

Corporate Governance



Governance Structure

With the aim of maximizing THK's corporate value, we strive to make mid- to long-term improvements to our corporate value by bettering our corporate governance.

The executive officer system represents one of our main efforts and has been in place since June 2014. Additionally, after the 46th General Meeting of Shareholders on June 18, 2016, and in conjunction with our establishment of an Audit and Supervisory Committee in place of our Audit and Supervisory Board, we set up a non-mandatory

Nomination Advisory Committee and a Remuneration Advisory Committee to act as advisory bodies to the Board of Directors. In doing so, we have endeavored to bring enhanced transparency and objectivity to management, strengthen the auditing functions of the Board of Directors, and bring greater speed and efficiency to management-related decision-making and the management of corporate affairs.

SUMMARY

▶ Audit and Supervisory Committee

- The directors on the Audit and Supervisory Committee, which serves in an auditing and supervisory capacity, participate in Board of Directors meetings and exercise their votes.
- This committee utilizes internal controls to audit and supervise the work of directors and managing executive officers.

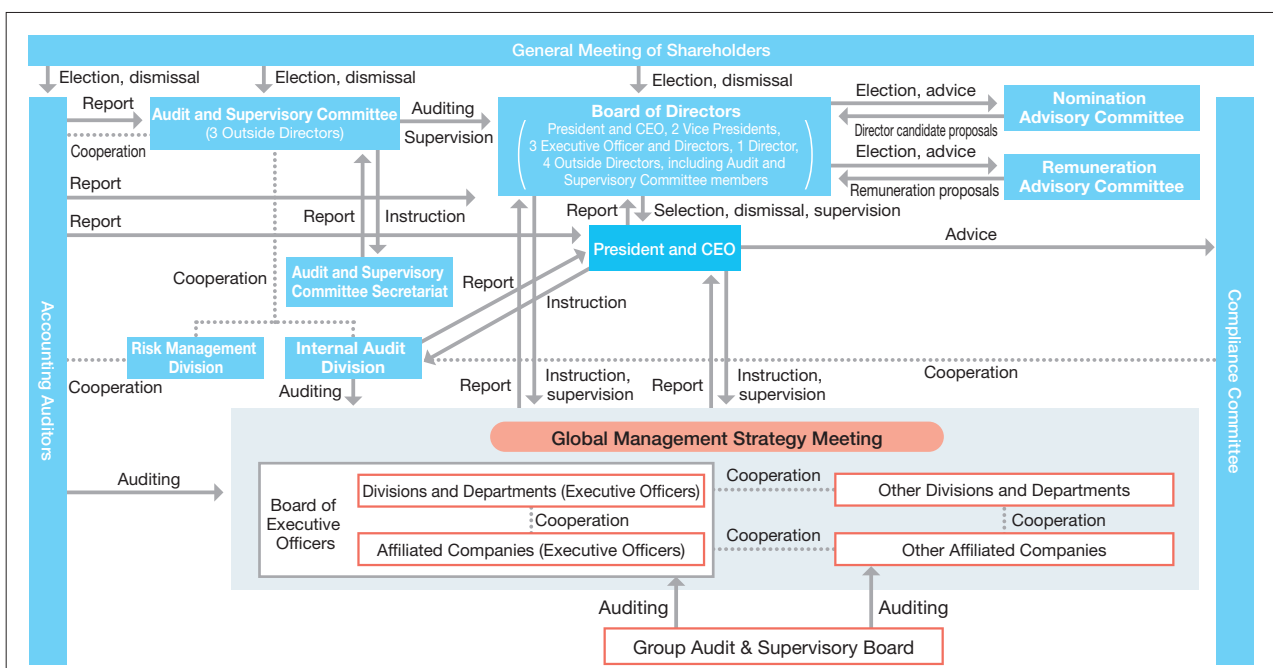
▶ Nomination Advisory Committee and Remuneration Advisory Committee

- To secure greater transparency and fairness, half of the members are outside directors.
- As advisory bodies to the Board of Directors, these committees review and deliberate on director candidates and remuneration proposals. The Board of Directors then deliberates and makes decisions regarding those topics.

