THK

ANNUAL REPORT 2021

Financial Section

Contents

Management's Discussion & Analysis

Analysis of Operating Results

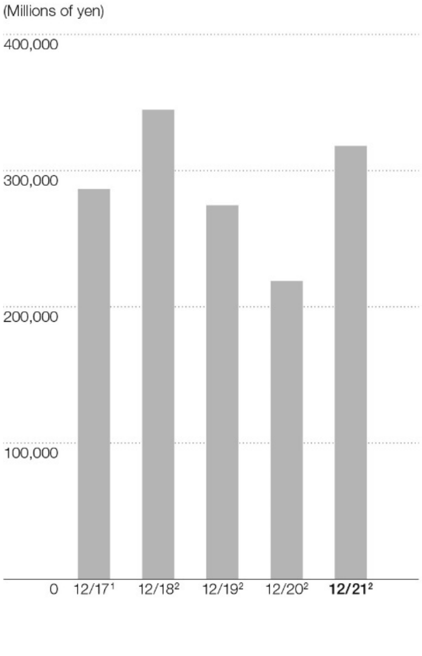
Revenue

During the fiscal year under review, the coronavirus (COVID-19) pandemic continued to have an impact, leaving significant uncertainty regarding the trajectory of the global economy. Nevertheless, in addition to the recovery in China, which was the first country to resume economic activity, the United States and other developed nations also showed signs of improvement. Meanwhile, there were indications of rising business confidence overall as vaccination progressed in countries around the world.

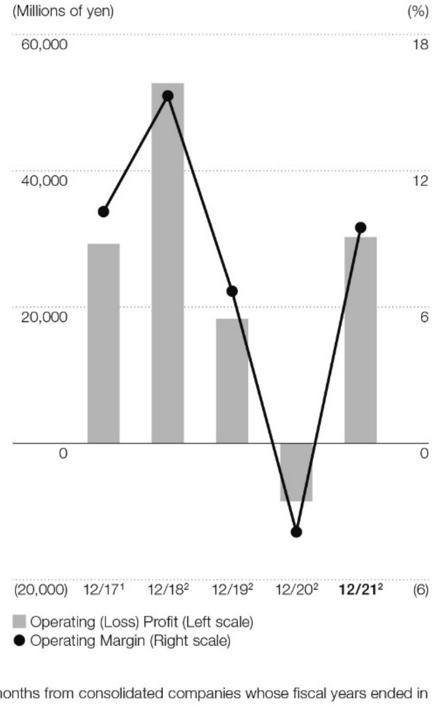
The THK Group has identified *full-scale globalization*, the *development of new business areas*, and a *change in business style* as cornerstones of its growth strategy to expand markets for its products, including the LM (Linear Motion) Guide. Under its *full-scale globalization* strategy, the Group is working to expand its production and sales structures globally to capture demand from China and other emerging countries, where the market is growing due to developments in factory automation (FA) and other areas, as well as the demand from developed countries, where the user base is expanding. Under the *development of new business areas* strategy, the THK Group is working to increase revenue from both currently existing and newly developed products, buoyed by their growing applications in fields related to consumer goods, such as automobiles, medical equipment, aircraft, and robots, as well as fields related to the mitigation of risks from natural disasters and climate change, such as seismic isolation and damping systems and renewable energy. Additionally, to promote these strategies, the Company is making full use of technologies such as AI, the IoT, and robots in a variety of different ways, thereby expanding its business domains by realizing a *change in business style*.

Under these circumstances, as demand rapidly recovered for THK's industrial machinery business in China, which was the first country to resume economic activity; developed nations; and other parts of the world, the Company steadily captured that demand and converted it to revenue. Meanwhile, the automotive and transportation business was impacted by decreased automobile production due to shortages in semiconductors and other materials. As a result, consolidated revenue increased to ¥318,188 million, up ¥99,189 million (45.3%) compared to last year.

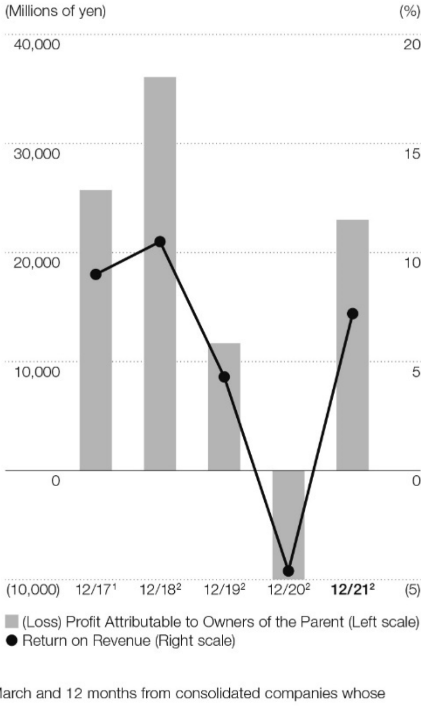
Revenue



Operating (Loss) Profit/ Operating Margin



(Loss) Profit Attributable to Owners of the Parent/ Return on Revenue



[1] This data reflects a modified reporting period that includes 9 months from consolidated companies whose fiscal years ended in March and 12 months from consolidated companies whose fiscal years ended in December.
[2] The THK Group decided to adopt IFRS beginning with the 2019 fiscal year. For the purposes of comparison, the results for the 2018 fiscal year are also noted in accordance with IFRS.

Income and Expenses

In terms of costs, the automotive and transportation business was affected by factors such as lower automobile production and higher steel prices. However, in addition to an increase in revenue in the industrial machinery business, the THK Group continued to promote various efforts aimed at improving productivity, which resulted in a cost-to-sales ratio of 74.9%, a decrease of 3.9 percentage points compared with the previous fiscal year.

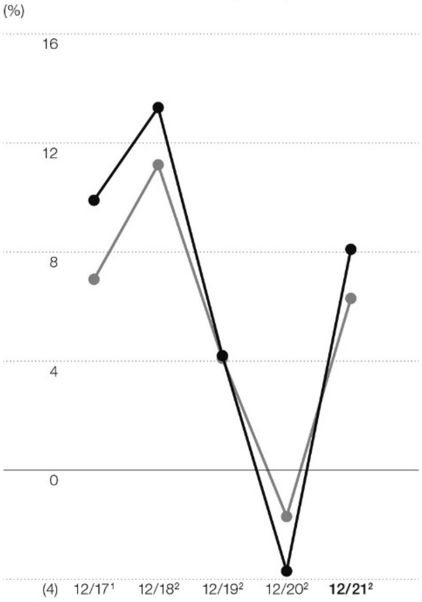
Due to the increase in revenue, SG&A expenses increased ¥6,154 million (13.7%) year on year, to ¥50,988 million. As a percentage of revenue, SG&A expenses stood at 16.0%, a year-on-year decrease of 4.5 percentage points achieved through efforts to control various costs and improve work efficiency in addition to increased revenue.

As a result, operating profit increased ¥38,768 million year on year, to ¥30,268 million. (The previous year recorded an operating loss of ¥8,499 million.)

Financial income stood at ¥2,145 million, while financial costs totaled ¥2,430 million.

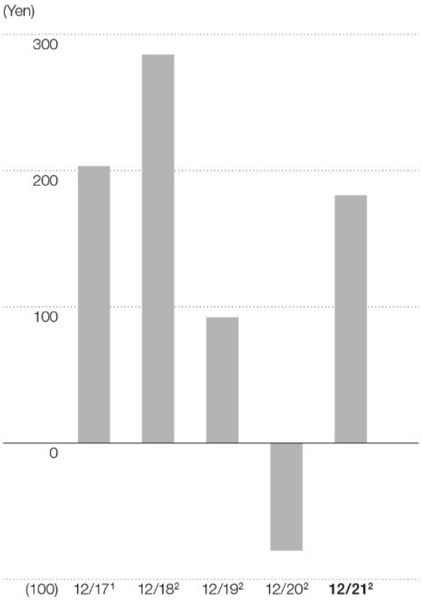
As a result, profit before tax stood at ¥29,984 million, an increase of ¥39,709 million (compared to a loss before tax of ¥9,725 million the previous year), and profit for the year attributable to owners of the parent stood at ¥23,007 million, an increase of ¥32,999 million (compared to a ¥9,992 million loss for the year attributable to owners of the parent the previous year).

Return on Assets (ROA)/ Ratio of Profit to Equity Attributable to Owners of the Parent (ROE)

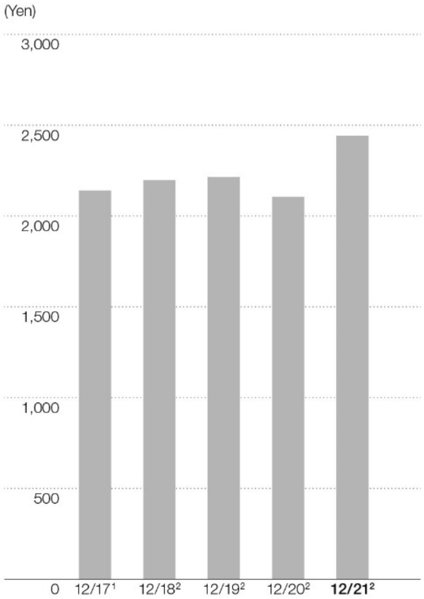


● Return on Assets (ROA)
● Ratio of Profit to Equity Attributable to Owners of the Parent (ROE)

(Loss) Earnings per Share Attributable to Owners of the Parent



Equity per Share Attributable to Owners of the Parent



[1] This data reflects a modified reporting period that includes 9 months from consolidated companies whose fiscal years ended in March and 12 months from consolidated companies whose fiscal years ended in December.
[2] The THK Group decided to adopt IFRS beginning with the 2019 fiscal year. For the purposes of comparison, the results for the 2018 fiscal year are also noted in accordance with IFRS.

Segment Information

Japan

The industrial machinery business saw signs of recovery in overall demand, especially in the electronics sector, which continued to experience a recovery. In these circumstances, the THK Group steadily converted this demand into revenue through prior factory expansions and activities aimed at improving productivity via automation and robotization, which resulted in a revenue of ¥123,373 million, a year-on-year increase of ¥32,994 million (36.5%). As a result of increased revenue and other factors, segment profit (operating profit) increased ¥39,663 million year on year, to ¥22,262 million. (The previous year recorded a loss of ¥17,400 million.)

The Americas

In the industrial machinery business, overall demand showed signs of recovery centered around the electronics sector, and the THK Group steadily converted this demand into revenue through prior activities aimed at improving productivity. As a result, revenue increased to ¥57,220 million, up ¥11,201 million (24.3%) compared to last year. Although there was a year-on-year improvement of ¥2,105 million due to increased revenue and other factors, as a result of the loss in the automotive and transportation business, segment loss (operating loss) stood at ¥1,134 million (compared to a loss of ¥3,239 million the previous year).

Europe

In the industrial machinery business, overall demand showed signs of recovery. Revenue increased as a result of steadily converting this demand into revenue through prior activities aimed at improving productivity. As a result, revenue rose to ¥50,247 million, up ¥10,973 million (27.9%) compared to last year. Although there was a year-on-year improvement of ¥4,645 million due to increased revenue and other factors, as a result of the loss in the automotive and transportation business, segment loss (operating loss) stood at ¥1,337 million (compared to a loss of ¥5,983 million the previous year).

China

As economic activity resumed in China ahead of the rest of the world and overall demand continues to recover rapidly, the THK Group steadily converted this demand into revenue through prior activities aimed at improving productivity. As a result, revenue increased to ¥67,072 million, up ¥33,987 million (102.7%) compared to last year. Due to increased revenue and other factors, segment profit (operating profit) increased ¥5,729 million (153.6%) year on year, to ¥9,459 million.

Other

In other geographical segments, as the range of demand for THK products is steadily growing in India, the ASEAN region, and other parts of the world, the Group bolstered its sales network and undertook aggressive sales activities to acquire new customers. As a result of these efforts and other factors such as the recovery of demand in China that affected certain regions, revenue increased ¥10,033 million (98.0%) year on year, to ¥20,274 million. Due to increased revenue and other factors, segment profit (operating profit) increased ¥1,631 million (252.2%) year on year, to ¥2,278 million.

Financial Position

Assets, Liabilities, and Equity

Assets

In terms of assets, while cash and cash equivalents decreased by ¥7,408 million, trade and other receivables increased by ¥26,788 million; inventories by ¥17,141 million; property, plant, and equipment by ¥12,213 million; and deferred tax assets by ¥2,592 million. As a result of these and other factors, assets totaled ¥516,086 million, an increase of ¥55,912 million from the end of the previous fiscal year.

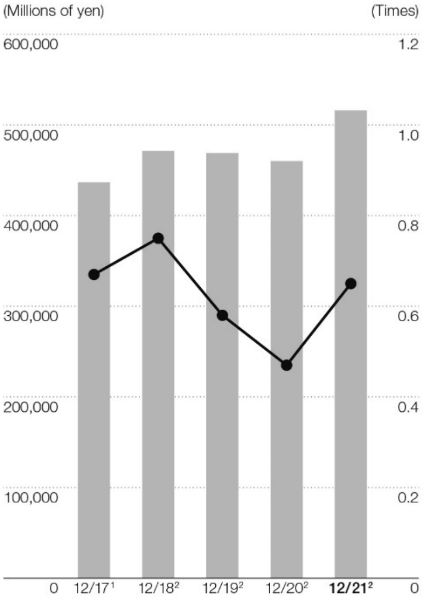
Liabilities

In terms of liabilities, while bonds and borrowings decreased by ¥811 million, trade and other payables increased by ¥9,691 million, and income taxes payable rose by ¥6,962 million. As a result of these and other factors, liabilities totaled ¥201,796 million, an increase of ¥16,771 million from the end of the previous fiscal year.

Equity

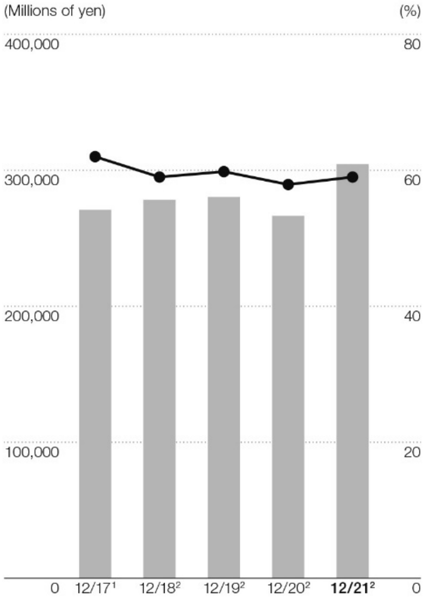
In terms of equity, retained earnings increased by ¥13,894 million, treasury stock by ¥2,768 million, other components of equity by ¥21,400 million, and non-controlling interests by ¥1,076 million. As a result of these and other factors, equity totaled ¥314,289 million, an increase of ¥39,140 million from the end of the previous fiscal year.

**Total Assets/
Asset Turnover Ratio**



■ Total Assets (Left scale)
● Asset Turnover Ratio (Right scale)

**Equity Attributable to Owners of the Parent/
Ratio of Equity Attributable to Owners of the Parent**



■ Equity Attributable to Owners of the Parent (Left scale)
● Ratio of Equity Attributable to Owners of the Parent (Right scale)

[1] This data reflects a modified reporting period that includes 9 months from consolidated companies whose fiscal years ended in March and 12 months from consolidated companies whose fiscal years ended in December.
[2] The THK Group decided to adopt IFRS beginning with the 2019 fiscal year. For the purposes of comparison, the results for the 2018 fiscal year are also noted in accordance with IFRS.

Cash Flows

Net cash provided by operating activities came to ¥15,643 million (compared to ¥25,399 million the previous fiscal year). The major cash inflows were a profit before tax of ¥29,984 million, depreciation and amortization of ¥18,748 million, and an increase in trade and other payables of ¥10,601 million. Net cash used in operating activities included a ¥24,898 million increase in trade and other receivables, a ¥14,196 million increase in inventories, and ¥3,216 million in income taxes paid.

Net cash used in investing activities totaled ¥19,125 million (compared to ¥18,406 million the previous fiscal year), primarily due to the purchase of property, plant, and equipment in the amount of ¥19,248 million.

Net cash used in financing activities came to ¥12,725 million (compared to ¥3,977 million in net cash provided by financing activities the previous fiscal year). This included ¥2,185 million in repayments of long-term borrowings, ¥5,088 million in the purchase of treasury stock, and ¥3,568 million of dividends paid.

As a result, cash and cash equivalents at the end of the year stood at ¥151,430 million, a decrease of ¥7,408 million compared with the previous fiscal year end.

Risk Factors

The following represent the principal risks of which the THK Group is aware that may have a significant impact on its financial position, business results, and cash flow.

Please note that any items relating to the future are based on the best judgment of THK Group management at present.

(1) THK's Risk Management System

In order to gain an accurate understanding of every kind of risk related to the business activities of the THK Group and to facilitate more appropriate risk-taking by executive staff, THK established a Risk Management Committee headed by the CEO and created a Group-wide risk management structure based on rules related to risk management. The committee establishes and formulates countermeasures to selected risks related to the THK Group's business activities and verifies whether the risk management structure is functioning in an effective manner.

In addition, THK considers risks to be uncertainties that impact the organization's profits and losses, and believes that uncertainty has both a positive and negative side. If THK appropriately hedges negative risks while actively taking positive risks, it will lead to continuous growth in the future.

(2) Identifying Risks

In accordance with its risk management rules, the entire THK Group performs an annual risk assessment. Based on the assessment reports received from each Group company around the world and each department of THK, each risk is mapped according to its probability and impact. The severity of each risk is thus evaluated, and the priority for implementing countermeasures is determined. The frequency and impact are each categorized as one of five levels. Risks that score highly and those that are named by a large number of companies and departments are considered to be of higher severity.

(3) Business Risks

Highly Significant Risks

1. Disasters, Geopolitical Problems, Acts of Terrorism, and Infectious Diseases

   The THK Group possesses manufacturing facilities as well as sales offices in Japan, the Americas, Europe, Asia, and other regions. In the event that any of the Group's places of business or those of its business partners are affected by natural disasters, including earthquakes and fires; political unrest due to acts of terrorism or war; or the outbreak of an infectious disease, there could be a significant impact on THK's production and general business activities. The Group has formulated a business continuity plan (BCP) and has taken preemptive measures along with measures to continue and quickly recover its operations in the event of a crisis to minimize losses. Furthermore, THK has introduced a crisis management system in order to promptly comprehend the impact to the Company in the event of a natural disaster such as an earthquake or heavy rains, in addition to maintaining a structure that can quickly confirm which places of business and suppliers are in affected regions and the impact to the supply chain. However, it is difficult to completely avoid all risks, so the business results and financial position of the THK Group could ultimately be affected in the event of losses that exceed expectations.

   The worldwide spread of the coronavirus (COVID-19) has impacted economic activity, and it has had a significant effect on the THK Group's global business activities.

   The THK Group began convening daily meetings of the coronavirus response task force beginning February 2020. The task force has coordinated with each THK Group company around the world to quickly take action based on the directives of each national government and local municipality. Without an end to the coronavirus pandemic in sight, in order to prevent disruption in the supply of products and services that THK provides, the Company has been doing its utmost to maintain the supply chain, which includes production and logistics.

Furthermore, THK considers the safety of employees, customers, business affiliates, and other stakeholders as well as the continuation of business to be the highest priorities. Therefore, as part of its strategy to reduce the spread of infection, the Company has implemented work from home options and staggered shifts and uses remote work tools to secure a work structure that can continue to function.

