[Translation for Reference and Convenience Purposes Only]

**Please note that the following is an unofficial English translation of Japanese original text of the Disclosure Information Posted on the Internet as Part of the Notice of Convocation of the 54th-Ordinary General Meeting of Shareholders of THK CO., LTD. The Company provides this translation for reference and convenience purposes only. In the event of any discrepancy between this translation and the Japanese original, the latter shall prevail.**

## To Shareholders

# Items Subject to Measures for Electronic Provision Regarding Convocation of the 54th Ordinary General Meeting of Shareholders



**In accordance with laws and regulations and Article 16 of the Company's Articles of Incorporation, the above items are not included in documents delivered to shareholders who have requested delivery of written documents.**
**For this General Meeting of Shareholders, documents stating the items subject to measures for electronic provision other than the above items are sent to all shareholders, regardless of whether they have requested delivery of written documents.**

**54th Term**
**(From January 1, 2023 to December 31, 2023)**

# THK CO., LTD.

[Translation for Reference and Convenience Purposes Only]

## Systems to Ensure the Adequacy of Operations and the Status of Operation of Such Systems

[Basic Policy for the Internal Control System]

The following is an overview of decisions concerning the systems to ensure compliance with applicable laws and regulations and the Company's Articles of Incorporation in Directors' business executions and other systems to ensure adequacy in the Company's business operations.

1. Structures for ensuring that Directors' and employees' execution of their respective duties at the THK Group complies with laws and regulations and the Articles of Incorporation

To ensure that the THK Group's executives and employees comply with laws and regulations and the Articles of Incorporation and perform their respective duties under sound social norms, the Company establishes the "THK's Corporate Basic Policies" and the "THK Group Action Charter," and familiarizes its executives and employees with the policies and the charter. By repeatedly communicating the spirit of the policies and the charter to the Group's executives and employees, the Representative Director and President ensures that all corporate activities are carried out in compliance with laws and regulations. A Compliance Committee and a Risk Management Committee, chaired by the Representative Director and President, are established to ensure that compliance and corporate ethics form the basis of all our corporate activities. A Compliance Subcommittee, consisting of representatives from all operations divisions, is established as a subordinate organization. The Compliance Committee and the Risk Management Committee, whose observers include Outside Directors and external experts, establish a group-wide compliance structure and risk management structure, identify problems, and provide instructions for improvement. The "THK Group Helpline" is established and operated as a means to enable executives and employees of domestic Group companies to directly provide information regarding any legally questionable acts on a confidential or anonymous basis to the internal department(s) in charge of the matter in question and external experts.

2. Matters related to the preservation and management of information regarding Directors' execution of their duties

The Company records and preserves information on the Directors' execution of their duties in documents or electromagnetic media (hereinafter called "the documents, etc.") in accordance with the Document Management Regulations and the Security Control Regulations. The Directors may view the documents, etc. at any time. The Company establishes the Information Security Committee, chaired by the Representative Director and President, to implement proper use and management of information.

3. Regulations and other structures concerning the management of risk of loss for the THK Group

The departments of the Company in charge of compliance, environment, disasters, quality, information security, export control, risks related to new strains of influenza, etc. shall conduct activities such as establishing rules and guidelines, conducting education and training, and preparing and distributing manuals, while the Risk

Management Division is established to monitor the status of cross-sectional risks and make company-wide responses. For any risk that has newly arisen, the Board of Directors shall promptly appoint a Director or Executive Officer who serves as the response manager. In addition, to ensure continuity of our business in the case of a large-scale earthquake, the THK Group formulates a business continuity plan (BCP) and familiarizes its executives and employees with the plan. The Company's Internal Audit Division conducts audit on the risk management system of each Group company. The Company establishes the Risk Management Committee, chaired by the Representative Director and President, to establish a group-wide risk management system based on the Risk Management Regulations adopted by the Board of Directors. The Risk Management Division periodically collects and identifies risks concerning the THK Group, and reports them to the Risk Management Committee after analyzing and assessing the probability of occurrence and impact of such risks.

4. Structures for ensuring that the duties of the THK Group's Directors are efficiently executed

The Company's Board of Directors defines a company-wide management objective and management plan to be shared among the Directors, Executive Officers and employees from a medium to long term perspective, and conducts progress management thereof by utilizing the "Global Business Strategy Meeting" attended by personnel responsible for business execution such as the THK Group's Directors and Executive Officers in monitoring the status of achievement of such objective and plan. In addition, by formulating and introducing the Executive Officer System as a system under the Articles of Incorporation, the Company seeks to improve the management supervisory function of the Board of Directors and to clarify the roles and responsibilities related to the implementation of operations. Furthermore, the Company seeks to accelerate the process of making decisions and implementation of operations, and determines an efficient structure for implementing operations, which includes determination of specific measures and allotment of authorities for each division in order to achieve the objective. The Board of Directors establishes a system for achieving a company-wide streamlining of its operations by reviewing progress on a monthly and quarterly basis and facilitating improvement as necessary. The Company also formulates the "THK Group Basic Policy for Financial Management" related to the THK Group's overall financial management and introduces an accounting system and a Group finance system that are common to the THK Group companies with the aim of accelerating consolidated account closing work and streamlining fund management. In order to ensure that the duties of the THK Group's Directors are properly and efficiently executed, each Group company establishes internal regulations concerning division of duties and administrative authorities to clarify the authority and responsibility of each corporate officer.

5. Structures for ensuring the appropriateness of operations at the THK Group

The Company establishes a Risk Management Division as a department in charge of internal control of the THK Group, and creates a framework that incorporates a system to efficiently conduct activities such as discussions on internal control among the Group companies, information sharing, and communication of instructions and requests. The Directors of the Company and each president of the Group companies have the authority and responsibility to establish and operate an internal control system for each division. In addition, the Company's Internal Audit Division conducts internal audit of the THK Group, reports the audit results to the Board of Directors and each president of the Group companies, and reports any matter related to internal control to the Risk Management Division. In response to reporting from the Internal Audit Division, the Risk Management Division instructs the respective Group companies regarding measures to improve internal control and provides assistance and advice on the implementation of such measures as necessary. In addition, "Internal Control Regulations for Financial Reporting" for the THK Group companies are established, maintained and administered as a framework for ensuring the reliability of financial reporting.

The Company periodically holds a "Global Business Strategy Meeting" attended by responsible personnel such as the THK Group's Directors and Executive Officers; in the meeting, such personnel responsible report on the status of operations and important matters. In addition, the Company establishes "Regulations for the Management of Affiliates" that oblige the Group companies to periodically report important information, such as their operating results and financial conditions, to the Company.

6. Structures for cases where the Audit and Supervisory Committee orders an employee to be appointed as its assistant, and matters related to ensuring the independence of the employee from Directors (excluding Directors who are Audit and Supervisory Committee Members) and the effectiveness of the Audit and Supervisory Committee's instructions to the employee

The Company establishes an Audit and Supervisory Committee Secretariat and assigns a dedicated employee to assist the performance of duties and smooth execution of duties by the Audit and Supervisory Committee.

The Company defines that the employee assigned to the Audit and Supervisory Committee Secretariat shall exclusively perform operations related to the Audit and Supervisory Committee, shall not be subject to instructions and orders from Directors who are not Audit and Supervisory Committee Members, and shall follow instructions and orders from the Audit and Supervisory Committee. Decisions on matters pertaining to personnel change and other personnel affairs shall be made with the consent of the Audit and Supervisory Committee to ensure the independence from execution divisions and the effectiveness of instructions from the Audit and Supervisory Committee to the dedicated employee.

7. Structures for Directors, etc. and employees of the THK Group, or persons who have received a report from such individuals, to report to the Company's Audit and Supervisory Committee

The Group's Directors (excluding those who are Audit and Supervisory Committee Members), Executive Officers, and employees respond promptly and adequately in the event that the Audit and Supervisory Committee requests a report on the businesses of the Company or conducts an investigation of operations and property.

