

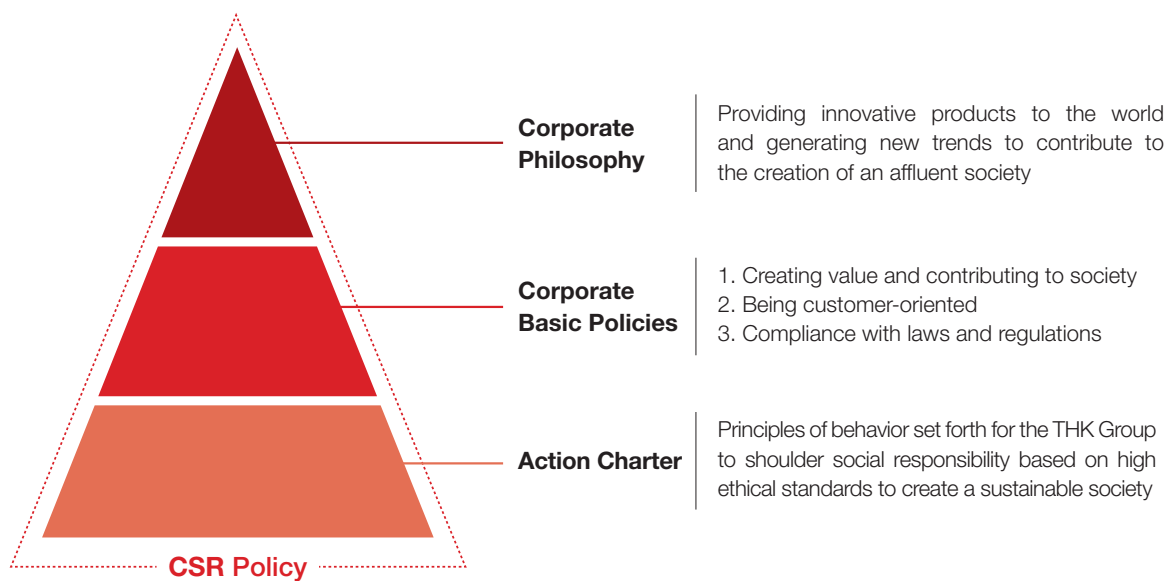


THK Sustainability Report 2021



CSR Policy

We endeavor to improve our long-term corporate value with our CSR policy, which is founded on our Corporate Philosophy that represents our entrepreneurial spirit, our Action Charter that serves as a guide for our actions, and the Corporate Basic Policies that we must follow as we perform our duties.



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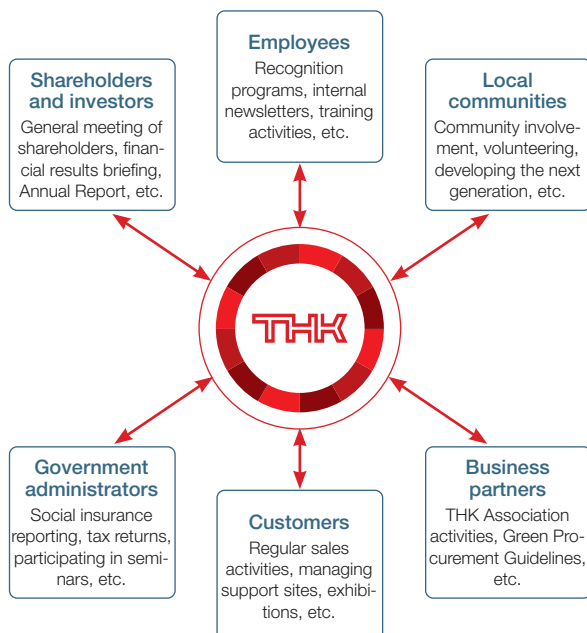
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Reporting Period This report covers activities performed during and around the period of January 1, 2020, to December 31, 2020. The time period included in specific data is noted in each section. Furthermore, we plan to publish this report every year in September, and the Sustainability Report 2020 was published in December 2020.

Scope This report covers THK CO., LTD., and its consolidated and unconsolidated subsidiaries. The scope of data in the environmental section is noted in that section.

References This report was prepared in accordance with the GRI Standards and the Ministry of the Environment's "Environmental Reporting Guidelines" (2018).

How THK Connects with Stakeholders



THK Has Signed the UN Global Compact

THK signed the UN Global Compact in February 2020. The UN Global Compact is an initiative based on universal principles regarding human rights, labor, the environment, and anti-corruption, and it calls for corporations and organizations to take sound, responsible actions to achieve sustainable growth for society. In support of this initiative, we will contribute to sustainable growth for society through our global business activities.



