

Consolidated Financial Results for the Three Months Ended March 31, 2024 under IFRS

Company Name	THK CO., LTD.
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URL	https://www.thk.com/
Stock exchange listing	Tokyo Stock Exchange Prime Market
Code number	6481
Representative	Takashi Teramachi, President and COO
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Scheduled date of filing quarterly report (Japanese version only)	May 13, 2024
Scheduled starting date of dividend payment	N/A

1. Consolidated operating results and financial position as of and for the three months ended March 31, 2024 (January 1, 2024 to March 31, 2024)

(1) Consolidated Operating Results

Three Months Ended March 31	Revenue (Millions of Yen)		Operating Income (Millions of Yen)		Profit Before Tax (Millions of Yen)		Profit (Millions of Yen)		Profit Attributable to Owners of the Parent (Millions of Yen)		Total Comprehensive Income (Millions of Yen)	
2024	¥85,127	(9.0)%	¥2,121	(78.1)%	¥2,748	(70.7)%	¥2,014	(71.3)%	¥1,960	(71.5)%	¥18,997	56.7%
2023	93,537	6.2	9,670	(0.9)	9,371	(9.5)	7,009	(0.8)	6,891	(0.0)	12,120	(35.6)

Three Months Ended March 31	Basic Earnings per Share (Yen)	Diluted Earnings per Share (Yen)
2024	¥15.99	—
2023	56.22	—

(2) Consolidated Financial Position

	Total Assets (Millions of Yen)	Total Equity (Millions of Yen)	Equity Attributable to Owners of the Parent (Millions of Yen)	Ratio of Equity Attributable to Owners of the Parent
March 31, 2024	¥568,225	¥379,932	¥373,945	65.8%
December 31, 2023	556,351	362,898	357,264	64.2

2. Dividends

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

(Note) Change in dividend projection: None

THK's basic dividend policy is to set its payout ratio at 30% on a consolidated basis. The amounts of dividends for the year ending December 31, 2024 are planned to be determined in accordance with this plan and will be announced as soon as they are determined.

3. Forecasts for the year ending December 31, 2024 (January 1, 2024 to December 31, 2024)

	Revenue (Millions of Yen)		Operating Income (Millions of Yen)		Profit Before Tax (Millions of Yen)		Profit Attributable to Owners of the Parent (Millions of Yen)		Profit per Share (Yen)
Six-month period ending June 30, 2024	¥169,000	(8.9)%	¥6,200	(62.4)%	¥7,100	(58.6)%	¥4,800	(60.1)%	¥39.15
Year ending December 31, 2024	365,000	3.7	27,000	13.9	28,800	13.9	20,800	13.1	169.67

(Note) Changes from forecasts most recently announced: None

Other Financial Information

(1) Significant change in scope of consolidation: None

(2) Changes in accounting policy and estimates, and restatement due to:

- | | |
|------------------------------------|------|
| a. Changes in accounting standards | None |
| b. Other changes | None |
| c. Changes in accounting estimates | None |

(3) Number of shares

		(shares)
a. Common stock issued, including treasury stock, as of:	March 31, 2024	129,856,903
	December 31, 2023	129,856,903
b. Treasury stock as of:	March 31, 2024	7,263,877
	December 31, 2023	7,263,677
c. Average number of common stock for the three months ended:	March 31, 2024	122,593,125
	March 31, 2023	122,580,547

Management's Discussion and Analysis

1. Outline of operating results

(1) Operating results (from January 1, 2024 to March 31, 2024)

In this three months period, while the trend toward normalization of economic activities from the COVID-19 pandemic continued in various regions, the outlook of the global economy remained uncertain amid concerns such as rising geopolitical risks including the situation in Ukraine and in the Middle East, continuing inflation, and China's sluggish economy shaken by real estate recession.

The THK Group has identified "Full-Scale Globalization," the "Development of New Business Areas," and "Change in Business Style" as cornerstones of its growth strategy to expand the markets of its products such as LM Guide (Linear Motion Guide). As to Full-Scale Globalization, while the markets in emerging countries such as China are growing by dint of the factory automation progress, which is also spreading to developed-country users, the THK Group endeavors to expand its global sales network to meet such demand. Regarding Development of New Business Areas, while the THK Group's products are getting widely adopted in various business fields, the THK Group is working on expanding sales of not only existing products but also new developed products. Such business fields include automobile parts, medical equipment, aircraft, and robot, which are close to consumer goods, as well as seismic isolation and damping systems and renewable energy, which offer products that reduce risks arising from natural disasters and climate change. In addition to promoting these strategies above, the THK Group is also committed to further expand its business fields by changing its business style enabled by making full use of AI and robot technologies in many ways.