At present, it is difficult to predict when the coronavirus pandemic will be over and how significant the impact on the global economy will be. If the situation grows more severe or extends further into the future, that could impact the THK Group's business results and financial position.

2. Business Expansion Outside of Japan

While the THK Group has manufacturing and sales operations in the Americas, Europe, Asia, and other regions, the rise of products made in China and other emerging economies has intensified competition on a global scale, particularly with regard to prices.

In addition to conducting daily sales activities in a customer-oriented manner by thinking, acting, and verifying things from the customer's perspective, the THK Group has continued to develop and provide high-performance products with high added value and implemented efforts to accurately grasp the needs of the customer and market by using IT tools such as OMNI edge—a service with networking capabilities that detects LM Guide failures and diagnoses lubrication status to enable predictive failure detection—and Omni THK—the Company's platform for communicating with customers. However, if THK is unable to sufficiently predict the needs of the industry and market and unable to develop appealing new products, if it presents new products to the market too late, or if another company develops a revolutionary new product that causes THK's machine components and automotive components to lose their positions within the market, it could reduce THK's growth and profitability.

In addition, the Company monitors the latest export control conditions based on global political and economic conditions, regulations, tariffs, and security export controls, and it enacts measures to reevaluate the form of its transactions and its supply chain in order to reduce the impact to its business. However, shifts in political and economic conditions in countries and regions where the THK Group manufactures or sells products could have an impact on the THK Group's business results and financial position. Any unexpected legal and regulatory changes could also have a similar effect.

3. Workforce

The THK Group continues to hire talented employees both within and outside of Japan and support the growth of staff with the aim of empowering individuals in order to maintain competitiveness. In addition to strengthening its mid-career hiring efforts, THK is working to improve its systems and employee engagement by supporting the career success of women, elderly individuals, and people with disabilities; providing a system that enables employees to state their desires; and other means.

However, even as hiring has become increasingly competitive in every field due to the aging population and declining birthrate, since the spread of the coronavirus, the growing global demand for human resources with skills in specific fields has spurred further competition. If THK is unable to hire the proper talent as planned, or if there is an inconsistency with talent development, it could hinder the Group's ability to pass on skills and expertise to new employees and limit the execution of the Group's business.

In addition, THK strives to establish stable labor-management relations. However, labor-management customs vary in each country, and if a labor dispute were to occur or labor-management relations were to deteriorate due to unforeseen legislative, economic, or social changes, or if employee wages particularly in emerging countries were to suddenly rise, it could affect the THK Group's business results and financial position.

4. Effect of Changes in Demand Trends Within Specific Industries

The THK Group manufactures and sells the LM Guide, ball screws, and other machine components, as well as link balls, suspension ball joints, and other transportation equipment components. The principal users of these products are companies that make industrial machinery and equipment, including machine tools, general machinery, and semiconductor manufacturing equipment, as well as manufacturers of transportation equipment. While the THK Group is striving through its three core strategies of full-scale globalization, the development of new business areas, and a change in business style to realize expansions in its business domains and distribute risk by not relying on specific customers or products, the performance of the THK Group is influenced by demand trends within industrial sectors such as machine tools, general machinery, semiconductor manufacturing equipment, and transportation equipment, whose manufacturers constitute the THK Group's major customers.

Therefore, the business results and financial position of the THK Group could be affected by drastic changes in demand trends in these specific industries in the future.

5. Procurement of Raw Materials and Components

The THK Group procures the raw materials and components used in the manufacture of its products from multiple supply sources both in Japan and around the world. Considering these supply sources to be important partners in the pursuit of growth for both parties, THK has established collaborative frameworks to facilitate the sharing of information about new technology, production methods, and raw materials. As the Company works to maintain stable and continuous provision of supplies, it also thoroughly controls costs. Furthermore, in response to society's demand for strong ESG-related efforts throughout the supply chain, including with regard to the handling of conflict minerals and being environmentally conscious, the Group has distributed its CSR Procurement Guidelines to its suppliers to ensure procurement practices that reflect CSR.

However, the THK Group's business results and financial position could be affected in the event of a shortfall in raw materials and components owing to factors such as insufficient production capacity, poor quality, insolvency, or compliance violation on the part of its suppliers; a natural disaster such as a fire or earthquake; disruption in the supply chain when a country or region in which a supplier is located is put under lockdown due to the outbreak of communicable disease; or unanticipated, sharp increases in the prices of raw materials arising from factors such as high crude oil prices, the social conditions in countries that supply raw materials, and rising demand in emerging countries.

Significant Risks

1. Problems with Product Quality

THK Group products are widely used in industrial machinery, including machine tools, industrial robots, and semiconductor manufacturing equipment. Applications for THK products have also expanded to include various areas related to consumer goods, including automobiles, seismic isolation and damping systems, medical equipment, amusement devices, and the aircraft industry.

In these circumstances, the THK Group has established a superior quality assurance system that conforms to various markets, in which each production facility both in and outside of Japan is certified with the ISO 9001 Quality Management System. In addition to maintaining a quality management structure for the industrial machinery business that ensures product and service development and creation conforms to that standard, THK has obtained certifications in quality standards adapted for the automotive and transportation business and new fields such as the aerospace industry.

However, because it is impossible to completely eliminate the risk of a product defect, in the unlikely event that an unforeseen product defect were to occur that could lead to a large-scale recall or to THK being held liable for those products, there could be substantial costs, a loss of trust among the general public, or a suspension of transactions, thereby affecting the business results and financial position of the THK Group.

Although the THK Group possesses global product liability insurance, there is no guarantee that it would cover all losses incurred through the reparation of damages.

2. Exchange Rate Fluctuations

While the THK Group engages in the hedging of risks by means such as foreign exchange contracts for foreign currency transactions, primarily with regard to importing and exporting, there is the possibility that the Group's business results and financial position could be affected by any major exchange rate fluctuations.

Furthermore, the financial statements of THK’s subsidiaries outside of Japan are converted to yen for the generation of the Company’s consolidated financial statements. Thus, there is also the possibility that, even with there being no change in the value in the local currency, the amount on the consolidated financial statement after the conversion to yen could be affected by the exchange rate at the time of conversion.

3. Information Security

The THK Group occasionally collects personal information as well as confidential information relating to sales and technology as it conducts its business activities.

THK possesses and convenes an Information Security Committee, chaired by the CEO and attended by outside experts as observers, which maintains and strengthens management systems and rules related to information security. In addition, it responds as necessary to strengthened regulations in Japan and abroad concerning the protection of personal information, conducts training for employees to improve information literacy, and ensures that information is stringently managed.

The Group also utilizes various computer systems and IT networks for its entire business, and appropriate security measures have been taken for these systems.

As information security risks grow with increasingly sophisticated and clever cyberattack methods as well as the expanded use of cloud services, THK is working to strengthen its security appropriately. However, if part or all of this information were to be leaked due to a cyberattack, computer virus, unauthorized access, infrastructure failure, information system defect, or another factor, or if an unforeseen event were to cause the destruction or alteration of important data or cause a system to go down, there could be a loss of trust among the general public, suspension of business activities, expenses to implement countermeasures, significant financial penalties, or a suspension of transactions, thereby affecting the business results and financial position of the THK Group.

4. Environmental Problems

In the belief that it is a company’s social responsibility to leave the global environment in a healthy state for the next generation, the THK Group has established a basic environmental policy and works to develop energy-saving products, continuously reduce its environmental impact, and sustain and improve the natural environment. Furthermore, each of the THK Group’s production facilities is certified with the international ISO 14001 Environmental Management System. In addition to conforming to environmental regulations in Japan and abroad, the Group’s domestic and international factories adhere to regulations such as the EU’s Restriction of Hazardous Substances Directive (RoHS) and REACH Regulation, China’s Administrative Measure on the Control of Pollution Caused by Electronic Information Products, and THK’s Green Procurement Guidelines. The Company has never caused any significant environmental problems; however, if an environmental problem were to occur in the future due to an unforeseen event, expenses to compensate damages or respond to the problem, administrative sanctions such as penalties, a loss of trust among the general public, or a suspension of production activities could affect the THK Group’s business results and financial position.

Furthermore, if environmental regulations become stricter and result in additional obligations or expenses, it could affect the THK Group’s business results and financial position.

5. Compliance

As the THK Group expands its business globally, it is subject to the laws and regulations of various countries.

In order to thoroughly instill compliance awareness and create a work environment that does not allow wrongful acts, the THK Group possesses and convenes a Compliance Committee chaired by the CEO and attended by outside experts as observers, which maintains structures aimed at complying with laws, internal regulations, and ethical norms to conduct fair business activities. The Company has also established the THK Group Action Charter and works to improve compliance awareness by notifying all Group employees of the standard of conduct they must follow and by conducting required internal training.

In addition, THK maintains an internal reporting system with three lines of contact: the department in charge of the system, the Audit and Supervisory Committee, and an external legal advisor. In the event of an act that does or may violate any laws or internal regulations, this system will accept the report, and action will be taken to prevent any compliance risks.

However, it is difficult to entirely avoid such risks while expanding business globally, so in the event of a legal violation, the THK Group could bear criminal, civil, or administrative liability, or experience a loss of trust among the general public, which could impact its business results and financial position.

Consolidated Financial Statements

Consolidated Statement of Financial Position

December 31, 2021 and 2020

	Note	Millions of yen		Thousands of U.S. dollars (Note 2)
		December 31, 2021	December 31, 2020	**December 31, 2021**
Assets				
Current assets:				
Cash and cash equivalents	6	**¥ 151,430**	¥ 158,839	**$ 1,314,953**
Trade and other receivables	7	**86,293**	59,505	**749,331**
Inventories	9	**64,378**	47,237	**559,030**
Other financial assets	8	**0**	14	**0**
Other current assets	10	**11,818**	8,899	**102,622**
Total current assets		**313,922**	274,495	**2,725,963**
Non-current assets:				
Property, plant, and equipment	11	**158,135**	145,922	**1,373,176**
Goodwill and intangible assets	12	**18,744**	18,779	**162,764**
Investments accounted for using the equity method		**6,048**	5,686	**52,518**
Other financial assets	8	**10,388**	10,013	**90,204**
Deferred tax assets	14	**5,530**	2,937	**48,020**
Net defined benefit asset	18	**3,224**	2,227	**27,995**
Other non-current assets	10	**90**	110	**781**
Total non-current assets		**202,163**	185,678	**1,755,496**
Total assets		**¥ 516,086**	¥ 460,173	**$ 4,481,469**

The accompanying notes are an integral part of these statements.

	Note	Millions of yen **December 31, 2021**	 December 31, 2020	Thousands of U.S. dollars (Note 2) **December 31, 2021**
Liabilities and equity				
Liabilities				
Current liabilities:				
Trade and other payables	17	**¥ 49,984**	¥ 40,293	**$ 434,039**
Bonds and borrowings	15	**2,545**	2,244	**22,099**
Other financial liabilities	15	**2,931**	2,579	**25,451**
Provisions	19	**341**	763	**2,961**
Income taxes payable	14	**7,964**	1,001	**69,155**
Other current liabilities	20, 21	**14,831**	11,617	**128,786**
Total current liabilities		**78,599**	58,500	**682,519**
Non-current liabilities:				
Bonds and borrowings	15	**99,212**	100,325	**861,514**
Other financial liabilities	15	**10,128**	11,243	**87,947**
Net defined benefit liability	18	**5,701**	7,014	**49,505**
Provisions	19	**189**	182	**1,641**
Deferred tax liabilities	14	**5,396**	5,463	**46,856**
Other non-current liabilities	20, 21	**2,569**	2,295	**22,308**
Total non-current liabilities		**123,197**	126,524	**1,069,789**
Total liabilities		**201,796**	185,024	**1,752,309**
Equity:				
Equity attributable to owners of the parent:				
Common stock	22	**34,606**	34,606	**300,503**
Capital surplus	22	**40,413**	40,413	**350,929**
Retained earnings	22	**233,607**	219,712	**2,028,542**
Treasury stock	22	**(11,237)**	(14,006)	**(97,577)**
Other components of equity		**7,165**	(14,235)	**62,217**
Total equity attributable to owners of the parent		**304,555**	266,491	**2,644,624**
Non-controlling interests		**9,733**	8,657	**84,517**
Total equity		**314,289**	275,148	**2,729,150**
Total liabilities and equity		**¥ 516,086**	¥ 460,173	**$ 4,481,469**

The accompanying notes are an integral part of these statements.

Consolidated Statement of Profit or Loss

Years ended December 31, 2021 and 2020

Years ended December 31	Note	Millions of yen 2021	Millions of yen 2020	Thousands of U.S. dollars (Note 2) 2021
Revenue	24	**¥ 318,188**	¥ 218,998	**$ 2,763,007**
Cost of sales		**238,434**	172,567	**2,070,458**
Gross profit		**79,753**	46,430	**692,540**
Selling, general, and administrative expenses	25	**50,988**	44,833	**442,757**
Other income	27	**2,316**	3,960	**20,111**
Other expenses	27	**1,171**	14,217	**10,168**
Share of profit in investments accounted for using the equity method		**358**	160	**3,108**
Operating profit (loss)		**30,268**	(8,499)	**262,834**
Financial income	28	**2,145**	764	**18,626**
Financial costs	28	**2,430**	1,990	**21,101**
Profit (loss) before income taxes		**29,984**	(9,725)	**260,368**
Income tax expense	14	**6,820**	2,132	**59,221**
Profit (loss) for the year		**¥ 23,164**	¥ (11,857)	**$ 201,146**
Profit (loss) attributable to:				
Owners of the parent		**¥ 23,007**	¥ (9,992)	**$ 199,782**
Non-controlling interests		**157**	(1,865)	**1,363**
		¥ 23,164	¥ (11,857)	**$ 201,146**
Earnings (loss) per share attributable to owners of the parent (yen or U.S. dollars):				
Basic	30	**¥ 181.97**	¥ (78.95)	**$ 1.58**
Diluted	30	**-**	-	**-**

The accompanying notes are an integral part of these statements.

Consolidated Statement of Comprehensive Income

Years ended December 31, 2021 and 2020

Years ended December 31	Note	Millions of yen 2021	Millions of yen 2020	Thousands of U.S. dollars (Note 2) 2021
Profit (loss) profit for the year		**¥ 23,164**	¥ (11,857)	**$ 201,146**
Other comprehensive income (loss), net of tax:				
Items that may not be reclassified subsequently to profit or loss:				
Financial assets measured at fair value through other comprehensive income	29	**28**	109	**243**
Remeasurements of defined benefit plans	29	**2,062**	718	**17,905**
Share of other comprehensive (loss) income of an affiliate accounted for using the equity method	29	**(46)**	7	**(399)**
Total		**2,044**	836	**17,749**
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating foreign operations	29	**22,601**	(3,076)	**196,257**
Share of other comprehensive income of an affiliate accounted for using the equity method	29	**124**	306	**1,076**
Total		**22,725**	(2,769)	**197,334**
Total other comprehensive income (loss), net of tax		**24,770**	(1,933)	**215,092**
Comprehensive income (loss) for the year		**¥ 47,934**	¥ (13,791)	**$ 416,238**
Attributable to:				
Owners of the parent		**46,696**	(11,897)	**405,488**
Non-controlling interests		**1,237**	(1,893)	**10,741**
		¥ 47,934	¥ (13,791)	**$ 416,238**

The accompanying notes are an integral part of these statements.

Consolidated Statement of Changes in Equity

Years ended December 31, 2021 and 2020

		Millions of yen				
		Equity attributable to owners of the parent				
						Other components of equity
	Note	Common stock	Capital surplus	Retained earnings	Treasury stock	Exchange differences on translating foreign operations
Balance on January 1, 2020		¥ 34,606	¥ 40,413	¥ 230,927	¥ (14,004)	¥ (13,479)
Loss for the year		-	-	(9,992)	-	-
Other comprehensive loss	29	-	-	-	-	(2,721)
Total comprehensive loss		-	-	(9,992)	-	(2,721)
Purchase of treasury stock	22	-	-	-	(2)	-
Payment of dividends	23	-	-	(1,961)	-	-
Transfer from other components of equity to retained earnings		-	-	732	-	-
Other		-	-	8	-	-
Total transactions with owners		-	-	(1,221)	(2)	-
Balance on December 31, 2020		**¥ 34,606**	**¥ 40,413**	**¥ 219,712**	**¥ (14,006)**	**¥ (16,201)**
Profit for the year		**-**	**-**	**23,007**	**-**	**-**
Other comprehensive income	29	**-**	**-**	**-**	**-**	**21,707**
Total comprehensive income		**-**	**-**	**23,007**	**-**	**21,707**
Purchase of treasury stock	22	**-**	**-**	-	**(5,088)**	**-**
Retirement of treasury stock	22			**(7,857)**	**7,857**	
Payment of dividends	23	**-**	**-**	**(3,543)**	**-**	**-**
Transfer from other components of equity to retained earnings		**-**	**-**	**2,288**	**-**	**-**
Other		**-**	**-**	**-**	**-**	**-**
Total transactions with owners		**-**	**-**	**(9,112)**	**2,768**	**-**
Balance on December 31, 2021		**¥ 34,606**	**¥ 40,413**	**¥ 233,607**	**¥ (11,237)**	**¥ 5,506**

		Millions of yen					
		Equity attributable to owners of the parent					
		Other components of equity					
	Note	Financial assets measured at fair value through other comprehensive income	Remeasure-ments of defined benefit plans	Total	Total	Non-controlling interests	Total
Balance on January 1, 2020		¥ 1,881	¥ -	¥ (11,598)	¥280,344	¥10,787	¥ 291,132
Loss for the year		-	-	-	(9,992)	(1,865)	(11,857)
Other comprehensive loss	29	110	705	(1,905)	(1,905)	(28)	(1,933)
Total comprehensive loss		110	705	(1,905)	(11,897)	(1,893)	(13,791)
Purchase of treasury stock	22	-	-	-	(2)	-	(2)
Payment of dividends	23	-	-	-	(1,961)	-	(1,961)
Transfer from other components of equity to retained earnings		(26)	(705)	(732)	-	-	-
Other		-	-	-	8	(236)	(228)
Total transactions with owners		(26)	(705)	(732)	(1,955)	(236)	(2,192)
Balance on December 31, 2020		**¥ 1,966**	**¥ -**	**¥ (14,235)**	**¥ 266,491**	**¥ 8,657**	**¥ 275,148**
Profit for the year		**-**	**-**	**-**	**23,007**	**157**	**23,164**
Other comprehensive income	29	**30**	**1,951**	**23,689**	**23,689**	**1,080**	**24,770**
Total comprehensive income		**30**	**1,951**	**23,689**	**46,696**	**1,237**	**47,934**
Purchase of treasury stock	22	**-**	**-**	**-**	**(5,088)**	**-**	**(5,088)**
Retirement of treasury stock	22	**-**	**-**	**-**	**-**	**-**	**-**
Payment of dividends	23	**-**	**-**	**-**	**(3,543)**	**-**	**(3,543)**
Transfer from other components of equity to retained earnings		**(337)**	**(1,951)**	**(2,288)**	**-**	**-**	**-**
Other		**-**	**-**	**-**	**-**	**(161)**	**(161)**
Total transactions with owners		**(337)**	**(1,951)**	**(2,288)**	**(8,632)**	**(161)**	**(8,794)**
Balance on December 31, 2021		**¥ 1,658**	**¥ -**	**¥ 7,165**	**¥ 304,555**	**¥ 9,733**	**¥ 314,289**

	Note	Thousands of U.S. dollars				
		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
Balance on December 31, 2020		**$ 300,503**	**$ 350,929**	**$ 1,907,884**	**$ (121,622)**	**$ (140,682)**
Profit for the year		**-**	**-**	**199,782**	**-**	**-**
Other comprehensive income	29	**-**	**-**	**-**	**-**	**188,494**
Total comprehensive income		**-**	**-**	**199,782**	**-**	**188,494**
Purchase of treasury stock	22	**-**	**-**	**-**	**(44,182)**	**-**
Retirement of treasury stock	22	**-**	**-**	**(68,226)**	**68,226**	**-**
Payment of dividends	23	**-**	**-**	**(30,765)**	**-**	**-**
Transfer from other components of equity to retained earnings		**-**	**-**	**19,868**	**-**	**-**
Other		**-**	**-**	**-**	**-**	**-**
Total transactions with owners		**-**	**-**	**(79,124)**	**24,036**	**-**
Balance on December 31, 2021		**$ 300,503**	**$ 350,929**	**$ 2,028,542**	**$ (97,577)**	**$ 47,811**

	Note	Thousands of U.S. dollars					
		Equity attributable to owners of the parent					
		Other components of equity					
		Financial assets measured at fair value through other comprehensive income	Remeasure-ments of defined benefit plans	Total	Total	Non-controlling interests	Total
Balance on December 31, 2020		**$ 17,071**	**$ -**	**$ (123,610)**	**$ 2,314,093**	**$ 75,173**	**$ 2,389,267**
Profit for the year		**-**	**-**	**-**	**199,782**	**1,363**	**201,146**
Other comprehensive income	29	**260**	**16,941**	**205,705**	**205,705**	**9,378**	**215,092**
Total comprehensive income		**260**	**16,941**	**205,705**	**405,488**	**10,741**	**416,238**
Purchase of treasury stock	22	**-**	**-**	**-**	**(44,182)**	**-**	**(44,182)**
Retirement of treasury stock	22	**-**	**-**	**-**	**-**	**-**	**-**
Payment of dividends	23	**-**	**-**	**-**	**(30,765)**	**-**	**(30,765)**
Transfer from other components of equity to retained earnings		**(2,926)**	**(16,941)**	**(19,868)**	**-**	**-**	**-**
Other		**-**	**-**	**-**	**-**	**(1,398)**	**(1,398)**
Total transactions with owners		**(2,926)**	**(16,941)**	**(19,868)**	**(74,956)**	**(1,398)**	**(76,363)**
Balance on December 31, 2021		**$ 14,397**	**$ -**	**$ 62,217**	**$ 2,644,624**	**$ 84,517**	**$ 2,729,150**

The accompanying notes are an integral part of these statements.