▶ Executive Officer System

- This system endeavors to improve the management oversight function of the Board of Directors, clarifies roles and responsibilities relating to the management of corporate affairs, and accelerates operational execution.

Governance Structure



Internal Controls, Intellectual Property, and Information Security



Internal Controls

At THK, we comply with laws and regulations, and we have strengthened our internal controls to serve as a solid base for our management. We have also established the “Regulations for Internal Control over Financial Reporting” and consistently maintain systems to ensure the reliability of financial reporting throughout the entire THK Group in accordance with the Financial Instruments and Exchange Act. The Internal Audit Division’s Internal Control Audit Department evaluates the effectiveness of internal controls, and the Risk Management Division’s secretariat, the Internal Control

Section of the Legal & Risk Control Department, makes improvements based on their findings.

The internal evaluation performed in 2017 found no critical deficiencies requiring disclosure. The final evaluation results were summarized in the internal control report* submitted and disclosed to the Prime Minister (Kanto Local Finance Bureau) in March 2018.

* Due to the change in the fiscal year period in 2017, the report covers the period from April 1 to December 31, 2017.

Intellectual Property

Policy

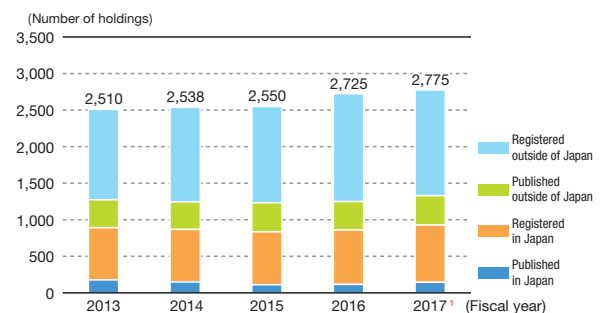
As a company focused on creation and development, we value and promote the creation and full utilization of our intellectual property to continue contributing to the development of our customers around the world and to the creation of an affluent society through the development of innovative products.

By applying for patents and preserving our specialized knowledge, we exercise exclusive rights to our linear motion technology and eliminate imitations.

At the same time, to avoid infringing upon the patents of others in the industry, we work with our planning and development departments to conduct thorough patent searches while still in the development stage, and we internally educate our employees so that they respect the patent rights of third parties to avoid patent infringement.

Through full-scale globalization and other means, we are striving to expand the breadth of our preservation of effective intellectual property rights that contribute to industry.

THK’s Intellectual Property



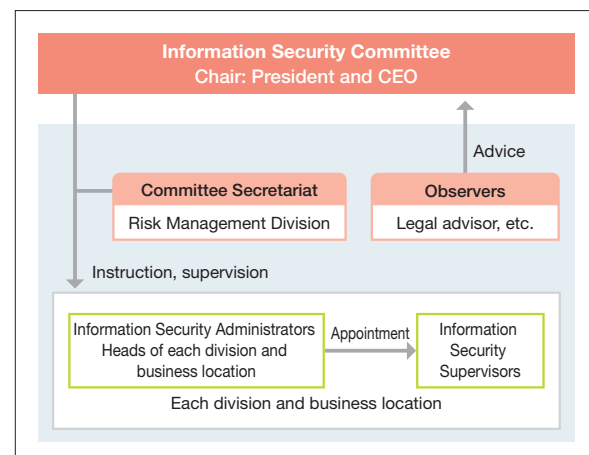
¹ Due to the change in the fiscal year period in 2017, the 2017 data reflects a period from January 1 to December 31, 2017, and the data for prior years reflects a period from April 1 to March 31.

