February 12, 2025

Notice Regarding New Management Policy "Early Realization of ROE of Over 10%"

Company Name	:	THK CO., LTD.
Code number	:	6481 (Tokyo Stock Exchange Prime Market)
Representative	:	Takashi Teramachi, President and COO
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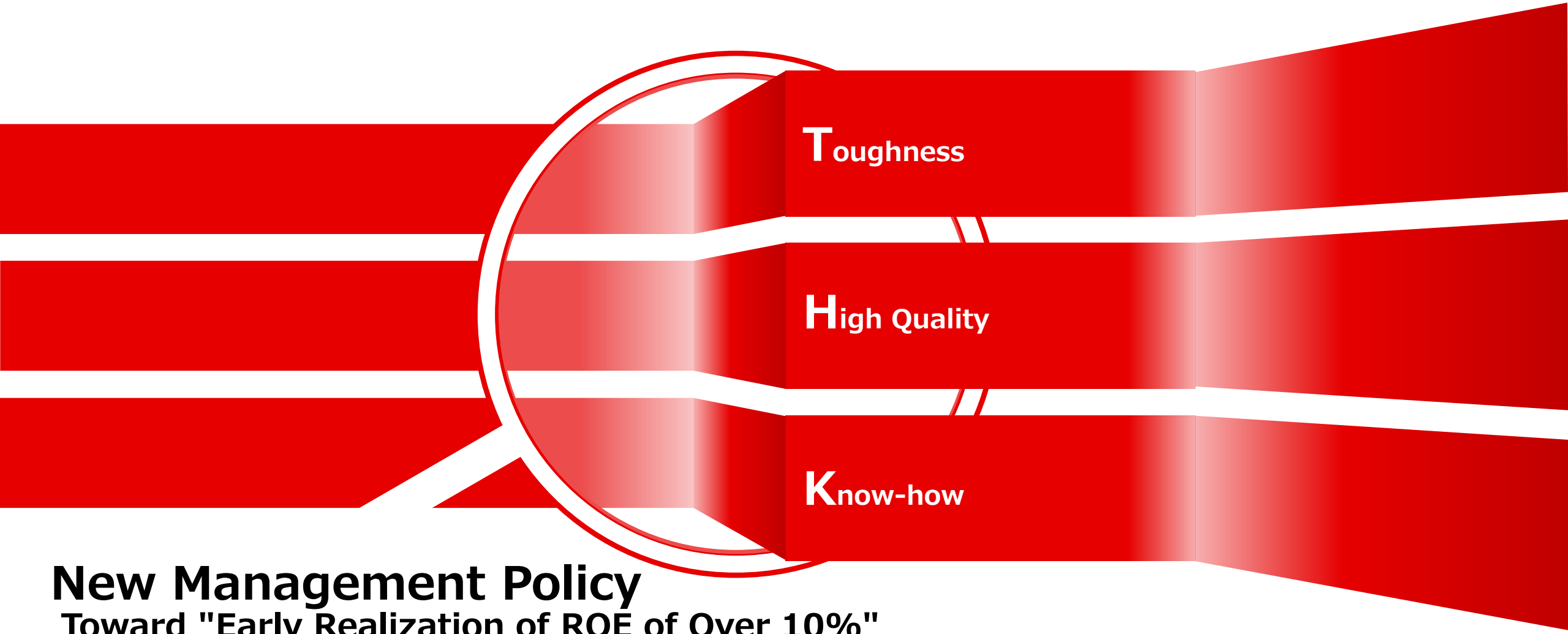
THK CO., LTD. ("THK") hereby announces that, in accordance with the basic policy for the revision of "Management Targets for FY2026" announced on November 12, 2024, THK has formulated management indicators and measures for "Early Realization of ROE of Over 10%" and resolved them at the Board of Directors meeting held today.

For details, please refer to the attached document.



New Management Policy

Toward "Early Realization of ROE of Over 10%"

February 12, 2025

THK CO., LTD.

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This presentation material contains forward looking statements that reflect the Company's business plans, performance projections, and management strategy. Such statements are based on information currently available to the Company. However, changes in the operating environment may cause actual results and achievements to differ from those anticipated in this corporate presentation material. Also, please let you know that this presentation material includes reference information that are not exactly accounts indication matters.

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President Message



THK CO., LTD.
President

Takashi Teramachi

THK will
thoroughly strengthen what needs to be strengthened
and
courageously change what needs to be changed.

Basic Policy for New Management Targets :

Early Realization of ROE of Over 10%

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Corporate Philosophy / Vision



Manufacturing and innovative services company: Shifting away from a business model that only involves making and selling off things, instead moving toward one that also includes everything from before- to after-sales services.