Consolidated Statement of Cash Flows

Years ended December 31, 2021 and 2020

Years ended December 31	Note	Millions of yen 2021	Millions of yen 2020	Thousands of U.S. dollars (Note 2) 2021
Cash Flows from Operating Activities:				
Profit (loss) before tax		**¥ 29,984**	¥ (9,725)	**$ 260,368**
Depreciation and amortization		**18,748**	18,675	**162,799**
Impairment losses		**-**	8,083	**-**
Change in net defined benefit asset and liability		**63**	(14)	**547**
Financial income		**(2,145)**	(764)	**(18,626)**
Financial costs		**1,719**	1,121	**14,927**
Share of profit in investments accounted for using the equity method		**(358)**	(160)	**(3,108)**
(Increase) decrease in trade and other receivables		**(24,898)**	3,754	**(216,203)**
(Increase) decrease in inventories		**(14,196)**	687	**(123,271)**
Increase in trade and other payables		**10,601**	1,381	**92,054**
Other, net		**(958)**	1,794	**(8,318)**
Subtotal		**18,559**	24,834	**161,158**
Interests and dividends received		**622**	775	**5,401**
Interests paid		**(322)**	(368)	**(2,796)**
Income taxes (paid) refund		**(3,216)**	158	**(27,926)**
Net cash provided by operating activities		**15,643**	25,399	**135,837**
Cash Flows from Investing Activities:				
Purchase of property, plant, and equipment		**(19,248)**	(18,009)	**(167,141)**
Proceeds from sales of property, plant, and equipment		**46**	77	**399**
Purchases of other financial assets		**(215)**	(183)	**(1,866)**
Proceeds from sales of other financial assets		**507**	20	**4,402**
Other, net		**(215)**	(312)	**(1,866)**
Net cash used in investing activities		**(19,125)**	(18,406)	**(166,073)**
Cash Flows from Financing Activities:				
Repayments of long-term borrowings	31	**(2,185)**	(2,185)	**(18,973)**
Proceeds from issuance of bonds	31	**-**	30,000	**-**
Payments for redemption of bonds	31	**-**	(20,000)	**-**
Purchase of treasury stock	22	**(5,088)**	(2)	**(44,182)**
Dividends paid	23	**(3,568)**	(1,990)	**(30,982)**
Dividends paid to non-controlling shareholders		**(98)**	(232)	**(850)**
Repayments of lease obligations	31	**(1,785)**	(1,613)	**(15,500)**
Net cash (used in) provided by financing activities		**(12,725)**	3,977	**(110,498)**
Effects of exchange rate changes on cash and cash equivalents		**8,799**	(1,222)	**76,406**
Net (decrease) increase in cash and cash equivalents		**(7,408)**	9,747	**(64,327)**
Cash and cash equivalents at the beginning of the year	6	**158,839**	149,091	**1,379,289**
Cash and cash equivalents at the end of the year	6	**¥ 151,430**	¥ 158,839	**$ 1,314,953**

The accompanying notes are an integral part of these statements.

Notes to Consolidated Financial Statements

THK CO., LTD. AND CONSOLIDATED SUBSIDIARIES

1. Reporting Entity

THK CO., LTD. (the "Company") is an entity located in Japan. The consolidated financial statements of the Company as of December 31, 2021, and for the year then ended consist of the Company and its subsidiaries (collectively, “the Group”) and the Group's share of investments in an affiliate. The business of the Group is described in Note 5, "Segment Information."

2. Basis of Preparation

Compliance with International Financial Reporting Standards ("IFRS")

The accompanying consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS) pursuant to the provisions of Article 93 of Regulations for Consolidated Financial Statements, as they meet the requirements for a "Specified Company Complying with Designated International Accounting Standards" as described in Article 1-2 of the Regulation on Terminology, Forms, and Preparation Methods of Consolidated Financial Statements (Ministry of Finance Order No. 28 of 1976).

The accompanying consolidated financial statements were authorized by Akihiro Teramachi, Representative Director and President of the Company on March 22, 2022.

Basis of Measurement

Except for the items presented in Note 3, “Significant Accounting Policies,” the Group's consolidated financial statements are prepared on a historical cost basis.

Functional Currency and Presentation Currency

The consolidated financial statements of the Group are prepared in Japanese yen, which is the Company's functional currency, and the yen amounts of less than one million yen have been omitted. U.S. dollar amounts presented in the consolidated financial statements are included solely for the convenience of the readers. These translations should not be construed as presentations that the yen amounts represent or could be converted into U.S. dollars at that or any other rate. For this purpose, the rate of ¥115.16 to U.S. $1, the approximate rate of exchange prevailing in Tokyo on December 31, 2021, has been used for the translation of the accompanying consolidated financial statements as of December 31, 2021, and for the year then ended.

The total amounts in Japanese yen and translated U.S. dollars shown in the consolidated financial statements and notes to the consolidated financial statements do not necessarily agree with the sum of the individual amounts.

3. Significant Accounting Policies

Basis of Consolidation

(1) Subsidiaries

Subsidiaries are entities that are controlled by the Group. The Group controls an entity when the Group has power over the entity, is exposed or has rights to variable returns from its involvement with the entity, and has the ability to affect those returns through its power over the entity.

The financial statements of subsidiaries are included in the consolidated financial statements from the date when the Group obtains control over the subsidiary until the date when it loses control over the subsidiary.

Intercompany receivables and payables, internal transactions, and unrealized profit or loss arising from intercompany transactions are eliminated in the preparation of the consolidated financial statements.

Any change in ownership interests in a subsidiary that does not result in a loss of control over the subsidiary is accounted for as an equity transaction. The difference between adjustment of non-controlling interests and fair value of the consideration is directly recognized in equity as interest attributable to owners of the parent.

(2) Affiliate

An affiliate is an entity over which the Group has a significant influence over the decisions on financial and operating policy, but does not have control or joint control over those policies.

An affiliate is accounted for using the equity method from the date when the Group obtains significant influence until the date when the Group loses significant influence. Investments in an affiliate include goodwill, net of accumulated impairment losses, recognized in the acquisition.

Business Combinations

Business combinations are accounted for using the acquisition method. The consideration for acquisition is measured as the sum of the acquisition-date fair values of the assets transferred in exchange of the control over the acquiree, the liabilities assumed of the acquiree, and equity financial instruments issued by the Company. If the consideration for acquisition exceeds the fair value of identifiable assets and liabilities, the difference is recorded as goodwill in the consolidated statement of financial position. Otherwise, the difference is immediately credited to profit in the consolidated statement of profit or loss.

Whether non-controlling interests are measured at the fair value or at the proportional share of the recognized amount of identifiable net assets is determined for each business combination.

Additional acquisition of non-controlling interests after obtaining control is accounted for as the equity transaction, and accordingly, the goodwill is not recognized from the said transaction.

Identifiable assets and liabilities of the acquiree are measured at fair values at the date of acquisition except for the following:

- Deferred tax assets and liabilities and employee benefit contract-related assets and liabilities
- Share-based payment agreement using the shares of the acquiree
- Assets or disposal group classified as held for sale pursuant to IFRS 5, “Non-current assets held for sale and discontinued operations”

In case of business combinations achieved through step acquisition, its previously held interest equity in the acquiree is remeasured at its acquisition-date fair value, and the resulting gain or loss is recognized as profit or loss.

Foreign Currency Translation

(1) Foreign currency transactions

Foreign currency transactions are translated into the functional currency of each company of the Group at the foreign exchange rate on the date of the transaction or at a rate that approximates the foreign exchange rate.

Monetary assets and monetary liabilities in foreign currency on the closing date are translated into the functional currency at the foreign exchange rate on the closing date.

Non-monetary assets and non-monetary liabilities in foreign currency that are measured at fair value are translated into the functional currency at the foreign exchange rate on the date of calculation of the fair value.

Exchange differences arising from translation or settlement are recognized as profit or loss. However, exchange differences arising from financial assets that are measured through other comprehensive income are recognized as other comprehensive income.

(2) Financial statements of foreign operations

Assets and liabilities of foreign operations are translated into Japanese yen using the foreign exchange rate on the closing date, and their revenue and expenses are translated into Japanese yen using an average foreign exchange rate. Exchange differences arising from the translation of financial statements of foreign operations are recognized as other comprehensive income. Exchange differences on translating foreign operations are recognized as profit or loss in the period when the foreign operation is disposed of.

Financial Instruments

(1) Financial assets

(i) Initial recognition and measurement

The Group classifies financial assets into those that are measured at fair value through profit or loss or other comprehensive income and those that are measured at amortized cost. This classification is decided at the time of initial recognition.

The Group recognizes relevant financial instruments when it becomes a party to the contract of the financial assets.

Unless financial assets are classified into the category in which they are measured at fair value through profit or loss, the Group measures all financial assets at an amount that is obtained by adding transaction costs to the fair value.

A financial asset is classified into the category in which it is measured at amortized cost if it satisfies both of the following requirements:

・ The financial asset is held based on a business model whose objective is to hold assets in order to collect the contractual cash flows.
・ The contractual terms of the financial asset give rise on the specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets other than those that are measured at amortized cost are classified into the category in which they are measured at fair value.

As for equity financial assets that are measured at fair value, except for equity financial assets held for trading purpose that must be measured at fair value through profit or loss, the Group designates each equity financial asset as a financial asset that is measured at fair value through profit or loss or measured at fair value through other comprehensive income and applies the designation continuously.

(ii) Subsequent measurement

After initial recognition, financial assets are measured as follows according to their classification.

(a) Financial assets measured at amortized cost

Financial assets measured at amortized cost are measured at amortized cost using the effective interest method.

(b) Financial assets measured at fair value

The amount of changes in the fair value of financial assets measured at fair value is recognized as profit or loss.

Of equity financial assets, however, the amount of changes in the fair value of those that are designated to be measured at fair value through other comprehensive income is recognized as other comprehensive income. Dividends from the said financial assets are recognized as profit or loss for the period as part of financial income.

(iii) Derecognition of financial assets

The Group derecognizes a financial asset if the contractual rights to the cash flows from the financial asset expire, or if the Group transfers substantially all the risks and rewards of ownership of the financial asset. If the Group retains control over the transferred financial asset, the Group continues to recognize the liability related to the asset to the extent of its continuing involvement in the financial asset.

(iv) Impairment of financial assets

For financial assets measured at amortized cost, the Group recognizes an allowance for doubtful accounts on expected credit losses.

The Group assesses whether the credit risk of each financial asset has increased significantly from the time of initial recognition on each closing date and, if the credit risk has not increased significantly from the time of initial recognition, the Group recognizes an allowance for doubtful accounts on expected credit losses for 12 months. On the other hand, if the credit risk has increased significantly from the time of initial recognition, the Group recognizes an amount equal to the lifetime expected credit losses as an allowance for doubtful accounts.

If contractual payments are more than 30 days past due, the Group deems that the credit risk has increased significantly, in principle. However, when the Group assesses whether the credit risk has increased significantly, the Group takes into consideration reasonable and supportable information that is available (such as internal rating and external rating), in addition to information on payments past due.

If it is decided that the credit risk on a financial asset is low as of the closing date, the Group assesses that the credit risk on the financial asset has not increased significantly since initial recognition.

However, for trade receivables that do not contain a significant financial component, the Group always recognizes an allowance for doubtful accounts at an amount equal to the lifetime expected credit losses, regardless of whether the credit risk has increased significantly from the time of initial recognition.

Expected credit losses are measured at the present value of differences between all contractual cash flows to be paid to the entity pursuant to the contract and all cash flows expected to be received by the entity.

The Group estimates the expected credit losses of a financial asset in a manner that reflects the following:

・ an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes,
・ the time value of money, and
・ reasonable and supportable information that is available without undue cost or effort on the reporting date regarding past events, current conditions, and forecasts of future economic conditions.

If significant economic fluctuations have an impact, the necessary adjustments will be made to the expected credit losses measured in the manner stated above.

The Group directly reduces the gross carrying amount of a financial asset when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof.

Provision of allowance for doubtful accounts on financial assets is recognized in profit or loss. If any event that will reduce an allowance for doubtful accounts arises, the reversal of the allowance for doubtful accounts is recognized in profit or loss.

(2) Financial liabilities

(i) Initial recognition and measurement

The Group classifies financial liabilities into those that are measured at fair value through profit or loss and those that are measured at amortized cost. This classification is decided at the time of initial recognition.

The Group initially recognizes debt instruments issued on the date of issuance. The Group initially recognizes all other financial liabilities on the date of transactions when the Group becomes a party to the contract of the relevant financial instruments.

While all financial liabilities are initially measured at fair value, financial liabilities that are measured at amortized cost are measured at an amount by deducting transaction costs directly attributable.

(ii) Subsequent measurement

After initial recognition, financial liabilities are measured as follows according to their classification:

(a) Financial liabilities measured at fair value through profit or loss
Financial liabilities measured at fair value through profit or loss are measured at fair value after initial recognition, and the changes thereof are recognized as profit or loss for the period.

(b) Financial liabilities measured at amortized cost
Financial liabilities measured at amortized cost are measured at amortized cost using the effective interest method after initial recognition.

When the amortization and recognition by the effective interest method are discontinued, the resulting gains and losses are recognized as profit or loss for the period as part of financial costs.

(iii) Derecognition of financial liabilities

The Group derecognizes a financial liability when the financial liability is extinguished, that is, when the obligation specified in the contract is discharged or cancelled or expired.

(3) Presentation of financial assets and financial liabilities

Financial assets and financial liabilities are offset in the consolidated statement of financial position and are presented in a net amount only if the Group has a legal right to offset their balances and has the intention to settle them in a net amount or realize the assets and settle the liabilities at the same time.

(4) Derivatives

The Group uses derivatives of foreign exchange forward contracts and interest rate swap agreements to hedge the foreign exchange risk and interest rate risk, respectively. These derivatives are initially recognized at fair value when the contract is entered and are subsequently remeasured at fair value.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand and demand deposits withdrawable at any time.

Inventories

Inventories are measured at acquisition cost or net realizable value, whichever is lower. The net realizable value is an amount that is obtained by deducting the estimated costs required until completion and the estimated selling expenses from an estimated selling price in the normal course of business. The acquisition cost is calculated primarily based on the gross average method and includes the cost of purchase, the processing cost, and all costs required to reach the present location and status.

Property, Plant, and Equipment

Property, plant, and equipment are presented at the values obtained by deducting accumulated depreciation and accumulated impairment losses from the acquisition cost.

The acquisition cost includes costs directly related to the acquisition of an asset, costs for demolition and removal, and restoration costs of land.

Depreciation of each asset other than land and construction in progress is posted using the straight-line method over its estimated useful life. The estimated useful life by major asset item is as follows:

- Buildings and structures 5–50 years
- Machinery and vehicles 4–12 years

The estimated useful life, the residual value, and the depreciation method are reviewed at the end of each fiscal year, and if there is a change, it is applied prospectively as a change in accounting estimates.

Goodwill

The Group initially measures goodwill at the fair value of transfer amounts including recognized non-controlling interests in the acquiree measured at the date of acquisition, less the net recognized value (usually, fair value) of identifiable acquired assets and assumed liabilities at the date of acquisition.

Goodwill is not amortized, but is tested for impairment annually, or whenever there is any indication of possible impairment.

Impairment losses on goodwill are recognized in the consolidated statement of profit or loss and not reversed subsequently.

Goodwill is presented at the acquisition cost less accumulated impairment losses in the consolidated statement of financial position.

Intangible Assets

Intangible assets acquired individually are measured at the acquisition cost at the time of initial recognition.

Intangible assets acquired through business combinations are measured at fair value at the time of acquisition. After the initial recognition, they are stated at the acquisition cost less accumulated depreciation and accumulated impairment losses. Intangible assets, except for those with non-identifiable useful life, are amortized by the straight-line method over their estimated useful life after initial recognition, and they are stated at the amount obtained by deducting accumulated amortization and accumulated impairment losses from the acquisition cost. The estimated useful life of a major intangible asset is as follows:

・ Software (for in-house use) 5 years

The estimated useful life, the residual value and the amortization method are reviewed at the end of each fiscal year, and if there is a change, it is applied prospectively as a change in accounting estimates.

Lease

As a lessee, the Group measures right-of-use assets at the acquisition cost and lease liabilities at the present value of total lease payments at the inception date of leases and presents right-of-use assets under “Property, plant, and equipment” and lease liabilities under “Other financial liabilities” in the consolidated statement of financial position.

Right-of-use assets are depreciated by the straight-line method over the earlier years of the useful life or the lease term.

Lease charges are allocated to financial costs and repayment of lease liabilities based on the interest method and financial costs are recognized in the consolidated statement of profit or loss.

However, for short-term leases with a lease term of 12 months or less and leases of low-value underlying assets, right-of-use assets, and lease liabilities are not recognized, and total lease payments are recognized using either the straight-line method or other systematic basis over the lease term.

Impairment of Non-financial Assets

For the carrying amount of non-financial assets of the Group other than inventories and deferred tax assets, the Group decides whether there is any indication of impairment on the closing date. If there is any indication of impairment, the Group estimates the recoverable amount of the assets. For goodwill and intangible assets whose useful life cannot be fixed or that are not yet available for use, the Group estimates the recoverable amount in the same period every year, regardless of whether there is any indication of impairment.

