Management Structure

Corporate Governance

With the aim of maximizing THK’s corporate value, we strive to make medium- to long-term improvements to our corpo-
rate 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-re-

lated 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.

Internal Audit, Internal Controls, and Information Security

Internal Audit

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.

During internal audits, the business activities of each

department and Group company are audited. These audits are

summarized in an internal audit report and distributed to

both management and the departments under audit.

In 2018, a total of 71 locations and departments were

audited in and outside of Japan.

Internal Controls

We have established and properly enforce our internal con-

trol policy to ensure that each THK employee complies with

laws and the articles of incorporation as we maintain sound

and transparent operations and achieve our corporate

philosophy.

We have established the “Regulations for Internal Control

over Financial Reporting” to comply with the internal con-

trol reporting system, which is based on the Financial

Instruments and Exchange Act. In accordance with the basic

framework outlined in the Financial Services Agency stan-

dards, we have established and enforce the “Regulations for

Internal Control over Financial Reporting,” and we improve

them as necessary.

Furthermore, the internal evaluation performed in 2018

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 2019.

Information Security

Information Security Management

The Information Security Committee, chaired by the CEO,

has been in place since 2006, to establish information security systems. This committee makes

decisions concerning policies related to the establishment of

information security systems, and it deliberates on responses to

information security concerns.

In 2018, the activities below were conducted to strengthen

information security.

GDPR Compliance

The GDPR (General Data Protection Regulation) is a new

framework for protecting the personal information of indi-

viduals living within the European Economic Area (EEA) and

governs the processing and transferring of such data. At

first glance, the GDPR may seem irrelevant outside of the

EEA. However, because of corporate globalization, Japan

and many other countries outside of the EEA are affected.

To understand how personal information was being pro-

cessed and transferred at our locations in Japan and the

EEA, we closely examined the areas that handle relevant

information. Based on the results, we established a privacy

policy and internal rules that comply with the GDPR. We

have established a global framework for protecting per-

sonal information and properly manage the information we

possess based on our policy and rules.

*Processing: Any act done to personal information (collecting, storing, disclosing,

  viewing, deleting, etc.)

*Transferring: Moving the personal information of EEA residents out of the EEA

<table>
<thead>
<tr>
<th>Activity</th>
<th>Description</th>
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<tbody>
<tr>
<td>Training</td>
<td>Providing online training about personal information</td>
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<tr>
<td>Sending our alerts</td>
<td>Sending information about e-mail scams</td>
</tr>
<tr>
<td>Surveying and analyzing current conditions</td>
<td>Internal information security audits (4 locations in Japan)</td>
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<tr>
<td>Measuring results</td>
<td>Self-survey on information security</td>
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<tr>
<td>GDPR compliance</td>
<td>Information session for staff in charge</td>
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<tr>
<td>Monitoring and updating anti-virus software</td>
<td>Data mapping and checking for compliance</td>
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<tr>
<td>System countermeasures</td>
<td>Establishing a privacy policy and internal rules</td>
</tr>
<tr>
<td>GDPR reporting</td>
<td>Appointing a DPO (Data Protection Officer)</td>
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<tr>
<td>GDPR reporting</td>
<td>Monitoring and updating anti-virus software</td>
</tr>
<tr>
<td>GDPR reporting</td>
<td>Preventing unauthorized access and transmissions</td>
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<tr>
<td>GDPR reporting</td>
<td>Detecting and preventing intrusion of targeted e-mail attacks from external sources</td>
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Compliance Structure and Security Export Control

Compliance Structure

Thoroughly instill compliance awareness and create a work environment that does not allow wrongful acts.

Compliance Committee

The Compliance Committee is headed by our CEO and convenes four times a year. This committee, which is 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.

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

With the aim of helping employees always properly execute their 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 (creating value and contributing to society, being customer-oriented, and compliance with laws and regulations), and The THK Group Action Charter (ten principles of behavior). This booklet is available in a total of 12 languages and is distributed to all employees.

THK Group Helpline (Internal Reporting System)

The THK Group Helpline was established to prevent compliance violations and to enable quick and appropriate action in the event of an employees 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 we faithfully enforce our rules ensuring confidentiality regarding their contents and prohibiting unfavorable treatment on the basis of having made a report. There were nine cases reported in 2018, and we worked with the necessary divisions to handle each case appropriately.

Security Export Control

We use our intrainet to promptly issue parameter sheets and grant permission for service transactions. In consultation with the Ministry of Economy, Trade and Industry and CISTEC, we carefully examine transactions involving items with special applications and those for which Appendixed Table 1 of the Export Trade Control Order and the Appendixed Table of the Foreign Exchange Order apply to.

Risk Management Committee and BCP

Risk Management Committee

We facilitate assertive governance with elements of bold risk-taking.

Policy

THK has established a risk management structure that anticipates future circumstances, enabling management to take appropriate risks by identifying, analyzing, and responding to conceivable risks from the perspective of management and the company as a whole.

Risk Management Committee

The Risk Management Committee convenes annually and is headed by the CEO. The committee, which is attended by outside directors and legal counsel, approves the annual activity plan and works to establish, promote, and maintain the risk management structure by controlling risks throughout the entire Group.

2018 Activities

<table>
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<tr>
<th>Activity</th>
<th>Purpose</th>
<th>Description</th>
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| Training         | Providing illegal and wrongful acts that would significantly impact operations | + Compliance sub-committee member seminar (July)  
+ New hire training (April)  
+ Seminars at various THK locations (9 sessions)  
+ Seminars at business partner locations (5 sessions)  
+ Seminars at overseas subsidiaries (3 European subsidiaries)  
+ Providing e-learning materials (2 topics) |
| Establishing global compliance structure | Global collaboration in compliance-related work | + Supporting establishment of a compliance committee for Chinese subsidiaries |
| Compliance violation awareness | Improving knowledge and awareness of compliance | + Creating and posting materials to increase awareness via articles about scandals, etc. (12 postings) |
| THK Group Helpline awareness | Improving familiarity with THK Group Helpline | + Introducing THK Group Helpline via internal newsletter (3 times) |

BCP

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.

Policy

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 6.5 on the seismic intensity scale, or one that brings about significant destruction).

BCP Strategies for a Large-Scale Earthquake

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| Servers           | + Maintaining man 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  
+ Safety offices: installing equipment to prevent toppling of prints, 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 tests |