

A magnifying glass graphic is positioned over the three pillars, with its handle extending from the bottom left and its lens focusing on the text. The lens is a white circle with a red border.

**T**oughness

**H**igh Quality

**K**now-how

# **New Management Policy**

## **Toward "Early Realization of ROE of Over 10%"**

February 12, 2025

THK CO., LTD.

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

## President Message



THK CO., LTD.  
President

Takashi Teramachi

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

**Basic Policy for New Management Targets :**

**Early Realization of ROE of Over 10%**

# Corporate Philosophy / Vision



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

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

## Background to revision of management targets

External factors: geopolitical risks, inflation, slowdown in the Chinese economy, major changes in the auto industry itself, and others

Individual factors:

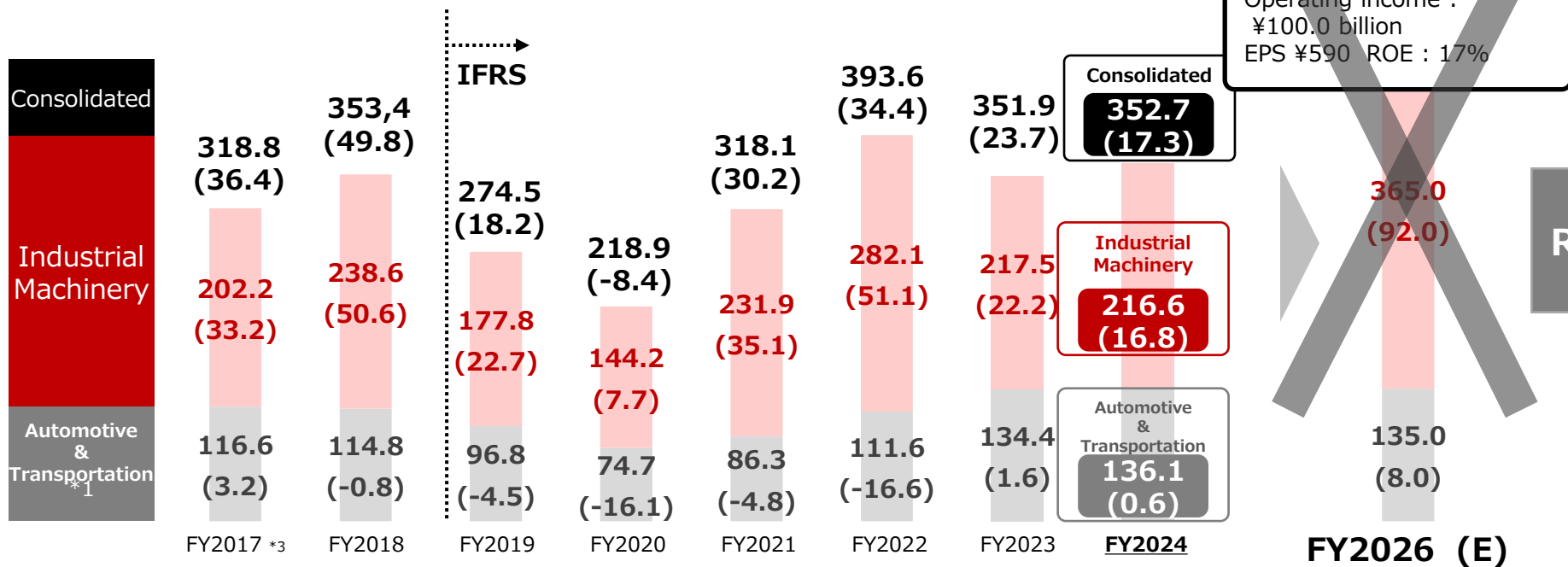
The industrial machinery business: Upfront investments based on market average annual growth rate of 7%

The automotive & transportation business: Delay of implementation of drastic measures to improve profitability