The recoverable amount of an asset or a cash-generating unit is set to be its value in use or its fair value after deducting the cost of sales, whichever is higher. In determining the value in use, estimated future cash flows are discounted to the present value by using a pre-tax discount rate that reflects the time value of money and risks inherent in the asset. Assets that are not tested individually in an impairment test are integrated into the minimal cash-generating unit that generates cash inflows that are largely independent from cash inflows from other assets or group of assets due to their continuous use. In impairment-testing goodwill, cash-generating units to which the goodwill is allocated are integrated so that the impairment-testing would be carried out reflecting the minimal unit related to the goodwill. Goodwill acquired through business combinations is allocated to the cash-generating units that are expected to obtain synergy effects from the business combination.

The company-wide assets of the Group do not generate independent cash inflows. If there is any indication of impairment in the company-wide assets, the Group determines the recoverable amounts of cash-generating units to which the company-wide assets are attributable.

If the carrying amount of an asset or a cash-generating unit exceeds the estimated recoverable amount, an impairment loss is recognized as profit or loss. An impairment loss recognized in relation to the cash-generating unit is first allocated in such a way as to reduce the carrying amount of goodwill allocated to the unit, and then the carrying amount of other assets in the cash-generating unit is reduced proportionally.

Employee Benefits

(1) Post-retirement benefits

The Group manages defined benefit plans and defined contribution plans as retirement benefit plans for employees.

For defined benefit plans, the amounts of defined benefit plan obligations computed by discounting the estimated future benefits vested as consideration for services rendered by the employees in the past and current years by each plan, less the fair value of plan assets, are recognized in the consolidated statement of financial position.

The Group determines the present value of defined benefit plan obligations and the related current service cost and past service cost using the projected unit credit method.

The discount rate is determined based on the market yield of high-grade corporate bonds at the closing date corresponding to discount periods that are set up based on the period through future expected payment date each year.

Liabilities or assets related to the defined benefit plans are determined at the present value of defined benefit plan obligations, less the fair value of plan assets.

Remeasurements of the defined benefit plans are recognized collectively as other comprehensive income in the period incurred and immediately transferred from other equity components to retained earnings.

Past service costs resulting from a plan amendment or curtailment are recognized as profit or loss in the earlier period when the plan was amended, or related restructuring costs and termination benefits were recognized.

For defined contribution plans, the amounts to be contributed to the said plan for the period are recognized as profit or loss when the employees rendered related services.

(2) Short-term employee benefits

Short-term employee benefits including wages are recognized as profit or loss when an employee has rendered related services.

Bonuses are recognized as a liability in cases where the employer has legal obligation or constructive obligation, and reliable estimation is possible.

Unused paid absences are recognized as a liability when an employee has rendered services that will entitle to accumulate future paid absences.

Provisions

Provisions are recognized if the Group has a current legal or constructive obligation as a result of past events, if an outflow of economic resources is likely to settle the obligation, and if the amount of the obligation can be reasonably estimated. If the time value of money is significant, estimated future cash flows are discounted to the present value by using a pre-tax interest rate that reflects the time value of money and risks inherent in the obligation. The rebate of the discounted amount associated with the passage of time is recognized as a financial cost.

Revenue

The Group recognizes revenue from contracts with customers, except for interest and dividend income based on IFRS 9, “Financial Instruments,” by applying the following steps:

Step 1: Identify a contract with a customer.
Step 2: Identify the performance obligation in the contract.
Step 3: Determine the transaction price.
Step 4: Allocate the transaction price to the performance obligation in the contract.
Step 5: Recognize revenue when the performance obligation has been satisfied (or as the performance obligation is satisfied).

Financial Income and Financial Costs

Financial income consists of mainly interest income, dividends received, foreign exchange gains, and changes in fair value of financial assets measured at fair value through profit or loss. Interest income is recognized when incurred by the effective interest method. Dividends received are recognized when the right to receive dividends has been vested.

Financial costs consist of mainly interest expenses, foreign exchange losses, and changes in fair value of financial assets measured at fair value through profit or loss. Interest expenses are recognized when incurred by the effective interest method.

Government Subsidies

Government subsidies are recognized at fair value when the incidental conditions for the grant of the subsidies have been met and when reasonable assurance of receiving subsidies has been obtained.

If government subsidies are related to expense items, they are recognized systematically as revenue over the period when the related costs that are intended to be covered by the subsidies are recognized as an expense. Subsidies related to assets are recognized as deferred income and are recognized systematically as profit or loss over the estimated useful life of the related assets.

Income Taxes

Income tax expenses consist of current tax and deferred tax. These taxes are recognized as profit or loss unless they arise from an item that is directly recognized in other comprehensive income or equity, or unless they arise from a business combination.

Current tax is measured at an amount in which a payment to or refund from tax authorities is expected. A tax rate and tax law used for determining the tax amount are those that have been enacted or substantially enacted by the closing date.

Deferred tax is recognized for temporary differences, which are differences between the carrying amount of an asset or a liability and its tax base on the closing date, the tax loss carryforwards, and unused tax credits.

A deferred tax asset or a deferred tax liability is not recorded for the following temporary differences.

- Temporary differences arising from initial recognition of goodwill
- Temporary differences arising from initial recognition of an asset or a liability that arises from a transaction that affects neither accounting profit nor taxable income (loss), except for business combinations.
- As for deductible temporary differences associated with investments in subsidiaries and affiliates, in cases where the said temporary differences are unlikely to be recovered in the foreseeable future, or in cases where taxable income that will be subject to the use of the said temporary differences is unlikely to be realized.
- As for taxable temporary differences associated with investments in subsidiaries and affiliates, in cases where the said temporary differences are unlikely to be realized in the foreseeable future because it is possible to control the timing for realizing temporary differences.

A deferred tax liability is recognized for all taxable temporary differences, in principle, and the Group recognizes a deferred tax asset for all deductible temporary differences to the extent that enough taxable income to use deductible temporary differences is likely to be realized.

The carrying amount of deferred tax assets is reviewed every fiscal year, and the carrying amount is reduced for the portion for which it cannot be decided that enough taxable income to use all or part of deferred tax assets is likely to be realized. Unrecognized deferred tax assets are reviewed every fiscal year, and the Group recognizes a deferred tax asset to the extent that the deferred tax asset becomes likely to be recovered by future taxable income.

Deferred tax assets and liabilities are measured based on a tax rate and tax law that are expected to be applied to the period when the assets will be realized or liabilities will be settled based on the tax rate and tax law that have been enacted or substantially enacted on the closing date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset tax assets for the period and tax liabilities for the period and taxes are imposed on the same taxable entity by the same tax authority, or if it is intended to settle tax assets for the period and tax liabilities for the period in a net amount or intended to realize assets and settle liabilities at the same time even if the taxable entities are different.

Earnings per Share

Basic earnings per share are calculated by dividing profit or loss attributable to common shareholders of the parent by the weighted-average number of outstanding common stock adjusted for treasury stock for the period. Diluted earnings per share are not determined, since there exist no potential shares.

Segment Information

A business segment is a constituent unit of business activities that will earn revenue and give rise to expenses, including transactions with other business segments. Financial information for the outcome of the businesses of all business segments is available individually and is reviewed by the Board of Directors of the Company regularly to allocate management resources to each segment and evaluate their performances.

Treasury Stock

Treasury stock is valued at acquisition cost and deducted from equity. Gains or losses are not recognized in the purchase, sale, or cancellation of treasury stock of the Company. Differences between the carrying amount and consideration at the time of sale are recognized as equity.

4. Significant Accounting Estimates and Judgments

In the preparation of consolidated financial statements in compliance with IFRS, the management is required to apply accounting policies and make judgments, estimates, and assumptions that could have an impact on the amount of assets, liabilities, revenue, and expenses. Actual results may differ from these estimates.

Estimates and assumptions that form the basis for estimates are reviewed on a continuing basis. The impact of the review of accounting estimates will be recognized in the accounting period when the estimates are reviewed and subsequent accounting periods.

Major judgments and estimates made by the management that could have a significant impact on the amounts in the consolidated financial statements are as follows:

- Scope of consolidation (Note 3, "Significant Accounting Policies - Basis of Consolidation")
- Matters concerning financial instruments (Note 3, "Significant Accounting Policies – Financial Instruments"; Note 8, "Other Financial Assets"; and Note 32, "Financial Instruments")
- Valuation of inventories (Note 9, "Inventories")
- Impairment of non-financial assets (Note 13, "Impairment of Non-financial Assets")
- Recoverability of deferred tax assets (Note 14, "Income Taxes")
- Accounting and valuation of provisions (Note 19, "Provisions")
- Measurement of defined benefit plan obligations (Note 18, "Employee Benefits")

5. Segment Information

Summary of Reportable Segments

The reportable segments are components of the Group for which separate financial information is available, and whose operating results are reviewed periodically by the Board of Directors to determine allocation of management resources and evaluate their performances.

The Group's main products are machinery parts such as the LM (Linear Motion) Guide 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 the Company and domestic subsidiaries do in Japan.

Therefore, the reportable segment information consists of the five geographical segments, namely, Japan, the Americas, Europe, China, and Other based on the Group's production/sales structure.

Information about Reportable Segments

The accounting policies for the reportable segments are the same as the Group's accounting policies stated in Note 3, "Significant accounting policies."

Inter-segment revenues are based on market prices.

	Millions of yen							
	As of December 31, 2021, or for the year then ended							
	Japan	The Americas	Europe	China	Other	Total	Adjust-ments (Note 3)	Consoli-dated
Revenue:								
Sales to customers	¥ 123,373	¥ 57,220	¥ 50,247	¥ 67,072	¥ 20,274	¥ 318,188	¥ -	¥ 318,188
Inter-segment	69,263	79	200	2,565	2,759	74,868	(74,868)	-
Total	192,636	57,299	50,448	69,638	23,033	393,056	(74,868)	318,188
Segment profit (loss) (Note 4)	22,262	(1,134)	(1,337)	9,459	2,278	31,529	(1,260)	30,268
Financial income	5,719	2	1,532	483	32	7,770	(5,625)	2,145
Financial costs	1,700	189	607	19	95	2,612	(182)	2,430
Profit (loss) before income taxes	26,280	(1,321)	(411)	9,923	2,216	36,688	(6,703)	29,984
Segment assets	¥ 440,575	¥ 80,456	¥105,001	¥ 90,651	¥ 31,307	¥ 747,992	¥ (231,906)	¥ 516,086
Other items:								
Depreciation and amortization	¥ 7,537	¥ 3,279	¥ 2,708	¥ 4,166	¥ 746	¥ 18,438	¥ (331)	¥ 18,106
Investments accounted for using the equity method	6,048	-	-	-	-	6,048	-	6,048
Share of profit of investments accounted for using the equity method	358	-	-	-	-	358	-	358
Capital expenditures	1,645	877	769	298	97	3,689	-	3,689

	Millions of yen							
	As of December 31, 2020, or for the year then ended							
	Japan	The Americas	Europe	China	Other	Total	Adjust-ments (Note 3)	Consoli-dated
Revenue:								
Sales to customers	¥ 90,378	¥ 46,019	¥ 39,274	¥ 33,085	¥ 10,240	¥ 218,998	¥ -	¥ 218,998
Inter-segment	35,931	77	234	1,474	1,797	39,515	(39,515)	-
Total	126,309	46,096	39,508	34,560	12,038	258,513	(39,515)	218,998
Segment (loss) profit (Note 4)	(17,400)	(3,239)	(5,983)	3,730	647	(22,245)	13,746	(8,499)
Financial income	1,015	49	279	337	48	1,731	(966)	764
Financial costs	2,858	247	442	24	6	3,578	(1,588)	1,990
(Loss) profit before income taxes	(19,243)	(3,437)	(6,145)	4,044	689	(24,093)	14,368	(9,725)
Segment assets	¥ 400,473	¥ 65,127	¥94,956	¥ 71,022	¥ 24,730	¥ 656,311	¥ (196,137)	¥ 460,173
Other items:								
Depreciation and amortization	¥ 7,504	¥ 3,004	¥ 2,926	¥ 3,688	¥ 692	¥ 17,816	¥ (176)	¥ 17,639
Impairment losses	5,158	994	1,930	-	-	8,083	-	8,083
Investments accounted for using the equity method	5,686	-	-	-	-	5,686	-	5,686
Share of profit of investments accounted for using the equity method	160	-	-	-	-	160	-	160
Capital expenditures	1,467	645	573	1,240	177	4,103	-	4,103

	Thousands of U.S. dollars							
	As of December 31, 2021, or for the year then ended							
	Japan	The Americas	Europe	China	Other	Total	Adjust-ments (Note 3)	Consoli-dated
Revenue:								
Sales to customers	**$ 1,071,318**	**$ 496,873**	**$ 436,323**	**$ 582,424**	**$ 176,050**	**$ 2,763,007**	**$ -**	**$ 2,763,007**
Inter-segment	**601,450**	**686**	**1,736**	**22,273**	**23,957**	**650,121**	**(650,121)**	**-**
Total	**1,672,768**	**497,559**	**438,068**	**604,706**	**200,008**	**3,413,129**	**(650,121)**	**2,763,007**
Segment profit (loss) (Note 4)	**193,313**	**(9,847)**	**(11,609)**	**82,137**	**19,781**	**273,784**	**(10,941)**	**262,834**
Financial income	**49,661**	**17**	**13,303**	**4,194**	**277**	**67,471**	**(48,845)**	**18,626**
Financial costs	**14,762**	**1,641**	**5,270**	**164**	**824**	**22,681**	**(1,580)**	**21,101**
Profit (loss) before income taxes	**228,204**	**(11,470)**	**(3,568)**	**86,167**	**19,242**	**318,582**	**(58,205)**	**260,368**
Segment assets	**$ 3,825,764**	**$ 698,645**	**$ 911,783**	**$ 787,174**	**$ 271,856**	**$ 6,495,241**	**$ (2,013,772)**	**$ 4,481,469**
Other items:								
Depreciation and amortization	**$ 65,448**	**$ 28,473**	**$ 23,515**	**$ 36,175**	**$ 6,477**	**$ 160,107**	**$ (2,874)**	**$ 157,224**
Investments accounted for using the equity method	**52,518**	**-**	**-**	**-**	**-**	**52,518**	**-**	**52,518**
Share of profit of investments accounted for using the equity method	**3,108**	**-**	**-**	**-**	**-**	**3,108**	**-**	**3,108**
Capital expenditures	**14,284**	**-**	**-**	**-**	**-**	**32,033**	**-**	**32,033**

Notes:

1. Segmentation by country or area is determined based on geographical proximity.
2. The main countries or areas that belong to the reportable segments other than Japan and China are as follows:
   (1) “The Americas”: The United States of America and others
   (2) “Europe”: Germany, France, and others
   (3) “Other”: Taiwan, Singapore, and others

3. “Adjustments” are as follows:
   (1) Adjustments of “Segment profit (loss)” in an amount of ¥ (1,260) million ($ (10,941) thousand) and ¥13,746 million for the years ended December 31, 2021 and 2020, respectively, represent elimination of inter-segment transactions.
   (2) Adjustments of “Segment assets” in an amount of ¥ (231,906) million ($ (2,013,772) thousand) and ¥ (196,137) million for the years ended December 31, 2021 and 2020, respectively, are all elimination of inter-segment transactions.
   (3) Adjustments of “Depreciation and amortization” in an amount of ¥ (331) million ($ (2,874) thousand) and ¥ (176) million for the years ended December 31, 2021 and 2020, respectively, are all elimination of inter-segment transactions.
4. “Segment profit (loss)” is reconciled with operating income in the consolidated statements of profit or loss.

Information about Products and Services

Sales to customers by products and services are as follows:

	Millions of yen		Thousands of U.S. dollars
Years ended December 31	2021	2020	2021
Industrial equipment	¥ 233,111	¥ 145,492	$ 2,024,235
Transportation equipment	85,077	73,505	738,772
Total	¥ 318,188	¥ 218,998	$ 2,763,007

Geographic Information

Information about sales and non-current assets is as follows:

	Millions of yen		Thousands of U.S. dollars
Years ended December 31	2021	2020	2021
Japan	¥ 115,517	¥ 84,675	$ 1,003,100
The Americas	56,369	46,097	489,484
Europe	49,014	37,625	425,616
China	68,662	34,006	596,231
Other	28,624	16,594	248,558
Total	¥ 318,188	¥ 218,998	$ 2,763,007

(Note) Sales are based on the location of the sales destination.

Non-current assets	Millions of yen		Thousands of U.S. dollars
	December 31		December 31
	2021	2020	2021
Japan	¥ 78,709	¥ 72,848	$ 683,475
The Americas	23,788	22,497	206,564
Europe	29,588	18,496	256,929
China	33,275	29,266	288,945
Other	11,519	10,611	100,026
Total	¥ 176,880	¥ 153,720	$ 1,535,949

(Note) Non-current assets are based on the location of the assets and do not include financial instruments, deferred tax assets, and net defined benefit asset.

Information about Major Customers

There is no applicable matter to be noted, since any single external customer does not account for more than 10% of consolidated sales.

6. Cash and Cash Equivalents

Cash and cash equivalents comprise the following:

Non-current assets	Millions of yen		Thousands of U.S. dollars
	December 31		December 31
	2021	2020	2021
Cash and cash equivalents	¥ 151,430	¥ 158,839	$ 1,314,953

7. Trade and Other Receivables

Trade and other receivables comprise the following:

	Millions of yen		Thousands of U.S. dollars
	December 31		December 31
	2021	2020	2021
Notes and accounts receivable	¥ 63,666	¥ 46,402	$ 552,848
Electronically recorded receivables	22,698	13,177	197,099
Allowance for doubtful accounts	(71)	(75)	(616)
Total	¥ 86,293	¥ 59,505	$ 749,331

Trade and other receivables are classified as financial assets measured at amortized cost.

8. Other Financial Assets

Components of Other Financial Assets

Other financial assets comprise the following:

	Millions of yen		Thousands of U.S. dollars
	December 31		December 31
	2021	2020	2021
Financial assets measured at amortized cost:			
Key deposits	¥ 12	¥ 8	$ 104
Guarantee deposits	1,352	1,266	11,740
Long-term loans	1,595	1,587	13,850
Other	1,322	1,277	11,479
Financial assets measured at fair value through profit or loss:			
Derivative assets	712	93	6,182
Other	877	746	7,615
Financial assets measured at fair value through other comprehensive income:			
Equity securities	4,396	4,928	38,172
Other	118	118	1,024
Total	¥ 10,389	¥ 10,027	$ 90,213
Current assets	¥ 0	¥ 14	$ 0
Non-current assets	10,388	10,013	90,204
Total	¥ 10,389	¥ 10,027	$ 90,213

Financial Assets Measured at Fair Value through Other Comprehensive Income

Main issues and their fair values of financial assets measured at fair value through other comprehensive income are as follows:

Issues	Millions of yen		Thousands of U.S. dollars
	December 31		December 31
	2021	2020	2021
NITTOKU	¥ 1,195	¥ 1,246	$ 10,376
TSUGAMI	527	467	4,576
TOKYO SEIMITSU	265	252	2,301
NACHI-FUJIKOSHI	259	269	2,249
DMG MORI	255	202	2,214
OKUMA	255	287	2,214

Equity securities are designated as financial assets measured at fair value through other comprehensive income since they are held for strategic investment purposes.