In such a situation, while demand for products of the industrial machinery business continued to be generally weak, THK implemented aggressive activities to win orders; however, revenue decreased as compared to the figure a year earlier, when the order backlog was at a high level. In the automotive & transportation business, the recovery trend generally continued along with the recovery of automobile production and sales as the COVID-19 pandemic subsided and the parts supply shortages were moderated. As a result, consolidated revenue amounted to ¥85,127 million, down ¥8,409 million, or 9.0%, compared to the figure a year earlier.

On the cost front, the THK Group continued to implement various activities to improve its productivity. The cost to revenue ratio, however, rose 4.4% from a year earlier to 78.7% due to the large decrease in revenue.

Selling, general and administrative (SGA) expenses amounted to ¥16,606 million, up ¥1,426 million, or 9.4%, compared to the figure a year earlier. The ratio to revenue rose by 3.3% from a year earlier to 19.5% despite the THK Group's endeavors to improve operating efficiency.

As a result, operating income amounted to ¥2,121 million, down ¥7,548 million, or 78.1%, compared to the figure a year earlier. Operating income margin dropped by 7.8% from a year earlier to 2.5%.

Finance income and finance costs were ¥1,038 million and ¥411 million, respectively.

As a result, income before tax amounted to ¥2,748 million, down ¥6,622 million, or 70.7%, compared to the figure a year earlier. Profit attributable to owners of the parent amounted to ¥1,960 million, down ¥4,930 million, or 71.5%, compared to the figure a year earlier.

(2) Operating results by segment

(Japan)

In Japan, while demand for the products of the industrial machinery business continued to be generally weak, revenue amounted to ¥26,193 million, down ¥5,348 million, or 17.0%, compared to the figure a year earlier, when the order backlog was at a high level. Segment income (operating income) amounted to ¥1,254 million, down ¥2,926 million, or 70.0%, compared to the figure a year earlier due mainly to the decrease in revenue.

(The Americas)

In the Americas, although demand for the products of the industrial machinery business continued to be generally weak, revenue amounted to ¥24,194 million, up ¥2,222 million, or 10.1%, compared to the figure a year earlier due to the weak yen compared to the period a year earlier. Segment income (operating income) amounted to ¥146 million, down ¥737 million, or 83.4%, compared to the figure a year earlier.

(Europe)

In the industrial machinery business in Europe, revenue amounted to ¥18,061 million, down ¥215 million, or 1.2%, compared to the figure a year earlier because demand continued to be generally weak. The THK Group recorded segment loss (operating loss) of ¥310 million, down ¥943 million compared to the figure a year earlier.

(China)

In China, while demand for the products of the industrial machinery business continued to be generally weak, revenue amounted to ¥12,484 million, down ¥4,658 million, or 27.2%, compared to the figure a year earlier, when the order backlog was at a high level. Segment income (operating income) amounted to ¥1,267 million, down ¥1,541 million, or 54.9%, compared to the figure a year earlier due mainly to the decrease in revenue.

(Other)

In other countries and regions, the THK Group expanded its sales channels and implemented aggressive sales activities to cultivate new customers while demand for THK Group's products was widely expanded in India and the ASEAN countries. However, revenue amounted to ¥4,193 million, down ¥408 million, or 8.9%, compared to the figure a year earlier because demand was generally weak. Segment income (operating income) amounted to ¥258 million, down ¥144 million or 35.8%, compared to the figure a year earlier due mainly to the decrease in revenue.

2. Financial position (as of March 31, 2024)

Total assets stood at ¥568,225 million, ¥11,873 million up from the previous fiscal year-end, due mainly to a combined effect of decrease in cash and cash equivalents by ¥7,922 million and increase in (1) trade and other receivables by ¥5,978 million, (2) inventories by ¥3,575 million, and (3) property, plant and equipment by ¥8,561 million.

Total liabilities stood at ¥188,292 million, ¥5,160 million down from the previous fiscal year-end, due mainly to a combined effect of increase in trade and other payables by ¥3,943 million and decrease in bonds and borrowings by ¥12,374 million.

