goodwill and intangible assets	9,492	9,110
Investments accounted for using the equity method	6,960	7,002
Other financial assets	10,724	10,249
Deferred tax assets	5,891	5,965
Retirement benefit asset	3,182	3,240
Other non-current assets	80	138
Total non-current assets	<u>222,889</u>	<u>229,271</u>
Total assets	<u><u>556,351</u></u>	<u><u>547,172</u></u>

(Millions of Yen)

As of December 31, 2023

As of September 30, 2024

Liabilities and equity:**Liabilities:**

Current liabilities:

Trade and other payables	¥40,881	¥33,995
Bonds and borrowings	13,123	23,037
Other financial liabilities	4,352	4,619
Provisions	114	0
Income taxes payable	849	1,493
Other current liabilities	14,320	14,577
Total current liabilities	73,643	77,724

Non-current liabilities:

Bonds and borrowings	95,639	72,860
Other financial liabilities	8,491	7,692
Retirement benefit liabilities	6,278	6,308
Provisions	171	65
Deferred tax liabilities	6,488	6,457
Other non-current liabilities	2,740	2,980
Total non-current liabilities	119,810	96,364

Total Liabilities

193,453 174,089

Equity

Common stock	34,606	34,606
Capital surplus	40,102	40,120
Retained earnings	253,440	258,171
Treasury stock	(17,130)	(17,086)
Other components of equity	46,245	51,367
Total equity attributable to owners of the parent	357,264	367,178
Non-controlling interests	5,633	5,904
Total Equity	362,898	373,083

Total liabilities and equity

556,351 547,172

Consolidated Statements of Profit or Loss

(Millions of Yen)

	Nine months ended September 30, 2023	Nine months ended September 30, 2024
Revenue	¥268,119	¥265,130
Cost of sales	205,879	204,630
Gross profit	62,240	60,499
Selling, general and administrative expenses	44,209	48,279
Other income	1,799	1,681
Other expenses	753	1,082
Share of profit in investments accounted for using the equity method	122	100
Operating income	19,199	12,919
Financial income	1,877	2,211
Financial costs	875	1,437
Profit before tax	20,201	13,694
Income tax expense	5,818	4,216
Profit	<u>14,383</u>	<u>9,478</u>
Profit attributable to:		
Owners of the parent	14,074	9,190
Non-controlling interests	309	288
Profit	<u>14,383</u>	<u>9,478</u>
Earnings per share:		
Basic earnings per share (yen)	114.81	74.96
Diluted earnings per share (yen)	—	—

Consolidated Statements of Comprehensive Income

(Millions of Yen)

	Nine months ended September 30, 2023	Nine months ended September 30, 2024
Profit	¥14,383	¥9,478
Other comprehensive income		
Items that will not be reclassified to profit or loss:		
Financial assets measured at fair value through other comprehensive income	695	(6)
Remeasurements of defined benefit plans	197	(279)
Share of other comprehensive income (loss) of associates accounted for using the equity method	149	(13)
Total of items that will not be reclassified to profit or loss	1,042	(299)
Items that may be reclassified to profit or loss:		
Exchange differences on translation of foreign operations	28,240	5,261
Share of other comprehensive income of investments accounted for using the equity method	439	41
Total of items that may be reclassified to profit or loss	28,680	5,302
Other comprehensive income, net of tax	29,722	5,003
Comprehensive income	44,105	14,482
Comprehensive income attributable to:		
Owners of the parent	43,422	14,020
Non-controlling interests	683	461
Comprehensive income	44,105	14,482

Consolidated Statements of Changes in Equity

(Millions of Yen)

Nine Months Ended September 30, 2023	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	¥40,094	¥245,941	¥(17,160)	¥27,234
Profit	—	—	14,074	—	—
Other comprehensive income	—	—	—	—	28,306
Total comprehensive income	—	—	14,074	—	28,306
Purchase of treasury stock	—	—	—	(1)	—
Disposal of treasury stock	—	8	—	31	—
Dividends	—	—	(9,807)	—	—
Transfer from other components of equity to retained earnings	—	—	603	—	—
Other	—	—	—	—	—
Total transactions with owners	—	8	(9,204)	30	—
Ending balance	34,606	40,102	250,811	(17,130)	55,540

	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	—	—	—	14,074	309	14,383
Other comprehensive income	697	344	29,348	29,348	373	29,722
Total comprehensive income	697	344	29,348	43,422	683	44,105
Purchase of treasury stock	—	—	—	(1)	—	(1)
Disposal of treasury stock	—	—	—	40	—	40
Dividends	—	—	—	(9,807)	—	(9,807)
Transfer from other components of equity to retained earnings	(258)	(344)	(603)	—	—	—
Other	—	—	—	—	(311)	(311)
Total transactions with owners	(258)	(344)	(603)	(9,768)	(311)	(10,079)
Ending balance	1,610	—	57,151	365,541	5,765	371,307

(Millions of Yen)