Derecognition of Financial Assets Measured at Fair Value through Other Comprehensive Income

The Group discontinued recognition of financial assets measured at fair value through other comprehensive income because the Group sold certain financial assets measured at fair value through other comprehensive income for the purpose of optimization of assets and reviewing business relations.

Fair value at the time of sales and accumulated gains or losses recognized as other comprehensive income for the years ended December 31, 2021 and 2020, are as follows:

Millions of yen				Thousands of U.S. dollars	
Year ended December 31				Year ended December 31	
2021		2020		2021	
Fair value	Accumulated gains (losses)	Fair value	Accumulated gains (losses)	Fair value	Accumulated gains (losses)
¥ 507	¥ 337	¥ 26	¥ 26	$ 4,402	$ 2,926

When financial assets measured at fair value through other comprehensive income are derecognized, the related accumulated gains or losses recognized as other comprehensive income are transferred to retained earnings. Accumulated gains or losses (net of tax) as other comprehensive income transferred to retained earnings amount to ¥337 million ($2,926 thousand) and ¥26 million in the years ended December 31, 2021 and 2020, respectively.

The breakdown of divided income recognized from equity financial instruments is as follows:

Millions of yen				Thousands of U.S. dollars	
Year ended December 31				Year ended December 31	
2021		2020		2021	
Investments derecognized in the year	Investments held as of the year-end	Investments derecognized in the year	Investments held as of the year-end	Investments derecognized in the year	Investments held as of the year-end
¥ 16	¥ 85	¥ 113	¥ 86	$ 138	$ 738

9. Inventories

Inventories comprise the following:

	Millions of yen		Thousands of U.S. dollars
	December 31		December 31
	2021	2020	2021
Merchandise and finished goods	¥ 20,135	¥ 19,329	$ 174,843
Work in process	14,801	9,783	128,525
Raw material and supplies	29,441	18,124	255,653
Total	¥ 64,378	¥ 47,237	$ 559,030

The amounts of reversal of devaluation recognized as income for the year ended December 31, 2021, and devaluated inventories recognized as expenses for the year ended December 31, 2020, are ¥(635) million ($(5,514) thousand) and ¥743 million, respectively.

10. Other Assets

Other assets comprise the following:

	Millions of yen		Thousands of U.S. dollars
	December 31		December 31
	2021	2020	2021
Other current assets:			
Prepaid expenses	¥ 1,737	¥ 1,515	$ 15,083
Advance payments	1,114	592	9,673
Other receivables	4,201	3,777	36,479
Other	4,764	3,013	41,368
Total	¥ 11,818	¥ 8,899	$ 102,622
Other non-current assets:			
Long-term prepaid expenses	¥ 90	¥ 110	$ 781
Total	¥ 90	¥ 110	$ 781

11. Property, Plant, and Equipment

Table of Changes

Changes in acquisition costs, accumulated depreciation, and accumulated impairment losses and carrying amounts are as follows:

	Millions of yen					
Carrying amount	Land	Buildings and structures	Machinery and vehicles	Construction in progress	Other	Total
On January 1, 2020	¥ 15,553	¥ 48,354	¥ 71,369	¥ 15,126	¥ 4,651	¥ 155,055
Acquisition	-	564	762	13,737	697	15,761
Depreciation	(35)	(3,768)	(10,869)	-	(1,736)	(16,409)
Impairment losses	(986)	(890)	(5,139)	(1)	(540)	(7,559)
Sales or disposal	-	(144)	(270)	(77)	(30)	(523)
Transfer from construction in progress	10	1,973	11,491	(14,536)	938	(123)
Translation difference of foreign operations	(39)	(179)	(261)	(530)	81	(930)
Other	-	19	24	605	-	650
On December 31, 2020	¥ 14,502	¥ 45,927	¥ 67,106	¥ 14,324	¥ 4,061	¥ 145,922
Acquisition	7	592	1,146	19,045	740	21,531
Depreciation	(50)	(3,681)	(11,411)	-	(1,553)	(16,697)
Impairment losses	-	-	-	-	-	-
Sales or disposal	(0)	(39)	(619)	(27)	(27)	(713)
Transfer from construction in progress	-	3,121	15,433	(19,771)	1,065	(150)
Translation difference of foreign operations	404	2,243	4,519	916	263	8,347
Other	-	(26)	20	(101)	2	(104)
On December 31, 2021	¥ 14,863	¥ 48,136	¥ 76,196	¥ 14,385	¥ 4,553	¥ 158,135

(Note) Depreciation of property, plant, and equipment is included in “Cost of sales” and “Selling, general, and administrative expenses” in the consolidated statement of profit or loss.

	Thousands of U.S. dollars					
Carrying amount	Land	Buildings and structures	Machinery and vehicles	Construction in progress	Other	Total
On December 31, 2020	$ 125,929	$ 398,810	$ 582,719	$ 124,383	$ 35,263	$ 1,267,124
Acquisition	60	5,140	9,951	165,378	6,425	186,965
Depreciation	(434)	(31,964)	(99,088)	-	(13,485)	(144,989)
Impairment losses	-	-	-	-	-	-
Sales or disposal	(0)	(338)	(5,375)	(234)	(234)	(6,191)
Transfer	-	27,101	134,013	(171,682)	9,248	(1,302)
Translation difference of foreign operations	3,508	19,477	39,241	7,954	2,283	72,481
Other	-	(225)	173	(877)	17	(903)
On December 31, 2021	$ 129,063	$ 417,992	$ 661,653	$ 124,913	$ 39,536	$ 1,373,176

	Millions of yen					
Acquisition costs	Land	Buildings and structures	Machinery and vehicles	Construction in progress	Other	Total
On January 1, 2020	¥ 15,867	¥ 97,454	¥ 215,606	¥ 15,126	¥ 23,618	¥ 367,673
On December 31, 2020	15,855	99,430	223,476	14,325	24,063	377,151
On December 31, 2021	16,491	106,486	245,432	14,385	26,201	408,996

	Thousands of U.S. dollars					
Acquisition costs	Land	Buildings and structures	Machinery and vehicles	Construction in progress	Other	Total
On December 31, 2021	$ 143,200	$ 924,678	$ 2,131,226	$ 124,913	$ 227,518	$ 3,551,545

	Millions of yen					
Accumulated depreciation and impairment losses	Land	Buildings and structures	Machinery and vehicles	Construction in progress	Other	Total
On January 1, 2020	¥ 313	¥ 49,100	¥ 144,237	¥ -	¥ 18,966	¥ 212,617
On December 31, 2020	1,353	53,503	156,369	1	20,001	231,229
On December 31, 2021	1,627	58,349	169,236	-	21,647	250,861

	Thousands of U.S. dollars					
Accumulated depreciation and impairment losses	Land	Buildings and structures	Machinery and vehicles	Construction in progress	Other	Total
On December 31, 2021	$ 14,128	$ 506,677	$ 1,469,572	$ -	$ 187,973	$ 2,178,369

12. Goodwill and Intangible Assets

Table of Changes

Acquisition costs, accumulated amortization, and accumulated impairment losses and carrying amounts of goodwill and intangible assets are as follows:

	Millions of yen			
Carrying amount	Goodwill	Intangible assets		Total
		Software	Other	
On January 1, 2020	¥ 6,630	¥ 1,819	¥ 12,989	¥ 21,440
Acquisition	-	395	-	395
Amortization	-	(695)	(1,554)	(2,249)
Impairment losses	-	(221)	(302)	(524)
Sales or disposal	-	(2)	-	(2)
Translation differences of foreign operations	(226)	16	(170)	(380)
Other	-	98	-	98
On December 31, 2020	¥ 6,404	¥ 1,412	¥ 10,962	¥ 18,779
Acquisition	-	306	-	306
Amortization	-	(549)	(1,612)	(2,162)
Impairment losses	-	-	-	-
Sales or disposal	-	(61)	4	(57)
Translation differences of foreign operations	689	10	1,095	1,795
Other	-	82	-	82
On December 31, 2021	¥ 7,093	¥ 1,201	¥ 10,449	¥ 18,744

	Thousands of U.S. dollars			
Carrying amount	Goodwill	Intangible assets		Total
		Software	Other	
On December 31, 2020	$ 55,609	$ 12,261	$ 95,189	$ 163,068
Acquisition	-	2,657	-	2,657
Amortization	-	(4,767)	(13,997)	(18,773)
Impairment losses	-	-	-	-
Sales or disposal	-	(529)	34	(494)
Translation differences of foreign operations	5,982	86	9,508	15,587
Other	-	712	-	712
On December 31, 2021	$ 61,592	$ 10,428	$ 90,734	$ 162,764

(Note) Amortization of intangible assets is included in “Cost of sales” and “Selling, general, and administrative expenses” in the consolidated statement of profit or loss.

	Millions of yen			
Acquisition costs	Goodwill	Intangible assets		Total
		Software	Other	
On January 1, 2020	¥ 12,780	¥ 6,777	¥ 20,523	¥ 40,081
On December 31, 2020	12,355	7,130	20,167	39,653
On December 31, 2021	12,638	7,483	21,098	41,220

	Thousands of U.S. dollars			
Acquisition costs	Goodwill	Intangible assets		Total
		Software	Other	
On December 31, 2021	$ 109,742	$ 64,979	$ 183,205	$ 357,936

	Millions of yen			
Accumulated amortization and impairment losses	Goodwill	Intangible assets		Total
		Software	Other	
On January 1, 2020	¥ 6,149	¥ 4,957	¥ 7,533	¥ 18,641
On December 31, 2020	5,951	5,718	9,204	20,874
On December 31, 2021	5,544	6,282	10,649	22,475

	Thousands of U.S. dollars			
Accumulated amortization and impairment losses	Goodwill	Intangible assets		Total
		Software	Other	
On December 31, 2021	$ 48,141	$ 54,550	$ 92,471	$ 195,163

The carrying amounts of “Other” in each reporting period include customer-related assets of THK RHYTHM AUTOMOTIVE MICHIGAN CORPORATION in the amounts of ¥2,847 million ($24,722 thousand) and ¥3,249 million, and customer-related assets of THK RHYTHM AUTOMOTIVE CZECH a.s. in the amounts of ¥6,896 million ($59,881 thousand) and ¥7,020 million on December 31, 2021 and 2020, respectively. Their residual amortization period is 4 to 9 years.

The carrying amounts of “Goodwill” include that of THK RHYTHM AUTOMOTIVE MICHIGAN CORPORATION in the amounts of ¥2,068 million ($17,957 thousand) and ¥1,817 million, and that of THK RHYTHM AUTOMOTIVE CZECH a.s. in the amounts of ¥5,025 million ($43,634 thousand) and ¥4,586 million on December 31, 2021 and 2020, respectively.

Research and development activities recognized as expenses in the years ended December 31, 2021 and 2020, amounted to ¥5,560 million ($48,280 thousand) and ¥5,349 million, respectively. These are included in “Cost of sales” and “Selling, general, and administrative expenses” in the consolidated statement of profit or loss.

13. Impairment of Non-financial Assets

Impairment Losses

The Group is grouping non-current assets based on the minimum unit of asset group distinguished to generate independent cash inflows in determining impairment losses. Impairment losses are recorded under “Other expenses” in the consolidated statement of profit or loss. The components of impairment losses by asset type are as follows:

	Millions of yen		Thousands of U.S. dollars
Years ended December 31	2021	2020	2021
Property, plant, and equipment:			
Buildings and structures	¥ -	¥ 890	$ -
Machinery and vehicles	-	5,139	-
Land	-	986	-
Construction in progress	-	1	-
Other	-	540	-
Intangible assets:			
Software	-	221	-
Other	-	302	-
Total	¥ -	¥ 8,083	$ -

With respect to impairment losses recognized on property, plant, and equipment for the year ended December 31, 2020, the Group recorded impairment losses of ¥8,083 million since the profitability of business assets of THK RHYTHM; THK RHYTHM MEXICANA, S.A. DE C.V.; and THK RHYTHM AUTOMOTIVE GmbH declined and the carrying amount of those assets was written down to the recoverable amount. The recoverable amount of the assets is measured at their fair values less costs of disposal based on the real estate appraisal value and other factors. The fair value hierarchy is Level 3.

Impairment of Goodwill

Goodwill arising from business combinations is allocated to cash-generating units that will benefit from the business combination at the date of acquisition.

The breakdown of the carrying amount of goodwill by segment is as follows:

	Millions of yen		Thousands of U.S. dollars
	December 31		December 31
	2021	2020	2021
The Americas	¥ 2,068	¥ 1,817	$ 17,957
Europe	5,025	4,586	43,634
Total	¥ 7,093	¥ 6,404	$ 61,592

The Group tests goodwill for impairment every year or whenever there is any indication of impairment. The recoverable amount used in the impairment test is determined based on the value in use.

The value in use, reflecting past experiences and external information, is computed by discounting the estimated cash flows based on the next five-year business plan authorized by the management and the growth rate at the discount rates of 10.93%-10.94% (8.91%-9.38% on December 31, 2020) based on the weighted-average capital cost before tax of the applicable cash-generating unit or cash-generating unit group. The growth rate has been determined at 0% (0% on December 31, 2020) considering the long-term average growth rate of the industry or the country to which the cash-generating unit or cash-generating unit group belongs and does not exceed the long-term average growth rate of the market.

If the future cash flows that are major assumptions used in the impairment test were reduced or the discount rates rose, respectively, additional impairment losses may be incurred.

14. Income Taxes

Deferred Tax Assets and Deferred Tax Liabilities

The breakdown of the deferred tax assets and liabilities by major cause and their changes are as follows:

	Millions of yen			
	January 1, 2021	Recognition through profit or loss	Recognition at other comprehensive income	December 31, 2021
Deferred tax assets:				
Net defined benefit liability	¥ 718	¥ (114)	¥ (312)	¥ 292
Inventories (unrealized profit)	585	252	-	837
Accrued bonuses to employees	777	318	-	1,095
Loss on devaluation of shares of affiliates	-	1,114	-	1,114
Tax loss carryforwards	710	845	-	1,555
Loss on devaluation of inventories	198	(0)	-	197
Enterprise tax payable	56	456	-	513
Unrealized gain on intercompany sales of property, plant, and equipment	451	70	-	522
Accumulated depreciation	369	115	-	485
Accrued expenses	170	42	-	213
Allowance for doubtful accounts	6	36	-	42
Unused paid absences	485	(24)	-	460
Derivatives	125	(65)	-	59
Other	470	139	-	609
Total	¥ 5,126	¥ 3,186	¥ (312)	¥ 8,000
Deferred tax liabilities:				
Depreciation	¥ 2,539	¥ 353	¥ -	¥ 2,892
Adjustment to book value of a subsidiary due to fair value measurement at the inception of consolidation	1,346	(50)	-	1,295
Financial assets measured at fair value through other comprehensive income	2,144	-	(86)	2,058
Unrealized gains on land revaluation	1,172	-	-	1,172
Special depreciation reserve for tax purpose	0	(0)	-	-
Other	450	(2)	-	447
Total	¥ 7,652	¥ 300	¥ (86)	¥ 7,866

	Millions of yen			
	January 1, 2020	Recognition through profit or loss	Recognition at other comprehensive income	December 31, 2020
Deferred tax assets:				
Net defined benefit liability	¥ 886	¥ (43)	¥ (123)	¥ 718
Inventories (unrealized profit)	862	(277)	-	585
Accrued bonuses to employees	873	(96)	-	777
Tax loss carryforwards	711	(1)	-	710
Loss on devaluation of inventories	213	(15)	-	198
Enterprise tax payable	-	56	-	56
Unrealized gain on intercompany sales of property, plant, and equipment	468	(16)	-	451
Accumulated depreciation	328	40	-	369
Accrued expenses	188	(17)	-	170
Impairment losses	9	(3)	-	6
Allowance for doubtful accounts	387	98	-	485
Unused paid absences	35	90	-	125
Other	394	75	-	470
Total	¥ 5,359	¥ (109)	¥ (123)	¥ 5,126
Deferred tax liabilities:				
Depreciation	¥ 2,234	¥ 304	¥ -	¥ 2,539
Adjustment to book value of a subsidiary due to fair value measurement at the inception of consolidation	1,523	(176)	-	1,346
Financial assets measured at fair value through other comprehensive income	2,007	-	137	2,144
Unrealized gains on land revaluation	1,172	-	-	1,172
Special depreciation reserve for tax purpose	0	(0)	-	0
Other	482	(32)	-	450
Total	¥ 7,420	¥ 95	¥ 137	¥ 7,652

	Thousands of U.S. dollars			
	January 1, 2021	Recognition through profit or loss	Recognition at other comprehensive income	December 31, 2021
Deferred tax assets:				
Net defined benefit liability	$ 6,234	$ (989)	$ (2,709)	$ 2,535
Inventories (unrealized profit)	5,079	2,188	-	7,268
Accrued bonuses to employees	6,747	2,761	-	9,508
Loss on devaluation of shares of affiliates	-	9,673	-	9,673
Tax loss carryforwards	6,165	7,337	-	13,502
Loss on devaluation of inventories	1,719	(0)	-	1,710
Enterprise tax payable	486	3,959	-	4,454
Unrealized gain on intercompany sales of property, plant, and equipment	3,916	607	-	4,532
Accumulated depreciation	3,204	998	-	4,211
Accrued expenses	1,476	364	-	1,849
Allowance for doubtful accounts	52	312	-	364
Unused paid absences	4,211	(208)	-	3,994
Derivatives	1,085	(564)	-	512
Other	4,081	1,207	-	5,288
Total	$ 44,511	$ 27,665	$ (2,709)	$ 69,468
Deferred tax liabilities:				
Depreciation	$ 22,047	$ 3,065	$ -	$ 25,112
Adjustment to book value of a subsidiary due to fair value measurement at the inception of consolidation	11,688	(434)	-	11,245
Financial assets measured at fair value through other comprehensive income	18,617	-	(746)	17,870
Unrealized gains on land revaluation	10,177	-	-	10,177
Special depreciation reserve for tax purpose	0	(0)	-	-
Other	3,907	(17)	-	3,881
Total	$ 66,446	$ 2,605	$ (746)	$ 68,304

Tax loss carryforwards for which deferred tax assets are not recognized and future deductible temporary differences are as follows:

	Millions of yen		Thousands of U.S. dollars
	December 31		December 31
	2021	2020	2021
Tax loss carryforwards	¥19,707	¥18,692	$171,127
Deductible temporary differences	17,229	18,029	149,609
Total	¥36,936	¥36,721	$320,736

Tax loss carryforwards for which deferred tax assets are not recognized will expire as follows:

	Millions of yen		Thousands of U.S. dollars
	December 31		December 31
	2021	2020	2021
Within 1 year	¥ -	¥ -	$ -
After 1 to 2 years	68	59	590
After 2 to 3 years	239	208	2,075
After 3 to 4 years	567	493	4,923
After 5 years	18,831	17,931	163,520
Total	¥ 19,707	¥18,692	$ 171,127

The aggregate amounts of future taxable temporary differences relating to investments in subsidiaries for which deferred tax liabilities are not recognized are ¥2,453 million ($21,300 thousand) and ¥2,221 million on December 31, 2021 and 2020, respectively.
The deferred tax liabilities are not recognized, since it is possible for the Group to control the timing of realization of temporary differences, and it is likely that temporary differences may not be realized within foreseeable periods.