Total equity stood at ¥379,932 million, ¥17,034 million up from the previous fiscal year-end, due mainly to a combined effect of decrease in retained earnings by ¥31 million and increase in other components of equity by ¥16,713 million.

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

For the six-month period ending June 30, 2024 and the year ending December 31, 2024, THK has not revised the consolidated forecasts announced on February 14, 2024.

Consolidated Financial Statements

Consolidated Statements of Financial Position

(Millions of Yen)

	As of December 31, 2023	As of March 31, 2024
Assets:		
Current assets:		
Cash and cash equivalents	¥156,486	¥148,563
Trade and other receivables	78,621	84,600
Inventories	82,460	86,035
Other financial assets	504	501
Other current assets	15,388	15,853
Total current assets	<u>333,462</u>	<u>335,555</u>
Non-current assets:		
Property, plant and equipment	186,556	195,117
Goodwill and intangible assets	9,492	9,798
Investments accounted for using the equity method	6,960	7,069
Other financial assets	10,724	11,227
Deferred tax assets	5,891	5,994
Retirement benefit asset	3,182	3,383
Other non-current assets	80	79
Total non-current assets	<u>222,889</u>	<u>232,670</u>
Total assets	<u><u>556,351</u></u>	<u><u>568,225</u></u>

(Millions of Yen)

As of December 31, 2023

As of March 31, 2024

Liabilities and equity:**Liabilities:**

Current liabilities:

Trade and other payables	¥40,881	¥44,824
Bonds and borrowings	13,123	13,360
Other financial liabilities	4,352	5,530
Provisions	114	13
Income taxes payable	849	991
Other current liabilities	14,320	16,436
Total current liabilities	73,643	81,157

Non-current liabilities:

Bonds and borrowings	95,639	83,027
Other financial liabilities	8,491	8,134
Retirement benefit liabilities	6,278	6,380
Provisions	171	65
Deferred tax liabilities	6,488	6,579
Other non-current liabilities	2,740	2,948
Total non-current liabilities	119,810	107,135

Total Liabilities

193,453 188,292

Equity

Common stock	34,606	34,606
Capital surplus	40,102	40,102
Retained earnings	253,440	253,409
Treasury stock	(17,130)	(17,131)
Other components of equity	46,245	62,958
Total equity attributable to owners of the parent	357,264	373,945
Non-controlling interests	5,633	5,987
Total Equity	362,898	379,932

Total liabilities and equity

556,351 568,225

Consolidated Statements of Profit or Loss

(Millions of Yen)

	Three months Ended March 31, 2023	Three months Ended March 31, 2024
Revenue	¥93,537	¥85,127
Cost of sales	69,531	66,953
Gross profit	24,005	18,173
Selling, general and administrative expenses	15,180	16,606
Other income	907	805
Other expenses	224	251
Share of profit in investments accounted for using the equity method	161	0
Operating income	9,670	2,121
Financial income	724	1,038
Financial costs	1,023	411
Profit before tax	9,371	2,748
Income tax expense	2,361	734
Profit	7,009	2,014
Profit attributable to:		
Owners of the parent	6,891	1,960
Non-controlling interests	118	54
Profit	7,009	2,014
Earnings per share:		
Basic earnings per share (yen)	56.22	15.99
Diluted earnings per share (yen)	—	—

Consolidated Statements of Comprehensive Income

(Millions of Yen)

	Three months Ended March 31, 2023	Three months Ended March 31, 2024
Profit	¥7,009	¥2,014
Other comprehensive income		
Items that will not be reclassified to profit or loss:		
Financial assets measured at fair value through other comprehensive income	276	454
Remeasurements of defined benefit plans	37	(29)
Share of other comprehensive income of associates accounted for using the equity method	(1)	0
Total of items that will not be reclassified to profit or loss	312	426
Items that may be reclassified to profit or loss:		
Exchange differences on translation of foreign operations	4,947	16,350
Share of other comprehensive income (loss) of investments accounted for using the equity method	(148)	205
Total of items that will not be reclassified to profit or loss	4,798	16,556
Other comprehensive income, net of tax	5,111	16,982
Comprehensive income	12,120	18,997
Comprehensive income attributable to:		
Owners of the parent	11,894	18,643
Non-controlling interests	226	354
Comprehensive income	12,120	18,997

Consolidated Statements of Changes in Equity

(Millions of Yen)