Working to Create an **Affluent Society** With Pride as an Essential Business



THK CO., LTD. President and CEO
Akihiro Teramachi

寺町 彰 博

Coronavirus Response

I would like to express my sympathies for everyone stricken by the coronavirus, and I hope for your swift recovery. I also offer my sincere condolences for the lives that have been tragically lost. At the same time, I would like to share my deepest gratitude to medical professionals for their selfless devotion to the care of their patients.

At THK, we launched our coronavirus response task force in early February 2020, working quickly to determine thorough internal precautions to allow us to fulfill our role as an essential business by continuing to supply customers with products. We asked a lot of our employees and their families, but thanks to everyone's cooperation with our requests to avoid going out in public unnecessarily and to follow other safety measures, we were able to maintain our supply structure even during this time of crisis. I believe it will take some time before we are able to return to more peaceful days, but we will strive to operate our business in a sound manner that is healthy for both mind and body as all of us proudly continue to face this difficult situation and fulfill our duty as an essential business. In any case, I hope we will quickly see an end to this crisis gripping the world.

Reflecting on 2020

As I mentioned, the coronavirus has thrown everything into chaos over the past year. Due to the spread of the coronavirus, the world has faced the greatest economic crisis since the Great Depression. In this environment, we saw low demand for our industrial machinery business everywhere except China, which quickly reopened its economy in spite of the pandemic. In our automotive and transportation business, we faced a series of automotive manufacturer shutdowns mainly from April to June. While this had a significant negative impact on our business performance, it did provide great momentum to CASE¹ and MaaS.²

Viewing This Adversity as an Opportunity

While the future is still clouded in uncertainty, we anticipate that recent advancements in technologies such as AI and the IoT will drive medium- to long-term demand growth in electrical and electronic fields, especially regarding semiconductors and sensors. The pace of automation and robotization is also picking up in areas like the service industry, and it will likely be propelled even further by the increased need for contactless service, particularly from the coronavirus pandemic. Furthermore, we anticipate that the major surge in electric vehicles will spur a revolution in the existing supply chain. In this way, our business opportunities will continue to grow over the medium to long term. In order to soundly seize these opportunities and continue to grow, it is crucial that we pour even greater effort into our *change in business style* growth strategy in addition to *full-scale globalization* and the *development of new business areas* so that we will generate a new user experience and expand the scope of our business.

Even before the pandemic, we launched Omni THK, a virtual platform for communicating with customers, and introduced OMNIedge, an IoT service that helps improve customers' productivity. We have also developed various types of remote and contactless robots during the pandemic. By developing products that meet the needs of the present, we are actively working to realize CSV³ and achieve the SDGs.

Furthermore, while we are working to accelerate our business processes by promoting DX (digital transformation) activities, we are also performing the kind of talent development required for the digital age as it becomes increasingly critical to hone employee intuition and generate new systems that only people can carry out.

Celebrating 50 Years

In April 2021, THK celebrated its 50th anniversary. Under our growth strategy of a *change in business style*, we will continue to promote efforts such as the THK DX Project, Omni THK, and OMNIedge in order to build a strong foundation that will enable us to adapt and continue to grow even in times of great change in our external environment. Furthermore, in order to further improve our corporate value, all of us at THK will bring together the knowledge we have cultivated over the years and work as one to meet everyone's expectations in our pursuit of achieving a sustainable and affluent society.

¹ CASE stands for Connected, Autonomous, Shared & Services, and Electric.

² MaaS, which is short for "Mobility as a Service," refers to IT-based systems that make transportation more efficient and convenient to use.

³ CSV is an abbreviation of "creating shared value." This is a strategy of using a company's strengths to solve social challenges and lead to sustained corporate growth.

About THK

We manufacture and supply vital machine components around the world. THK products help to convert slippage into controlled rotary motion, enabling parts of machinery to move smoothly, easily, and precisely with linear motion. To fulfill our responsibility of providing these products to the world, we have established an integrated production and sales structure of 122 sales offices and 37 production facilities located close to centers of demand in order to produce and sell locally in four regions: Japan, the Americas, Europe, and Asia. The following pages provide more details about our locations and main products manufactured in each region.

Trade name: THK CO., LTD.