Income Tax Expenses

The components of income tax expenses are as follows:

	Millions of yen		Thousands of U.S. dollars
Years ended December 31	2021	2020	2021
Current income taxes	¥ 10,061	¥ 1,928	$ 87,365
Deferred income taxes	(3,241)	203	(28,143)
Total	¥ 6,820	¥ 2,132	$ 59,221

The causes of the differences between the statutory tax rate and the average effective tax rate are as follows:

Years ended December 31	2021	2020
Statutory tax rate	30.6%	30.6%
Non-deductible items such as entertainment expenses	0.7	(2.6)
Non-taxable items such as dividends received	(6.8)	6.0
Equity in earnings of an affiliate accounted for using the equity method	(0.4)	0.5
Inhabitant per capita tax	0.3	(0.7)
Statutory tax rate difference between parent and subsidiaries	(2.0)	1.2
Difference from effective tax rate applied	(0.8)	1.4
Special tax credit for research and development	(1.5)	0.5
Tax credit based on taxation for a wage increase and productivity improvement	(2.0)	-
Valuation allowance	(2.8)	(57.8)
Investments in consolidated subsidiaries	6.9	(5.0)
Other	0.5	4.0
Average effective tax rate	22.7	(21.9)

The Group is subject to mainly corporate income tax, inhabitant taxes, and enterprise tax, and the statutory tax rate computed based on these taxes is 30.6% and 30.6% for the years ended December 31, 2021 and 2020, respectively. Foreign subsidiaries are subject to income taxes applicable in each jurisdiction.

15. Bonds and Borrowings

Components of Financial Liabilities

The components of “Bonds and borrowings” and “Other financial liabilities” are as follows:

	Millions of yen		Thousands of U.S. dollars	Average interest rate (%)	Due
	December 31		December 31		
	2021	2020	2021		
Short-term borrowings	¥ 242	¥ 179	$ 2,101	0.000	-
Current portion of long-term borrowings	2,303	2,065	19,998	(0.177)	-
Current portion of bonds	-	-	-	-	-
Long-term borrowings	29,212	30,325	253,664	0.278	2023-2029
Bonds	70,000	70,000	607,849	0.187	2023-2027
Short-term lease liabilities	1,691	1,650	14,683	-	-
Long-term lease liabilities	8,872	9,176	77,040	-	2023-2036
Other	2,495	2,996	21,665	-	-
Total	¥ 114,818	¥ 116,392	$ 997,030	-	-
Current liabilities	¥5,477	¥4,824	$47,559	-	-
Non-current liabilities	109,341	111,568	949,470	-	-
Total	¥ 114,818	¥ 116,392	$ 997,030	-	-

(Note) The average interest rate is stated at the weighted-average interest rate applicable to the year-end closing balance.

Summary of the issuance conditions of bonds issued by the Company is as follows:

Issue	Date of issuance	Millions of yen		Thousands of U.S. dollars	Interest rate (%)	Due
		December 31		December 31		
		2021	2020	2021		
11th unsecured bonds	Feb. 7, 2018	¥ 10,000	¥ 10,000	$ 86,835	0.140	Feb. 7, 2023
12th unsecured bonds	Feb. 7, 2018	10,000	10,000	86,835	0.270	Feb. 7, 2025
13th unsecured bonds	Feb. 6, 2019	10,000	10,000	86,835	0.170	Feb. 6, 2024
14th unsecured bonds	Feb. 6, 2019	10,000	10,000	86,835	0.290	Feb. 6, 2026
15th unsecured bonds	Feb. 7, 2020	10,000	10,000	86,835	0.250	Feb. 5, 2027
16th unsecured bonds	Sep. 15, 2020	10,000	10,000	86,835	0.010	Sep. 15, 2023
17th unsecured bonds	Sep. 15, 2020	10,000	10,000	86,835	0.180	Sep. 12, 2025
Total		¥ 70,000	¥ 70,000	$ 607,849	-	-

(Note) The amounts in the parentheses represent the redeemable amounts within one year.

16. Leases

The Group mainly leases buildings and vehicles under the contractual terms from 5 years through 15 years. There are no significant purchase options, escalation clauses, and restrictions imposed by lease agreements (restrictions on dividends, additional borrowings, and additional leases).

The components of profit or loss on leases are as follows:

	Millions of yen		Thousands of U.S. dollars
Years ended December 31	2021	2020	2021
Depreciation of the right-of-use assets:			
Land	¥ 51	¥ 46	$ 442
Buildings and structures	1,040	1,190	9,030
Machinery and vehicles	305	305	2,648
Other	88	80	764
Total	¥ 1,485	¥ 1,623	$ 12,895
Impairment losses on the right-of-use assets:			
Buildings and structures	¥ -	¥ 324	$ -
Machinery and vehicles	-	78	-
Other	-	80	-
Total	¥ -	¥ 483	$ -
Interest expenses on lease liabilities	¥ 94	¥ 109	$ 816
Short-term lease expenses	1,328	1,250	11,531
Low-value asset lease expenses	44	49	382
Variable lease charges (Note)	2	2	17

(Note) Variable lease charges not included in measurement of lease liabilities

The components of carrying amounts of the right-of-use assets are as follows:

	Millions of yen		Thousands of U.S. dollars
	December 31		December 31
	2021	2020	2021
Right-of-use assets:			
Land	¥ 1,869	¥ 1,657	$ 16,229
Buildings and structures	8,186	8,749	71,083
Machinery and vehicles	842	683	7,311
Other	953	698	8,275
Total	¥ 11,851	¥ 11,789	$ 102,908

The right-of-use assets increased by ¥1,094 million ($9,499 thousand) and ¥731 million in the years ended December 31, 2021 and 2020, respectively.

Total amounts of cash flows related to leases for the years ended December 31, 2021 and 2020, are ¥1,879 million ($16,316 thousand) and ¥1,722 million, respectively.

Maturity analysis of lease liabilities is presented in Note 32, “Financial Instruments - *Liquidity Risk Management*.”

17. Trade and Other Payables

The components of "Trade and other payables" are as follows:

	Millions of yen		Thousands of U.S. dollars
	December 31		December 31
	2021	2020	2021
Notes and accounts payable	¥ 21,470	¥ 18,110	$ 186,436
Electronically recorded payables	19,851	15,658	172,377
Other	8,663	6,524	75,225
Total	¥ 49,984	¥ 40,293	$ 434,039

Trade and other payables are classified as financial liabilities measured at amortized cost.

18. Employee Benefits

The Company and certain consolidated subsidiaries adopt contributory and non-contributory defined benefit plans and defined contribution plans to provide for retirement benefits of employees.

These pension plans are exposed to general investment risk, interest rate risk, inflation risk, etc., but the management considers that they are not immaterial.

Contributory defined benefit plans are managed by the pension funds legally separated from the Group. The Board of pension funds and pension management trustees are required by laws and regulations to act with the objective of maximizing the benefits for the plan participants and responsible for managing the plan assets in accordance with the predetermined policies.

Defined Benefit Plans

(1) Reconciliation of defined benefit plan obligations and plan assets

Reconciliation between defined benefit plan obligations and plan assets and net defined benefit liability and asset recorded in the consolidated statement of financial position is as follows:

	Millions of yen		Thousands of U.S. dollars
	December 31		December 31
	2021	2020	2021
Present value of contributory defined benefit plan obligations	¥ 28,986	¥ 26,921	$ 251,701
Fair value of plan assets	(27,842)	(24,774)	(241,767)
Subtotal	1,144	2,146	9,934
Present value of non-contributory defined benefit plan obligations	1,332	2,639	11,566
Net defined benefit liability and asset	2,476	4,786	21,500
Amounts recorded in the consolidated statement of financial position:			
Net defined benefit liability	5,701	7,014	49,505
Net defined benefit asset	(3,224)	(2,227)	(27,995)
Net defined benefit liability and asset recorded in the consolidated statement of financial position	¥ 2,476	¥ 4,786	$ 21,500

(2) Reconciliation of present value of defined benefit plan obligations

Changes in the present value of the defined benefit plan obligations are as follows:

	Millions of yen		Thousands of U.S. dollars
Years ended December 31	2021	2020	2021
Beginning balance of fair value of defined benefit plan obligations	¥ 29,560	¥ 28,828	$ 256,686
Current service cost	1,342	1,291	11,653
Interest cost	378	344	3,282
Remeasurements			
Actuarial difference arising from changes in financial assumptions	(1,231)	197	(10,689)
Retirement benefits paid	(867)	(839)	(7,528)
Exchange differences of translating foreign operations	1,135	(262)	9,855
Ending balance of fair value of defined benefit plan obligations	¥ 30,319	¥ 29,560	$ 263,277

The weighted-average duration of the defined benefit plan obligations is 12.5 years and 12.8 years on December 31, 2021 and 2020, respectively.

(3) Reconciliation of fair value of plan assets

Changes in the fair value of plan assets are as follows:

Years ended December 31	Millions of yen 2021	Millions of yen 2020	Thousands of U.S. dollars 2021
Beginning balance of fair value of plan assets	¥ 24,774	¥ 23,259	$ 215,126
Interest income	419	352	3,638
Remeasurements			
Income from plan assets	1,057	1,019	9,178
Contribution from employers	1,067	1,067	9,265
Retirement benefits paid	(722)	(642)	(6,269)
Exchange differences on translating foreign operations	1,244	(281)	10,802
Ending balance of fair value of plan assets	¥ 27,842	¥ 24,774	$ 241,767

The Group plans to contribute premiums of ¥1,180 million ($10,246 thousand) in the year ending December 31, 2022.

(4) The Components of plan assets

Major components of plan assets are as follows:

	Millions of yen						Thousands of U.S. dollars		
	December 31						December 31		
	2021			2020			2021		
	Assets with positive market prices	Assets without positive market prices	Total	Assets with positive market prices	Assets without positive market prices	Total	Assets with positive market prices	Assets without positive market prices	Total
Cash and cash equivalents	¥ 57	¥ -	¥ 57	¥ 69	¥ -	¥ 69	$ 494	$ -	$ 494
Equity financial instruments:									
Domestic equity securities	1,770	-	1,770	1,905	-	1,905	15,369	-	15,369
Foreign equity securities	7,834	-	7,834	7,185	-	7,185	68,027	-	68,027
Debt financial instruments:									
Domestic bonds	3,525	-	3,525	3,153	-	3,153	30,609	-	30,609
Foreign bonds	8,299	-	8,299	6,405	-	6,405	72,064	-	72,064
Life insurance general account	-	4,876	4,876	-	4,626	4,626	-	42,341	42,341
Other	-	1,478	1,478	-	1,427	1,427	-	12,834	12,834
Total	¥ 21,487	¥ 6,354	¥ 27,842	¥ 18,720	¥ 6,054	¥ 24,774	$ 186,583	$ 55,175	$ 241,767

The Group’s investment policy of plan assets aims to secure constant profits for the medium to long term to ensure the payments of defined benefit plan obligations for the future in accordance with the internal rule. Specifically, investment is managed by setting target profitability and asset portfolio ratio by investment asset within the acceptable risk determined every year and maintaining the asset portfolio ratio. In reviewing the asset portfolio ratio, the management timely considers the introduction of plan assets that are highly linked with the changes in defined benefit plan obligations.

In addition, in compliance with the corporate defined benefit pension law, the Group reviews the amount of contribution by recalculating the premium every fifth year so that the fiscal balance can be maintained in the future.

(5) Major actuarial assumptions

Major actuarial assumptions used are as follows:

	% December 31 2021	% December 31 2020
Discount rate	0.6	0.6

(6) Sensitivity Analysis

The impact on the present value of the defined benefit plan obligations when the discount rate used in actuarial calculation changed by 0.5% is as follows: This analysis assumes that all other parameters are constant, but practically the changes in other parameters may impact the sensitivity analysis.

Years ended December 31	Millions of yen 2021	2020	Thousands of U.S. dollars 2021
In case that the discount rate increased by 0.5%	¥ (1,787)	¥ (1,719)	$ (15,517)
In case that the discount rate decreased by 0.5%	1,739	1,845	15,100

Defined Contribution Plans

The amount recognized as an expense related to defined contribution plans is ¥573 million ($4,975 thousand) and ¥495 million for the years ended December 31, 2021 and 2020, respectively.

19. Provisions

The components and changes of provisions are as follows:

	Millions of yen			
	Asset retirement obligations	Provision for restructuring	Other provisions	Total
On December 31, 2020	¥ 64	¥ 763	¥ 118	¥ 945
Increase during the year	-	-	6	6
Interest expenses on discounting	0	-	-	0
Decrease (purpose use) during the period	-	(421)	(0)	(421)
Decrease (reversal) during the period	-	-	-	-
On December 31, 2021	¥ 64	¥ 341	¥ 124	¥ 530

	Thousands of U.S. dollars			
	Asset retirement obligations	Provision for restructuring	Other provisions	Total
On December 31, 2020	$ 555	$ 6,625	$ 1,024	$ 8,205
Increase during the period	-	-	52	52
Interest expenses on discounting	0	-	-	0
Decrease (purpose use) during the period	-	(3,655)	(0)	(3,655)
Decrease (reversal) during the period	-	-	-	-
On December 31, 2021	$ 555	$ 2,961	$ 1,076	$ 4,602

The components of provisions in the consolidated statement of financial position are as follows:

	Millions of yen		Thousands of U.S. dollars
	December 31		December 31
	2021	2020	2021
Current liabilities	¥ 341	¥ 763	$ 2,961
Non-current liabilities	189	182	1,641
Total	¥ 530	¥ 945	$ 4,602

Asset Retirement Obligation

The asset retirement obligation is stated at the amount expected to be paid in the future based on the past restoration experience to provide for the restoration obligations related to the rental buildings and others that are used by the Group. These costs are estimated to be paid after a lapse of the estimated period to be used, which were determined considering the useful life of improvements added to the rented buildings, etc., but they will be subject to the future business plan and others.

Provision for Restructuring

The Group has been working for structural reform toward profit improvement in the transportation equipment business and recorded the estimated amount of costs to be incurred associated with restructuring the production system. These costs are expected to be paid in the following fiscal year.

20. Other Liabilities

The components of other liabilities are as follows:

	Millions of yen		Thousands of U.S. dollars
	December 31		December 31
	2021	2020	2021
Other current liabilities:			
Consumption taxes payable	¥ 629	¥ 623	$ 5,461
Accrued bonuses	4,499	3,227	39,067
Other accrued expenses	9,202	7,403	79,906
Other	500	363	4,341
Total	¥ 14,831	¥ 11,617	$ 128,786
Other non-current liabilities:			
Unused paid absences	¥ 1,694	¥ 1,779	$ 14,709
Other	874	515	7,589
Total	¥ 2,569	¥ 2,295	$ 22,308

21. Deferred Revenue

The components of deferred revenue are as follows:

	Millions of yen		Thousands of U.S. dollars
	December 31		December 31
	2021	2020	2021
Current liabilities:			
Government subsidies	¥ -	¥ 139	$ -
Other	-	-	-
Total	¥ -	¥ 139	$ -
Non-current liabilities:			
Government subsidies	¥ 514	¥ 282	$ 4,463
Other	4	-	34
Total	¥ 519	¥ 282	$ 4,506

Deferred revenue related to government subsidies represents the money received on mainly the purchase of property, plant, and equipment.

There is no executory condition incidental to government subsidies recognized as deferred revenue, nor other contingent events.

22. Equity and Other Equity Items

Authorized Number of Shares and Outstanding Number of Shares Issued

Changes in authorized number of shares and outstanding number of shares issued are as follows:

	Shares	
Years ended December 31	2021	2020
Authorized number of shares:		
Common stock	465,877,700	465,877,700
Outstanding number of shares issued:		
Beginning balance	133,856,903	133,856,903
Increase (decrease)	(4,000,000)	-
Ending balance	129,856,903	133,856,903

Treasury Stock

Number of treasury stock and changes in the balance are as follows:

	Number of shares	Millions of yen	Thousands of U.S. dollars
		Amount	Amount
January 1, 2020	7,289,461	¥ 14,004	
Increase (decrease) during the period	785	2	
December 31, 2020	7,290,246	¥ 14,006	$ 121,622
Increase (decrease) during the period	(2,102,710)	(2,768)	(24,036)
December 31, 2021	5,187,536	¥ 11,237	$ 97,577

(Notes) 1. Main reasons for increase (decrease) during the period ended December 31, 2020, are due to the purchase or selling requisition of shares of less than one unit.

2. Main reasons for increase (decrease) during the period ended December 31, 2021, are due to acquisition of treasury stock (1,896,400 shares) and retirement of treasury stock (4,000,000 shares) based on the resolution of the Board of Directors' meeting.

3. The number of shares issued by the Company and held by an affiliate is 10,000 shares each on December 31, 2021 and 2020.

Capital Surplus

In the Companies Act of Japan ("Companies Act"), it is stipulated that one half or more of the amounts pertaining to payment or benefits for the issuance of shares shall be included in common stock, and the remainder shall be included in capital reserve under capital surplus. Capital reserve can be transferred to common stock with a resolution of the shareholders' meeting.

Retained Earnings

The Companies Act requires that an amount equal to 10% of the dividends from surplus be appropriated as capital reserve included in capital surplus or legal reserve included in retained earnings until the aggregated amount of capital reserve and the legal reserve equals 25% of common stock. Legal reserve may be appropriated to cover deficit or reversed with a resolution of the shareholders' meeting.

23. Dividends

Dividends paid for the years ended December 31, 2021 and 2020, are as follows:

	2021			
Resolution	Amount of dividends (Millions of yen)	Dividend per share (Yen)	Record date	Effective date
March 20, 2021 Shareholders' meeting	¥ 949	¥ 7.5	December 31, 2020	March 22, 2021
August 6, 2021 Board of Directors' meeting	2,594	20.5	June 30, 2021	September 6, 2021

	2020			
Resolution	Amount of dividends (Millions of yen)	Dividend per share (Yen)	Record date	Effective date
March 20, 2020 Shareholders' meeting	¥ 1,012	¥ 8	December 31, 2019	March 23, 2020
August 6, 2020 Board of Directors' meeting	949	7.5	June 30, 2020	September 7, 2020

	2021			
Resolution	Amount of dividends (Thousands of U.S. dollars)	Dividend per share (U.S. dollars)	Record date	Effective date
March 20, 2021 Shareholders' meeting	$ 8,240	$ 0.06	December 31, 2020	March 22, 2021
August 5, 2021 Board of Directors' meeting	22,525	0.17	June 30, 2021	September 6, 2021

(Note) The amount of dividend per share of ¥20.5 ($0.17) resolved by the Board of Directors' meeting held on August 5, 2021, includes a commemorative dividend of ¥2.5 ($0.02) for the 50th anniversary of the foundation.

Dividends with an effective date in the following year are as follows:

	2021			
Resolution	Amount of dividends (Millions of yen)	Dividend per share (Yen)	Record date	Effective date
March 19, 2022 Shareholders' meeting	¥ 4,924	¥ 39.5	December 31, 2021	March 22, 2022

	2020			
Resolution	Amount of dividends (Millions of yen)	Dividend per share (Yen)	Record date	Effective date
March 20, 2021 Shareholders' meeting	¥ 949	¥ 7.5	December 31, 2020	March 22, 2021

	2021			
Resolution	Amount of dividends (Thousands of U.S. dollars)	Dividend per share (U.S. dollars)	Record date	Effective date
March 19, 2022 Shareholders' meeting	$ 42,757	$ 0.34	December 31, 2021	March 22, 2022

(Note) The amount of dividend per share of ¥39.5 ($0.34) resolved by the shareholders' meeting held on March 19, 2022, includes a commemorative dividend of ¥2.5 ($0.02) for the 50th anniversary of the foundation.