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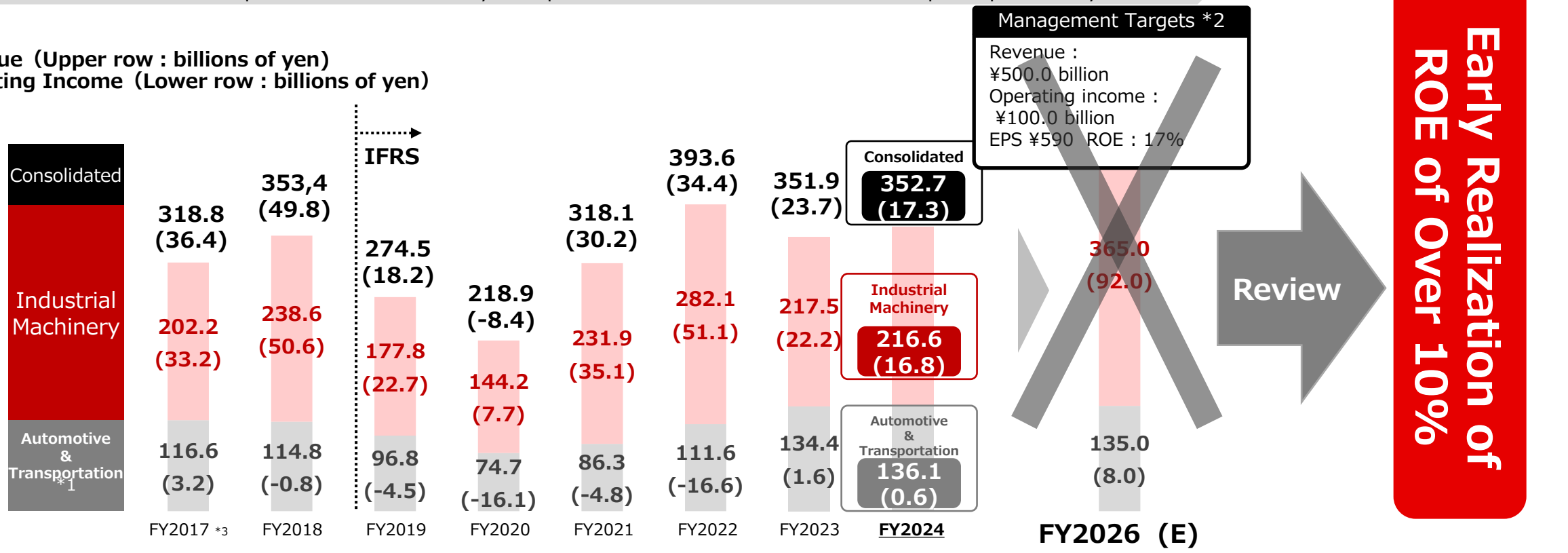
Review of "Management Targets for FY2026 (Five-Year Plan)"

Background to revision of management targets

External factors: geopolitical risks, inflation, slowdown in the Chinese economy, major changes in the auto industry itself, and others
Individual factors:
The industrial machinery business: Upfront investments based on market average annual growth rate of 7%
The automotive & transportation business: Delay of implementation of drastic measures to improve profitability

Basic Policy

Revenue (Upper row : billions of yen)
Operating Income (Lower row : billions of yen)



*1 : The figures for the Automotive & Transportation Business are the combined figures of THK RHYTHM and TRA
*2 : Set in February 2022
*3 : Because FY2017 was irregular settlement, these are reference values adjusted to January to December

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Management Indicators in the Basic Policy (Operating Income/Equity Capital)

Basic Policies for the Future

1. **Promotion of Management That Emphasizes Profitability and Capital Efficiency**
   a. Revision of business portfolio considering cost of capital (business selection and concentration)
   b. Execution of highly disciplined investments that strengthen the competitiveness of the business for sustainable growth
   c. Revision of capital policy
2. **Evolution of Corporate Governance**
   a. Revision of composition of Nomination Advisory Committee and Compensation Advisory Committee etc.

- Operating income required to achieve net profit of ¥30.0 billions of yen

Operating Income
¥40.0 billion

Targeted level of profitability and capital structure

Required Capital
¥300.0 billion

- Reduce cash and bank deposits to net neutral level
- Tolerate net debt levels of 1-2x EBITDA (in the mid- to long-term)