Three Months Ended March 31, 2023	Equity attributable to owners of the parent				Other components of equity
	Common stock	Capital surplus	Retained earnings	Treasury stock	Exchange differences on translation of foreign operations
Beginning balance	¥34,606	¥40,094	¥245,941	¥(17,160)	¥27,234
Profit	—	—	6,891	—	—
Other comprehensive income	—	—	—	—	4,690
Total comprehensive income	—	—	6,891	—	4,690
Purchase of treasury stock	—	—	—	(0)	—
Dividends	—	—	(6,129)	—	—
Transfer from other components of equity to retained earnings	—	—	42	—	—
Other	—	—	—	—	—
Total transactions with owners	—	—	(6,087)	(0)	—
Ending balance	34,606	40,094	246,745	(17,160)	31,925

	Equity attributable to owners of the parent				Other components of equity	
	Financial assets measured at fair value through other comprehensive income				Non-controlling interests	
	Remeasurements of defined benefit plans	Subtotal	Total	Total equity		
Beginning balance	¥—	¥28,406	¥331,887	¥5,393	¥337,281	
Profit	—	—	6,891	118	7,009	
Other comprehensive income	277	5,003	5,003	107	5,111	
Total comprehensive income	277	5,003	11,894	226	12,120	
Purchase of treasury stock	—	—	(0)	—	(0)	
Dividends	—	—	(6,129)	—	(6,129)	
Transfer from other components of equity to retained earnings	(7)	(34)	—	—	—	
Other	—	—	—	(0)	(0)	
Total transactions with owners	(7)	(42)	(6,129)	(0)	(6,129)	
Ending balance	1,442	33,368	337,653	5,619	343,272	

(Millions of Yen)

Three Months Ended March 31, 2024	Equity attributable to owners of the parent				Other components of equity
	Common stock	Capital surplus	Retained earnings	Treasury stock	Exchange differences on translation of foreign operations
Beginning balance	¥34,606	¥40,102	¥253,440	¥(17,130)	¥44,825
Profit	—	—	1,960	—	—
Other comprehensive income	—	—	—	—	16,256
Total comprehensive income	—	—	1,960	—	16,256
Purchase of treasury stock	—	—	—	(0)	—
Dividends	—	—	(1,961)	—	—
Transfer from other components of equity to retained earnings	—	—	(30)	—	—
Other	—	—	—	—	—
Total transactions with owners	—	—	(1,992)	(0)	—
Ending balance	34,606	40,102	253,409	(17,131)	61,081

	Equity attributable to owners of the parent				Other components of equity	
	comprehensive income	Remeasurements of defined benefit plans	Subtotal	Total	Non-controlling interests	Total equity
Beginning balance	¥1,419	¥—	¥46,245	¥357,264	¥5,633	¥362,898
Profit	—	—	—	1,960	54	2,014
Other comprehensive income	456	(30)	16,682	16,682	300	16,982
Total comprehensive income	456	(30)	16,682	18,643	354	18,997
Purchase of treasury stock	—	—	—	(0)	—	(0)
Dividends	—	—	—	(1,961)	—	(1,961)
Transfer from other components of equity to retained earnings	—	30	30	—	—	—
Other	—	—	—	—	(0)	(0)
Total transactions with owners	—	30	30	(1,962)	(0)	(1,963)
Ending balance	1,876	—	62,958	373,945	5,987	379,932

Consolidated Statements of Cash Flows

(Millions of Yen)