The THK Group's Directors (excluding those who are Audit and Supervisory Committee Members), Executive Officers, and employees report immediately to the Audit and Supervisory Committee if facts that may cause significant damage to the

THK Group, such as a violation of laws and regulations, are discovered. As a means of reporting, the Audit and Supervisory Committee is established as a contact point for internal reporting in the THK Group Helpline, which is available for use by executives and employees of the domestic Group companies.
The Internal Audit Division reports the results of internal audit and the status of other activities conducted for the THK Group upon request from the Audit and Supervisory Committee.

The Risk Management Division reports the details of internal reports received via the THK Group Helpline and the details of reports related to compliance for the THK Group to the Audit and Supervisory Committee upon request. In order to ensure that the Basic Policy functions effectively, the Internal Audit Division and the Risk Management Division periodically report to the Board of Directors regarding the development and performance of matters specified in the Basic Policy.

8. Structures for ensuring that a person reporting to the Audit and Supervisory Committee is protected from being unfavorably treated on the grounds that he/she has made such a report

The Company prohibits the Directors (excluding those who are Audit and Supervisory Committee Members), Executive Officers, and employees from unfavorably treating a person directly reporting to the Audit and Supervisory Committee on the grounds that he/she has made such a report.

9. Matters relating to policy concerning procedures for advance payment or reimbursement of expenses incurred in the execution of duties of a Director who is an Audit and Supervisory Committee Member, and treatment of other expenses or debts incurred in the execution of such duties

If a Director who is an Audit and Supervisory Committee Member claims against the Company for reimbursement of any expense incurred in the execution of his/her duties, the Company shall promptly reimburse him/her for such expense or debt, unless such expense or debt is deemed unnecessary for the execution of duties of said Director who is an Audit and Supervisory Committee Member. In addition, the Company sets aside a budget for a certain amount every year for expenses that may be incurred in the execution of duties by the Directors who are Audit and Supervisory Committee Members.

If a Director who is an Audit and Supervisory Committee Member independently requests the use of external experts in executing his/her duties, the Company shall bear such expenses unless such duties are unnecessary for the execution of duties of said Director who is an Audit and Supervisory Committee Member.

10. Structures for ensuring that audits by the Audit and Supervisory Committee are effectively conducted

The Company establishes a system that enables the Audit and Supervisory Committee to periodically exchange opinions and seek close coordination with the Representative Director and President, the Directors (excluding those who are Audit and Supervisory Committee Members), Executive Officers, and the Accounting Auditors. In addition, the Company establishes a system that enables the Audit and Supervisory Committee to hold periodic meetings with the auditors of subsidiaries and seek close cooperation with them.

[Status of Operation of the Internal Control System]

1. Structures for ensuring that Directors' and employees' execution of their respective duties at the THK Group complies with laws and regulations and the Articles of Incorporation

The Company established the "THK's Corporate Basic Policies" and the "THK Group Action Charter" and has disseminated such policies by distributing the "THK Code of Conduct Handbook" and has provided related education and guidance to ensure that executives and employees comply with applicable laws, regulations and the Articles of Incorporation and perform their duties under sound social norms. Furthermore, the Company has established a Compliance Committee (which held four meetings) and a Risk Management Committee (which held one meeting), chaired by the Representative Director and President, as well as a Compliance Subcommittee as a subordinate organization of the Compliance Committee, to establish a group-wide compliance structure and risk management structure, identify problems, and make improvements. In addition, the Company has established and operates the "THK Group Helpline," which is available for use by executives and employees of domestic THK Group companies.

2. Matters related to the preservation and management of information regarding Directors' execution of their duties

The Company records and appropriately preserves information on Directors' execution of their duties, such as minutes of the Board of Directors meeting, in documents or electromagnetic media in accordance with the Document Management Regulations and the Security Control Regulations.

The Company has established the Information Security Committee (which held four meetings), chaired by the Representative Director and President, in an effort to build up, penetrate and firmly establish the information security system to implement proper use and management of information.

3. Regulations and other structures concerning the management of risk of loss for the THK Group

To address the operational risks, the Company has formulated rules and guidelines and prepared manuals (Emergency Response Manual, Security Control Regulations, Information Systems Management Regulations, etc.), and has established the Risk Management Division to monitor the status of cross-sectional risks and conduct company-wide measures. In cases when an unpredicted situation occurs, such as a disaster or an accident, the Risk Management Division has quickly collected information, notified related sections and provided instructions. In addition, the Company has formulated a business continuity plan (BCP) and has established a BCP Promotion Conference (which held one meeting) as a subordinate organization of the Risk Management Committee to review the BCP as appropriate, while formulating Risk Management Regulations and promoting the establishment of a group-wide risk management structure at the Risk Management Committee.

4. Structures for ensuring that the duties of the THK Group's Directors are efficiently executed

The Company's Board of Directors (held 16 meetings) defines management objectives and establishes a Global Business Strategy Meeting (held 3 times) attended by responsible personnel such as the THK Group's Directors and Executive Officers to manage their progress and monitor the status of achievement of such objectives. In addition, the Company introduces an Executive Officer System as stipulated under the Articles of Incorporation and determines an efficient structure for executing operations in order to achieve the objectives.

The Company also formulates the THK Group Basic Policy for Financial Management related to the THK Group's overall financial management and introduces an accounting system, a consolidated performance management system, and a THK Group finance system (cash management system) that are common to the THK Group with the aim of accelerating consolidated account closing work and streamlining fund management.

5. Structures for ensuring the appropriateness of operations at the THK Group

The Company designates the Risk Management Division as a department in charge of internal control of the THK Group, and facilitates its improvement and operation, collecting information related to the internal controls, conducting related discussion efficiently, sharing information and communicating its instructions and requests. The Company's Internal Audit Division has conducted the internal audits of the THK Group to check whether the business execution activities were conducted in accordance with the intended purposes, efficiently and in compliance with laws. The results of such audits have been reported to the Representative Director and President. Moreover, to ensure the reliability of financial reports of the THK Group, based on the "Internal Control Regulations for Financial Reporting," the Company has been improving and operating the relevant control system.

The Company has received reports on the status of business operation of the entire THK Group and other important matters at Global Business Strategy Meetings and Executive Officers' meetings (held 12 times), attended by the Directors and Executive Officers of the THK Group. The Company also formulated its "Regulations for the Management of Affiliates," thereby collecting important information of the Group companies such as sales performance and the financial position of the Group companies.

6. Structures for cases where the Audit and Supervisory Committee orders an employee to be appointed as its assistant, and matters related to ensuring the independence of the employee from Directors (excluding Directors who are Audit and Supervisory Committee Members) and the effectiveness of the Audit and Supervisory Committee's instructions to the employee

The Company has established the Audit and Supervisory Committee Secretariat to assist the duties of the Audit and Supervisory Committee and support the smooth execution of their duties, and appointed a dedicated employee for this purpose. The Company defines that the employee assigned to the Audit and Supervisory Committee Secretariat shall exclusively perform tasks related to the Audit and Supervisory Committee, and decisions on personnel matters including personnel transfer related to such employee shall require the consent of the Audit and Supervisory Committee.

7. Structures for Directors, etc. and employees of the THK Group, or persons who have received a report from such individuals, to report to the Company's Audit and Supervisory Committee

The Company has stipulated in the THK Group Helpline Regulations that it can report on the status and content of reporting from the THK Group Helpline, which is available for use by executives and employees of the domestic Group companies, to the Audit and Supervisory Committee. The content of internal reports received through the THK Group Helpline is reported to the Compliance Committee meeting, which the Representative Director and President as well as Directors who are Audit and Supervisory Committee Members of the Company attend. When the Audit and Supervisory Committee requests a report, the Company reports on the results of internal audit and the status of other activities, the content of internal reports received through the THK Group Helpline and the content of reports on compliance. In addition, the Company periodically reports on the status of development and operation of matters stipulated in the Basic Policy for Internal Control at the Board of Directors meeting.

