

November 29, 2024

Notice Regarding Disposal of Treasury Stock as Share Grant Through Employee Shareholding Association: Toward "Early Realization of ROE of Over 10%"

Company Name : THK CO., LTD.
 Representative : Takashi Teramachi, President and COO
 Code number : 6481 (Tokyo Stock Exchange Prime Market)
 Contact : Kenji Nakane, Director and CFO (Tel: +81-3-5730-3911)

THK CO., LTD. ("THK") hereby announces that, at the Board of Director's meeting held today, THK decided to implement a special incentive scheme (the "Scheme") to grant shares to its employees through the THK Group Employee Shareholding Association (the "Shareholding Association"), and to dispose of treasury stock through allotment to the Shareholding Association (the "Disposal of Treasury Stock" or the "Disposal") as described below.

1. Outline of the Disposal

(1) Disposal date	April 15, 2025
(2) Type and number of shares to be disposed of	165,816 shares of THK common stock (Note)
(3) Disposal price	¥3,631 per share
(4) Total disposal value	¥602,077,896 (Note)
(5) Method of disposal and intended allottee	Through a third-party allotment, shares shall be allotted to the Shareholding Association that has determined the number of shares applied for, which may not exceed the number of shares to be disposed of as described in (2) above, on the condition that the Shareholding Association applies for the subscription of the shares. (The number of shares allotted shall be the number of shares to be disposed.) (The Shareholding Association 165,816 shares) No application from the Members (as defined below) for a partial subscription of the shares to be granted shall be accepted.
(6) Other	The Disposal of Treasury Stock is conditional on the effectiveness of the securities registration statement filed in accordance with the Financial Instruments and Exchange Act.

Note: The number of shares to be disposed of and total disposal value are calculated based on the assumption that a maximum of 5,922 employees of THK and its subsidiaries who are eligible for the Scheme (the "Employees") will be granted 28 shares of THK common stock. The actual number of shares to be disposed of and total disposal value will be determined according to the number of the Employees after the enrollment promotion to those who have not yet joined the Shareholding Association has been completed (the "Member(s)"). Specifically, as described in (5) above, the number of shares to be applied for as determined by the Shareholding Association will be the "number of shares to be disposed of" and the amount obtained by multiplying such number by the disposal price per share will be the "total disposal value." THK and its subsidiaries will distribute ¥101,668 to each Member and THK will grant 28 shares to each Member through the Shareholding Association.

2. Purposes of and Reasons for the Disposal

On November 12, 2024, THK announced Notice Regarding Decision of Basic Policy (Early Realization of ROE of Over 10%) for Revision of the Current "Management Targets for FY2026 (Five-Year Plan)." In order to enhance the effectiveness of this policy, THK believes that it is important to create a safe and motivating work environment for the Employees, who are the driving force behind the improvement of corporate value. Therefore, as a measure to enhance the welfare of the Employees, THK has decided to introduce the Scheme to provide the Employees with an opportunity to acquire THK common stock to be disposed of by THK (the "THK Shares") through the Shareholding Association, thereby helping the Employees to accumulate their wealth, providing an incentive for continuous improvement of THK's corporate value, and promoting further sharing of value with THK's shareholders.

Under the Scheme, THK grants a special incentive which is equivalent to 28 shares of THK common stock to the Members and disposes of treasury stock to the Shareholding Association in exchange for the contribution of the aforementioned special incentive by way of third-party allotment. As described in the Note to "1. Outline of the Disposal," the number of shares to be disposed of to the Shareholding Association will be determined at a later date, but will be a maximum of 165,816 shares. The grant of special incentives to the Members is an allocation of money, not a grant of a monetary claim. There are no monetary contributions from the Members other than the contribution of the granted special incentives.

If all of the maximum 5,922 Employees of the Scheme are enrolled in the Shareholding Association, 165,816 shares are expected to be disposed of. Based on this assumption, the dilution effect of the Disposal of Treasury Stock, as of June 30, 2024, is 0.13% of the total number of issued shares of 129,856,903 shares, and 0.14% of the total number of voting rights of 1,225,202 units (both rounded to two decimal places).