Information Security

The Information Security Committee, chaired by the CEO, has been in place since 2006, and the organization, authority, and roles and responsibilities of its members are clearly defined in the committee’s regulations. This committee makes decisions concerning policies related to the establishment of information security systems, and it deliberates on responses to information security concerns. In 2017, the activities below were conducted to strengthen information security.

Activity	Description
Information security	Internal audits (6 locations in Japan: 2 sales offices, 4 headquarters departments)
	Annual self-evaluation
	Monitoring and updating anti-virus software
	Preventing unauthorized access and transmissions
	Detecting and preventing intrusion of targeted e-mail attacks from external sources

Information Management System



Compliance and Internal Auditing



Compliance

Policy Promote compliance awareness.

To ensure the thorough execution of our policy, we have established various types of programs for our employees to learn how to better follow laws and social norms. Additionally, the Compliance Committee, which is chaired by the CEO and attended by outside directors and a legal advisor, properly approves the annual activity plan and reports on the execution of those activities, as well as on the handling of compliance violations by employees and other matters reported internally.

THK Group Helpline (Internal Reporting System)

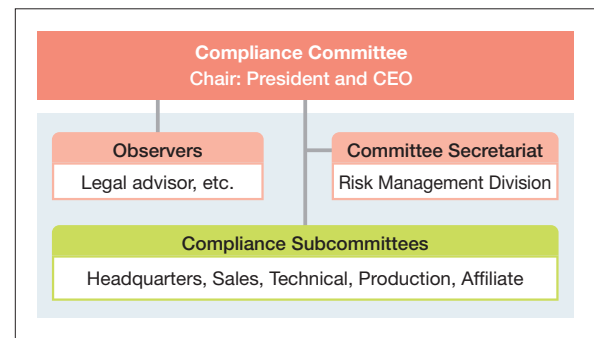
The THK Group Helpline was established to prevent compliance violations and to enable swift detection and action in the event of an executive or other employee committing a violation. There are two internal contacts (the Risk Management Division and Audit and Supervisory Committee) and one external contact (our legal advisor) for reporting. Reports can be made anonymously, and they are confidential. We prohibit any unfavorable treatment of employees on the basis of having made a report. We work with the relevant departments to respond to any reports (including consultations) in an appropriate manner.

Distribution of the “Fundamentals for the THK Group Employees” Booklet

With the aim of helping employees properly execute their everyday duties without losing sight of our mission, “Fundamentals for the THK Group Employees” contains the materials that constitute our CSR policy: our Corporate Philosophy, Corporate Basic Policies, and The THK Group

Action Charter. This booklet is available in a total of 12 languages and is distributed to all employees.

Compliance Structure



2017 Activities

Activity	Description
Training	Compliance subcommittee member seminar (Oct. 2017)
	Seminars at various THK locations (12 sessions)
	Seminars at overseas subsidiaries (2 US and 6 Chinese subsidiaries)
	Providing e-learning materials (Mar. 2018)
Measuring effectiveness	Self-survey on compliance (Oct. 2017)
	Self-survey on information security (Dec. 2017)
Information security audit	Investigation and improvement (6 locations)
Establishing global compliance structure	Investigating appropriate model
Compliance violation awareness	Creating and distributing educational materials using news articles about corporate scandals to raise awareness (once per month)

Internal Auditing

As a matter of basic policy, we conduct internal audits that contribute to management and the departments being audited. Internal auditors monitor the business activities of each department as a group directly reporting to the CEO that is independent from any other department.

The Internal Audit Division carries the dual responsibilities of conducting internal audits and evaluating internal controls.

During internal audits, the business activities of each department and Group company are audited. These audits are generally performed on-site every year, and the results are summarized in an internal audit report and distributed to both management and the departments under audit. In

2017, a total of 70 locations and departments were audited in and outside of Japan.

During evaluations of internal controls, internal controls related to financial reporting are evaluated based on the Financial Instruments and Exchange Act. With the release of internal control reports, management evaluates the effectiveness of internal controls and undergoes an audit by accounting auditors on an annual basis. In 2017, the overall internal controls were evaluated at 20 locations, and the internal controls related to business processes were evaluated at 13 locations.