8. Structures for ensuring that a person reporting to the Audit and Supervisory Committee is protected from being unfavorably treated on the grounds that he/she has made such a report

The Company has stipulated in the THK Group Helpline Regulations that executives and employees of the Company shall not be treated in a disadvantageous way on the grounds of making such a report.

9. Matters relating to policy concerning procedures for advance payment or reimbursement of expenses incurred in the execution of duties of a Director who is an Audit and Supervisory Committee Member, and treatment of other expenses or debts incurred in the execution of such duties

The Company allocates a budget to pay for expenses incurred by the execution of duties by Directors who are Audit and Supervisory Committee Members and quickly processes such expenses and obligations when Directors who are Audit and Supervisory Committee Members requested the Company to reimburse for such expenses. If a Director who is an Audit and Supervisory Committee Member independently requests the use of external experts in executing his/her duties, the Company shall bear such expenses unless such duties are unnecessary for the execution of duties of said Director who is an Audit and Supervisory Committee Member.

10. Structures for ensuring that audits by the Audit and Supervisory Committee are effectively conducted

The Company holds meetings where the Audit and Supervisory Committee exchanges opinions with the Representative Director and President, principal Directors (excluding Directors who are Audit and Supervisory Committee Members), and Executive Officers. In addition, the Company established a three-way audit liaison meeting (held four times) between the Audit and Supervisory Committee, Accounting Auditor and Internal Audit Division, as well as Outside Directors (excluding Directors who are Audit and Supervisory Committee Members). In addition, the Company established a system to ensure that audits by the Audit and Supervisory Committee are carried out effectively by holding four meetings of the Board of Auditors of the THK Group to promote close cooperation between the Audit and Supervisory Committee and Auditors of the Company's subsidiaries.

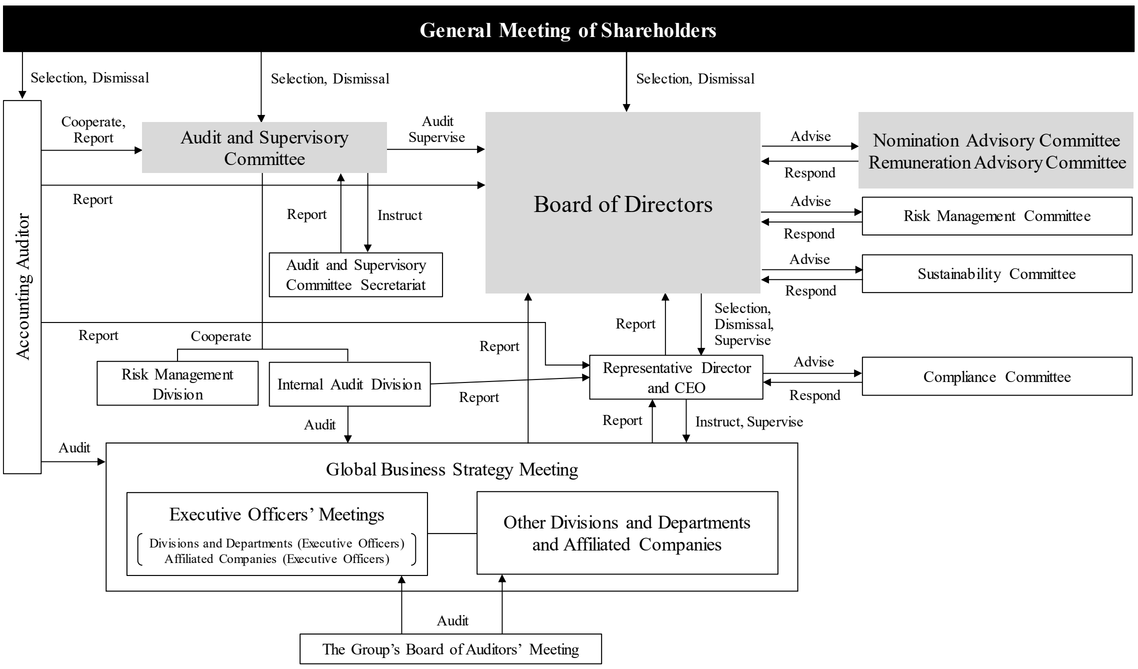
<Reference>
Outline of the Corporate Governance Framework

Based on its management philosophy, the THK Group is striving to improve its corporate value over the medium to long term by working to enhance corporate governance from the viewpoint of maximizing corporate value.
The outline of Company's corporate governance framework is as follows:

Selection of a company structure with an Audit and Supervisory Committee
- Directors (three (3) Outside Directors) who are members of the Audit and Supervisory Committee, which is responsible for the auditing and supervisory functions, exercise voting rights at the Board of Directors meetings.
- The Audit and Supervisory Committee implement audit and supervision on the status of execution of duties of Directors and Executive Officers, etc., through the Internal Control System.

Establishment of the Nomination Advisory Committee and the Remuneration Advisory Committee
- Each committee, functioning as an advisory body to the Board of Directors, examines and deliberates on nomination of Director candidates and remuneration plan for Directors, and the content of deliberation is deliberated and resolved at the Board of Directors.

Introduction of the Executive Officer System
- To clarify the roles and responsibilities of business execution and expedite business execution.



# Consolidated Statements of Changes in Equity

(From January 1, 2023 to December 31, 2023)

(Millions of Yen)

| | Equity attributable to owners of the parent | | | | | | | | | Non-controlling interests | Total equity |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | Other components of equity | | | | | | |
| | Common stock | Capital surplus | Retained earnings | Treasury stock | Exchange differences on translating foreign operations | Financial assets measured at fair value through other comprehensive income | Remeasurements of defined benefit plans | Subtotal | Total | | |
| Beginning balance | 34,606 | 40,094 | 245,941 | (17,160) | 27,234 | 1,171 | – | 28,406 | 331,887 | 5,393 | 337,281 |
| Profit for the year | – | – | 18,398 | – | – | – | – | – | 18,398 | 339 | 18,738 |
| Other comprehensive income | – | – | – | – | 17,590 | 535 | (1,379) | 16,747 | 16,747 | 211 | 16,959 |
| Total comprehensive income for the year | – | – | 18,398 | – | 17,590 | 535 | (1,379) | 16,747 | 35,145 | 551 | 35,697 |
| Purchase of treasury stock | – | – | – | (2) | – | – | – | – | (2) | – | (2) |
| Disposition of treasury stock | – | 8 | – | 31 | – | – | – | – | 40 | – | 40 |
| Payment of dividends | – | – | (9,807) | – | – | – | – | – | (9,807) | – | (9,807) |
| Transfer from other components of equity to retained earnings | – | – | (1,091) | – | – | (287) | 1,379 | 1,091 | – | – | – |
| Other | – | – | – | – | – | – | – | – | – | (311) | (311) |
| Total transactions with owners | – | 8 | (10,898) | 29 | – | (287) | 1,379 | 1,091 | (9,769) | (311) | (10,080) |
| Ending balance | 34,606 | 40,102 | 253,440 | (17,130) | 44,825 | 1,419 | – | 46,245 | 357,264 | 5,633 | 362,898 |

# Notes to the Consolidated Financial Statements

## 1. Important Matters for the Preparation of the Consolidated Financial Statements

(1) Accounting Standards for Preparing Consolidated Financial Statements

Consolidated Financial Statements of THK CO., LTD. (the "Company") and its subsidiaries (collectively the "THK Group") are prepared in accordance with International Financial Reporting Standards ("IFRS") under the provision of Article 120, Paragraph 1 of the Regulation on Corporate Accounting. Consolidated Financial Statements omit some items required to be disclosed in IFRS under the provision of the second sentence of the same Paragraph.