The purposes of the introduction of the Scheme are to help the Employees to accumulate their wealth, provide an incentive for continuous improvement of THK's corporate value, and promote further sharing of value with THK's shareholders, by providing the Employees with an opportunity to acquire THK Shares through the Shareholding Association, as a measure to enhance the welfare of the Employees. Since THK believes that the introduction of the Scheme will contribute to increasing the value of THK Group, THK has determined that the number of shares to be disposed of and the degree of dilution effect due to the Disposal of Treasury Stock are reasonable and that the impact on the market will be minimal given the degree of dilution.

3. Basis for Calculation of Disposal Price and Specific Details

The Disposal of Treasury Stock to the Shareholding Association, the allottee, will be made through contributions to the Shareholding Association made by the Members, the source of funds of which is the special incentives provided in order for the grant of shares through the Shareholding Association. In order to eliminate arbitrariness, the disposal price is set at ¥3,631, which is the closing price of THK's common stock on the Prime Market of the Tokyo Stock Exchange on November 28, 2024 (the business day immediately preceding the date of the Board of Directors' resolution). Since this price is the market price of THK common stock immediately preceding the date of the Board of Directors' resolution, THK believes that it is reasonable and does not constitute a particularly favorable amount.

The deviation rates of the disposal price from the average closing prices of THK common stock on the Tokyo Stock Exchange Prime Market for the following periods are as follows (rounded to two decimal places):

Period	Average Closing Price (rounded down to the nearest yen)	Deviation Rate
1 month (From October 29, 2024 to November 28, 2024)	¥3,069	18.31%
3 months (From August 29, 2024 to November 28, 2024)	¥2,722	33.39%
6 months (From May 29, 2024 to November 28, 2024)	¥2,777	30.75%

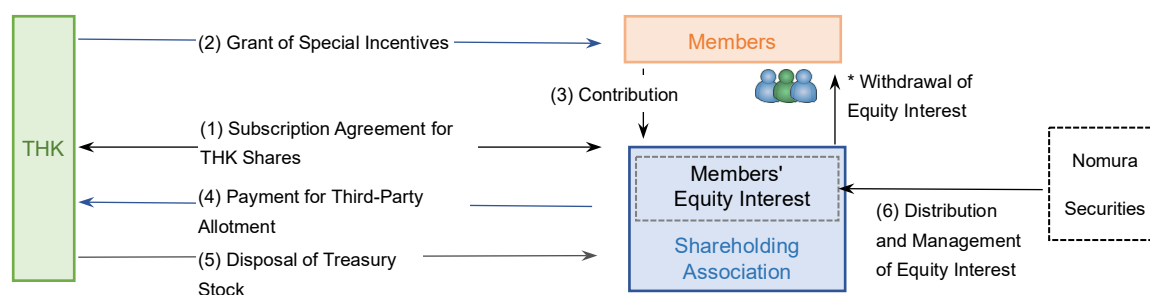
THK's Audit and Supervisory Board Members (three in total, three of whom are external members) have expressed their opinion that the disposal price is legitimate and not particularly advantageous to the intended allottees considering the fact that the disposal price is the closing price of THK's common stock on the Prime Market of the Tokyo Stock Exchange as of the business day immediately preceding the date of the Board of Directors' resolution.

4. Procedures in Accordance with the Corporate Code of Conduct

The Disposal does not require procedures to obtain an independent third-party opinion or confirm the intent of shareholders as prescribed in Article 432 of the Securities Listing Regulations of the Tokyo Stock Exchange, since (1) the dilution rate is less than 25% and (2) there are no changes in controlling shareholders.

(Reference)

Structure of the Scheme (description about subsidiaries are omitted)



- (1) THK and the Shareholding Association will enter into a share subscription agreement for the disposal and subscription of treasury stock.
- (2) THK will provide Members with special incentives for the grant of THK Shares.
- (3) Members will contribute the special incentives to the Shareholding Association.
- (4) The Shareholding Association will collect the special incentives contributed by Members and make payment for the third-party allotment.
- (5) THK will dispose of its treasury stock to the Shareholding Association.
- (6) THK Shares allotted are distributed to and managed for Members' equity interest in the Shareholding Association by Nomura Securities Co., Ltd., to which the Shareholding Association entrusts the stock administration.

* Members may withdraw their allotted THK shares to brokerage accounts in their individual names.

* The stock administration will be entrusted to Nomura Securities Co., Ltd. from January 2025.