BCP



Policy

As a company that supports industry around the world, it is our essential social responsibility to minimize any negative impact on society by fulfilling our responsibility to supply parts even in the event of unforeseen disasters.

As a component manufacturer, THK is responsible for supplying parts to customers, no matter the situation. We have 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 (an earthquake registering at least 6 Lower on the seismic intensity scale, or one that brings about significant destruction).

BCP Strategies for a Large-Scale Earthquake

Category	Description
Servers	Maintaining main and backup servers in separate data centers Practicing switching to backup servers in case main servers were to go down (once per year)
Earthquake-proofing	Production facilities: installing equipment to prevent toppling of shelves that hold components, fixtures, and tools Sales offices: installing equipment to prevent toppling of printers, cabinets, etc.
Emergency supplies	All production and sales facilities: potable water, food, sanitary items, emergency supplies, and rescue equipment
Safety drills	Annual drills at all locations Annual satellite phone test

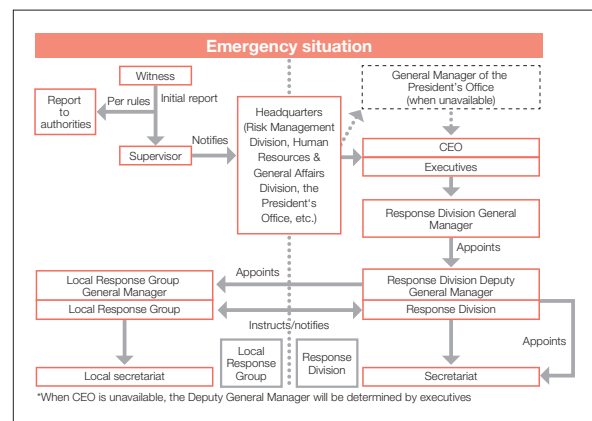
Organizational Structure in the Event of a Major Disaster

In the event of a major disaster, a Response Division will be established immediately, led by the CEO as the general manager, who will appoint a deputy general manager. In the Response Division, the deputy general manager will establish a Local Response Group, appoint a general manager for that group, and issue them instructions. The steps we will follow for recovery after a disaster are: 1) confirm safety of employees, 2) give initial firefighting and evacuation instructions, 3) recover IT systems, 4) determine status of customers, 5) resume production, and 6) contact suppliers.

At the time of the Great East Japan Earthquake, due to risks from aftershocks and radioactive contamination from the Fukushima power plant, we set up some of our headquarters functions at the Gifu plant. Based on the results, we established work space and IT infrastructure at the Gifu plant and the Nagoya branch (with a plan to move to the Yamaguchi plant in case of danger in the Chubu region) to use in the event of an interruption of operations at the headquarters (in the form of risks of radioactive contamination or a lengthy recovery period for electricity, gas, water, trains,

or roadways). Additionally, each sales office and production facility is equipped with rescue equipment, disaster prevention supplies, devices to receive and transmit information, and three days' worth of supplies and emergency drinking water for those who cannot return home.

Process Flow for Emergency Situations



Equipment at the New Headquarters

In October 2017, we relocated our headquarters to Shibaura in the Minato ward of Tokyo. Understanding the importance of having a BCP, we took the following items into consideration:

1. Seismic isolation and damping systems (incorporating five THK Linear Re-Circulating Guide CLBs and eight Viscous Damping System RDTs)
2. Emergency generators (able to supply power for 45 hours)
3. Measures in case of tsunamis or liquefaction

4. Emergency supplies warehouse (seven days' worth of food and water)

In addition to making our new headquarters more earthquake-proof, we have taken headquarters departments that were previously separate (including the TALK SYSTEM and INTECHS headquarters) and centralized them in one location, strengthening the ability of our headquarters operations to continue functioning in case of a disaster.