(2) Matters Related to the Scope of Consolidation

Status of Consolidated Subsidiaries

| | |
|---|---|
| Number of consolidated subsidiaries | 35 companies |
| Names of major consolidated subsidiaries | The major consolidated subsidiaries are shown in "1. Present Status of the Corporate Group, (5) Status of Major Subsidiaries." |

(3) Matters Related to the Application of the Equity Method

Status of Affiliated Companies Subject to the Application of the Equity Method

| | |
|---|---|
| Number of affiliated companies subject to the application of the equity method | 1 company |
| Names of major companies | SAMICK THK CO., LTD. |

(4) Matters Related to Fiscal Year of Consolidated Subsidiaries

The account closing date of consolidated subsidiaries is the same as the consolidated account closing date.

(Matters Related to Accounting Policies)

(1) Valuation Basis and Method for Financial Instruments

1. Financial Assets

(i) Initial recognition and measurement

The THK Group classifies its financial assets as those measured at fair value through profit or loss or through other comprehensive income and those measured at amortized cost. This classification is made at the time of initial recognition.

The THK Group recognizes a financial instrument on the trade date when the THK Group becomes a party to the contract of the financial asset.

All financial assets are measured at fair value plus transaction cost, except for those classified as financial assets measured at fair value through profit or loss.

Financial assets are classified as those measured at amortized cost if both of the following conditions are met:

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

Financial assets other than those measured at amortized cost are classified as financial assets measured at fair value.

Except for equity instruments held for trading that have to be measured at fair value through profit or loss, the THK Group designates each equity instrument as at fair value through profit or loss or through other comprehensive income and continues the designation for each equity instrument.

(ii) Subsequent measurement

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

(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

A change in fair value for financial assets measured at fair value is recognized as profit or loss.

Of equity instruments, however, for those designated as financial assets measured at fair value through other comprehensive income, a change in fair value is recognized in other comprehensive income. Dividends paid from those financial assets are recognized in profit or loss as part of financial income in the fiscal year under review.

(iii) Derecognition of financial assets

The THK Group derecognizes financial assets when contractual rights to cash flows from the financial assets expire, or when the THK Group transfers most of all risks and economic values of the financial assets elsewhere. When the THK Group continues to control the transferred financial assets, it recognizes liabilities related to the assets to the extent of the continuous control.

(iv) Impairment of financial assets

For financial assets measured at amortized cost, the THK Group recognizes allowance for bad debts against the expected credit loss associated with those financial assets.

The THK Group assesses whether the credit risk associated with each financial asset has increased significantly since the initial recognition at the end of each reporting period, and when the credit risk has not increased significantly, the THK Group recognizes the 12-month expected credit loss in allowance for bad debts. When the credit risk has increased significantly since the initial recognition, the THK Group recognizes the amount equal to the lifetime expected credit loss as allowance for bad debts.

The THK Group considers, as a general rule, that there has been a significant increase in credit risk when payments have not been made and more than 30 days have passed since the contractual due date. The assessment of whether or not credit risk has increased significantly takes into account information that is reasonably available to the THK Group and supportable (e.g. internal and external credit ratings) as well as past due information.

When the credit risk on a financial asset is considered low at the end of the reporting period, the THK Group determines that the credit risk on the financial asset has not increased significantly since initial recognition.

However, with regards to trade receivables that do not contain a significant financing component, the allowance for bad debts is always recognized at an amount equal to the lifetime expected credit losses, regardless of whether or not there has been a significant increase in credit risk since initial recognition.

Expected credit losses are measured as the present value of the difference between all contractual cash flows to be paid to a company under the contract and all cash flows that the company expects to receive.

The THK Group measures expected credit losses of a financial asset in a way that reflects the following items:

- Unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- Time value of money; and
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

The THK Group makes necessary adjustments to the expected credit losses measured above if being affected by significant changes in the economy and other factors.

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

Provision of allowance for bad debts on financial assets is recognized in profit or loss. If any event arises that reduces allowance for bad debts, reversal of allowance for bad debts is recognized in profit or loss.

2. Derivatives

The THK Group utilizes derivatives, including forward exchange contracts and interest-rate swap contracts, to hedge currency risk and interest rate risk. These derivatives are initially recognized at fair value when the contract is entered into, and are subsequently remeasured at fair value.

(2) Valuation Basis and Method for Inventories

Inventories are measured at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. The cost of inventories is determined by the weighted average method, in principle, and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

(3) Depreciation of Property, Plant and Equipment

Items of property, plant and equipment are presented at cost less any accumulated depreciation and accumulated impairment losses.

Cost includes any costs directly attributable to the acquisition of assets, dismantling costs, removal costs, and restoration costs for the land on which the property, plant and equipment have been located.

Items of property, plant and equipment other than land and construction in progress are depreciated over the estimated useful lives using the straight-line method. The estimated useful lives of major items of property, plant and equipment are as follows:

- Building and structures: 5 to 50 years
- Machinery and vehicles: 4 to 12 years

The estimated useful lives, residual values and depreciation method are subject to review at the end of each fiscal year, and any change to them is prospectively applied as a change in an accounting estimate.

(4) Amortization of Intangible Assets

Separately acquired intangible assets are measured at cost at the time of initial recognition. Intangible assets acquired through business combinations are measured at fair value at the acquisition date. After initial recognition, intangible assets are presented at cost less any accumulated amortization and accumulated impairment losses.

After initial recognition, intangible assets other than those with indefinite useful lives are amortized over the estimated useful lives using the straight-line method and are presented at cost less any accumulated amortization and accumulated impairment losses. The estimated useful lives of major intangible assets are as follows:

- Software for internal use: 5 years

The estimated useful lives, residual values and amortization method are subject to review at the end of each fiscal year, and any change to them is prospectively applied as a change in an accounting estimate.

(5) Leases

For leases as lessee, the THK Group measures right-of-use assets at cost and lease liabilities at the present value of the total accrued lease payments at the commencement date of the leases, and includes and presents the right-of-use assets in “Property, plant and equipment” and the lease liabilities in “Other financial liabilities” in the consolidated statement of financial position.

Right-of-use assets are depreciated over the shorter of their useful lives and lease terms using the straight-line method.

Lease payments are allocated to finance costs and repayments of lease liabilities based on the effective interest method. Finance 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 for which the underlying asset is of low value, the THK Group does not recognize right-of-use assets or lease liabilities, but recognizes the total lease payments associated with those leases on either a straight-line basis over the lease term or another systematic basis.

(6) Goodwill

The THK Group initially measures goodwill at the amount calculated by deducting the net recognized amount (usually, fair value) of identifiable assets acquired and liabilities assumed at the date of acquisition from fair value of consideration for the transfer including the recognized amount of non-controlling interests in the acquiree, which is measured at the date of acquisition.

Goodwill is not amortized. Instead, it is tested for impairment annually, or whenever there are indications of potential impairment.

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

In addition, goodwill is carried at cost less accumulated impairment loss on consolidated statements of financial position.

(7) Impairment of Non-financial Assets

The THK Group determines every reporting period whether there is any indication that carrying amounts of the THK Group's non-financial assets excluding inventories and deferred tax assets may be impaired. If any indication exists, the recoverable amount of the asset is estimated. For goodwill and intangible assets with indefinite useful lives or not yet available for use, the recoverable amount is estimated at the same time each year, irrespective of whether there is any indication of impairment.

The recoverable amount of an asset or a cash-generating unit is the higher of its value in use and fair value less cost of disposal. In calculating value in use, the estimated future cash flows are discounted to their present value using a pretax discount rate that reflects the time value of money and the risks specific to the asset. Assets that are not tested individually in impairment test are integrated into the smallest cash-generating unit that generates cash inflows largely independent of the cash inflows from other assets or groups of assets through continuing use. To test goodwill for impairment, cash-generating units to which the goodwill is allocated are integrated so that impairment is tested reflecting the smallest unit related to the goodwill. Goodwill acquired in business combination is allocated to cash-generating units that are expected to benefit from the synergies of the combination.

The THK Group's corporate assets do not generate independent cash inflows. The recoverable amount of cash-generating units to which the corporate assets are attributed is determined if there is any indication of impairment in the corporate assets.