Established: April 10, 1971

Headquarters: 2-12-10 Shibaura, Minato-ku, Tokyo
108-8506, Japan

Opening dates

¹ Representative office

² Affiliate

Europe

Opening dates

	Sales office	Production facility
Ireland	—	8/1992
England	7/1989	—
Sweden	9/1998	—
Netherlands	12/2008	—
Germany	10/1982	8/2015
France	8/1993	2/2000
Spain	2/2000	—
Italy	9/1991 ¹	—
Austria	3/1999	—
Czech Republic	4/2008	8/2015
Turkey	9/2006	—

Production

Facility	Products
THK Manufacturing of Europe S.A.S.	LM Guide, ball screws, etc.
THK Manufacturing of Ireland Ltd.	Ball screws, etc.
THK RHYTHM AUTOMOTIVE GmbH	Automotive parts
THK RHYTHM AUTOMOTIVE CZECH a.s.	Automotive parts

China

Opening dates

	Sales office	Production facility
China	8/1993 ¹	3/1996

Production

Facility	Products
DALIAN THK CO., LTD.	Ball screws, actuators, etc.
THK MANUFACTURING OF CHINA (WUXI) CO., LTD.	LM Guide, etc.
THK MANUFACTURING OF CHINA (LIAONING) CO., LTD.	LM Guide, etc.
THK MANUFACTURING OF CHINA (CHANGZHOU) CO., LTD.	LM-related parts, unit products
THK RHYTHM CHANGZHOU CO., LTD.	Automotive parts
THK RHYTHM GUANGZHOU CO., LTD.	Automotive parts

Asia and Other

Opening dates

	Sales office	Production facility
South Korea	5/1999 ¹	10/1991 ²
Taiwan	1/1989	—
Singapore	12/2006	—
Thailand	5/2010	7/2007
Vietnam	—	9/2008
Malaysia	—	7/2011
India	10/1997 ¹	—

Production

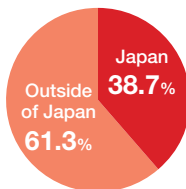
Facility	Products
THK RHYTHM (THAILAND) CO., LTD.	Automotive parts
THK RHYTHM MALAYSIA Sdn. Bhd.	Automotive parts
THK MANUFACTURING OF VIETNAM CO., LTD.	LM Guide, slide rails
SAMICK THK CO., LTD.	LM Guide, etc.



Net Sales (Billions of Yen)

218.9

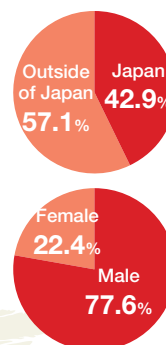
Japan	84.6
China	34.0
Asia and Other	16.5
Europe	37.6
The Americas	46.0



Employees (Individuals)

12,914

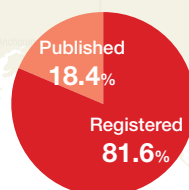
	Male	Female
Japan	4,705	831
China	2,008	764
Asia and Other	460	290
Europe	1,468	495
The Americas	1,376	517



Intellectual Property (Holdings)

2,874

	Registered ¹	Published ²
Japan	749	159
China	318	50
Asia and Other	481	105
Europe	403	172
The Americas	394	43



¹ Registered: Industrial property rights for which a patent was granted and continues to be held.

² Published: Industrial property rights that were published after filing a patent application and continue to be held, but for which a patent has not yet been granted.



Facilities

167

	Sales	Production	Development	Management companies	Financial subsidiaries
Japan	49	12	1	—	—
China	30	6	1	1	—
Asia and Other	23	9	—	—	—
Europe	12	4	1	1	2
The Americas	8	6	—	1	—

Japan

Production

Facility	Products
Yamagata Plant	LM Guide, ball screws, actuators
Kofu Plant	Ball screws
Gifu Plant	LM Guide
Mie Plant	Cross-roller rings
Yamaguchi Plant	LM Guide
THK INTECHS CO., LTD. (Sendai, Mishima)	Machine components, machinery
THK NIIGATA CO., LTD.	Ball splines, etc.
THK RHYTHM CO., LTD. (Hamamatsu, Inasa, Kyushu)	Automotive parts
NIPPON SLIDE CO., LTD.	Slide rails
THK PRECISION CO., LTD.	High-precision positioning stages

The Americas

Opening dates

	Sales office	Production facility
Canada	5/1994	8/2015
USA	3/1981	8/1997
Mexico	—	2/2012
Brazil	10/1993	—

Production

Facility	Products
THK Manufacturing of America, Inc.	LM Guide, special bearings, etc.
THK RHYTHM NORTH AMERICA CO., LTD.	Automotive parts
THK RHYTHM MEXICANA, S.A. DE C.V.	Automotive parts
THK RHYTHM AUTOMOTIVE MICHIGAN CORPORATION	Automotive parts
THK RHYTHM AUTOMOTIVE CANADA LIMITED (Tillsonburg)	Automotive parts
THK RHYTHM AUTOMOTIVE CANADA LIMITED (St. Catharines)	Automotive parts

Automotive parts: Linkage and suspension parts (primarily suspension links, ball joints, tie rod ends, and stabilizer links) that support the basic car functions of driving, turning, and stopping.

