

December 25, 2024

Overview of Results of the Evaluation of the Effectiveness of the Board of Directors

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THK CO., LTD. ("THK") hereby announces the overview of the results of the third-party analysis and evaluation of the effectiveness of the Board of Directors for the fiscal year 2024, conducted in accordance with Chapter 4, Section 2 (4) of the THK Group Corporate Governance Guidelines, established by THK.

Purposes of the third-party evaluation of the effectiveness of the Board of Directors for the fiscal year 2024

In order to ensure the effectiveness of the Board of Directors and improve its functions, THK has conducted annual evaluations of the effectiveness of the Board of Directors through self-assessment and analysis using a questionnaire-based system.

Under such circumstances, Takashi Teramachi assumed the position of President and COO on January 1, 2024, and THK has been conducting various studies under the motto "THK will thoroughly strengthen what needs to be strengthened and courageously change what needs to be changed." As a result, at the release of the third-quarter operating results made on November 12, 2024, THK announced that THK would make an announcement regarding the revised management targets in February 2025 based on the basic policy "Early Realization of ROE over 10%."

In order to evolve corporate governance toward "Promotion of Management That Emphasizes Profitability and Capital Efficiency" in line with the basic policy, the Board of Directors has determined that the effectiveness of various initiatives needs to be verified from a professional and objective perspective. THK has commissioned a third-party organization to evaluate the effectiveness of the Board of Directors for the fiscal year 2024, with the aim of deepening discussions at the Board of Directors meetings with "substance" and leading to further improvements in corporate value.

1. Overview of the Procedures

- Subject of evaluation: All 12 directors
- Evaluator: A third-party organization
- Evaluation method: Questionnaire and interviews with all directors (approximately an hour)
- Evaluation period: From October to December 2024 (including preparation period)
- Evaluation items: (1) Issues and measures taken in the fiscal year 2023, (2) composition of the Board of Directors, (3) operation of the Board of Directors, (4) agenda and discussions at the Board of Directors meetings, (5) provision of information to outside directors, (6) Nomination Advisory Committee and Compensation Advisory Committee, (7) contribution and self-evaluation of directors, and (8) overall evaluation of the Board of Directors

2. Evaluation Process

(1) From October to November 2024: Evaluation and analysis by a third-party organization

- Commissioned to set evaluation items and create a questionnaire to ensure transparency and objectivity of the evaluation
- Analyzed each director's questionnaire responses and conduct individual interviews with all directors based on the analysis (approximately an hour)
- Evaluated effectiveness based on analysis of above results
- Key issues and future course of action were derived along with the results of the evaluation

(2) From November to December 2024: Deliberation by the Board of Directors

- Discussed the evaluation results reported by the third-party organization and future course of action at the Board of Directors meeting held on November 29, 2024
- Resolved the details of the announcement at the Board of Directors' meeting held on December 25, 2024

3. Overview of Evaluation Results and Future Course of Action

In the effectiveness evaluation for the fiscal year 2024, it was confirmed that the implementation of the "Review of the Criteria for Board of Directors' Agenda Items," which was identified as an issue in the fiscal year 2023, has significantly expanded the scope of agenda items and has led to the revitalization of the Board of Directors. On the other hand, as a result of the review for further improvement, THK has identified new important issues.

Based on the results of these analyses and evaluations, the Board of Directors has determined such important issues, as well as policies and major initiatives that correspond to those issues. THK will continue to discuss and implement specific initiatives at future Board of Directors meetings to further ensure the effectiveness and improve the functions of the Board of Directors.

(1) Examine the nature of the Board of Directors and cultivate a common understanding

- Redefine the "ideal board of directors" and the roles expected of directors themselves
- Examine agenda items to be discussed at the Board of Directors meetings (continuing issues)
- Further transfer authority to the executive to make quick business decisions

(2) Strengthen the monitoring system and accelerate strategic discussions

- Clarify roadmap and milestones to address mid- to long-term execution challenges
- Set KPIs for sustainable corporate value improvement

(3) Advance the Board of Directors' management and secretariat functions, including agenda setting

- Consider strategic themes for further discussion from a mid- to long-term perspective
- Prepare an annual discussion schedule to deepen the discussions
- Prepare materials suitable for monitoring and improvement in presentation

(4) Improve planning and discussion of systematic training programs for executive candidates

- Clarify the ideal image of senior management, including skills and personality, with THK's future vision in mind
- Conduct candidate assessments and appropriately participate in the development and operation of company-wide appointing and training policies