An impairment loss is recognized as profit or loss, if the carrying amount of an asset or cash-generating unit exceeds the estimated recoverable amount. The impairment loss recognized in association with a cash-generating unit is first allocated to reduce the carrying amount of goodwill allocated to this unit, and then the carrying amounts of other assets in the cash-generating unit are reduced on a pro rata basis.

(8) Recognition Criteria for Significant Provisions

The THK Group recognizes a provision when it has a present obligation (legal or constructive) as a result of a past event; it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and a reliable estimate can be made of the amount of the obligation. When the time value of money is material, a provision is measured by discounting to the present value the estimated future cash flows by the pre-tax discount rate, which reflects the time value of money and the risks inherent to the liabilities. Unwinding of the discounted amount arising from the passage of time is recognized as a finance cost.

(9) Employee Benefits

1. Post-employment benefits

   The THK Group has defined benefit plans and defined contribution plans as post-employment benefit plans for employees.

   In defined benefit plans, the THK Group calculates the amount of defined benefit obligations separately for each plan by discounting the estimated amounts of future benefits that employees have earned in exchange for their service rendered in the prior fiscal years and the fiscal year under review to the present value, and recognizes the calculated amount of defined benefit obligations less the fair value of plan assets in the consolidated statement of financial position.

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

   The discount rate is determined by reference to market yields at the end of the fiscal year on high quality corporate bonds, reflecting the estimated timing of benefit payments.

   Liabilities or assets associated with the defined benefit plans are determined by subtracting the fair value of plan assets from the present value of defined benefit obligations.

   Remeasurements of the defined benefit plans are recognized at once as other comprehensive income for the period in which the remeasurements arise, and are immediately transferred from other components of equity to retained earnings.

   Past service cost resulting from a plan revision or curtailment is recognized as profit or loss at the earlier of the dates when the plan revision or curtailment occurs and when related restructuring costs or termination benefits are recognized.

   In defined contribution plans, contributions payable to the plans are recognized as profit or loss at the time when employees render the related service.

2. Short-term employee benefits

   Short-term employee benefits such as wages are recognized as profit or loss at the time when employees render the related service.

   Bonuses are recognized as a liability when the THK Group has a present legal or constructive obligation to make such payments and can make a reliable estimate of the obligation.

   Paid absences are recognized as a liability at the time when employees render service that increases their entitlement to future paid absences.

(10) Revenue Recognition

The THK Group recognizes revenue under the following steps for contracts with customers, excluding interest and dividend income, etc. under IFRS 9 "Financial Instruments."

Step 1: Identify the contract(s) with a customer

Step 2: Identify the performance obligations in the contract

Step 3: Determine the transaction price

Step 4: Allocate transaction price to the performance obligations in the contract

Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation

The principal products and services of the THK Group are industrial machinery and transportation equipment. We mainly engage in manufacturing and sales of vital machinery components centering on a linear motion system as well as manufacturing and sales of industrial machinery in our industrial machinery business, and engage in development, design, manufacturing, and sales of steering, suspension, and brake components for transportation equipment, such as cars and two-wheeled vehicles in our transportation equipment business.

In regard to these activities, we consider that our performance obligations are satisfied at the time when products sold within a country reach a customer unless otherwise specified in the relevant agreement or at the time when it is recognized that a customer obtains control over products that are exported and sold under trading terms and conditions, and book sales revenue at the time of satisfaction of the performance obligations.

(11) Foreign Currency Translation

1. Foreign Currency Transactions

   Foreign currency transactions are translated to the functional currencies of each company in the THK Group at exchange rates on the transaction dates or exchange rates which are close to the actual rate on the transaction dates.

   Foreign currency monetary assets and liabilities at the end of the reporting period are translated to the functional currency at the end of the reporting period.

   Foreign currency non-monetary assets and liabilities that are measured and translated at fair value are translated into the functional currency using the exchange rate at the date of measurement.

   Translation differences arising from translations or settlements are recognized as profit or loss for the period. However, translation differences arising from financial assets 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 exchange rate at the end of the fiscal year, whereas income and expenses of them are translated into Japanese yen using the average exchange rate during the period. Exchange differences arising from the translation of financial statements of foreign operations are recognized in other comprehensive income. The exchange differences of foreign operations are recognized in profit or loss for the period in which the foreign operations are disposed of.

   By applying exemptions under IFRS 1, the THK Group deems accumulated exchange differences relating to foreign operations before the IFRS transition date to be zero, and transfers the full amount of the differences to retained earnings.

## 2. Notes to the Changes in Accounting Policies

With the exception of the following newly adopted standards, the significant accounting policies applied to the current consolidated financial statements are the same as the accounting policies applied to the consolidated financial statements pertaining to the previous fiscal year.

| Standard | Name of Standard | Outline of New or Amended Standard |
|---|---|---|
| IAS 12 (Amended) | Income Taxes | Clarifying "Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction." |
| IAS 12 (Amended) | Income Taxes | Providing a temporary exception to the requirements regarding deferred tax assets and liabilities related to "International Tax Reform―Pillar Two Model Rules." |

The application of the above standard IAS 12 (amended) does not have a material impact on the Group's current consolidated financial statements.

## 3. Notes to the Accounting Estimates

Impairment of Non-financial Assets

1. Amounts recorded on the consolidated financial statements for the fiscal year under review

| | |
|---|---|
| Property plant and equipment | ¥186,556 million |
| Goodwill | ¥2,612 million |
| Intangible assets | ¥6,880 million |
| Impairment loss | ¥– million |

2. Information that is useful for understanding the details of the accounting estimates

   The contents pertaining to estimates and assumptions are the same as those stated in "(6) Goodwill" and "(7) Impairment of Non-financial Assets" in "Matters Related to Accounting Policies" in "1. Important Matters for the Preparation of the Consolidated Financial Statements" under the Notes to the Consolidated Financial Statements.

## 4. Notes to the Consolidated Statements of Financial Position

(1) Allowance deducted directly from assets

| | |
|---|---|
| Trade and other receivables | ¥98 million |
| Other financial assets | ¥47 million |

(2) Accumulated depreciation and impairment loss of property, plant and equipment
¥298,336 million

## 5. Notes to the Consolidated Statements of Changes in Equity

(1) Matters Related to Outstanding Shares

| Type of Stock | At the Beginning of the Consolidated Fiscal Year | Increase | Decrease | At the End of the Fiscal Year under Review |
|---|---|---|---|---|
| Common stock (shares) | 129,856,903 | – | – | 129,856,903 |

(2) Matters Related to Dividends

1. Dividend payments

| Resolution | Type of Stock | Total Dividend (Millions of Yen) | Dividend per Share (Yen) | Reference Date | Effective Date |
|---|---|---|---|---|---|
| Ordinary General Meeting of Shareholders, Mar. 18, 2023 | Common stock | 6,129 | 50.0 | Dec. 31, 2022 | Mar. 20, 2023 |
| Board of Directors Meeting, Aug. 8, 2023 | Common stock | 3,677 | 30.0 | Jun. 30, 2023 | Sept. 12, 2023 |

2. Dividend for which the reference date falls in the current consolidated fiscal year and the effective date falls in the next consolidated fiscal year

The following will be submitted for a vote at the 54th term's Ordinary General Meeting of Shareholders on March 16, 2024.

| Vote | Type of Stock | Resource of the Dividend | Total Dividend (Millions of Yen) | Dividend per Share (Yen) | Reference Date | Effective Date |
|---|---|---|---|---|---|---|
| Ordinary General Meeting of Shareholders, Mar. 16, 2024 | Common stock | Profit Surplus | 1,961 | 16.0 | Dec. 31, 2023 | Mar. 18, 2024 |

## 6. Notes to Financial Instruments

(1) Status of Financial Instruments

1. Capital Management

The THK Group manages capital in pursuit of maximizing its corporate value through sustainable growth.

Primary indicators used by the THK Group in capital management include ROE and EPS.