## Basic Policy

Early Realization of ROE of Over 10%

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



**Management Targets \*2**  
Revenue : ¥500.0 billion  
Operating income : ¥100.0 billion  
EPS ¥590 ROE : 17%

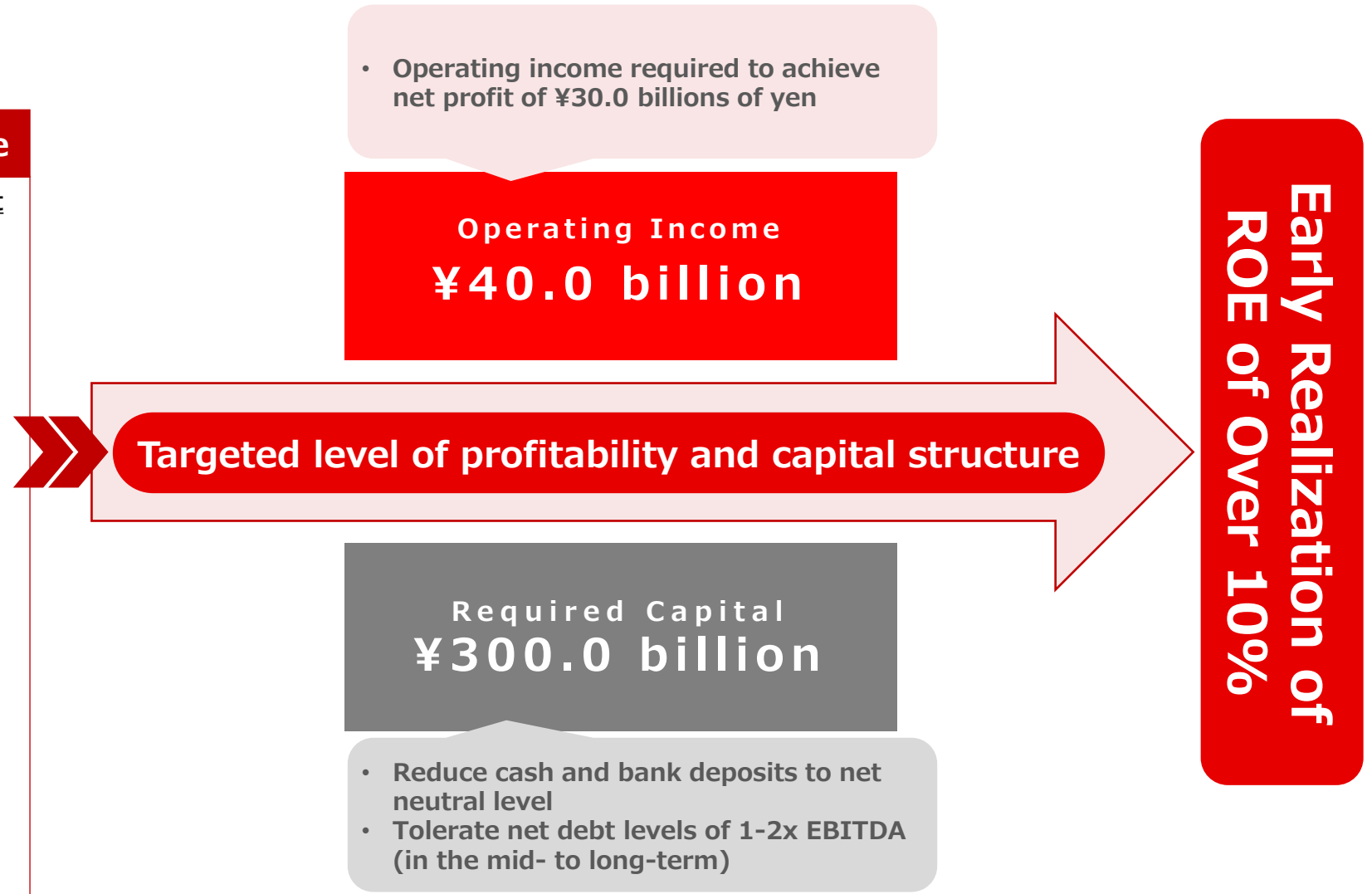
Review

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

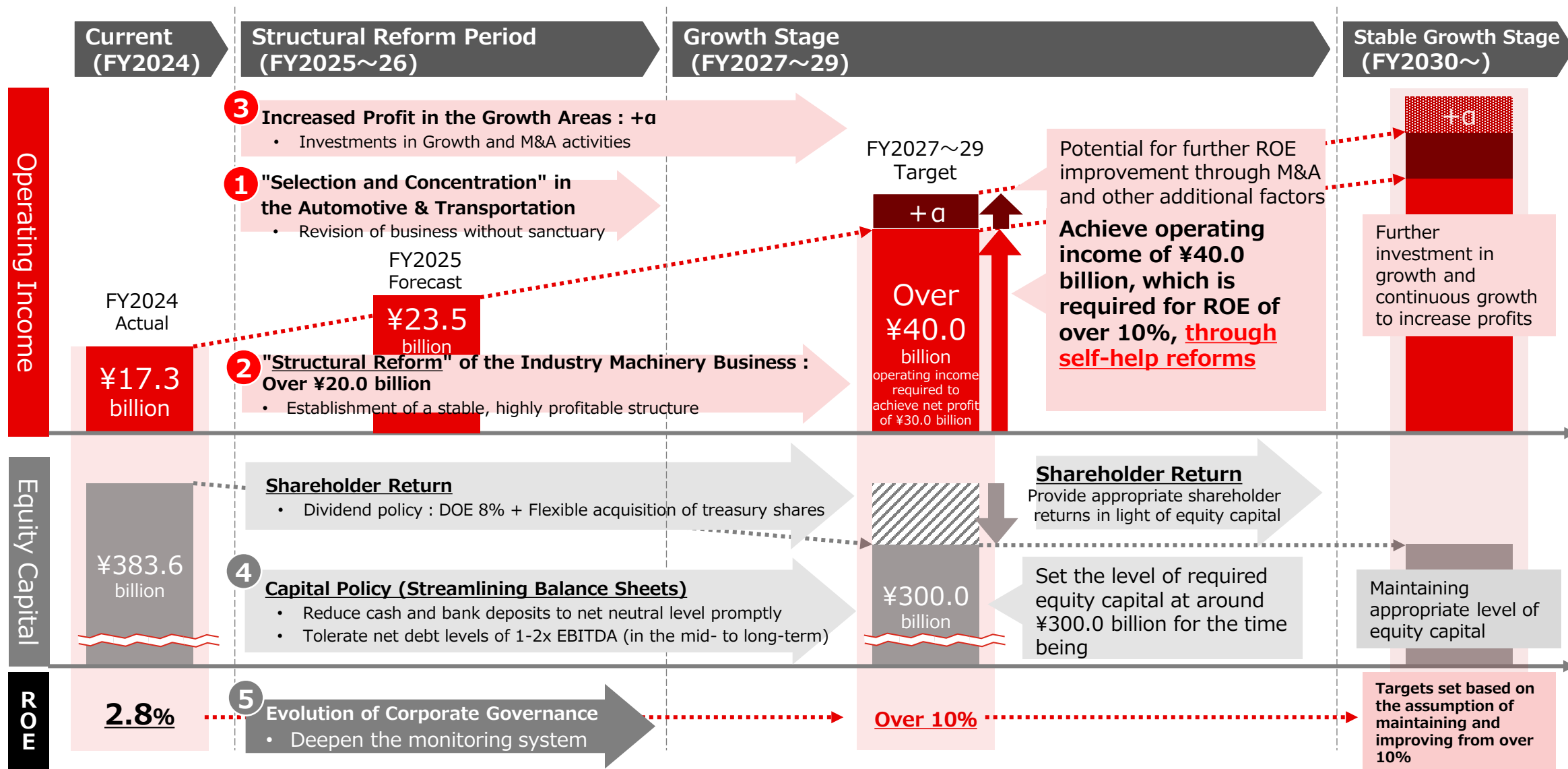
# Management Indicators in the Basic Policy (Operating Income/Equity Capital)

