

Corporate Governance

Governance Structure

Based on the corporate philosophy of *providing innovative products to the world and generating new trends to contribute to the creation of an affluent society*, THK's fundamental philosophy of corporate governance is *maximizing corporate value*. With that in mind, we aim to increase our mid- to long-term corporate value through appropriate and efficient operations and by making management more transparent to our shareholders.

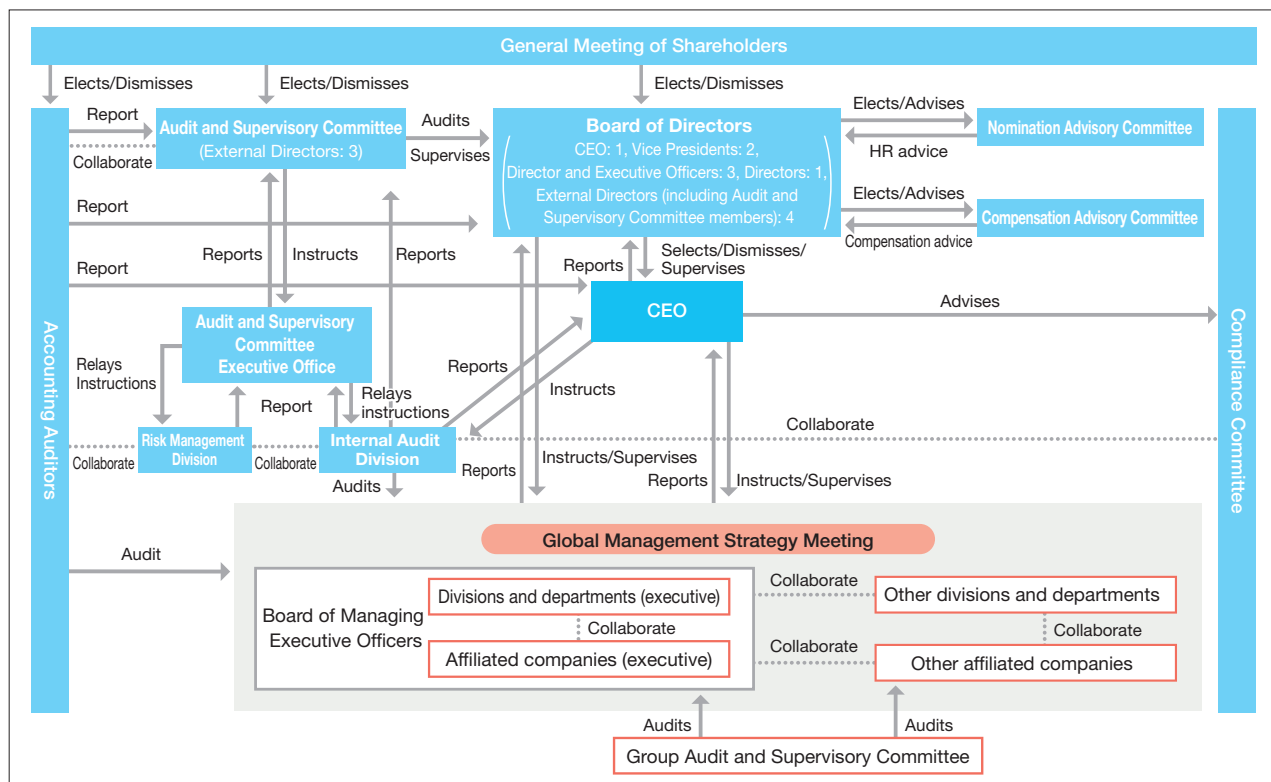
After our company's 46th Annual Shareholders' Meeting on Saturday, June 18, 2016, and with our transition into a company with an Audit and Supervisory Committee, we established a Nominee Advisory Committee and a Compensation Advisory Committee to act as advisors to the board of directors. The Audit and Supervisory Committee is made up of three external auditors, and it audits and supervises the jobs of directors and managing executive officers using our internal audit system. With our transition into a company with an Audit and Supervisory Committee, which serves in an auditing and supervisory capacity, the directors on the committee will participate in board of directors meetings and exercise their votes. In addition, by establishing a Nominee Advisory Committee and Compensation Advisory Committee, we plan to bring enhanced transparency and objectivity to management, strengthen the board of directors' auditing

process, and bring greater speed and efficiency to decision-making regarding the management of our corporate affairs.

THK's board of directors is made up of eight directors, including one external director. (None of these eight directors are members of the audit committee.) There are also three external auditors on the board who, together with those directors, supervise the decision-making and executive actions of directors and executive members regarding major company-wide affairs. THK maintains independence in accordance with the independence standards determined by THK and the Japan Exchange Group. By increasing the number of external directors possessing knowledge and credentials regarding corporate accounting and management from two to four, we show our determination to improve managerial oversight and make our management even more impartial, suitable, and legally sound.

In June of 2014, THK introduced a system of executive officers. We hold executive meetings attended by directors and executive officers, as well as global management strategy meetings, which are attended by executive officers and members from each department and affiliated company. Our different management areas work together to share information and enhance our corporate governance as a company.