Nine Months Ended September 30, 2024	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	¥40,102	¥253,440	¥(17,130)	¥44,825
Profit	—	—	9,190	—	—
Other comprehensive income	—	—	—	—	5,129
Total comprehensive income	—	—	9,190	—	5,129
Purchase of treasury stock	—	—	—	(2)	—
Disposal of treasury stock	—	17	—	47	—
Dividends	—	—	(4,168)	—	—
Transfer from other components of equity to retained earnings	—	—	(291)	—	—
Other	—	—	—	—	—
Total transactions with owners	—	17	(4,459)	44	—
Ending balance	34,606	40,120	258,171	(17,086)	49,955

	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	¥1,419	¥—	¥46,245	¥357,264	¥5,633	¥362,898	
Profit	—	—	—	9,190	288	9,478	
Other comprehensive income	(7)	(291)	4,830	4,830	173	5,003	
Total comprehensive income	(7)	(291)	4,830	14,020	461	14,482	
Purchase of treasury stock	—	—	—	(2)	—	(2)	
Disposal of treasury stock	—	—	—	65	—	65	
Dividends	—	—	—	(4,168)	—	(4,168)	
Transfer from other components of equity to retained earnings	—	291	291	—	—	—	
Other	—	—	—	—	(191)	(191)	
Total transactions with owners	—	291	291	(4,106)	(191)	(4,297)	
Ending balance	1,411	—	51,367	367,178	5,904	373,083	

Consolidated Statements of Cash Flows

(Millions of Yen)

	Nine months ended September 30, 2023	Nine months ended September 30, 2024
Cash flows from operating activities:		
Profit before tax	¥20,201	¥13,694
Depreciation and amortization	16,075	17,856
Change in retirement benefit assets or liabilities	(505)	(508)
Financial income	(1,877)	(2,211)
Financial costs	2,034	1,204
Share of profit of investments accounted for using the equity method	(122)	(100)
(Increase) decrease in trade and other receivables	18,110	(1,588)
(Increase) decrease in inventories	(3,354)	(5,350)
Increase (decrease) in trade and other payables	(9,993)	(4,357)
Other	(1,344)	1,323
Subtotal	39,222	19,962
Interests and dividends received	1,702	2,215
Interests paid	(327)	(356)
Income taxes paid	(13,490)	(1,504)
Net cash provided by (used in) operating activities	27,107	20,317
Cash flows from investing activities:		
Purchase of property, plant and equipment	(19,023)	(20,631)
Proceeds from sales of property, plant and equipment	89	413
Purchase of other financial assets	(165)	(150)
Proceeds from sales of other financial assets	387	—
Payments for transfers of receivables	—	(2,600)
Proceeds from acquisition of a subsidiary	—	13
Other	(102)	(1,979)
Net cash provided by (used in) investing activities	(18,814)	(24,935)
Cash flows from financing activities:		
Repayments of long-term borrowings	(2,185)	(2,185)
Payments for redemption of bonds	(20,000)	(10,000)
Purchase of treasury stock	(1)	(2)
Dividends paid	(9,774)	(4,195)
Dividends paid to non-controlling interests	(346)	(367)
Repayments of lease liabilities	(1,449)	(1,542)
Net cash provided by (used in) financing activities	(33,757)	(18,292)
Effects of exchange rate changes on cash and cash equivalents	8,682	1,930
Net increase (decrease) in cash and cash equivalents	(16,782)	(20,980)
Cash and cash equivalents at the beginning of the period	163,835	156,486
Cash and cash equivalents at the end of the period	147,053	135,506

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, 2023 (January 1, 2023 to September 30, 2023)

	Japan	The Americas	Europe	China	Other	Total	Adjustments	Consolidated
(Millions of Yen)								
Revenue:								
Revenue from external customers	¥87,037	¥67,497	¥53,448	¥47,031	¥13,104	¥268,119	¥-	¥268,119
Inter-segment revenue	46,146	125	259	3,417	3,059	53,007	(53,007)	-
Total	133,184	67,622	53,708	50,448	16,164	321,127	(53,007)	268,119
Segment income	9,041	1,754	797	6,729	860	19,183	15	19,199
Financial income	5,856	1,012	1,450	357	100	8,777	(6,899)	1,877
Financial costs	396	279	1,612	18	104	2,411	(1,536)	875
Profit before tax	14,500	2,488	636	7,067	856	25,549	(5,347)	20,201

(Note) All adjustments are intercompany elimination.

For the nine months ended September 30, 2024 (January 1, 2024 to September 30, 2024)

	Japan	The Americas	Europe	China	Other	Total	Adjustments	Consolidated
(Millions of Yen)								
Revenue:								
Revenue from external customers	¥81,966	¥71,462	¥52,831	¥45,785	¥13,084	¥265,130	¥-	¥265,130
Inter-segment revenue	43,820	152	495	2,897	3,339	50,705	(50,705)	-
Total	125,787	71,615	53,326	48,682	16,423	315,836	(50,705)	265,130
Segment income (loss)	6,153	1,920	(589)	5,242	805	13,532	(612)	12,919
Financial income	5,560	1,259	1,825	538	130	9,313	(7,101)	2,211
Financial costs	1,009	614	1,780	46	12	3,463	(2,026)	1,437
Profit before tax (loss)	10,704	2,564	(544)	5,734	923	19,381	(5,687)	13,694

(Note) All adjustments are intercompany elimination.

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.