	Three months Ended March 31, 2023	Three months Ended March 31, 2024
Cash flows from operating activities:		
Profit before tax	¥9,371	¥2,748
Depreciation and amortization	5,151	5,794
Change in retirement benefit assets or liabilities	(196)	(205)
Financial income	(739)	(613)
Financial costs	1,023	411
Share of profit of investments accounted for using the equity method	(161)	(0)
(Increase) decrease in trade and other receivables	2,079	(5,132)
(Increase) decrease in inventories	(2,576)	(617)
Increase (decrease) in trade and other payables	(1,153)	6,231
Other	(2,502)	(243)
Subtotal	10,295	8,372
Interests and dividends received	501	682
Interests paid	(95)	(131)
Income taxes paid	(6,679)	(679)
Net cash provided by (used in) operating activities	4,022	8,244
Cash flows from investing activities:		
Purchase of property, plant and equipment	(6,418)	(7,318)
Proceeds from sales of property, plant and equipment	62	6
Purchase of other financial assets	(110)	(129)
Proceeds from sales of other financial assets	13	—
Other	(345)	(313)
Net cash provided by (used in) investing activities	(6,799)	(7,755)
Cash flows from financing activities:		
Repayments of long-term borrowings	(2,185)	(2,185)
Payments for redemption of bonds	(10,000)	(10,000)
Purchase of treasury stock	(0)	(0)
Dividends paid	(6,050)	(1,938)
Dividends paid to non-controlling interests	—	(0)
Repayments of lease liabilities	(450)	(497)
Net cash provided by (used in) financing activities	(18,685)	(14,622)
Effects of exchange rate changes on cash and cash equivalents	1,232	6,211
Net increase (decrease) in cash and cash equivalents	(20,230)	(7,922)
Cash and cash equivalents at the beginning of the period	163,835	156,486
Cash and cash equivalents at the end of the period	143,605	148,563

Segment Information

1. Outline of reportable segments

THK's reportable segments are components of THK Group for which respective financial information is separately available. Operating results of each segment is reviewed periodically by the Board of Directors to determine allocation of operating resources and evaluate its performance.

THK Group's main products are machinery parts such as LM (linear motion) guides and ball screws, and transportation equipment-related parts such as link balls and suspension ball joints. In each country, local subsidiaries establish their comprehensive business strategies and conduct their business activities in a similar way that THK and domestic subsidiaries do in Japan.

Therefore, the reportable segments consist of the five geographical segments, namely; (1) Japan, (2) The Americas (the United States and others), (3) Europe (Germany, France and others), (4) China, and (5) Other (Taiwan, Singapore and others) based on the THK Group's production/sales structure.

Segment income or loss is computed based on operating income or loss. The reportable segment information is prepared under the same accounting policies as those used in consolidation. Inter-segment sales and transfer are stated at amounts based on their fair market values. All adjustments in the following tables are intersegment elimination on consolidation.

2. Reportable segments

For the three months ended March 31, 2023 (January 1, 2023 to March 31, 2023)

	Japan	The Americas	Europe	China	Other	Total	Adjustments	Consolidated
(Millions of Yen)								
Revenue:								
Revenue from external customers	¥31,542	¥21,972	¥18,276	¥17,143	¥4,602	¥93,537	¥—	¥93,537
Inter-segment revenue	16,765	10	66	1,376	1,320	19,538	(19,538)	—
Total	48,307	21,982	18,342	18,520	5,923	113,075	(19,538)	93,537
Segment income	4,180	884	633	2,809	403	8,911	759	9,670
Financial income	1,463	358	409	111	13	2,356	(1,632)	724
Financial costs	1,064	88	587	19	3	1,764	(741)	1,023
Profit before tax	4,580	1,153	454	2,901	413	9,503	(132)	9,371

(Note) All adjustments are intercompany elimination.

For the three months ended March 31, 2024 (January 1, 2024 to March 31, 2024)

	Japan	The Americas	Europe	China	Other	Total	Adjustments	Consolidated
(Millions of Yen)								
Revenue:								
Revenue from external customers	¥26,193	¥24,194	¥18,061	¥12,484	¥4,193	¥85,127	¥—	¥85,127
Inter-segment revenue	12,905	58	136	1,974	881	15,956	(15,956)	—
Total	39,099	24,253	18,197	14,458	5,075	101,084	(15,956)	85,127
Segment income (loss)	1,254	146	(310)	1,267	258	2,617	(495)	2,121
Financial income	949	477	565	132	32	2,157	(1,118)	1,038
Financial costs	432	80	899	11	105	1,529	(1,118)	411
Profit (loss) before tax	1,771	543	(643)	1,388	185	3,244	(495)	2,748

(Note) All adjustments are intercompany elimination.

Subsequent event

No items to report.

Additional notes:

All the figures in this report except per share information are rounded down to the nearest million.

This information is summarized and translated from the original Japanese version submitted to the Tokyo Securities Exchange in accordance with its disclosure rules and presentation manners, which are different from those applied in the annual reports of THK due to reclassification and rearrangement made therein. This English translation is intended solely for the convenience of readers, and not intended in any way to substitute or replace the original Japanese version. If there is any discrepancy between the original Japanese version and this translation, the original Japanese version shall supersede all information in this translation. All the figures in this report are unaudited.