Governance Structure



Compliance Structure and Training

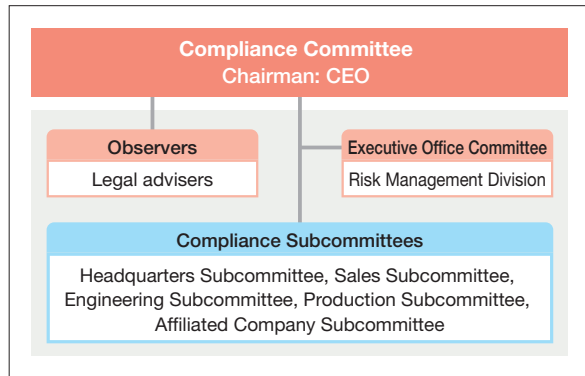
Compliance Committee

The Compliance Committee is headed by our CEO and has been in operation since 2005. This committee receives reports and deliberates on the handling of policies for creating compliance systems, employees who have violated rules, and internal notices. The committee works with legal advisors, who serve as observers, to ensure proper and lawful practices.

Compliance Subcommittee Members

We established compliance subcommittees, which are divided by department, with members selected from each office and region. Members of these subcommittees voluntarily hold information sessions on compliance, act as resources to advise others, and fulfill important roles in maintaining the overall compliance system.

Compliance Structure



Compliance Subcommittee Member Training Classes

In December 2012, in an effort to increase subcommittee group members' knowledge and ability to act regarding legal compliance, we held a class taught by a teacher not employed at THK. Participants held group discussions about why rules get broken and the right way to respond.



Training class for subcommittee members

Training Class in India

In October of 2015, 14 local staff members from THK India Pvt. Ltd. held a training class on compliance. The lectures covered the laws and rules we must follow each day, as well as a discussion of how the trust we win from our customers helps us grow. We received a number of comments about the training. In the words of one individual, "It was an opportunity for me to reexamine myself." Another person remarked, "I learned to feel pride as a THK employee."



Training class in India

Making the Most of e-Learning Materials

In order for employees to learn about the regulations they need to know for their everyday work, we published compliance materials to our internal e-learning environment. In March of 2016, we added new learning materials (13 short-answer problems) about the My Number law/individual identification number system.

Training Classes at Production Facilities

We began holding training sessions for employees working at our manufacturing plants in 2013. In these classes, we used case studies relating to car accident liability, harassment, improper internet conduct, and more, in order to promote understanding of the importance of legal compliance.



THK INTECHS SENDAI Plant training class

Internal Notification System

The THK Helpline internal notification system was established to prevent compliance violations and to enable quick and appropriate action in the event of an executive or other employee committing a violation. There were four cases reported in 2015, and we worked with the necessary departments to handle each case appropriately.

Risk Management and Information Security

BCP

THK has formulated a BCP (business continuity plan) to minimize damage and ensure a rapid business recovery in the event of a disaster such as a large-scale earthquake.

Reducing server risks: THK has reduced the risk we would face in a disaster by separating our core system servers and other main systems from their backups, locating them in two different data centers. We also practice the process of switching over to backups in the event of problems with our main equipment so that we can identify problems and make improvements, ensuring that we will be ready to respond quickly in a worst-case scenario.

Securing equipment against earthquakes: THK has installed stabilizing devices to prevent objects in its places of business—such as all-in-one printers and other office equipment, as well as storage racks for components, tools, and office supplies—from moving or falling over. We have also installed our company's seismic isolation devices beneath our coordinate measuring machines and tool storage racks.

Maintaining daily necessities: In response to the possibility of people being unable to return home after a large-scale disaster, THK has prepared necessities such as drinking water, food, blankets, and portable toilets at all of its places of business. For our plants with many employees, we have also prepared rescue gear, such as stretchers, and equipment that will allow business operations to resume.

Disaster response training: We periodically perform evacuation drills, fire drills, and injured person transportation drills at every place of business. Additionally, we use our safety confirmation system to perform drills for confirming the safety of all employees and use satellite phones to perform drills for communicating information to all employees.

Infectious disease countermeasures: We continuously gather information about infectious diseases occurring overseas, such as avian influenza and MERS (Middle East Respiratory Syndrome), and provide information and warnings as appropriate to employees whose work crosses international boundaries, as well as to employees assigned to or on business trips to international locations. We also distribute masks and disinfectant as necessary.

Information Security

The Information Security Committee, chaired by the CEO, has been in place since 2006. This committee makes decisions concerning policies related to the establishment of an information security system and discusses responses to information security concerns.

In 2015, an internal information security audit was conducted by the Information Security Committee Secretariat at four locations in Japan, facilitating the establishment of an information security system.

In addition, we strive to continuously increase our employees' awareness of and educate them about information security by using the intranet to perform annual information security self-assessments throughout the company. We also endeavor to understand the true condition of information security and make improvements when issues are identified.

By centralizing our management of the information system in one department at our headquarters, THK has maintained above a certain level of security for the entire company and taken measures to prevent accidental information leaks or other incidents. For instance, we keep our antivirus software updated to prevent information leaks due to computer viruses, and we have strengthened our measures to prevent illegal access and transmission. As a means of dealing with targeted e-mail attacks from external sources, we have also introduced a system that detects viruses from external e-mails right before they enter the internal network and prevents their infiltration.

Information Management System