Early Realization of ROE of Over 10%

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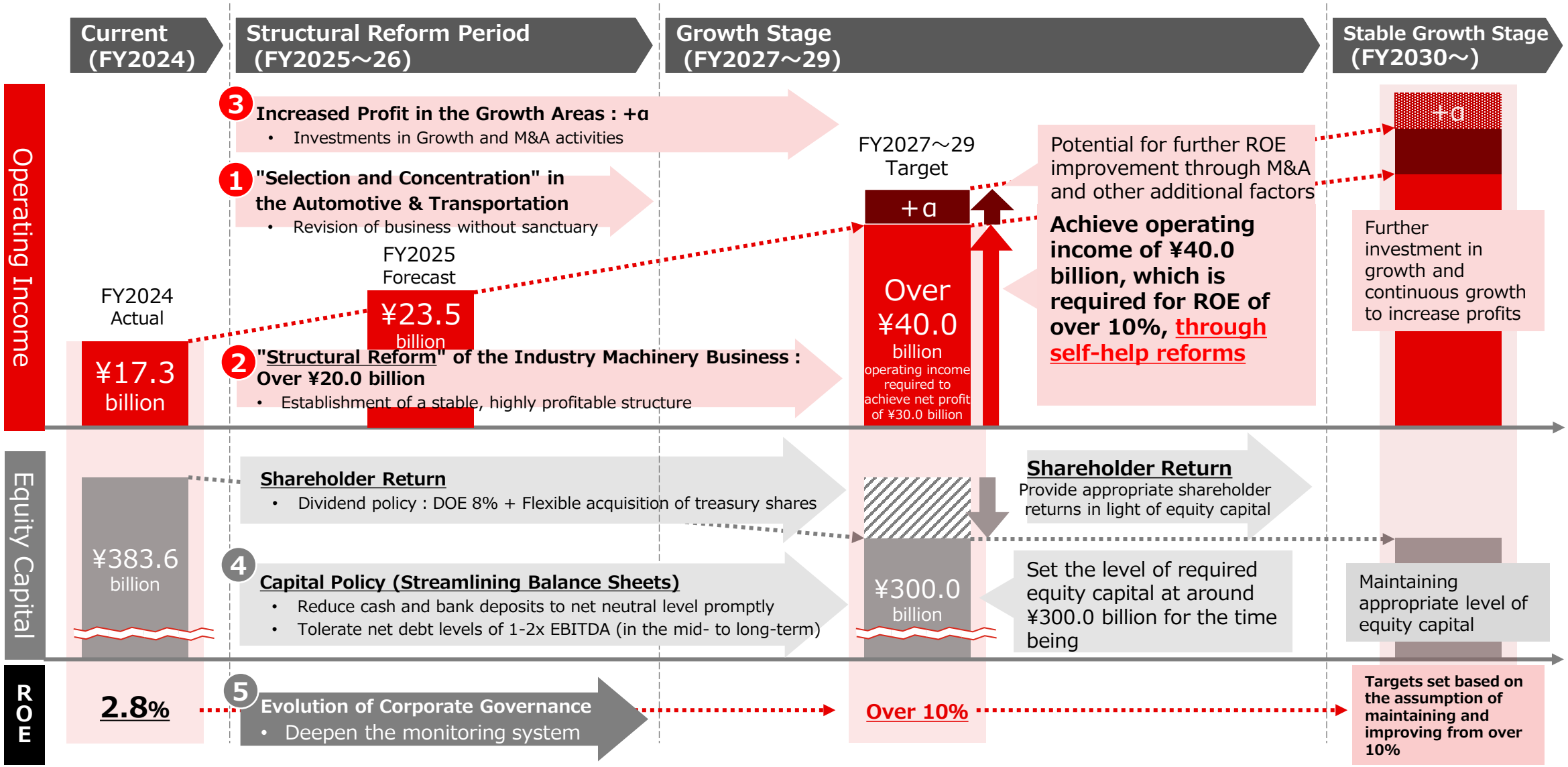
Path to "ROE of Over 10%"



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What Needs to Change : "Selection and Concentration" in the Automotive & Transportation Business

Background to Date

Operating Loss

- 2017
- 2018
- 2019
- 2020
- 2021
- 2022

Turnaround

- 2023
- 2024

Structural Reform

- 2025
- 2026



- Recovery plans initiated
- Impairment losses recorded
- Impairment losses recorded
- **Business selection and concentration announced**

Actions Implemented/in Progress

Implemented
THK RHYTHM MALAYSIA Sdn. Bhd.
Production activities discontinued

In Progress
Partial closure of production sites in Canada

In Progress
Product consolidation at production sites in China

Key Points of Structural Reform without Sanctuary

Closely examine cost of capital (WACC) and return on invested capital (ROIC) now and in the future, and

Complete "Selection and Concentration" within the period of structural reform without ruling out any options or possibilities

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What Needs to Change : Initiatives to Achieve Operating Income Exceeding ¥ 40.0 billion

Establishment of a highly profitable structure

Measures for Fixed Costs to Accumulate ¥6.0 billion

- Improving operational efficiency through the introduction of IT
- Workforce optimization, etc.

- Workforce optimization through automation
- Optimization of production system, etc.

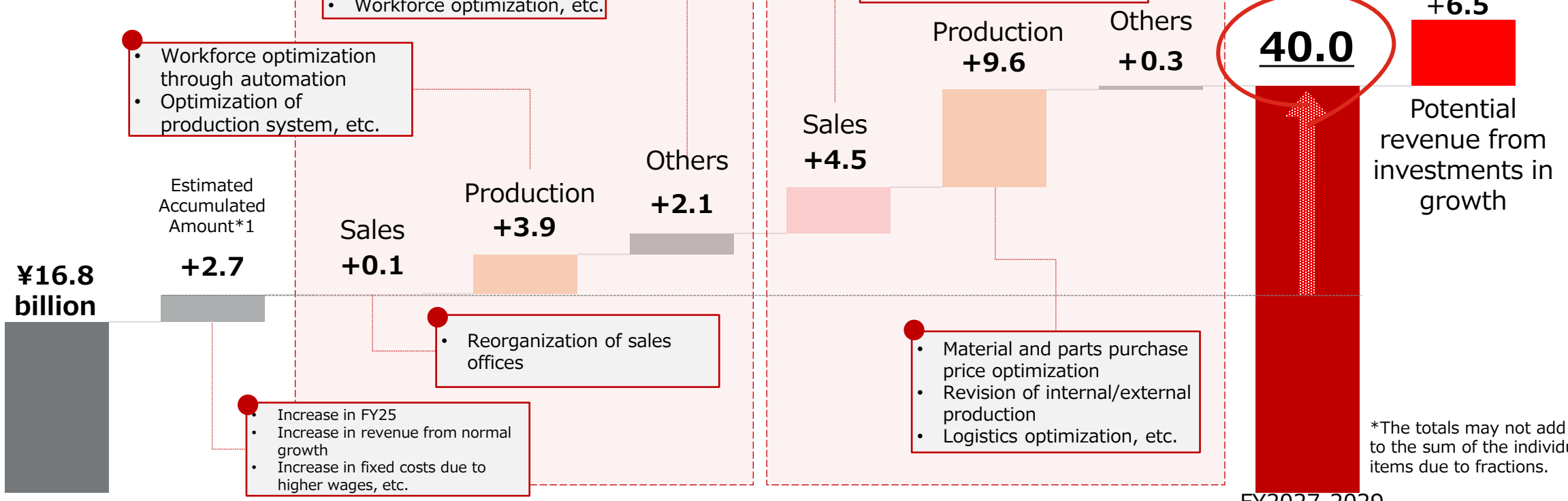
- Increase in FY25
- Increase in revenue from normal growth
- Increase in fixed costs due to higher wages, etc.