24. Revenue

Components of Revenue

The components of major products and services and their reportable segments are as follows:

	Millions of yen					
	Reportable segment					
Year ended December 31, 2021	Japan	The Americas	Europe	China	Other	Total
Product and service						
Industrial machinery	¥ 114,907	¥ 21,907	¥ 18,436	¥ 61,051	¥ 16,808	¥ 233,111
Transportation equipment	8,465	35,313	31,811	6,021	3,465	85,077
Total	¥ 123,373	¥ 57,220	¥ 50,247	¥ 67,072	¥ 20,274	¥ 318,188
Timing of recognition of sales						
Date of transfer	¥ 123,373	¥ 57,220	¥ 50,247	¥ 67,072	¥ 20,274	¥ 318,188
Total	¥ 123,373	¥ 57,220	¥ 50,247	¥ 67,072	¥ 20,274	¥ 318,188

	Millions of yen					
	Reportable segment					
Year ended December 31, 2020	Japan	The Americas	Europe	China	Other	Total
Product and service						
Industrial machinery	¥ 82,120	¥ 15,560	¥ 13,020	¥ 27,526	¥ 7,264	¥ 145,492
Transportation equipment	8,257	30,459	26,253	5,558	2,976	73,505
Total	¥ 90,378	¥ 46,019	¥ 39,274	¥ 33,085	¥ 10,240	¥ 218,998
Timing of recognition of sales						
Date of transfer	¥ 90,378	¥ 46,019	¥ 39,274	¥ 33,085	¥ 10,240	¥ 218,998
Total	¥ 90,378	¥ 46,019	¥ 39,274	¥ 33,085	¥ 10,240	¥ 218,998

	Thousands of U.S. dollars					
	Reportable segment					
Year ended December 31, 2021	Japan	The Americas	Europe	China	Other	Total
Product and service						
Industrial machinery	$ 997,803	$ 190,230	$ 160,090	$ 530,140	$ 145,953	$ 2,024,235
Transportation equipment	73,506	306,642	276,233	52,283	30,088	738,772
Total	$ 1,071,318	$ 496,873	$ 436,323	$ 582,424	$ 176,050	$ 2,763,007
Timing of recognition of sales						
Date of transfer	$ 1,071,318	$ 496,873	$ 436,323	$ 582,424	$ 176,050	$ 2,763,007
Total	$ 1,071,318	$ 496,873	$ 436,323	$ 582,424	$ 176,050	$ 2,763,007

Major products and services of the Group are industrial machinery and transportation equipment.
The industrial machinery business is engaged in manufacturing and sales of machinery parts mainly focusing on the Linear Motion (LM) Guide and industrial machines. The transportation equipment business is engaged in design, development, manufacturing, and sales of steering parts, suspension parts, brake parts, etc. for transportation equipment such as automobiles and two-wheeled vehicles.

With respect to identical domestic sales, revenue is recognized considering that a performance obligation is satisfied, unless otherwise prescribed in the contract, at a point in time when the products arrived at the customer's site, and with respect to export sales, at a point in time when the customer is considered to have obtained control of the products based on the various conditions of international trade.

Revenue is recorded principally pursuant to the contracts with customers, but when rebates are offered according to the transaction volume within the definite period, the consideration is measured in an amount after deducting the said computed rebates. In addition, the consideration promised in the contract does not include any significant financial elements.

Outstanding Contracts

Receivables, contract assets, and contract liabilities arising from contracts with customers are as follows:

	Millions of yen		Thousands of U.S. dollars
	December 31		December 31
	2021	2020	2021
Contract liabilities	¥ 649	¥ 388	$ 5,635

Contract liabilities consist of mainly advances received and are recorded in an amount of consideration for which a performance obligation has not been satisfied at the closing date. Outstanding contract liabilities at the beginning of the year are recognized as revenue in each fiscal year.

Revenue recognized in the years ended December 31, 2021 and 2020, which was included in contract liabilities at the beginning of the year, amounted to ¥388 million ($3,369 thousand) and ¥263 million, respectively.

25. Selling, General, and Administrative Expenses

The components of selling, general, and administrative expenses are as follows:

	Millions of yen		Thousands of U.S. dollars
Years ended December 31	2021	2020	2021
Packing and transportation expense	¥ 6,159	¥ 3,583	$ 53,482
Promotion and advertising expense	920	872	7,988
Personnel expense	23,495	21,209	204,020
Depreciation and amortization	3,639	3,985	31,599
Research and development expense	5,136	4,976	44,598
Other	11,636	10,206	101,042
Total	¥ 50,988	¥ 44,833	$ 442,757

26. Personnel Expense

The components of personnel expense are as follows:

	Millions of yen		Thousands of U.S. dollars
Years ended December 31	2021	2020	2021
Salary and allowances	¥ 51,303	¥ 42,715	$ 445,493
Bonuses	4,793	3,028	41,620
Retirement benefits	1,400	1,400	12,156
Other	17,454	14,705	151,563
Total	¥ 74,951	¥ 61,849	$ 650,842

(Note) Personnel expense is included in "Cost of sales" and "Selling, general, and administrative expenses" in the consolidated statement of profit or loss.

27. Other Income and Expenses

Other Income

Years ended December 31	Millions of yen 2021	Millions of yen 2020	Thousands of U.S. dollars 2021
Gain on sales of property, plant, and equipment	¥ 26	¥ 48	$ 225
Rental income	371	368	3,221
Employment adjustment subsidy (Note)	417	1,913	3,621
Other	1,502	1,630	13,042
Total	¥ 2,316	¥ 3,960	$ 20,111

Note: The Group recorded an employment adjustment subsidy associated with the impact of the coronavirus in an amount of ¥417 million ($3,621 thousand) and ¥1,913 million under “Other Income” for the years ended December 31, 2021 and 2020, respectively.

Other Expenses

Years ended December 31	Millions of yen 2021	Millions of yen 2020	Thousands of U.S. dollars 2021
Loss on sales of property, plant, and equipment	¥ 281	¥ 158	$ 2,440
Impairment losses (Note 1)	-	8,083	-
Restructuring charges (Note 2)	-	738	-
Lay-off expenses (Note 3)	288	3,907	2,500
Other	601	1,328	5,218
Total	¥ 1,171	¥ 14,217	$ 10,168

(Notes) 1. See Note 13 “Impairment of Non-financial Assets.”

2. The Group was working for structural reform toward profit improvement in the transportation equipment business and recorded the costs associated with restructuring the production system in an amount of ¥738 million as restructuring charges under “Other Expenses” for the year ended December 31, 2020.

3. The Group suspended operations of certain plants due to the impact of the spread of the coronavirus in the year ended December 31, 2020. Fixed costs and other costs incurred during the shut-down period in an amount of ¥288 million ($2,500 thousand) and ¥3,907 million were recorded as lay-off expenses under “Other expenses” for the years ended December 31, 2021 and 2020, respectively.

28. Financial Income and Financial Costs

Financial Income

Years ended December 31	Millions of yen 2021	Millions of yen 2020	Thousands of U.S. dollars 2021
Interest income			
Financial assets measured at amortized cost	¥ 517	¥ 564	$ 4,489
Dividends income			
Financial assets measured at fair value through other comprehensive income	102	199	885
Other	1,525	-	13,242
Total	¥ 2,145	¥ 764	$ 18,626

Financial Costs

Years ended December 31	Millions of yen 2021	Millions of yen 2020	Thousands of U.S. dollars 2021
Interest expense			
Financial liabilities measured at amortized cost	¥ 227	¥ 259	$ 1,971
Lease liabilities	94	109	816
Foreign exchange loss	2,108	441	18,304
Other	-	1,179	-
Total	¥ 2,430	¥ 1,990	$ 21,101

29. Other Comprehensive Income (Loss)

The amount recognized during the year on each item of other comprehensive income (loss), reclassification adjustments to profit or loss, and tax effects are as follows:

	Millions of yen		Thousands of U.S. dollars
Years ended December 31	2021	2020	2021
Financial assets measured at fair value through other comprehensive income			
Amount recognized during the period	¥ (58)	¥ 246	$ (503)
Tax effect	86	(137)	746
Financial assets measured at fair value through other comprehensive income	28	109	243
Remeasurements of defined benefit plans			
Amount recognized during the period	2,374	842	20,614
Tax effect	(312)	(123)	(2,709)
Remeasurements of defined benefit plans	2,062	718	17,905
Exchange differences on translating foreign operations			
Amount recognized during the period	22,601	(3,076)	196,257
Reclassification adjustments	-	-	
Before tax effects	22,601	(3,076)	196,257
Tax effect	-	-	-
Exchange differences on translating foreign operations	22,601	(3,076)	196,257
Share of other comprehensive income of investments accounted for using the equity method			
Amount recognized during the period	78	314	677
Reclassification adjustments	-	-	-
Share of other comprehensive income of investments accounted for using the equity method	78	314	677
Total other comprehensive income (loss)	¥ 24,770	¥ (1,933)	$ 215,092

30. Earnings per Share

Basic earnings per share are computed as follows: There is no potential common stock which would have a dilutive effect.

Years ended December 31	2021	2020	2021
Profit (loss) for the year attributable to owners of the parent	¥ 23,007 million	¥ (9,992) million	$199,782 thousand
Weighted-average number of outstanding shares issued	126,434 thousand	126,567 thousand	
Basic earnings (loss) per share (Yen, U.S. dollar)	¥ 181.97	¥ (78.95)	$ 1.58

31. Cash Flow Information

Changes of Liabilities Arising from Financing Activities

Changes of liabilities arising from financing activities are as follows:

	Millions of yen					
	Year ended December 31, 2021					
	January 1, 2021	Changes involving cash flows	Changes not involving cash flows			December 31, 2021
			Exchange rate	New leases	Other	
Short-term borrowings	¥ 179	¥ 62	¥ -	¥ -	¥ -	¥ 242
Long-term borrowings	32,390	(2,185)	1,311	-	-	31,516
Bonds	70,000	-	-	-	-	70,000
Lease liabilities	10,826	(1,785)	131	1,446	(56)	10,563
Derivatives	1,151	-	2	-	(1,525)	(371)
Total	¥ 114,548	¥ (3,907)	¥ 1,445	¥ 1,446	¥ (1,581)	¥ 111,951

	Millions of yen					
	Year ended December 31, 2020					
	January 1, 2020	Changes involving cash flows	Changes not involving cash flows			December 31, 2020
			Exchange rate	New leases	Other	
Short-term borrowings	¥ 54	¥ 125	¥ -	¥ -	¥ -	¥ 179
Long-term borrowings	35,215	(2,185)	(640)	-	-	32,390
Bonds	60,000	10,000	-	-	-	70,000
Lease liabilities	11,377	(1,613)	19	1,188	(144)	10,826
Derivatives	114	-	22	-	1,014	1,151
Total	¥ 106,761	¥ 6,327	¥ (598)	¥ 1,188	¥869	¥ 114,548

	Thousands of U.S. dollars					
	Year ended December 31, 2021					
	January 1, 2021	Changes involving cash flows	Changes not involving cash flows			December 31, 2021
			Exchange rate	New leases	Other	
Short-term borrowings	$ 1,554	$ 538	$ -	$ -	$ -	$ 2,101
Long-term borrowings	281,260	(18,973)	11,384	-	-	273,671
Bonds	607,849	-	-	-	-	607,849
Lease liabilities	94,008	(15,500)	1,137	12,556	(486)	91,724
Derivatives	9,994	-	17	-	(13,242)	(3,221)
Total	$ 994,685	$ (33,926)	$ 12,547	$ 12,556	$ (13,728)	$ 972,134

Derivatives are held for the purpose of hedging foreign currency-denominated trade receivables and payables and long-term borrowings.

32. Financial Instruments

Capital Management

The Group implements capital management aiming to maximize corporate value through sustainable growth.

The Group is using ROE, EPS, etc. as major indicators for capital management.

These indicators are periodically reported to the management and monitored.

The Group is not subject to significant capital restrictions.

Financial Risk Management

In the course of its management activities, the Group is exposed to financial risk including credit risk, liquidity risk, foreign exchange risk, interest rate risk, and market price fluctuation risk, and it conducts risk management based on definite policies to reduce the applicable financial risk. In addition, the Group is using derivatives to avoid foreign exchange risk or interest rate risk and does not hold or issue derivatives for speculative purposes.

(1) Credit Risk Management

The Group implements credit control on trade receivables and secures receivables from customers in accordance with the customer credit management rule. In addition, the applicable divisions are periodically monitoring the customers’ financial position for major customers and timely identify doubtful receivables arising from deterioration of financial position to reduce risk.

The Group is engaged in derivative contracts only with financial institutions with a high credit rating and when the management believes the associated credit risk is minimized.

The carrying amounts of financial assets presented in the consolidated financial statements represent the maximum value of exposure to credit risk of the Group’s financial assets.

The Group determines allowance for doubtful accounts by classifying the applicable receivables into trade receivables and other receivables. Any receivables, if all or a part of receivables are not collected, or considered to be extremely difficult to collect, are regarded as defaults.

When the delayed payment is not caused by a temporary need for funds, but caused from significant financial difficulties of the debtors and collectibility of receivables is judged to be particularly doubtful, the management makes the judgment that a credit impairment is incurred.

The Group always sets an allowance for doubtful accounts at the amount corresponding to projected credit losses throughout the period on the trade receivables that do not include significant financial elements.

Changes in allowance for doubtful accounts are as follows:

	Millions of yen		Thousands of U.S. dollars
Years ended December 31	2021	2020	2021
Beginning balance	¥ 129	¥ 141	$ 1,120
Increase during the period	36	43	312
Decrease during the period (purpose use)	(32)	(46)	(277)
Decrease during the period (reversal)	(10)	(7)	(86)
Other changes	6	-	52
Ending balance	¥ 128	¥ 129	$ 1,111

There are no financial assets recorded in the year ended December 31, 2021, for which collection activities are continuing.

Credit risk exposures on trade receivables are as follows:

Lapsed days overdue	Millions of yen		Thousands of U.S. dollars
	December 31		December 31
	2021	2020	2021
No delay	¥ 84,268	¥ 57,868	$ 731,747
Within 30 days	1,618	1,220	14,050
After 30 days, within 60 days	230	194	1,997
After 60 days, within 90 days	37	174	321
After 90 days	209	122	1,814
Total	¥ 86,365	¥ 59,580	$ 749,956

With respect to receivables other than trade receivables, there are no receivables for which credit risk is remarkably increased, and there is no material credit risk on their carrying amount.

(2) Liquidity Risk Management

Liquidity risk is a risk that the Group may not be able to execute payment on the payment due date in performing its repayment obligations of financial liabilities that have become due.

The Group is managing liquidity risk by preparing and updating the cash-flow plan on a timely basis.

Financial liabilities (including derivative financial instruments) by due dates are as follows:

On December 31, 2021	Millions of yen				
	Carrying amount	Contractual cash flows	Within 1 year	After 1 year, within 5 years	After 5 years
Non-derivative financial liabilities:					
Short-term borrowings	¥ 242	¥ 242	¥ 242	¥ -	¥ -
Trade and other payables	49,984	49,984	49,984	-	-
Long-term borrowings	31,516	32,159	2,384	9,576	20,198
Bonds	70,000	70,500	131	60,356	10,012
Lease liabilities	10,563	10,949	1,694	5,018	4,236
Derivative financial liabilities:					
Currency derivatives	25	25	25	-	-
Interest rate swaps	315	315	-	-	315
Total	¥ 162,648	¥ 164,177	¥ 54,462	¥ 74,951	¥ 34,762

On December 31, 2020	Millions of yen				
	Carrying amount	Contractual cash flows	Within 1 year	After 1 year, within 5 years	After 5 years
Non-derivative financial liabilities:					
Short-term borrowings	¥ 179	¥ 179	¥ 179	¥ -	¥ -
Trade and other payables	40,293	40,293	40,293	-	-
Long-term borrowings	32,390	33,111	2,142	8,608	22,360
Bonds	70,000	70,631	131	50,448	20,052
Lease liabilities	10,826	11,269	1,564	4,820	4,884
Derivative financial liabilities:					
Currency derivatives	34	34	34	-	-
Interest rate and currency swaps	692	692	115	461	115
Interest rate swaps	517	517	-	-	517
Total	¥ 154,934	¥ 156,729	¥ 44,461	¥ 64,338	¥ 47,930

On December 31, 2021	Thousands of U.S. dollars				
	Carrying amount	Contractual cash flows	Within 1 year	After 1 year, within 5 years	After 5 years
Non-derivative financial liabilities:					
Short-term borrowings	$ 2,101	$ 2,101	$ 2,101	$ -	$ -
Trade and other payables	434,039	434,039	434,039	-	-
Long-term borrowings	273,671	279,254	20,701	83,153	175,390
Bonds	607,849	612,191	1,137	524,105	86,939
Lease liabilities	91,724	95,076	14,709	43,574	36,783
Derivative financial liabilities					
Currency derivatives	217	217	217	-	-
Interest rate swaps	2,735	2,735	-	-	2,735
Total	$ 1,412,365	$ 1,425,642	$ 472,924	$ 650,842	$ 301,858

(Note) Net receivables and payables arising from derivatives are presented in a net amount.

(3) Foreign Currency Exchange Risk

The Group is engaged in foreign currency-denominated transactions since it is developing global businesses, and its profit or loss and cash flows are exposed to a risk associated with foreign currency exchange rate changes.

In order to avoid such risk, forward foreign exchange contracts are utilized as hedging derivatives for foreign currency-denominated trade receivables and payables. The derivative contracts are executed and controlled by the Finance and Accounting Department of the Corporate Strategy Headquarters, and the senior manager reports the transaction status to the regular Board of Directors every month.

Foreign Exchange Sensitivity Analysis

Regarding unhedged exposures of foreign currency-denominated assets and liabilities, when Japanese yen appreciates 1% against USD, the euro, and yuan, the impacts therefrom on profit before income taxes in the consolidated statement of profit or loss in each reporting period are as follows.

In this analysis, however, it is assumed that other factors for changes (outstanding balance, interest rate, etc.) are constant.

	Currency	Millions of yen		Thousands of U.S. dollars
Year ended December 31		2021	2020	2021
Profit before income taxes	U.S. dollars	¥ (38)	¥ (23)	$ (329)
	Euro	7	(13)	60
	Chinese yuan	(23)	(18)	(199)

(4) Interest Rate Risk Management

The Group is paying interest arising from raising funds required for working capital and capital investment in proceeding business activities. The Group is exposed to interest rate risk that future cash flows on interest may be changed, since the interest amounts are subject to the fluctuations of market interest rates when the Group borrows at the floating interest rates.

The Group is utilizing interest rate swaps to control the interest rate fluctuation risk associated with borrowings and interest rate and currency swaps to control the foreign currency exchange rate fluctuation risk and the interest rate fluctuation risk associated with foreign currency-denominated borrowings.

Interest Rate Benchmark Reform

In the context of drastic reform of main interest rate benchmarks proceeding throughout the world, the publication of LIBOR ceased as of December 31, 2021, except for certain tenors of U.S. dollar LIBOR. The Group is examining a transition of the interest rate benchmark since the publication of U.S. dollar LIBOR will cease on and after June 30, 2023.

For the Group, the exposure of the interest rate benchmark (U.S. dollar LIBOR) subject to the interest rate benchmark reform is arising on non-derivative financial liabilities and derivatives.

As of December 31, 2021, the quantitative information about financial instruments referencing U.S. dollar LIBOR, which have not yet been transitioned to an alternative interest rate benchmark, is as follows: Non-derivative financial liabilities are stated at the carrying amounts, and derivatives are stated at the notional amounts.