These indicators are regularly monitored and reported to the management.

The THK Group is not subject to any material capital restrictions.

2. Financial Risk Management

The THK Group is exposed to financial risks (credit risk, liquidity risk, currency risk, interest rate risk, and market price fluctuation risk) in the course of operating activities and conducts risk management in accordance with certain policy to mitigate these financial risks. The THK Group uses derivative transactions to avoid foreign exchange volatility risks or interest rate volatility risks and, in accordance with its policy, does not carry out any speculative transactions.

(i) Credit risk management

For trade receivables, the THK Group manages credit granted to its business partners and protects its receivables in accordance with the "Control Rules on Trade Receivables." In addition, departments concerned regularly monitor the status of major business partners so that they can early identify and mitigate concerns about the collection of receivables mainly due to a deterioration in the financial conditions of the business partners.

As parties with whom the THK Group enters into derivative transactions are financial institutions with high credit ratings, the THK Group deems that there is little credit risk in dealing with them.

The carrying amount of financial assets presented in the consolidated financial statements represents the maximum exposure to credit risk of financial assets held by the THK Group.

The THK Group determines allowance for bad debts by distinguishing trade receivables from other receivables.

When collection of all or portion of the above receivables is considered impossible or extremely difficult, it is deemed to be a default.

When delinquency of a debtor is caused not by temporary fund requirement but primarily by significant financial difficulty of the debtor, and the collectability of receivables is considered to be of particular concern, such financial assets are deemed to be credit-impaired.

The THK Group always sets allowance for bad debts on trade receivables that do not contain a significant financing component at an amount equal to the lifetime expected credit losses.

None of receivables other than trade receivables were deemed to have significantly increased credit risk, and credit risk to the carrying amount of such receivables is immaterial.

(ii) Liquidity risk management

A liquidity risk refers to a risk of the THK Group becoming not able to repay the financial liability for debts on the due date.

The THK Group prepares and updates cash flow management plans in a timely manner to manage liquidity risk.

(iii) Currency risk management

The THK Group enters into transactions in foreign currencies because of its global business development, and is exposed to risk that profit or loss, cash flows, and others are subject to fluctuations in foreign exchange rates.

To avoid such risk, the THK Group has entered into forward exchange contracts as a derivative transaction for trade receivables and payables denominated in foreign currencies. The Finance & Accounting Department of Corporate Strategy Headquarters has entered into and managed transactions associated with the derivative transactions, and the General Manager of the Finance & Accounting Department reports the status of such transactions in the monthly Board of Directors meeting.

(iv) Interest rate risk management

The THK Group pays interest incurred to finance working capital, capital investment and other general corporate needs in order to carry out its business activities, and is exposed to interest rate risk that future cash flows of interest may fluctuate if it has borrowings with variable interest rates because the amount of interest is subject to fluctuations in market interest rates.

The THK Group has entered into interest-rate swaps to hedge interest rate volatility risks involved in borrowings, and interest-rate and currency swaps to hedge foreign exchange volatility risks and interest rate volatility risks involved in foreign currency-denominated borrowings.

(v) Market price fluctuation risk management

Some of equity instruments held by the THK Group are exposed to market price fluctuation risk. The THK Group holds equity instruments for its policy objective, and none of them are held for short-term trading. The equity instruments include listed and unlisted shares. The THK Group regularly checks fair value and financial conditions of their issuers (i.e. business partners).

Market price fluctuation risk at the end of the fiscal year under review is considered immaterial.

(2) Matters Related to Fair Values of Financial Instruments, Etc.

1. Calculation Methods of Fair Values

The calculation methods of fair values of financial instruments are as follows.

(Cash and cash equivalents, trade and other receivables, and trade and other payables)
The fair values of these financial instruments are almost equal to their carrying amounts because they are settled in a short time. For this reason, their fair values are based on their carrying amounts.

(Other financial assets and other financial liabilities)
The fair value of listed shares is measured based on market prices at the end of the reporting period. The fair value of unlisted shares is measured using valuation techniques including those based on discounted future cash flows, on market prices of comparable companies and on net asset value.

Derivatives are measured, as financial assets or liabilities measured at fair value through profit or loss, based on prices presented by the trading financial institutions.

(Bonds and borrowings)
Bonds are determined based on market prices or prices quoted by the trading financial institutions.

As the fair value of long-term borrowings with variable interest rates is almost equal to their carrying amount because market interest rates are reflected in them in a short time. For this reason, the fair value is based on the carrying amount.

2. Financial Instruments Measured at Amortized Cost

Carrying amounts and fair values of financial instruments measured at amortized cost are as follows.

| | Carrying Amount (Millions of Yen) | Fair Value (Millions of Yen) |
|---|---|---|
| Financial liabilities measured at amortized cost | | |
| Bonds payable | 80,000 | 79,787 |
| Total | 80,000 | 79,787 |

3. Financial Instruments Measured at Fair Value

In regard to financial instruments measured at fair value, amounts measured at fair value are classified into three levels based on the observability and importance of inputs used for measurement.

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities
Level 2: Fair values calculated using observable prices other than those included within Level 1, either directly or indirectly
Level 3: Fair values calculated using an assessment method including unobservable inputs

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

(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 | – | 2,304 | – | 2,304 |
| Shares | – | – | 1,307 | 1,307 |
| Financial assets measured at fair value through other comprehensive income | | | | |
| Other financial assets | | | | |
| Shares | 3,522 | – | 585 | 4,107 |
| Others | – | – | 118 | 118 |
| Total | 3,522 | 2,304 | 2,011 | 7,838 |
| Liabilities: | | | | |
| Financial liabilities measured at fair value through profit or loss | | | | |
| Other financial liabilities | | | | |
| Derivatives | – | 42 | – | 42 |
| Total | – | 42 | – | 42 |

Transfer between levels of the fair value hierarchy is recognized as of the date of the event or change in circumstances that caused the transfer. There has been no transfer between Level 1 and Level 2 fair values. There has been a transfer from Level 3 to Level 1, due to the listing of the shares held.

## 7. Notes to Revenue Recognition

(1) Disaggregation of Revenue

The disaggregation of revenues by main products and services and the relationship to reportable segments are as follows.

(Millions of Yen)

| | Reportable segment | | | | | |
|---|---|---|---|---|---|---|
| | Japan | Americas | Europe | China | Other | Total |
| By product or service | | | | | | |
| Industrial machinery | 103,618 | 25,347 | 23,803 | 54,524 | 13,890 | 221,184 |
| Transportation equipment | 11,739 | 63,878 | 46,744 | 4,886 | 3,506 | 130,755 |
| Total | 115,357 | 89,225 | 70,548 | 59,410 | 17,397 | 351,939 |
| Timing of revenue recognition | | | | | | |
| Goods transferred at a point in time | 115,357 | 89,225 | 70,548 | 59,410 | 17,397 | 351,939 |
| Total | 115,357 | 89,225 | 70,548 | 59,410 | 17,397 | 351,939 |

The principal products and services of the THK Group are industrial machinery and transportation equipment. We mainly engage in manufacturing and sales of vital machinery components centering on a linear motion system as well as manufacturing and sales of industrial machinery in our industrial machinery business, and engage in development, design, manufacturing, and sales of steering, suspension, and brake components for transportation equipment, such as cars and two-wheeled vehicles in our transportation equipment business.

In regard to these activities, we consider that our performance obligations are satisfied at the time when products sold within a country reach a customer unless otherwise specified in the relevant agreement or at the time when it is recognized that a customer obtains control over products that are exported and sold under trading terms and conditions, and book sales revenue at the time of satisfaction of the performance obligations.

Revenue is recorded mainly in accordance with the relevant agreement with the customer, provided that when a rebate is paid according to the transaction quantity during a certain period, the amount is measured after deducting the calculated amount of such rebate. Also, the amount of promised considerations does not include any important financial elements.