**Basic Policies for the Future**

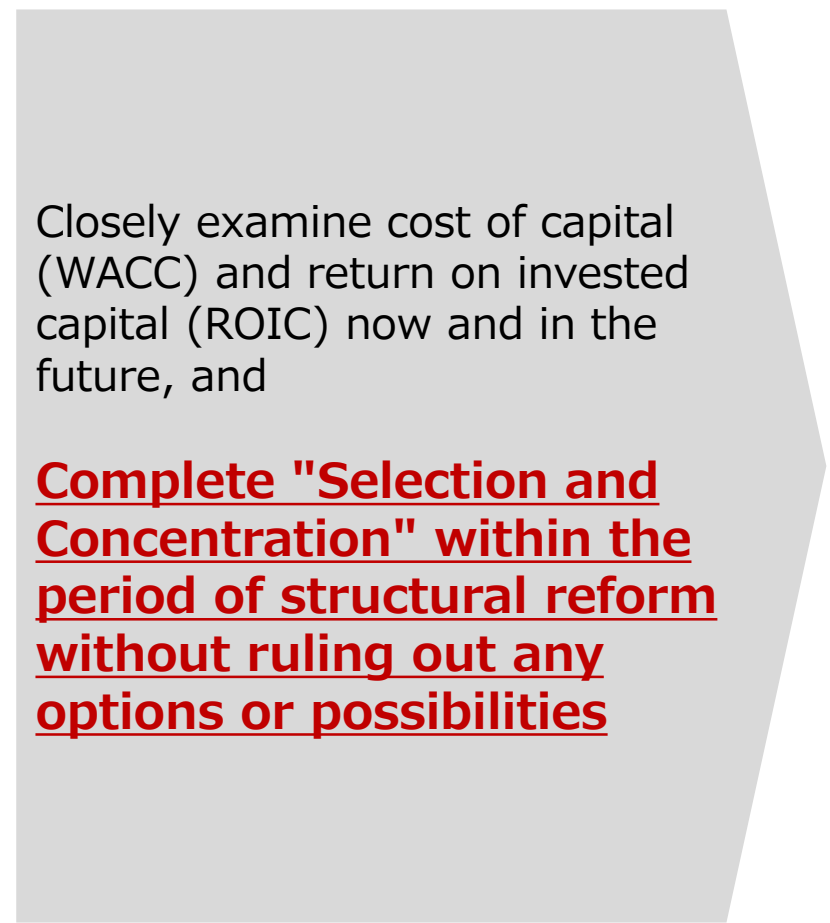
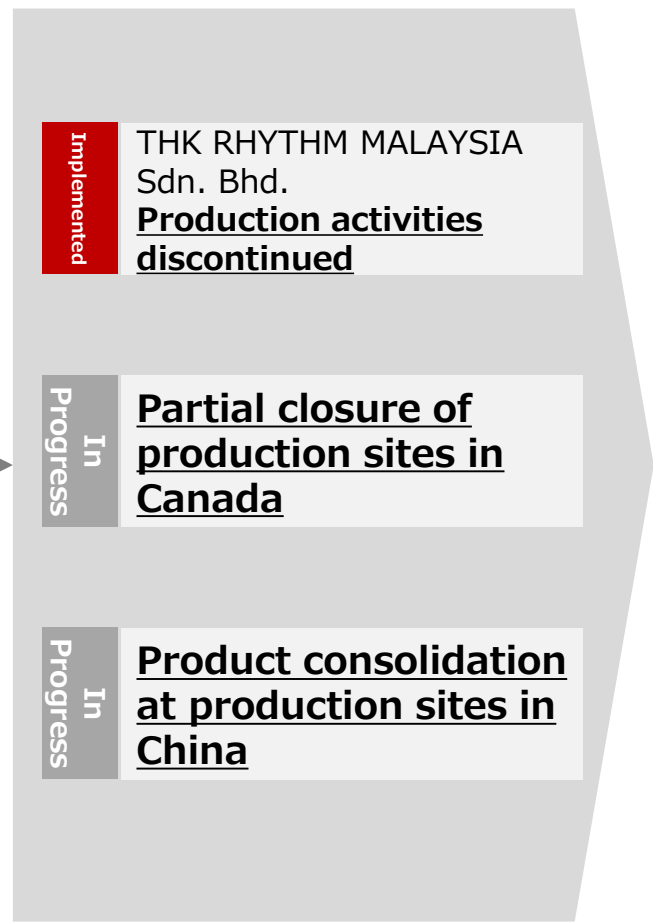
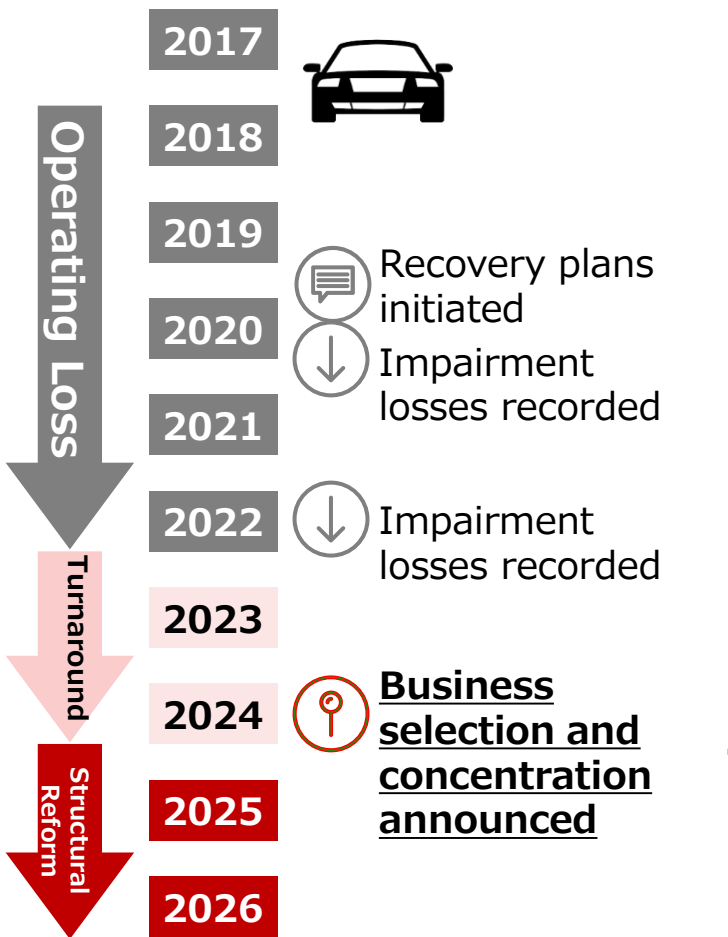
1. **Promotion of Management That Emphasizes Profitability and Capital Efficiency**
  - a. Revision of business portfolio considering cost of capital (business selection and concentration)
  - b. Execution of highly disciplined investments that strengthen the competitiveness of the business for sustainable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



# Path to "ROE of Over 10%"

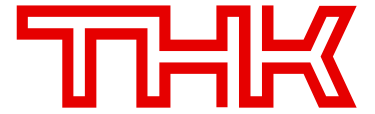


What Needs to Change : "Selection and Concentration" in the Automotive & Transportation Business





**2 "Structural Reform" of the Industry Machinery Business**



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

Establishment of a highly profitable structure

**Measures for Fixed Costs to Accumulate ¥6.0 billion**

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

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

**Measures for Variable Costs to Accumulate ¥14.4 billion**

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

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

**Growth Areas M & A**



**+6.5**

Potential revenue from investments in growth

**¥16.8 billion**

Estimated Accumulated Amount\*1

**+2.7**

Sales **+0.1**

Production **+3.9**

Others **+2.1**

Sales **+4.5**

Production **+9.6**

Others **+0.3**

**40.0**

FY2024 (Industrial Machinery)