- Reorganization of sales offices

Measures for Variable Costs to Accumulate ¥14.4 billion

- Optimization of selling price
- Profitability improvement in new areas, etc.

- Material and parts purchase price optimization
- Revision of internal/external production
- Logistics optimization, etc.



*The totals may not add up to the sum of the individual items due to fractions.

Switch to appropriate measures as needed while implementing the PDCA cycle with the support of outside experts

*1 :Estimated accumulated amount : Net increase/decrease in FY2025 + FY2026-2029 assuming 2% growth in sales and slightly more than 4% increase in labor/personnel costs per year

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What needs to be strengthened :

Organizational Reforms for the Evolution of the Industrial Machinery Business

We will increase our points of contact with machine users to diversify the customers we sell to, utilize the information we gather through these activities to develop and produce products, and both strengthen our development of products for growing fields and bolster the foundation of our business.

Supply Chain (Past) → Ecosystem (Future) *Automation, labor shortages, and sustainability

Business Style

Machine user
↑ Supply products
Machine builder
↑ Supply products
Machine component parts business

Organization

Headquarters - Industrial Machinery
Sales Division
Organizational Restructuring

Machine builder



Cooperation

Machine component parts business

Synergy

LM System Sales Division

Machine user (Production technologies・Sier)



Cooperation

FA solution business

FA Solution Sales Division

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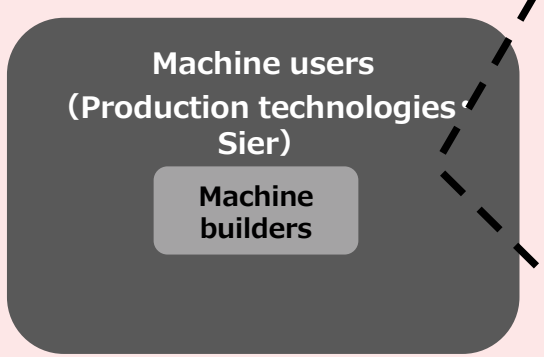
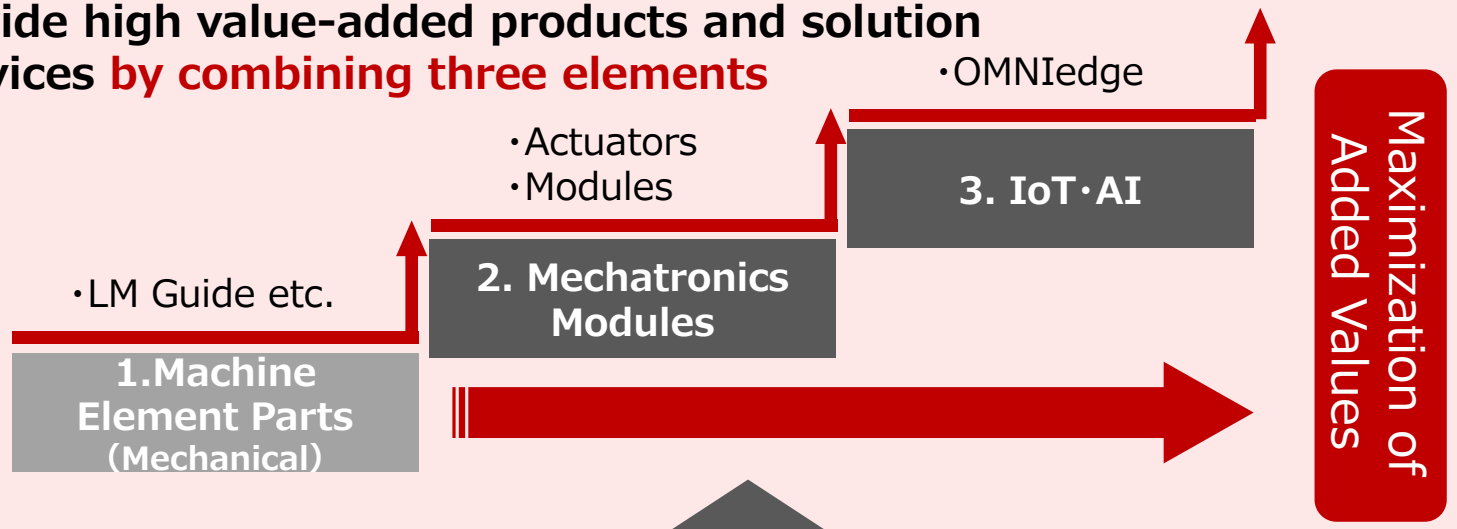
What needs to be strengthened : Growth of FA Solution Business