	Amounts not yet transitioned to an alternative interest rate benchmark	
	Millions of yen	Thousands of U.S. dollars
Non-derivative financial liabilities:		
Borrowings	¥ 11,516	$ 100,000
Derivatives:		
Interest rate and currency swaps	¥ 11,516	$ 100,000

Interest rate sensitivity analysis

When the interest rates rise 1%, the impacts therefrom on profit before income taxes in the consolidated statement of profit or loss in each reporting period are as follows:

	Millions of yen		Thousands of U.S. dollars
Years ended December 31	2021	2020	2021
Profit before income taxes	¥ 1,219	¥ 1,360	$ 10,585

(5) Market Price Fluctuation Risk Management

Certain equity financial instruments held by the Group are exposed to market price fluctuation risk. The Group holds equity financial instruments for management strategy purposes, and not for short-term trading purposes.

Equity financial instruments include listed and non-listed equity securities, and the management identifies market prices and the financial position of the issuers (customers or suppliers) on a regular basis.

The management believes the market price fluctuation risk on December 31, 2021, is not material.

Fair Value of Financial Instruments

For financial instruments measured at fair value, the amount of fair value measurement is classified into three levels from Level 1 through Level 3 according to the observability and significance of the inputs used for the measurement.

Level 1: Market prices (unadjusted) in active markets for identical assets or liabilities
Level 2: Fair value determined using observable prices other than those in Level 1, either directly or indirectly
Level 3: Fair value determined using an assessment technique that includes unobservable inputs

(1) Method of Determining the Fair Value

The method of determining the fair value is as follows:

(Cash and cash equivalents, trade and other receivables, trade and other payables)

As these items are settled within a short period and have the fair values approximately equal to the carrying amounts, they are stated at the carrying amounts.

(Other financial assets, other financial liabilities)

The fair values of listed equity securities are determined based on the market price at the closing date. For the fair values of unlisted equity securities, the fair values are determined using assessment techniques based on the discounted future cash flows, assessment techniques based on the market price of similar companies, and assessment techniques based on the net asset value.

Derivatives are determined based on the prices provided by the counterpart financial institutions as financial assets or financial liabilities measured at fair value through profit or loss.

The fair values of lease obligations are determined based on the present value of future cash flows discounted at the rate considering the lease term and credit risk. As the fair values approximate the carrying amounts, they are stated at the carrying amounts.

(Bonds and borrowings)

The fair values of bonds are determined based on the market prices or the prices provided by the counterpart financial institutions.

For the long-term borrowings with floating interest rates, as the market interest rate is reflected within a short period and the fair values approximate the carrying amounts, they are stated at the carrying amounts.

(2) Financial Instruments Measured at Amortized Cost

The carrying amounts and fair values of financial instruments measured at amortized cost are as follows:

	Millions of yen				Thousands of U.S. dollars	
	December 31				December 31	
	2021		2020		2021	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
Financial liabilities measured at amortized cost Bonds	¥ 70,000	¥ 69,847	¥ 70,000	¥ 69,913	$ 607,849	$ 606,521
Total	¥ 70,000	¥ 69,847	¥ 70,000	¥ 69,913	$ 607,849	$ 606,521

(Note) Fair values of bonds are classified into Level 2.

(3) Financial Instruments Measured at Fair Value

The fair value hierarchy of financial instruments measured at fair value is as follows:

On December 31, 2021	Millions of yen			
	Level 1	Level 2	Level 3	Total
Assets:				
Financial assets measured at fair value through profit or loss				
Other financial assets				
Derivatives	¥ -	¥ 712	¥ -	¥ 712
Equity securities, etc.	-	-	877	877
Financial assets measured at fair value through other comprehensive income				
Other financial assets				
Equity securities, etc.	4,025	-	370	4,396
Other	-	-	118	118
Total	¥ 4,025	¥ 712	¥ 1,367	¥ 6,105
Liabilities:				
Financial liabilities measured at fair value through profit or loss				
Other financial liabilities				
Derivatives	¥ -	¥ 341	¥ -	¥ 341
Total	¥ -	¥ 341	¥ -	¥ 341

	Millions of yen			
On December 31, 2020	Level 1	Level 2	Level 3	Total
Assets:				
Financial assets measured at fair value through profit or loss				
Other financial assets				
Derivatives	¥ -	¥ 93	¥ -	¥ 93
Equity securities, etc.	-	-	746	746
Financial assets measured at fair value through other comprehensive income				
Other financial assets				
Equity securities, etc.	4,405	-	523	4,928
Other	-	-	118	118
Total	¥ 4,405	¥ 93	¥ 1,389	¥ 5,887
Liabilities:				
Financial liabilities measured at fair value through profit or loss				
Other financial liabilities				
Derivatives	¥ -	¥ 1,244	¥ -	¥ 1,244
Total	¥ -	¥ 1,244	¥ -	¥ 1,244

On December 31, 2021	Thousands of U.S. dollars			
	Level 1	Level 2	Level 3	Total
Assets:				
Financial assets measured at fair value through profit or loss				
Other financial assets				
Derivatives	$ -	$ 6,182	$ -	$ 6,182
Equity securities, etc.	-	-	7,615	7,615
Financial assets measured at fair value through other comprehensive income				
Other financial assets				
Equity securities, etc.	34,951	-	3,212	38,172
Other	-	-	1,024	1,024
Total	$ 34,951	$ 6,182	$ 11,870	$ 53,013
Liabilities:				
Financial liabilities measured at fair value through profit or loss				
Other financial liabilities				
Derivatives	$ -	$ 2,961	$ -	$ 2,961
Total	$ -	$ 2,961	$ -	$ 2,961

Transfers among the levels of the fair value hierarchy are recognized on the date when any events causing transfers or changes in conditions were incurred. In each reporting period, there is no significant transfer between Level 1 and Level 2.

(4) Valuation Process

For financial instruments classified as Level 3, external valuation professionals or appropriate persons responsible for valuation analyze their valuation and valuation results pursuant to the valuation policy and procedures authorized by the responsible person of the Finance and Accounting Department. The valuation results are reviewed and authorized by the senior manager of the Finance and Accounting Department of the Corporate Strategy Headquarters.

(5) Reconciliation between the beginning balance and the ending balance of the financial instruments classified as Level 3

Changes from the beginning balance to the ending balance of the financial instruments classified as Level 3 are as follows:

	Millions of yen		Thousands of U.S. dollars
Years ended December 31	2021	2020	2021
Beginning balance	¥ 1,389	¥ 1,357	$ 12,061
Total gains and losses	(130)	(96)	(1,128)
Net gains (losses) (Note 1)	34	(88)	295
Other comprehensive loss (Note 2)	(165)	(8)	(1,432)
Purchase	164	139	1,424
Sales	(2)	(0)	(17)
Other	(53)	(10)	(460)
Ending balance	¥ 1,367	¥ 1,389	$ 11,870
Changes during the period of unrealized gains (losses) recorded in net profit or loss on the assets held at the end of the reporting period (Note 1)	¥ 34	¥ (88)	$ 295

(Notes) 1. These are included in “Financial income” and “Financial costs” in the consolidated statement of profit or loss.

2. These are included in “Financial assets measured at fair value through other comprehensive income” in the consolidated statement of comprehensive income.

33. Significant Subsidiaries

Major consolidated subsidiaries are disclosed in “Subsidiaries & Affiliate” on page 55 of this report.

34. Related Parties

Remuneration to main management

	Millions of yen		Thousands of U.S. dollars
Years ended December 31	2021	2020	2021
Fixed remuneration and performance-based remuneration	¥ 537	¥ 427	$ 4,663
Total	¥ 537	¥ 427	$ 4,663

35. Commitment

Commitment related to payments after the closing date is as follows:

	Millions of yen		Thousands of U.S. dollars
	December 31		December 31
	2021	2020	2021
Acquisition of property, plant, and equipment	¥ 5,700	¥ 1,669	$ 49,496
Total	¥ 5,700	¥ 1,669	$ 49,496

36. Subsequent Events

(Introduction of Restricted Stock Compensation Plan)

The Company resolved to introduce a restricted stock compensation plan (the “Plan”) at the Board of Directors’ meeting held on November 11, 2021, and the proposal regarding this Plan that was submitted to the 52nd general shareholders meeting held on March 19, 2022, was finally approved.

1. Purpose of Introducing the Plan

The Plan is introduced in order to provide an incentive for the Company’s directors, excluding directors who are Audit & Supervisory Committee members and outside directors (hereinafter the “Eligible Director(s)”), to continuously improve the Company’s corporate value and to promote further value with shareholders.

2. Outline of the Plan

Under the Plan, the Company will pay Eligible Directors a monetary compensation claim that shall be allocated as a contributed asset and thereby allotting the Company's common stock by means of a new issuance or disposal of treasury stock.

At the 46th general shareholders meeting held on June 18, 2016, the total fixed compensation amount for directors of the Company (excluding directors who are Audit & Supervisory Committee members) was approved to be within ¥100 million per month (including ¥10 million per month for outside directors and excluding the portion of the employee's salary for directors who concurrently serve as employees). In introducing the Plan, the limit of the total compensation amount for directors will be changed from a per-month basis to an annual basis without changing the total amount per annum, that is, ¥1,200 million ($10,420 thousand) (including ¥120 million ($1,042 thousand) per year for outside directors and excluding the portion of the employee's salary for directors who concurrently serve as employees). The total of fixed compensation and monetary compensation claims shall not exceed the limit of ¥1,200 million ($10,420 thousand) under the Plan. The specific timing and allocation of the compensation to each Eligible Director shall be decided by the Company's Board of Directors.

The amount of monetary compensation claims to be paid for granting restricted stock shall be approved by the Board of Directors based on the closing price of the Company's common stock on the Tokyo Stock Exchange on the business day immediately preceding the date of the resolution of the Board of Directors (or the closing price on the trading day immediately prior thereto if there is no trading on the relevant business day) to the extent that such amount shall not be particularly advantageous for Eligible Directors. Under the Plan, the total number of shares of common stock to be allotted to the Eligible Directors shall be up to 270,000 per annum. In cases where there is a stock split (including a gratis allotment) or a reverse stock split of the Company's common stock on or after the date of the resolution made at the general shareholders meeting that requires an adjustment in the total number of shares of the Company's common stock through the issuance or disposition of restricted stock, the total number may be adjusted to a reasonable extent.

With respect to the issuance or disposition of shares of the Company's common stock, the Company and the Eligible Directors shall conclude an agreement on the allotment of restricted stock (the "Allotment Agreement") that includes the following conditions:

(1) Eligible Directors shall not transfer, pledge, or dispose of the Company's common stock allotted (the "Shares") during the period predetermined by the Board of Directors, which commences on the date of allotment under the Allotment Agreement and ends on the date of their retirement (the "Transfer Restriction Period").

(2) Under certain cases, the Company shall acquire all of the Shares without consideration.

To ensure that the Shares shall not be transferred, pledged, or disposed of during the Transfer Restriction Period, the Shares shall be administered in a dedicated account at Nomura Securities Co., Ltd., to be opened by the Eligible Directors during the Transfer Restriction Period.

Subsidiaries & Affiliate

As of December 31, 2021

Subsidiaries	Main Operations	Head Office	Percentage Owned by the Company, Directly or Indirectly (%)
THK INTECHS CO., LTD.	Manufacture and sale of vital machinery components and machinery	Tokyo, Japan	100.00
TALK SYSTEM CO., LTD.	Sale of machinery parts and various types of equipment	Tokyo, Japan	99.00
THK NIIGATA CO., LTD.	Manufacture of ball splines	Niigata, Japan	100.00
THK RHYTHM CO., LTD.	Transportation equipment-related business	Shizuoka, Japan	70.00
NIPPON SLIDE CO., LTD.	Manufacture and sale of slide rails	Tokyo, Japan	100.00
TRA Holdings, CO., LTD.	Holding and management company	Tokyo, Japan	70.00
THK Holdings of America, L.L.C.	Holding and management company	Illinois, U.S.A.	100.00
THK America, Inc.	Sale of the LM Guide, ball screws	Illinois, U.S.A.	100.00
THK Manufacturing of America, Inc.	Manufacture of the LM Guide, special bearings	Ohio, U.S.A.	100.00
THK RHYTHM NORTH AMERICA CO., LTD.	Transportation equipment-related business	Tennessee, U.S.A.	70.00
THK RHYTHM MEXICANA, S.A. DE C.V.	Transportation equipment-related business	Guanajuato, Mexico	99.99
THK RHYTHM AUTOMOTIVE MICHIGAN CORPORATION	Transportation equipment-related business	Michigan, U.S.A.	100.00
THK RHYTHM AUTOMOTIVE CANADA LIMITED	Transportation equipment-related business	Ontario, Canada	100.00
THK Europe B.V.	Holding and management company	Amsterdam, Netherlands	100.00
THK GmbH	Sale of the LM Guide, ball screws	Ratingen, Germany	100.00
THK France S.A.S.	Sale of the LM Guide, ball screws	Tremblay-en-France, France	100.00
THK Manufacturing of Europe S.A.S.	Manufacture of the LM Guide, ball screws	Ensisheim, France	100.00
THK Manufacturing of Ireland Ltd.	Manufacture of ball screws	Dublin, Ireland	100.00
THK RHYTHM AUTOMOTIVE GmbH	Transportation equipment-related business	Dusseldorf, Germany	100.00
THK RHYTHM AUTOMOTIVE CZECH a.s.	Transportation equipment-related business	Dacice, Czech Republic	100.00
THK CAPITAL UNLIMITED COMPANY	Financing and loan management for affiliated companies in the Americas	Dublin, Ireland	100.00
THK FINANCE UNLIMITED COMPANY	Financing and loan management for affiliated companies in Europe	Dublin, Ireland	100.00
THK (CHINA) CO., LTD.	Holding and management company, sale of the LM Guide	Dalian, China	100.00
THK (SHANGHAI) CO., LTD.	Sale of the LM Guide, ball screws	Shanghai, China	100.00
DALIAN THK CO., LTD.	Manufacture and sale of ball screws, actuators	Dalian, China	70.00
THK MANUFACTURING OF CHINA (WUXI) CO., LTD.	Manufacture of the LM Guide	Wuxi, China	100.00
THK MANUFACTURING OF CHINA (LIAONING) CO., LTD.	Manufacture of the LM Guide	Dalian, China	100.00
THK RHYTHM GUANGZHOU CO., LTD.	Transportation equipment-related business	Guangzhou, China	70.00
THK RHYTHM CHANGZHOU CO., LTD.	Transportation equipment-related business	Changzhou, China	75.00
THK MANUFACTURING OF CHINA (CHANGZHOU) CO., LTD.	Manufacture of LM-related parts, unit products	Changzhou, China	100.00
THK TAIWAN CO., LTD.	Sale of the LM Guide, ball screws	Taipei, Taiwan	100.00
THK LM SYSTEM Pte. Ltd.	Sale of the LM Guide, ball screws	Kaki Bukit, Singapore	100.00
THK RHYTHM (THAILAND) CO., LTD.	Transportation equipment-related business	Rayong, Thailand	70.00
THK MANUFACTURING OF VIETNAM CO., LTD.	Manufacture of the LM Guide, slide rails	Bac Ninh, Vietnam	100.00
THK RHYTHM MALAYSIA Sdn. Bhd.	Transportation equipment-related business	Penang, Malaysia	56.00
THK India Pvt. Ltd.	Manufacture and sale of the LM Guide	Karnataka, India	99.98

Affiliate	Main Operations	Head Office	Percentage Owned by the Company, Directly or Indirectly (%)
SAMICK THK CO., LTD.	Manufacture and sale of the LM Guide	Daegu, South Korea	33.82

Corporate Data

As of December 31, 2021

Company Profile

Headquarters	2-12-10 Shibaura, Minato-ku, Tokyo 108-8506, Japan Telephone: +81-3-5730-3911
Established	April 1971
Number of Employees	13,073 (consolidated); 3,968 (parent company)
Month of Ordinary General Meeting of Shareholders	March
URL	www.thk.com
Independent Auditors	Grant Thornton Taiyo LLC

Stock Information

Common Stock: Authorized Issued	465,877,700 shares 129,856,903 shares
Stock Exchange Listing	Tokyo Stock Exchange (First Section)
Stock Transfer Agent	Mitsubishi UFJ Trust and Banking Corporation
Number of Shareholders	22,768

Major Shareholders

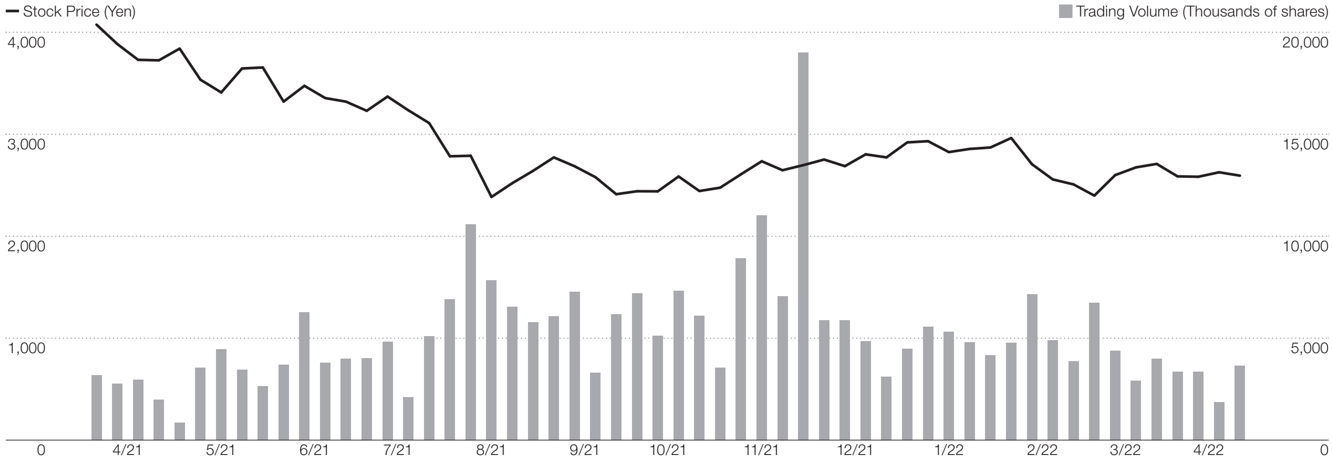
Shareholders	Number of Issued Shares Held (Thousands of shares)	Shareholding Ratio (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	20,620	16.53
Custody Bank of Japan, Ltd. (Trust Account)	18,433	14.78
SSBTC CLIENT OMNIBUS ACCOUNT	3,846	3.08
Akihiro Teramachi	3,299	2.64
THE CHASE MANHATTAN BANK 385013	2,900	2.32
FTC CO., LTD.	2,774	2.22
JP MORGAN CHASE BANK 385635	2,006	1.60
Custody Bank of Japan, Ltd. (Trust Account 9)	1,805	1.44
NORTHERN TRUST CO. (AVFC) RE 10PCT TREATY ACCOUNT	1,796	1.44
Mizuho Bank, Ltd.	1,600	1.28

[1] The Company holds 5.184 million shares of treasury stock, but it is omitted from the above list of major shareholders.
[2] The calculation of the shareholding ratio does not include treasury stock.

Shareholder Composition

Shareholder Type	Number of Shareholders	Number of Issued Shares Held (Thousands of shares)	Shareholding Ratio (%)
Financial Institutions	69	52,973	40.8
Securities Companies	49	2,883	2.2
Other Corporations	322	5,026	3.9
Overseas Institutions	394	45,987	35.4
Individuals and Others	21,933	17,801	13.7
Treasury Stock	1	5,184	4.0

Stock Price and Trading Volume



THK CO., LTD.

URL: www.thk.com