



Management system

A company must grow with society. In its business activities, THK pursues the principle of contributing to the creation of an affluent society. In accordance with its corporate philosophy, THK has practiced CSR through its core business ever since the company was founded; THK's corporate philosophy embodies the awareness that a company has to grow together with society. Today, corporate social responsibility is more important than ever. Accordingly, THK has been reexamining its past efforts and reviewing its approach, to once again ensure that employees conducting THK business are acutely aware of CSR.



Management

Corporate governance

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Please describe the basic concept of corporate governance.

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THK's basic approach to corporate governance is to strive to improve the transparency of its operations for shareholders and investors and provide appropriate and effective management to maximize shareholders' returns.

Governance system

THK's operations are managed and controlled by its Board of Directors; Board of Auditors, which includes external auditors; and Accounting Auditor. THK is striving to increase the transparency of its operations and improve oversight of management to ensure that business goals are attained, in order to continually enhance its corporate value. THK has established an Internal Audit Office, an independent entity under the direct jurisdiction of the CEO, to evaluate the faithful performance of business duties, management efficiency, and the adequacy of THK's internal controls.

Internal controls

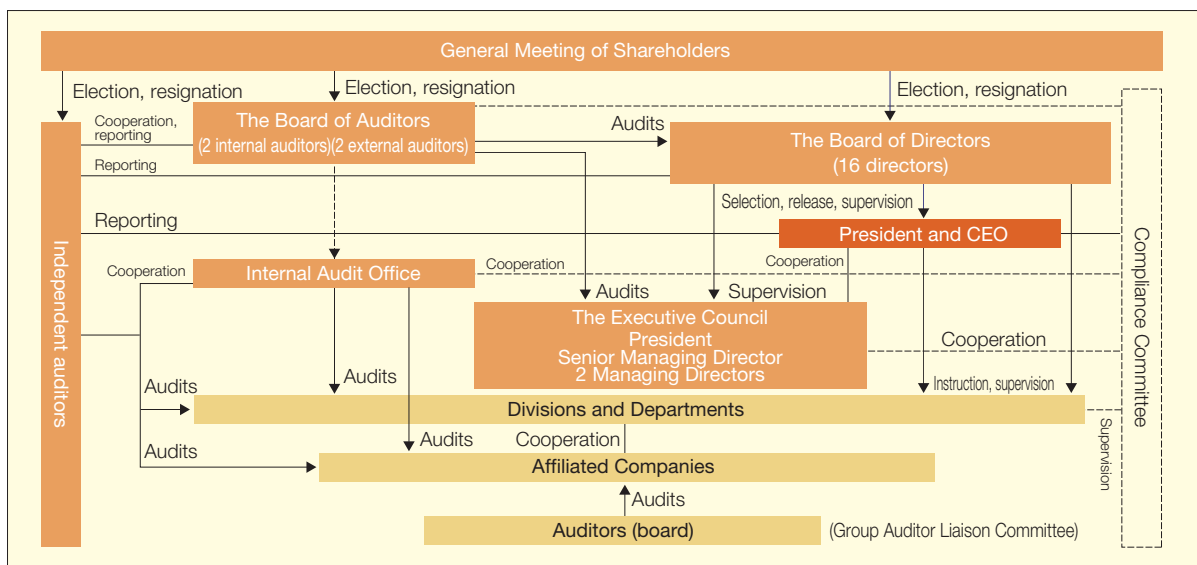
THK is implementing measures to reinforce internal controls for the purpose of further solidifying its management infrastructure, in full compliance with legal requirements. In accordance with the system for planning and establishing internal controls set up in 2006, THK launched an internal controls project in fiscal 2006 and has developed a system for ensuring the reliability of financial reporting. THK's internal controls project is based on Japan's Financial Instruments and Exchange Law, and is being implemented throughout the entire corporate group, including subsidiaries and affiliates. The internal evaluations conducted in fiscal 2008 revealed no significant deficiencies; the report of internal control was submitted to the Prime Minister of Japan (via the Kanto Finance Bureau of the Ministry of Finance) for public disclosure.