(2) Contract Balance

The breakdown is as follows:

(Millions of Yen)

| | Beginning balance | Ending balance |
|---|---|---|
| Contract liabilities | 785 | 871 |

Most of the contract liabilities are advances, and consideration for which performance obligations were not satisfied at the end of each term is recorded. All

balances at the beginning of the term are recognized as revenue for the fiscal year under review.
The amount of revenue recognized during the fiscal year under review that was included in contract liabilities as of the beginning of the term is ¥785 million.

## 8. Notes to Per Share Information

| | |
|---|---|
| (1) Equity attributable to owners of the parent per share | ¥2,914.23 |
| (2) Basic earnings per share | ¥150.08 |

## 9. Notes to Significant Subsequent Events

Not applicable

## 10. Other Notes

Amounts less than ¥1 million of the indicated amounts are truncated.

## Statement of Changes in Shareholders' Equity

(From January 1, 2023 to December 31, 2023)

(Millions of Yen)

| | Shareholders' Equity | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | Capital Surplus | | | Profit Surplus | | | | | |
| | | | | | | Other profit surplus | | | | |
| | Common stock | Capital reserve | Other capital surplus | Total capital surplus | Legal retained earnings | Reserve for advanced deprecia-tion of land | Dividend reserve | General reserve | Profit surplus carried forward | Total profit surplus |
| Balance as of January 1, 2023 | 34,606 | 47,471 | 3 | 47,475 | 1,958 | 15 | 2,000 | 157,000 | 2,625 | 163,599 |
| Changes in the fiscal year | | | | | | | | | | |
| Dividends from surplus | | | | | | | | | (9,807) | (9,807) |
| Reimbursement from general reserve | | | | | | | | (5,000) | 5,000 | – |
| Net income | | | | | | | | | 13,037 | 13,037 |
| Purchase of treasury stock | | | | | | | | | | |
| Disposition of treasury stock | | | 8 | 8 | | | | | – | – |
| Changes in items other than shareholders' equity during the fiscal year (net amount) | | | | | | | | | | |
| Total changes in the fiscal year | – | – | 8 | 8 | – | – | – | (5,000) | 8,230 | 3,230 |
| Balance as of December 31, 2023 | 34,606 | 47,471 | 12 | 47,484 | 1,958 | 15 | 2,000 | 152,000 | 10,855 | 166,829 |

| | Shareholders' Equity | | Valuation/Conversion Difference, etc. | | Total Net Assets |
|---|---|---|---|---|---|
| | Treasury stock | Total sharehol ders' equity | Net unrealized gain on available-for-sale securities | Total valuation/ conversion difference, etc. | |
| Balance as of January 1, 2023 | (17,154) | 228,526 | 1,475 | 1,475 | 230,001 |
| Change in the fiscal year | | | | | |
| Dividends from surplus | | (9,807) | | | (9,807) |
| Reimbursement from general reserve | | | | | – |
| Net income | | 13,037 | | | 13,037 |
| Purchase of treasury stock | (2) | (2) | | | (2) |
| Disposition of treasury stock | 31 | 40 | | | 40 |
| Changes in items other than shareholders' equity during the fiscal year (net amount) | | | 226 | 226 | 226 |
| Total changes in the fiscal year | 29 | 3,268 | 226 | 226 | 3,495 |
| Balance as of December 31, 2023 | (17,125) | 231,795 | 1,701 | 1,701 | 233,497 |

## Notes to the Non-Consolidated Financial Statements

### 1. Important Matters for the Preparation of the Non-Consolidated Financial Statements

(1) Valuation Basis and Method for Securities

| | |
|---|---|
| 1. Other securities | |
| Securities other than shares that do not have a market value | Fair value method (Valuation difference are reported, net of applicable taxes, in a separate component of net assets. The cost of securities sold is determined by the moving-average method.) |
| Shares that do not have a market value | Moving-average cost method |
| 2. Shares of subsidiaries and affiliated companies | Moving-average cost method |

(2) Valuation Basis and Method for Derivatives

| | |
|---|---|
| Derivatives | Fair value method has been adopted. |

(3) Valuation Basis and Method for Inventories

| | |
|---|---|
| 1. Merchandise and finished goods | Stated at cost by the gross average method, in principle. (Amounts in the balance sheets were calculated by writing down the book value as a result of a decrease in profitability.) |
| 2. Work in process | For planned products, stated at cost by the gross average method, in principle. For made-to-order products, stated at cost by the specific identification method, in principle. (Amounts in the balance sheets were calculated by writing down the book value as a result of a decrease in profitability.) |
| 3. Raw materials and supplies | Stated at cost by the gross average method, in principle. (Amounts in the balance sheets were calculated by writing down the book value as a result of a decrease in profitability.) |

(4) Depreciation Method for Important Depreciable Assets

| | |
|---|---|
| 1. Tangible fixed assets (Except for lease properties) | Straight-line method |
| 2. Intangible fixed assets (Except for lease properties) | Straight-line method<br>However, software for internal use is amortized by the straight-line method over the estimated internal useful life (5 years). |
| 3. Lease properties | Lease properties related to finance lease transactions other than those that are deemed to transfer the ownership of the lease properties to the lessees are depreciated by the straight-line method assuming the lease period as the useful life and no residual value. |

(5) Accounting Standards for Important Reserves

| | |
|---|---|
| 1. Allowance for bad debts | To prepare for losses from bad debts related to receivables, an allowance is provided for bad debts estimated based on the actual rate of losses from bad debts for ordinary receivables, and on the estimated recoverability for specific doubtful receivables. |
| 2. Reserve for bonuses | To prepare for bonus payments to employees, the reserve for bonuses is provided at an amount as a defrayment for the fiscal year under review based on the estimated amount of future payments. |
| 3. Reserve for employees' retirement benefits | The reserve for employees' retirement benefits is provided at an amount recognized to have accrued as of the balance-sheet date based on the projected retirement benefit obligation and fair value of pension assets at the end of the fiscal year under review.<br>The actuarial gain or loss is amortized by the straight-line method over a certain period of time (10 years) that is within the average remaining service period at the time of recognition starting from the fiscal year following the recognition.<br>Prior service cost is charged to expenses using the straight-line method over a certain period (15 years) that is within the average remaining service period of the employees when incurred. |

(6) Important Method of Hedge Accounting

| | |
|---|---|
| 1. Method of hedge accounting | The special accounting treatment is adopted for interest-rate swaps because they satisfy the requirements of such special accounting. The integrated treatment (special accounting treatment, appropriation treatment) is adopted for interest-rate and currency swaps that satisfy the requirements of such integrated treatment. |
| 2. Hedging instruments and hedged items | |
| Interest-rate swaps | Interest on borrowings |
| Interest-rate and currency swaps | Foreign currency-denominated borrowings and interest on borrowings |
| 3. Hedge policy | Interest-rate swaps are intended to hedge interest rate volatility risks involved in borrowings. Interest-rate and currency swaps are intended to hedge foreign exchange volatility risks and interest rate volatility risks involved in foreign currency-denominated borrowings. |
| 4. Evaluation method for hedge validity | Evaluation of the validity of interest-rate swaps is omitted because they satisfy the requirements of the special accounting treatment. Evaluation of the validity of interest-rate and currency swaps is omitted because they satisfy the requirements of integrated treatment (special accounting treatment, appropriation treatment). |

(7) Revenue and Expenses Recognition

The Company applies the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020) and relevant ASBJ regulations, and recognizes revenue under the following five steps for contracts with customers.

Step 1: Identify the contract(s) with a customer
Step 2: Identify the performance obligations in the contract
Step 3: Determine the transaction price
Step 4: Allocate transaction price to the performance obligations in the contract
Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation

The principal products and services of the Company are industrial machinery and transportation equipment. We mainly engage in manufacturing and sales of vital machinery components centering on a linear motion system as well as manufacturing and sales of industrial machinery in our industrial machinery business, and engage in development, design, manufacturing, and sales of steering, suspension, and brake components for transportation equipment, such as cars and two-wheeled vehicles in our transportation equipment business. In regard to these activities, we consider that our performance obligations are satisfied at the time when products sold within a country reach a customer unless otherwise specified in the relevant agreement or at the time when it is recognized that a customer obtains control over products that are exported and sold under trading terms and conditions, and book sales revenue at the time of satisfaction of the performance obligations.