Expected Market

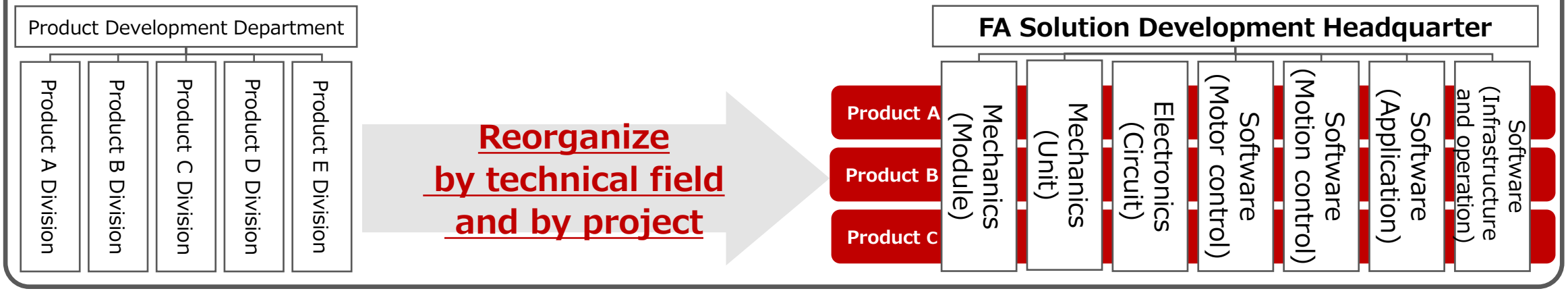
Addresses the needs of a wider range of machine users in addition machine builders



Provide high value-added products and solution services by combining three elements



Reorganize and optimize the development division to focus human resources on high revenue/profit product development to accelerate development and improve quality



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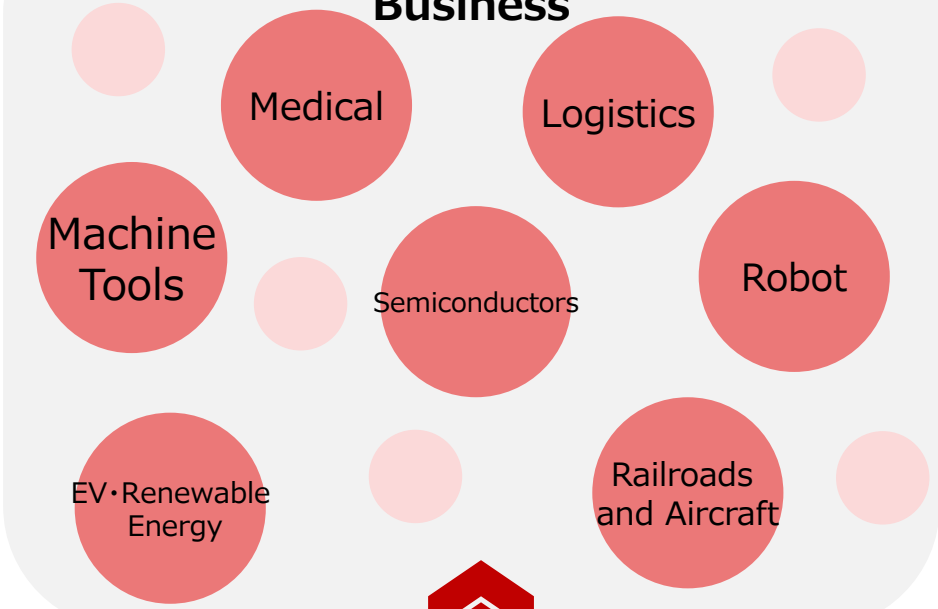
What needs to be strengthened : Machine Component Parts Business