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

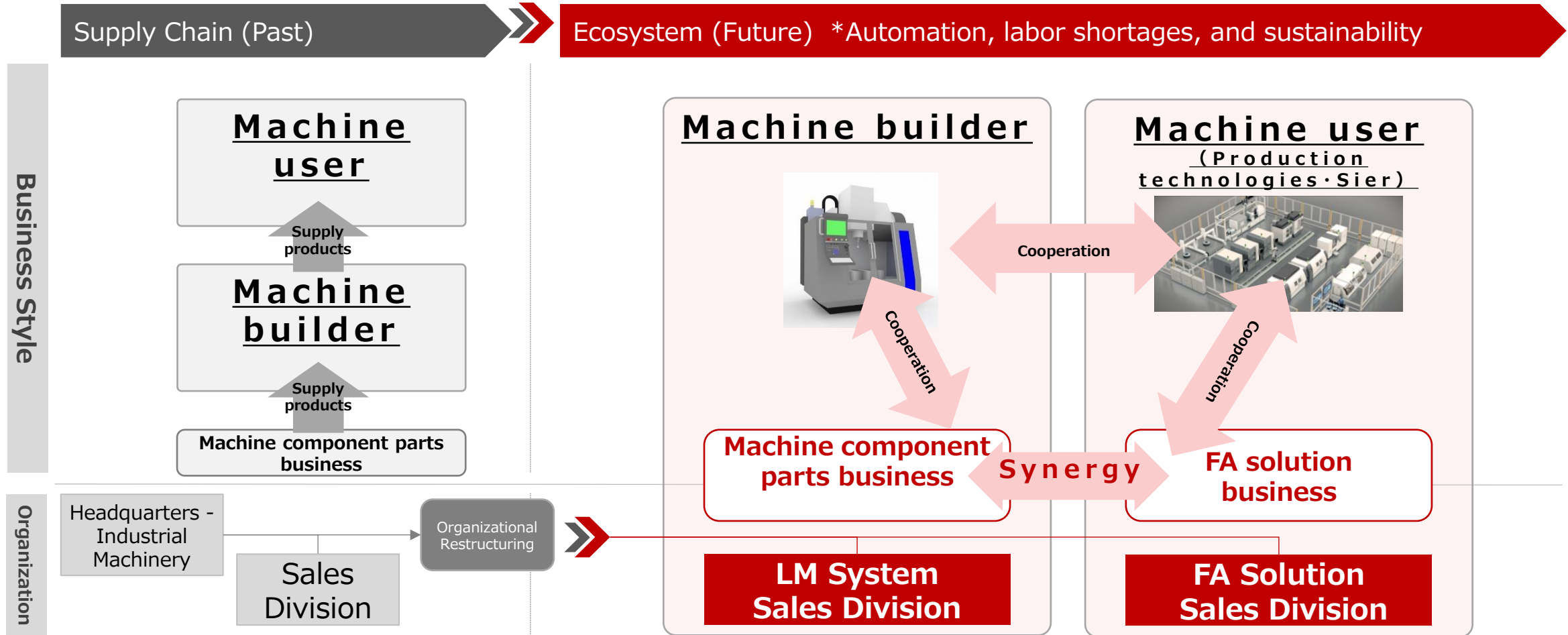
FY2027-2029 Target (Industrial Machinery)

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

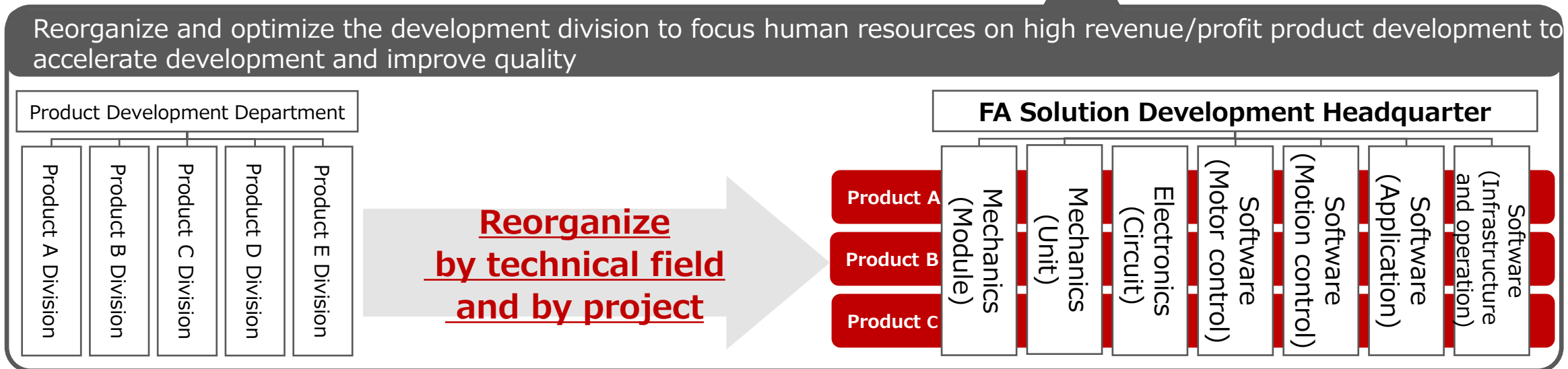
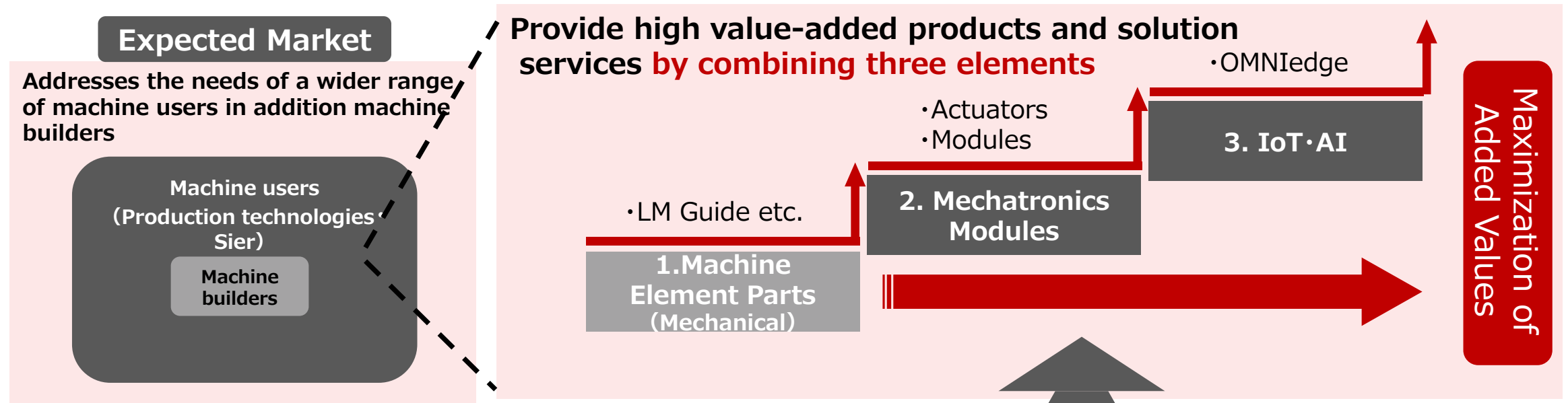
**What needs to be strengthened :**