## 2. Notes to the Changes in Accounting Policies

(Application of "Implementation Guidance on Accounting Standard for Fair Value Measurement")

The Company has applied the "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31, June 17, 2021; hereinafter, "Fair Value Measurement Accounting Standard Implementation Guidance") since the beginning of the current fiscal year, and will apply new accounting policies established by the Fair Value Measurement Accounting Standard Implementation Guidance in accordance with the transitional treatment provided for in paragraph 27-2 of the said Guidance. The changes in accounting policies have no influence in the current fiscal year.

## 3. Notes to the Changes in the Presentation Method

(Changes in the Presentation Method of Loss on Investments in Investment Partnerships)

In the former presentation method, loss on investments in investment partnerships was included in miscellaneous loss (in the amount of ¥149 million for the previous fiscal year) in the Statement of Income, however, it is presented as "Loss on investments in investment partnerships" (in the amount of ¥77 million for the fiscal year under review) from the fiscal year under review given its increased materiality.

## 4. Notes to Revenue Recognition

Notes concerning basic information for understanding revenue from contracts with customers is omitted as the contents are the same as that stated in "7. Notes to Revenue Recognition" of the Notes to the Consolidated Financial Statements.

## 5. Notes to the Accounting Estimates

Valuation of Investments in Affiliated Companies

1. Amounts recorded on the non-consolidated financial statements for the fiscal year under review

| | |
|---|---|
| Affiliates' stocks | ¥111,352 million |
| Investment in affiliated companies | ¥41,332 million |

2. Information that is useful for understanding the details of the accounting estimates

   In valuing investments in affiliated companies, excluding where there are market prices or values reasonably determined, the Company recognizes the impairment of investments when the actual value of an investment has significantly declined due to a deterioration in the financial conditions of the relevant investee, except where substantiated by sufficient proof of recoverability.

   Recoverability in the event of a significant decline in the actual value is reasonably estimated based on business plans, etc. of affiliated companies.

Such estimate is primarily influenced by the management's judgment on the reasonableness of the business plans of affiliated companies that involve future uncertainty, and this may have a material impact on the amounts to be recognized in non-consolidated financial statements for the following fiscal years.

## 6. Notes to the Balance Sheet

| | | |
|---|---|---|
| (1) Accumulated depreciation of fixed tangible assets: | | ¥105,312 million |
| (2) Amount of accelerated depreciation with national subsidy: | | ¥150 million |
| (3) Monetary claims/liabilities pertinent to affiliated companies: | | |
| Short-term monetary claims: | | ¥15,399 million |
| Short-term monetary liabilities: | | ¥7,228 million |
| Long-term monetary claims: | | ¥7,000 million |
| (4) Monetary liabilities to Directors: | | ¥742 million |

(5) Guarantee liability
The Company provides a liability guarantee on liability for the following affiliated companies:

| | | |
|---|---|---|
| Electricity rate liabilities | THK RHYTHM AUTOMOTIVE CANADA LIMITED | ¥31 million |
| Purchase liabilities | THK INTECHS CO., LTD. | ¥363 million |
| | TALK SYSTEM CO.,LTD. | ¥185 million |
| | THK NIIGATA CO., LTD. | ¥72 million |
| | THK RHYTHM CO., LTD. | ¥69 million |
| | NIPPON SLIDE CO., LTD. | ¥7 million |

## 7. Notes to the Statement of Income

Volume of transactions with affiliated companies:

| | |
|---|---|
| Sales Revenue | ¥57,570 million |
| Purchases | ¥20,937 million |
| Other operating transactions | ¥1,692 million |
| Non-operating transactions | ¥4,442 million |

## 8. Notes to the Statement of Changes in Shareholders' Equity

Matters Related to Treasury Stock

| Type of Stock | At the Beginning of the Current Fiscal Year | Increase | Decrease | At the End of the Current Fiscal Year |
|---|---|---|---|---|
| Common stock (shares) | 7,272,971 | 869 | 13,545 | 7,260,295 |

(Summary of Reasons for Changes)
Breakdown of the increases:
Increase due to buyback of shares less than one unit: 869 shares
Breakdown of the decreases:
Disposition of treasury stock through restricted stock remuneration 13,545 shares

## 9. Notes to Tax-Effect Accounting

(1) Breakdown of deferred tax assets and deferred tax liabilities according to the main cause of occurrence

| | |
|---|---|
| (Deferred tax assets) | |
| Loss on valuation of stocks of subsidiaries and affiliates | ¥10,169 million |
| Loss on valuation of investments in capital of subsidiaries and associates | ¥1,127 million |
| Reserve for bonuses | ¥696 million |
| Inventory valuation loss | ¥566 million |
| Allowance for bad debts | ¥421 million |
| Accrued retirement compensation for officers | ¥227 million |
| Software | ¥209 million |
| Loss on valuation of investment securities | ¥167 million |
| Accrued expenses | ¥108 million |
| Loss on retirement of non-current assets | ¥98 million |
| Excess of depreciation and amortization | ¥93 million |
| Golf club membership | ¥81 million |
| Research and development facilities | ¥49 million |
| Lump-sum depreciable assets | ¥37 million |
| Impairment loss | ¥32 million |
| Supplies | ¥33 million |
| Accrued business tax | ¥20 million |
| Others | ¥76 million |
| Subtotal of deferred tax assets | ¥14,218 million |
| Valuation reserves | ¥(12,892)million |
| Total deferred tax assets | ¥1,325 million |
| (Deferred tax liabilities) | |
| Net unrealized gain on available-for-sale securities | ¥(693) million |
| Others | ¥(22)million |
| Total deferred tax liabilities | ¥(716) million |
| Net deferred tax assets | ¥609 million |

(2) Breakdown of main items that served as the cause of a significance difference between the legal effective tax rate and the corporate tax ratio after application of tax effect accounting

| | |
|---|---|
| Legal effective tax rate | 30.6% |
| (Adjustments) | |
| Items permanently not included as a deductible, such as entertainment costs | 0.7% |
| Items permanently not included as revenue, such as dividend received | (12.5)% |
| Valuation reserves | (0.8)% |
| Equal installments of resident tax | 0.4% |
| Research and experimentation tax credit | (2.5)% |
| Others | 3.6% |
| Corporate tax ratio after application of tax effect accounting | 19.5% |

## 10. Notes to the Transactions with Special Interest Parties

(1) Parent company and major corporate shareholders:
Not applicable

(2) Officers and major individual shareholders:
Not applicable

(3) Subsidiaries, etc.

| Category | Company | Location | Capital Stock or Capitalization | Description of Business or Occupation | Ownership of Voting Rights (%) | Description of Relationship | | Description of Transactions | Transaction amount (Millions of Yen) | Accounting Item | Term-End Balance (Millions of Yen) |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | Concurrent Service as an Officer | Business Relationship | | | | |
| Subsidiaries | THK RHYTHM CO., LTD. | Chuo-ku, Hamamatsu-shi, Shizuoka | JPY 490 million | Transportation equipment businesses | Indirect 100% | 3 persons | Cooperation with the Company | Provision of loans | — | Long-term loans | 7,000 |

Transaction terms and the policy on determining transaction terms

Note: Interest rates for loans to THK RHYTHM CO., LTD. are rationally determined by taking into account the market interest rates.

(4) Affiliated companies sharing the same parent company:
Not applicable

## 11. Notes to Per Share Information

(1) Net assets per share ¥1,904.60
(2) Net income per share ¥106.35

## 12. Notes to Significant Subsequent Events

Not applicable

## 13. Other Notes

Amounts less than ¥1 million of the indicated amounts are truncated.