Strengthen Sales in High-Growth Areas

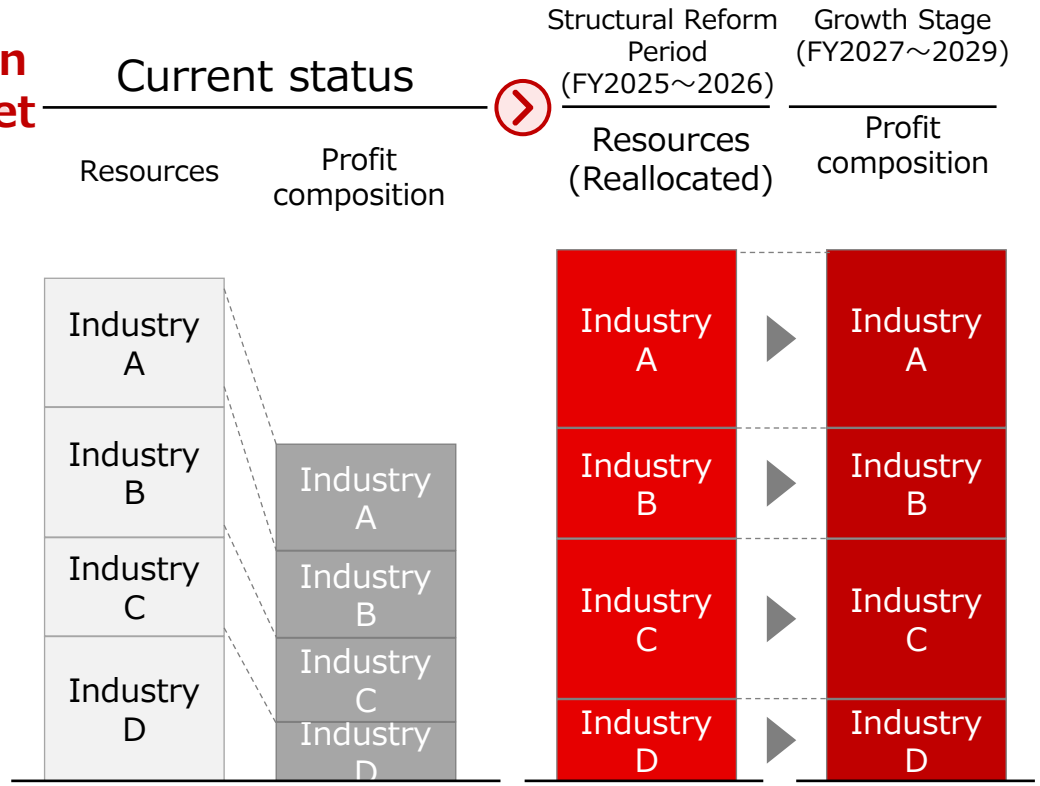
Market of Industry Machinery Business



Form task forces for 7 priority areas with high growth potential to increase market resolution

Update as appropriate in view of market trends, etc.

Reallocation of Resources According to the Profit Structure to Be Targeted



Resource allocation and profit structure are unbalanced

Maximize profits by optimizing the resources of development, production, and sales according to the profit structure to be targeted

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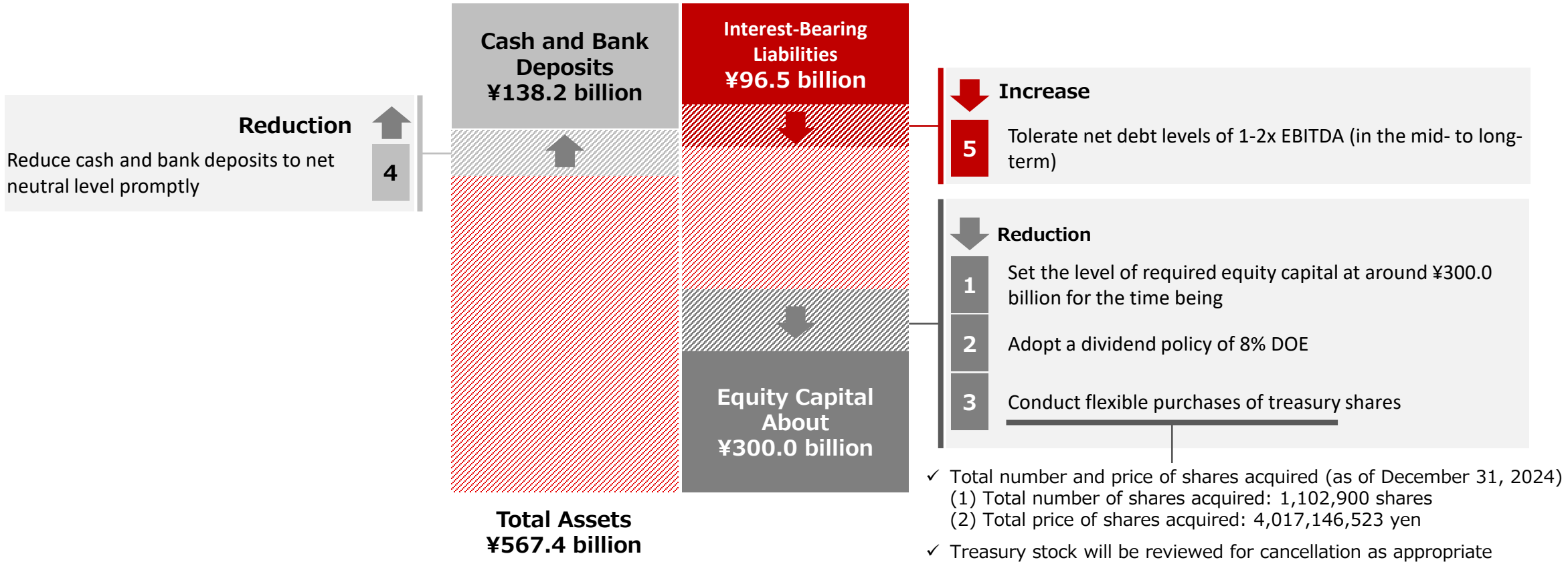
What needs to be strengthened :
Balance Sheet Management with Emphasis on Capital Efficiency

The capital policies below will be continued until “Early Realization of ROE over 10%” is achieved.