Security-related trade controls

Reports of threats to the security of the international community appear in the news virtually every day, and demands for more stringent implementation of security-related trade controls are increasing. Amid the increasingly fluid interactions brought about by globalization and the rise of information technology, there is growing concern over exports of goods and technology that could adversely affect security. THK's Security Export Control Department, part of the Risk Management Division, continually monitors revisions to relevant laws and regulations, keeps all THK Group companies up to date about their legal responsibilities, and establishes the necessary internal procedures to rigorously enforce all security-related trade controls. Employees responsible for security-related trade controls at individual sales offices are required to attend a Security Export Control Seminar presented by the Ministry of Economy, Trade and Industry, to enable them to better educate other employees about export controls; 18 branches took part in the seminar in fiscal 2008.

Workshops are held for production department employees to help them better understand security-related trade practices and help ensure compliance with all legal obligations. THK also uses its website to improve service and make sure customers receive prompt and accurate information about the applicability of trade controls. THK promptly issues documentation required by customers seeking to export their products.

■ Governance framework



Compliance

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Please describe THK's efforts in the area of compliance.

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In order to continue to be a company fully deserving of society's trust, THK is establishing a strong system designed to ensure thorough compliance and provide employees with ongoing training and education.

Compliance system

Since 2005 THK has had a standing Compliance Committee, chaired by the CEO. The Compliance Committee discusses and approves all compliance-related policies, rules and regulations, and training programs, and deals with compliance violations and internal reporting. A Compliance Panel has been established under the committee's jurisdiction, with representation from each business department. A Compliance Panel member is assigned to each area and business location to organize regular workshops presided over by specialists, promote the compliance system, and serve as a consultant and liaison.

An internal "THK helpline" has been set up to help deter board members and employees from committing compliance violations and help ensure that appropriate actions are taken quickly if a violation occurs. These services are being publicized to make them better known throughout the corporation.

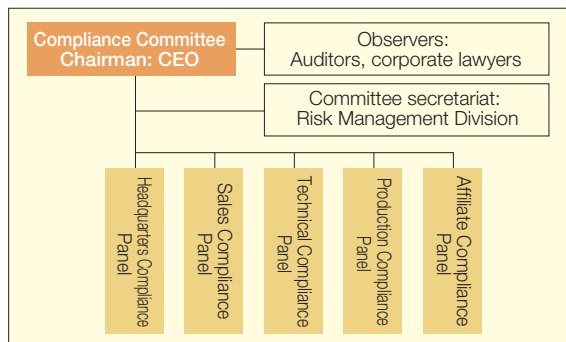
es, an in-company educational tool, to help employees become more aware of compliance in their daily work. In March 2008 eight new compliance-related case studies were added, bringing the total to 23. The materials include 48 drill-type study questions; over time, more questions will be added.

* e-learning: The use of educational materials available via computer



▲ Compliance Panel members take part in a study session.

Compliance system



Training and educational activities

To further promote compliance THK has introduced educational activities for supervisory staff (assistant managers, group leaders, and team leaders). As of February 2008, 441 production facility employees, including employees at affiliated companies, had completed these activities. Compliance-related training for general employees has also been added; 817 employees had received such training as of April 2009.

In December 2008 Compliance Panel members began attending regular study sessions, conducted by a visiting lecturer (a corporate lawyer), dealing with issues such as leaking of classified information, insider trading, sexual harassment, and power harassment.

THK has also introduced educational materials concerning compliance into its e-learning* resourc-

Distribution of "We use rear seat belts" stickers

The revised Road Traffic Act, which went into effect in June 2008, requires that all automobile passengers, including those in rear seats, wear seat belts. To ensure that this law is obeyed and to protect the lives of its customers and employees, THK has issued a notice to all group companies urging that drivers make sure back-seat passengers fasten their seat belts and reminding people riding in the back to always wear seat belts.

