[Translation for Reference and Convenience Purposes Only]

To shareholders

Disclosure Information Posted on the Internet as Part of the Notice of Convocation of the 51st Ordinary General Meeting of Shareholders

The Company has posted the above disclosure information on its website (https://www.thk.com/us/ir/shareholder/meeting.html) for the shareholders in accordance with the relevant laws and regulations and the Company's Articles of Incorporation.

February 26, 2021

THK CO., LTD.

[Translation for Reference and Convenience Purposes Only]

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 from the fiscal year ended December 31, 2020. Some items required to be disclosed in IFRS are omitted 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	36 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 amendment or curtailment is recognized as profit or loss at the earlier of the dates when the plan amendment 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

(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.

(12) Other Significant Matters for Preparing Consolidated Financial Statements

Method of Accounting Processing of Consumption Tax

Accounting method of the consumption tax and local consumption taxes is processed according to the net-of-tax method.

(Additional Information)

(Accounting estimates associated with the COVID-19 pandemic)

The COVID-19 pandemic has an adverse impact on the THK Group's business activities and has caused the decline in revenue for the year ended December 31, 2020; however, the THK Group has assumed that the THK Group's operations will gradually recover. The estimates regarding impairment of non-current assets, recoverability of deferred tax assets, and other items have been made based on such assumption.

However, if the impact of the COVID-19 pandemic becomes more significant than expected, it will affect the THK Group's financial position and operating results.

As a result of revising the business plans of certain consolidated subsidiaries after reviewing the uncertainties underlying in the accounting estimates considering the situation where the COVID-19 pandemic has prolonged, the THK Group recorded impairment losses for certain property, plant and equipment, goodwill, and intangible assets. The amounts and other details are discussed in “3. Notes to the Consolidated Statements of Profit or Loss, (2) Impairment of Non-financial Assets.”

2. Notes to the Consolidated Statements of Financial Position

(1) Allowance deducted directly from assets

Trade and other receivables	¥75 million
Other financial assets	¥54 million

(2) Accumulated depreciation and impairment loss of property, plant and equipment
¥231,228 million

3. Notes to the Consolidated Statements of Profit or Loss

(1) Employment Adjustment Subsidy

The THK Group recorded ¥1,913 million of other income for the employment adjustment subsidy corresponding to the COVID-19 pandemic.

(2) Impairment of Non-financial Assets

The THK Group classifies its assets into asset groups based on cash-generating unit which is the smallest identifiable group of assets that generates independent cash inflows.

Impairment losses, which are included in other expenses in the consolidated statement of profit or loss, for the year ended December 31, 2020 were as follows:

<table>
<tr><th>Subsidiary</th><th>Location</th><th>Usage</th><th>Category</th><th>Impairment Loss (Millions of Yen)</th></tr>
<tr><td rowspan="4">THK RHYTHM CO., LTD.</td><td rowspan="4">Minami-ku, Hamamatsu-city, Shizuoka, Japan</td><td rowspan="4">Operating assets</td><td>Buildings and structures</td><td>541</td></tr>
<tr><td>Machinery and vehicles</td><td>3,502</td></tr>
<tr><td>Land</td><td>585</td></tr>
<tr><td>Other</td><td>527</td></tr>
<tr><td rowspan="2">THK RHYTHM MEXICANA, S.A. DE C.V.</td><td rowspan="2">Guanajuato, Mexico</td><td rowspan="2">Operating assets</td><td>Machinery and vehicles</td><td>985</td></tr>
<tr><td>Others</td><td>8</td></tr>
<tr><td rowspan="4">THK RHYTHM AUTOMOTIVE GmbH</td><td rowspan="4">Düsseldorf, Nordrhein-Westfalen, Germany</td><td rowspan="4">Operating assets</td><td>Buildings and structures</td><td>24</td></tr>
<tr><td>Machinery and vehicles</td><td>572</td></tr>
<tr><td>Land</td><td>400</td></tr>
<tr><td>Others</td><td>933</td></tr>
<tr><td colspan="4">Total</td><td>8,083</td></tr>
</table>

The carrying amount of the operating assets held by THK RHYTHM CO., LTD., THK RHYTHM MEXICANA, S.A. DE C.V., and THK RHYTHM AUTOMOTIVE GmbH in the table above was written down to the recoverable amount because the investments in such assets were not considered to be recoverable. As a result, the THK Group recorded ¥8,083 million of impairment loss for the year ended December 31, 2020. The recoverable amount of such assets was measured at its fair value less cost to sell and principally based on real estate appraisal value. The fair value hierarchy of these assets is Level 3.

(3) Restructuring Costs

In the THK Group’s transportation equipment businesses, the THK Group implemented structural reforms to improve its profitability and recorded ¥738 million of other expenses for the costs pertaining to the restructuring of its production system as restructuring costs.

(4) Temporary Lay-Off Costs

In relation to the temporary operation shutdowns in the THK Group's offices and branches due to the COVID-19 pandemic, the THK Group recorded ¥3,907 million of other expenses for the fixed costs of such locations incurred during shutdowns as temporary lay-off costs.

4. 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 Consolidated Fiscal Year under Review
Common stock (shares)	133,856,903	—	—	133,856,903

(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. 20, 2020	Common stock	1,012	8	Dec. 31, 2019	Mar. 23, 2020
Board of Directors Meeting, Aug. 6, 2020	Common stock	949	7.5	Jun. 30, 2020	Sep. 7, 2020

2. Dividend for which the reference date falls in the current consolidated fiscal year with an effective date falling in the next consolidated fiscal year
   The following will be submitted for a vote at the 51st term's Ordinary General Meeting of Shareholders on March 20, 2021.

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. 20, 2021	Common stock	Profit surplus	949	7.5	Dec. 31, 2020	Mar. 22, 2021

5. 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 collectibility 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.