**Organizational Reforms for the Evolution of the Industrial Machinery Business**

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

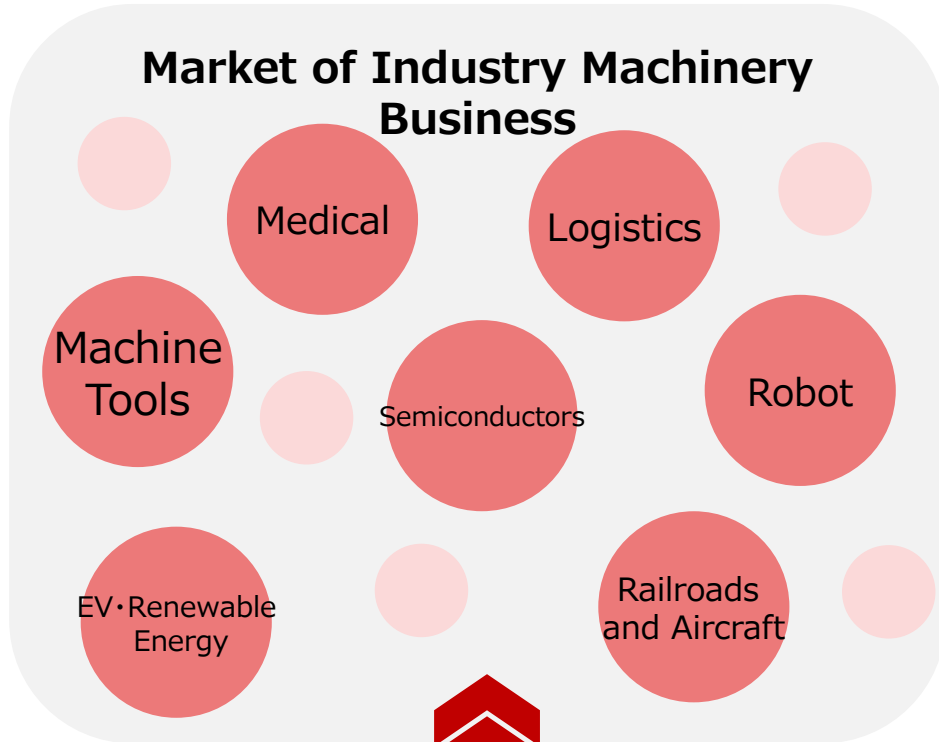


# What needs to be strengthened : Growth of FA Solution Business



# What needs to be strengthened : Machine Component Parts Business

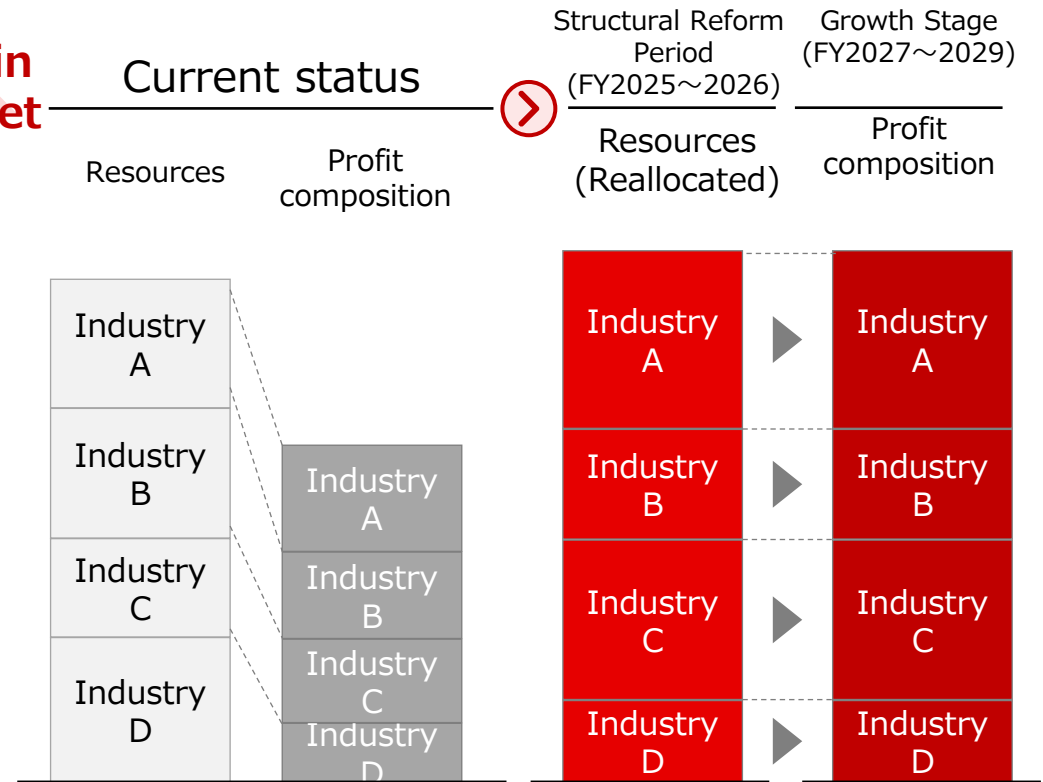
## Strengthen Sales in High-Growth Areas



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

Update as appropriate in view of market trends, etc.