- ✓ Total number and price of shares acquired (as of December 31, 2024)
  (1) Total number of shares acquired: 1,102,900 shares
  (2) Total price of shares acquired: 4,017,146,523 yen
- ✓ Treasury stock will be reviewed for cancellation as appropriate

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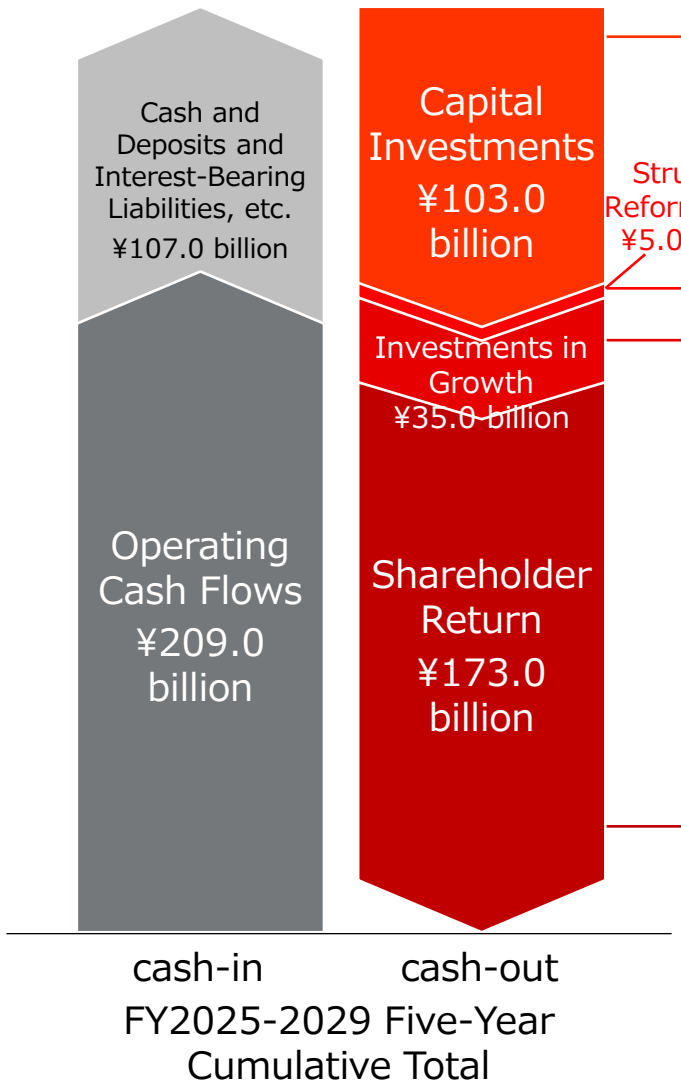
What needs to be strengthened : Capital Allocation

Until We Achieve "Early Realization of ROE of Over 10%"



Structure Reform Costs ¥5.0 billion

Allocate profits generated by structural reforms to investments in growth that will strengthen the competitiveness of the business and lead to discontinuous growth

Provide appropriate shareholder returns in light of equity capital

1	Capital investments	: About ¥91.0 billion	● Investment in automation, renewal, etc.
2	IT investments	: About ¥12.0 billion	● Global renewal of the core system, etc.

* Investments will be reviewed carefully from time to time based on the perspective of “selection and concentration”

3	Structure Reform Costs	: About ¥5.0 billion	● Costs of structural reforms and external consulting fees, etc.
4	Investments in Growth	: About ¥35.0 billion	● Alliance in mechatronics module and IoT for FA solution business expansion ● Human capital investments ● M&A etc.
5	Shareholder Return	: About ¥173.0 billion	● Adopted a dividend policy of DOE8% ● Implementation of flexible share acquisitions

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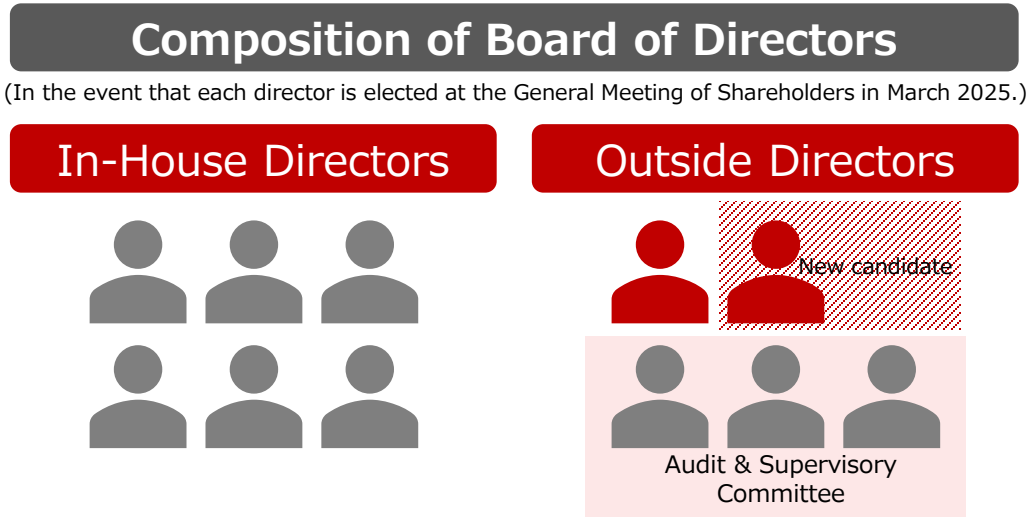
What needs to be strengthened : Corporate Governance Structure

Composition of Board of Directors

(In the event that each director is elected at the General Meeting of Shareholders in March 2025.)