To encourage the use of rear seat belts in private vehicles, THK has distributed "We use rear seat belts" stickers, supplied by the Japan Automobile Federation, to all of its employees.

Eliminating drunk driving

Drunk drivers now face severe legal penalties. To help eliminate drunk driving, THK revised its employment regulations in September 2008 to make drunk driving a cause for punitive dismissal. THK has also established standard procedures for disciplinary measures to be taken against drunk driving and has publicized these throughout the corporation.

Risk management and information security

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Please provide some examples of risk management in action.

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THK has systems in place to minimize damage in the event of a disaster and has also instituted various information security measures, which are actively implemented.

Commitment to Business Continuity Plan

In September 2008 officials at THK's KOFU Plant, assisted by an outside consulting firm, began formulating a BCP* to prepare for the possibility of a major earthquake or other disaster. The plan is expected to be completed in fiscal 2009, and similar plans will be created for THK's other plants in Japan over time. As part of these efforts, THK installed seismic isolation tables at the KOFU Plant in July 2008 and at its YAMAGUCHI Plant in December 2008 to protect IT equipment from being damaged in an earthquake. All five THK plants in Japan now have seismic isolation tables installed, and THK Group companies throughout Japan are expected to have them installed over the course of fiscal 2009.

THK plants in Japan have established a system for rapidly ascertaining the safety of employees in the event of a disaster. Under the system, when an earthquake or other disaster occurs, a voice or e-mail message is sent to each employee's preregistered mobile or stationary telephone number or e-mail address; the employee responds by indicating whether he or she, and any family members, are safe, and whether he or she can report to work. This will enable THK to quickly determine the status of all employees and rapidly formulate a plan for recovery and the resumption of business activities.

* BCP: Business Continuity Plan

Countermeasures against the influenza A (H1N1) virus

To protect the health of its employees and help ensure business continuity in the event of the further spread of the influenza A virus, in February 2009 THK issued a manual prescribing countermeasures against the influenza A virus. The manual specifies measures to be taken and supplies to be prepared and provides for employee education to be conducted in advance of the spread of the influenza A virus. The manual also sets forth business continuity procedures to be followed in the event of a pandemic. THK is currently making the prescribed advance preparations. In addition to the manual, THK has also prepared educational materials explaining countermeasures that individual employees can take and is conducting an in-house educational campaign to increase knowledge and raise awareness about the influenza A virus.

THK also maintains a stock of masks, disinfectants, and other supplies to help prevent the influenza A virus from spreading, and encourages employees to keep such items on hand.

In April 2009 the World Health Organization raised

its pandemic alert for the influenza A (H1N1) virus to phase 4. In response, THK set up a task force headed by its CEO, as prescribed by the influenza A virus manual. Overseas business trips are being discouraged, and employees who travel abroad in their private time are required to have their health monitored by a supervisor for a specified period following their return to Japan. At business locations in heavily affected areas of Japan, employees have been instructed to take all possible measures to prevent the spread of influenza, including wearing masks when commuting, washing their hands with care, and gargling. Before entering these business locations, visitors are asked to wash their hands with disinfectant to help prevent influenza from being transmitted to THK employees.

Information security system

THK has initiated internal audits of its information security system, at the behest of the Information Security Committee secretariat. In fiscal 2008 internal audits were conducted at four locations: the YAMAGATA Plant, the MIE Plant, the OSAKA Branch, and the NAGOYA Branch. Whenever an audit reveals a problem, instructions are issued for improvements to ensure strict observance of company regulations concerning information security.

To further educate employees about information security, THK provides educational activities for supervisory staff (assistant managers, group leaders, and team leaders); as of January 2009, 94 sales division employees had completed these activities. Information security training for general employees has also been introduced.

Information management system