## Reallocation of Resources According to the Profit Structure to Be Targeted

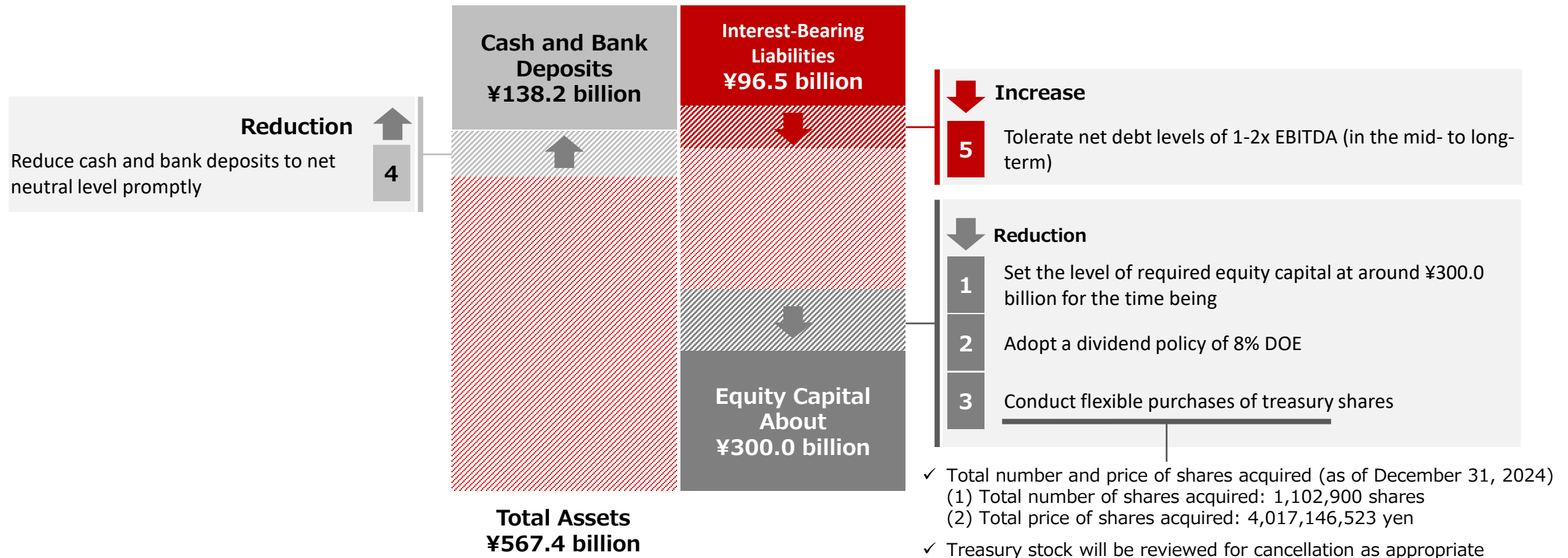


Resource allocation and profit structure are unbalanced

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

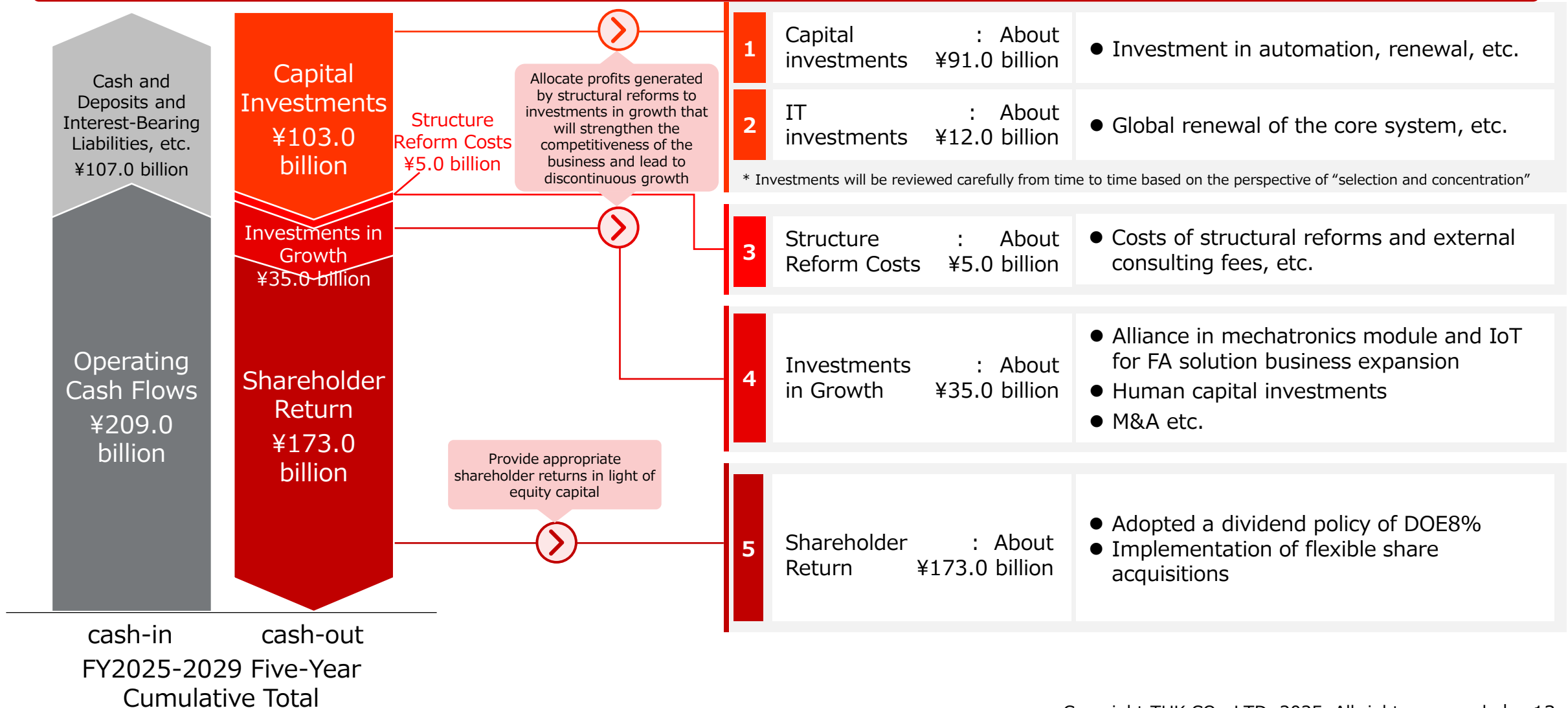
## What needs to be strengthened : Balance Sheet Management with Emphasis on Capital Efficiency

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



## What needs to be strengthened : Capital Allocation

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

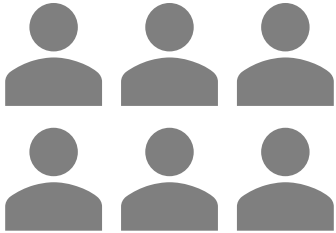


# What needs to be strengthened : Corporate Governance Structure

## Composition of Board of Directors

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

### In-House Directors



### Outside Directors



※ Ratio of Female Directors  
18%(2 members)

### Board of Directors Data



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



Ratio of Female Directors :  
**18%**

## Composition of Committees

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

Name	Audit & Supervisory Committee	Nomination Advisory Committee	Compensation Advisory Committee
Akihiro Teramachi		1/1	1/1
Takashi Teramachi		2/2	2/2
Masaaki Kainosho		2/2	2/2
Masakatsu Hioki	13/13	2/2	
Tomitoshi Omura	13/13		
Yoshiki Ueda	13/13		2/2
<b>Ratio of Outside Directors</b>	<b>100%</b>	<b>66.7%</b>	<b>66.7%</b>

To 2024/11/12

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

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



### Evolution of Corporate Governance

- Improvement of executive compensation system in line with shareholders' viewpoints (substantial increase in incentive compensation ratio)
- Pursue and strengthen an optimal board of directors based on management philosophy, strategy, market environment, etc.
- Deepen the monitoring system for progress toward achieving ROE of over 10%, including structural reforms



### Reinforcement of Business Base

- Develop the next generation of human resources to lead the "Manufacturing and Innovative Services Company" and rethink succession plans
- Review of personnel evaluation system, reform of work style, etc.



### Investments in the Future (Preparation)

- Accelerate efforts on key issues (materiality) to create trading opportunities and avoid risks
- Enhancement of IT environment to accelerate and promote business innovation, etc.