※ Ratio of Female Directors 18%(2 members)

■ Board of Directors Data



Ratio of Independent Outside Directors : **45%**



Ratio of Female Directors : **18%**

Composition of Committees

Current Chairman C　Member M　Number of meetings attended/held*1　Outside Directors :

Name	Audit & Supervisory Committee	Nomination Advisory Committee	Compensation Advisory Committee
Akihiro Teramachi		C 1/1	C 1/1 To 2024/11/12
Takashi Teramachi		M 2/2	M 2/2
Masaaki Kainosho		M 2/2	M 2/2
Masakatsu Hioki	C 13/13	C 2/2	
Tomitoshi Omura	M 13/13		
Yoshiki Ueda	M 13/13		C 2/2
Ratio of Outside Directors	**100%**	**66.7%**	**66.7%**

*1 : Number of meetings attended/held for the period from January 1 to December 31, 2024

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What needs to be strengthened :
Actions Addressed for the Creation of Sustainable Corporate Value

Evolution of Corporate Governance	• Improvement of executive compensation system in line with shareholders' viewpoints (substantial increase in incentive compensation ratio) • Pursue and strengthen an optimal board of directors based on management philosophy, strategy, market environment, etc. • Deepen the monitoring system for progress toward achieving ROE of over 10%, including structural reforms
Reinforcement of Business Base	• Develop the next generation of human resources to lead the "Manufacturing and Innovative Services Company" and rethink succession plans • Review of personnel evaluation system, reform of work style, etc.
Investments in the Future (Preparation)	• Accelerate efforts on key issues (materiality) to create trading opportunities and avoid risks • Enhancement of IT environment to accelerate and promote business innovation, etc.

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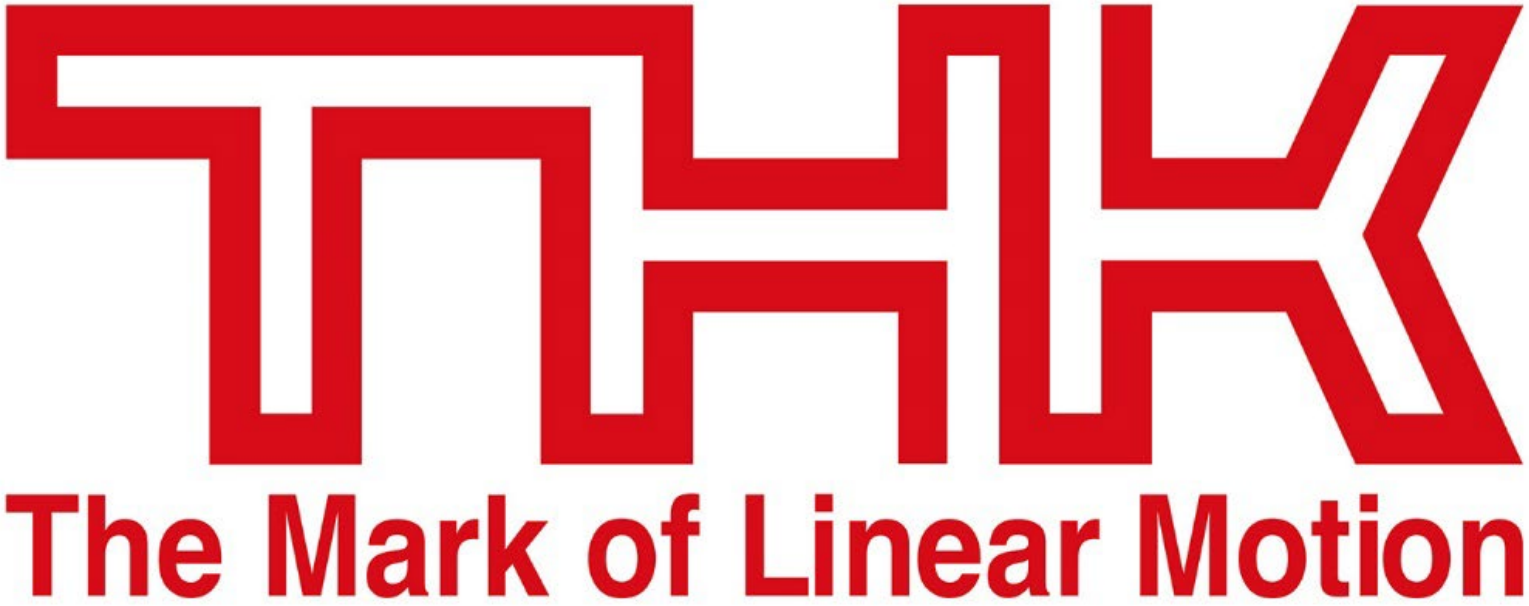

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