

March 22, 2022

## Notice Regarding Disposal of Treasury Stock as Restricted Stock Compensation

Company Name : THK CO., LTD.  
Head Office : Tokyo, Japan (Tel: +81-3-5730-3911)  
Code number : 6481  
Representative : Akihiro Teramachi, President and CEO  
Contact : Kenji Nakane, Executive Officer, General Manager of Finance and Accounting Department

THK CO., LTD. ("THK") hereby announces that the Board of Directors, in their meeting held on March 19, 2022, has resolved to dispose of treasury stock (hereinafter, the "Disposal" or "Disposal of Treasury Stock"). The details are as follows.

### 1, Outline of the disposal

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|-----|---|--|
| (1) | Disposal date   | April 18, 2022   |
| (2) | Class and number of shares to be disposed   | 15,291 shares of THK common stock  |
| (3) | Disposal price  | ¥2,599 per share   |
| (4) | Total value of shares to be disposed  | ¥39,741,309  |
| (5) | Persons eligible for allotment of shares and number thereof, and number of shares for allotment | Directors of THK (excluding directors and outside directors who are Audit & Supervisory Committee members): 7 persons, 7,269 shares  |
|     |   | Executive officers not concurrently serving as a director: 19 persons, 8,022 shares  |
| (6) | Other information   | For the Disposal, THK submitted the securities registration statement in accordance with the Financial Instruments and Exchange Act. |

### 2. Purpose and Reasons for the Disposal

At the Board of Directors meeting held on November 11, 2021, THK decided to introduce the restricted stock compensation plan (the "Plan") as a new compensation plan for THK's directors (excluding directors and outside directors who are Audit & Supervisory Committee members; "Eligible Director(s)") and executive officers not concurrently serving as a director (together with Eligible Directors, "Eligible Executive(s)") in order to provide them an incentive to continuously improve THK's corporate value and promote further shared value with shareholders.

At the 52th general shareholders meeting held on March 19, 2022, based on the Plan, as the monetary compensation to serve as contributed assets to acquire the restricted stocks (the "Restricted Stock Compensation"), it was approved that (a) THK will pay Eligible Executives a monetary compensation claim not exceeding ¥1,200 million per annum that shall be allocated as a contributed asset and thereby allotting THK's common stock not exceeding 270,000 shares per annum by means of a new issuance or disposal of treasury stock; and (b) the transfer restriction period shall be from the date of allotment of shares of THK common stock as specified in the allotment agreement to the date of retirement of the Eligible Executive (except in cases where the Eligible Executive is reappointed at the same time as their retirement).

The outline of the Plan is summarized in the following.

### **(Outline of the Plan)**

Under the Plan, the Eligible Executives shall make in-kind contribution of all monetary compensation claims to be provided by the Company according to the Plan, and shall, in return, receive shares of THK common stock that shall be issued or disposed. The amount of contribution per share shall be approved by the Board of Directors based on the closing price of THK'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 Executives.

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

- (1) Eligible Executives shall not transfer, pledge, or dispose of THK's common stock allotted (the "Shares") during the period predetermined under the Allotment Agreement.
- (2) Under certain cases, THK shall acquire all of the Shares without consideration.

Considering the purpose of the Plan, business conditions of THK, responsibility of the Eligible Executives, and other factors, THK has decided to provide the total sum of the monetary compensation claims of ¥39,741,309 (the "Monetary Compensation Claims"), and 15,291 shares of THK common stock, in order to further increase motivation of the Eligible Executives. For the Disposal of Treasury Stock, 26 of the Eligible Executives shall make in-kind contribution of all Monetary Compensation Claims, and shall receive Shares in accordance with the Plan.

The outline of the Allotment Agreement is presented below.

### **3. Outline of the Allotment Agreement**

#### (1) Transfer restriction period

##### (a) Eligible Directors:

From April 18, 2022 (the "Disposal Date") to the time of retirement of the Eligible Director (except in cases where the Eligible Director is reappointed at the same time as their retirement)

##### (b) Executive officers not concurrently serving as a director:

From the Disposal Date to the time of retirement from all of the positions as a director or executive officer not concurrently serving as a director (except in cases where the executive officer is reappointed at the same time as their retirement)

#### (2) Conditions for releasing transfer restriction

##### (a) Eligible Directors:

On the condition that the Eligible Directors maintain their position continuously during the period from the commencement date of the transfer restriction period to the date of the first general shareholders meeting which comes after that (the "Service Period"), the transfer restriction on all Shares will be released upon expiration of the transfer restriction period.

##### (b) Executive officers not concurrently serving as a director:

On the condition that the executive officers not concurrently serving as a director maintain their position or position as a director continuously during the Service Period, the transfer restriction on all Shares will be released upon expiration of the transfer restriction period.

(3) Treatment in cases the Eligible Executives retire from their position due to any justifiable reasons (including their death)

(a) Time of release:

Upon expiry of the transfer restriction period

(b) Number of shares subject to release:

The number of shares subject to release of transfer restrictions shall be equal to the number of Shares held at the time of retirement multiplied by the number of months from the month that includes the Disposal Date to the month that includes the date of retirement divided by 12, rounding down values less than 1.

(4) Acquisition without consideration by THK

In the event the Eligible Executives have violated laws and regulations, or any of the events as specified in the Allotment Agreement occurs, all of the Shares shall be automatically acquired by THK without consideration. In addition, in a situation as specified in (3) above, THK shall, without consideration, automatically acquire the Shares for which transfer restrictions has not been released at the time when the transfer restriction period expires.

(5) Treatment of organizational restructuring and others

If during the transfer restriction period, a merger agreement in which THK is the dissolved company, a share exchange agreement or share transfer plan in which THK becomes a wholly-owned subsidiary, or any other organizational restructuring, are approved at a general shareholders meeting (if the aforementioned organizational restructuring and other events do not require approval at a general shareholders meeting, at the Board of Directors instead), the Board of Directors shall resolve to release the transfer restrictions as of the time immediately prior to the business day preceding the effective date of the organizational restructuring and other events for the following number of shares. The number of shares subject to release of transfer restrictions shall be equal to the number of Shares held at the time of approval multiplied by the number of months from the month that includes the Disposal Date to the month that includes the date of approval divided by 12 (Note), rounding down values less than 1.

Note: If the number of months from the month that includes the Disposal Date to the month that includes the date of approval divided by 12 is larger than 1, it is taken as 1.

THK shall, without consideration, automatically acquire the Shares for which transfer restrictions has not been released at the time when the transfer restriction is released due to organizational restructuring and others as mentioned above.

(6) Management of shares

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. ("Nomura"), to be opened by the Eligible Executives during the transfer restriction period. THK has concluded agreements with Nomura related to the management of the accounts for the Shares held by each Eligible Executive to ensure the effectiveness of the transfer restrictions and others. The Eligible Executives shall consent to the management of the accounts.

#### **4. Basis of calculation and details of paid-in amount**

The Disposal of Treasury Stock for Eligible Executives shall be conducted with monetary claims, which were paid to Eligible Executives as Restricted Stock Compensation for the 53rd fiscal year of THK in accordance with the Plan, to be treated as in-kind contribution. To eliminate any arbitrariness in the Disposal price, the closing price of THK's common stock on the First Section of the Tokyo Stock Exchange as of March 18, 2022 (the business day immediately preceding the date of the resolution of the Board of Directors) of ¥2,599 is used as the Disposal price. This is the market price of the shares immediately before the date of the Board of Directors resolution and is considered to be rational and not particularly advantageous for Eligible Executives.