The fair value of lease obligations is determined based on the present value calculated by discounting future cash flows by the rate that takes into account the remaining period to the due date and credit risk. As the fair value is almost equal to their carrying amount of the lease obligations, it is based on the carrying amount.

(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	70,000	69,913
Total	70,000	69,913

6. Notes to Per Share Information

(1) Equity attributable to owners of the parent per share ¥2,105.54

(2) Basic loss per share per share ¥(78.95)

7. Notes to Significant Subsequent Events

Not applicable

8. Other Notes

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

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 with fair value	Fair value method based on the market value, etc., as of the last date of the fiscal year (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.)
Securities without fair 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 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. 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. 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) Method of Accounting Processing of Consumption Tax

Accounting method of the consumption tax and local consumption taxes is processed according to the net-of-tax method.

(Additional Information)

This note is omitted as the contents are the same as that stated in “Additional Information” under the Notes to Consolidated Financial Statements.

2. Notes to the Balance Sheet

(1) Accumulated depreciation of fixed tangible assets:		¥98,675 million
(2) Amount of accelerated depreciation with national subsidy:		¥150 million
(3) Monetary claims/liabilities pertinent to affiliated companies:		
Short-term monetary claims:		¥16,018 million
Short-term monetary liabilities:		¥10,748 million
Long-term monetary claims:		¥5,000 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	¥28 million
Purchase liabilities	THK INTECHS CO., LTD.	¥335 million
	TALK SYSTEM CORPORATION	¥219 million
	THK NIIGATA CO., LTD.	¥219 million
	THK RHYTHM CO., LTD.	¥89 million
	NIPPON SLIDE CO., LTD.	¥25 million

3. Notes to the Statement of Income

(1) Volume of transactions with affiliated companies:

Sales revenue	¥34,740 million
Purchases	¥15,768 million
Other marketing transactions	¥1,604 million
Non-marketing transactions	¥3,948 million

(2) Loss on valuation of stocks of subsidiaries and affiliates

The Company recognized an impairment and recorded a loss on valuation of stocks of subsidiaries and affiliates of ¥9,158 million as an extraordinary loss, due to a significant decline in the actual value of the shares of THK RHYTHM MEXICANA, S.A. DE C.V and THK RHYTHM AUTOMOTIVE CANADA LIMITED, consolidated subsidiaries of the Company.

(3) Loss on valuation of investments in capital of subsidiaries and associates

The Company recognized the impairment of the investment in capital of its consolidated subsidiary THK RHYTHM AUTOMOTIVE GmbH, and recorded a loss on valuation of investments in capital of subsidiaries and associates of ¥3,681 million in extraordinary losses, due to a significant decline in the value of the investment.

(4) Provision of allowance for bad debts for subsidiaries and associates

The Company recognized short-term loans receivable from its consolidated subsidiary THK RHYTHM AUTOMOTIVE GmbH as a provision of allowance for bad debts for subsidiaries and associates of ¥1,337 million in extraordinary losses.

4. 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)	7,286,079	785	—	7,286,864

(Summary of Reasons for Changes)
Breakdown of the increases:
Increase due to buyback of shares less than one unit: 785 shares

5. 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	¥5,085 million
Loss on valuation of investments in capital of subsidiaries and associates	¥1,127 million
Reserve for bonuses	¥642 million
Inventory valuation loss	¥496 million
Reserve for employees' retirement benefits	¥438 million
Allowance for bad debts	¥421 million
Accrued retirement compensation for officers	¥227 million
Loss on valuation of investment securities	¥134 million
Accrued expenses	¥100 million
Loss on retirement of non-current assets	¥84 million
Golf club membership	¥81 million
Supplies	¥34 million
Impairment loss	¥32 million
Research and development facilities	¥30 million
Excess of depreciation and amortization	¥23 million
Lump-sum depreciable assets	¥22 million
Accrued business tax	¥12 million
Others	¥35 million
Subtotal of deferred tax assets	¥9,030 million
Valuation reserves	¥(7,691)million
Total deferred tax assets	¥1,339 million
(Deferred tax liabilities)	
Net unrealized gain on available-for-sale securities	¥(899)million
Special depreciation reserve	¥(0)million
Others	¥(7)million
Total deferred tax liabilities	¥(907)million
Net deferred tax assets	¥431 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	(1.2) %
Items permanently not included as revenue, such as dividend received	2.7 %
Valuation reserves	(34.8) %
Equal installments of resident tax	(0.5) %
Research and experimentation tax credit	0.4 %
Others	(0.3) %
Corporate tax ratio after application of tax effect accounting	(3.1) %

6. 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 Trans-actions	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.	(Minami-ku, Hamamatsu-shi, Shizuoka)	JPY 490 million	Transporta-tion equipment businesses	Indirect 70%	3 persons	Cooperation with the Company	Provision of loans	2,298	Short-term loans	5,025
	THK RHYTHM AUTOMOTIVE CANADA LIMITED	(St. Catharines, ONT., Canada)	CAD 150,000 thousand	Transporta-tion equipment businesses	Direct 100%	2 persons	Production and sales of the Company's products	Collection of loans	4,232	—	—
								Underwriting of capital increase	8,134	—	—

Transaction terms and the policy on determining transaction terms

Notes:

1. Interest rates for loans to THK RHYTHM CO., LTD. are rationally determined by taking into account the market interest rates.
2. The underwriting of capital increase is all amount of the underwriting of the capital increase implemented by THK RHYTHM AUTOMOTIVE CANADA LIMITED.

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

7. Notes to Per Share Information

(1) Net assets per share	¥1,818.68
(2) Net loss per share	¥(104.16)

8. Notes to Significant Subsequent Events

Not applicable

9. Other Notes

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