Coronavirus Precautions and Value Creation

Fighting Against an Invisible Enemy

In 2020, the entire world waged a battle against the coronavirus. As we are a company with a global footprint, experiencing the spread of the virus in China drove us to take immediate action.

The battle later shifted to our other locations in Japan and abroad, but we were persistent in our efforts to prevent the spread of the virus among THK Group employees, maintain our operations, and continue our provision of products and services to all our customers. With a sense of responsibility and pride as an essential business, we instituted various measures to achieve this goal.

The “Value Creation” section in this year’s report describes our battle against the invisible enemy and the results of our efforts.

1 Challenges Facing Society

Environmental issues

Economic inequality

Gender inequality

Infectious diseases

Disasters

Compliance

Labor shortages

2 Investment Capital

Manufacturing capital

- Production facilities: 12 in Japan / 25 outside of Japan

Intellectual capital

- R&D expenses: ¥4,976 million
- R&D facilities: 1 in Japan / 2 outside of Japan
- Intellectual property: 908 in Japan / 1,966 outside of Japan

Human capital

- Employees: 3,957 (Consolidated: 12,914)
- Female employees: 15.1% (Consolidated: 22.4%)
- Consolidated ratio of employees outside of Japan: 57.1%

Operating capital

- Sales offices: 49 in Japan / 73 outside of Japan

3 Primary Impacts of the Coronavirus on THK’s Business

Reduction in revenue

- 2020: ¥218.9 billion (-20.2% year-on-year)

Sales activities

- Prohibited domestic and international business travel (transitioned to virtual sales activities and technical meetings)
- Closed headquarters showroom
- Prohibited visitors
- Facility shutdown in China
- Suspended exhibitions (transitioned to online events)

Production activities

- Industrial machinery business: Operations suspended in China (from end of Chinese New Year holiday to mid-February) and part of Europe (mid-March to mid-April)
- Automotive and transportation business: Impacted by automotive manufacturer shutdowns mainly from April to June

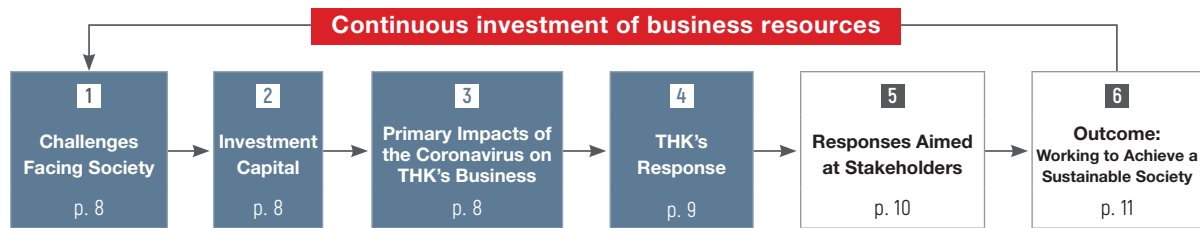
Shareholders

- Suspended exhibition that accompanies the General Meeting of Shareholders

Employees

- Coronavirus cases
- Canceled ceremony for new hires

(As of December 31, 2020)



4 THK's Response

Established coronavirus response task force on February 3

Head: President Teramachi

Members: Heads of each department/location
(including Chinese branches)

Meetings held: 226 (continuing from 2020 into 2021)

Format: Hybrid virtual and in-person participation in a headquarters meeting room to maintain social distancing

Feb. 28th

Began remote work trial

Excluding factories, 90% of employees were working from home as of March 27.

Mar. 3rd

Began operating value teams of staff essential for business continuity

Teams of primarily office staff (international sales, material purchasing, accounting, systems, engineering, etc.) essential for business continuity were split between the headquarters and Technology Center as they continued their work in order to ensure backups. Team members used a separate building entrance and stayed at a nearby hotel to walk to work.

CEO sent a message to employees in Japan

The message thanked everyone for their help in preventing infections and issued a warning.

Apr. 8th

CEO sent a message to all employees

The message mainly discussed measures to prevent infections and keep the business running.

May 26th

Developed thermometric robot (installed in headquarters lobby)

Jun. 10th

Directed headquarters and Technology Center staff to gradually return to the office (50% max.)

Employees working from home were also directed to watch their health.

Jul. 14th

Reinforced staying at home

With the resurgence in cases in major cities, employees were urged to refrain from going out to eat, etc.

21st

Increased remote work ratio

Due to the second wave of infections, the ratio of people working from home was increased.

Aug. 5th

Encouraged the use of a contact tracing app

Oct. 20th

Called attention to reducing risk of infection

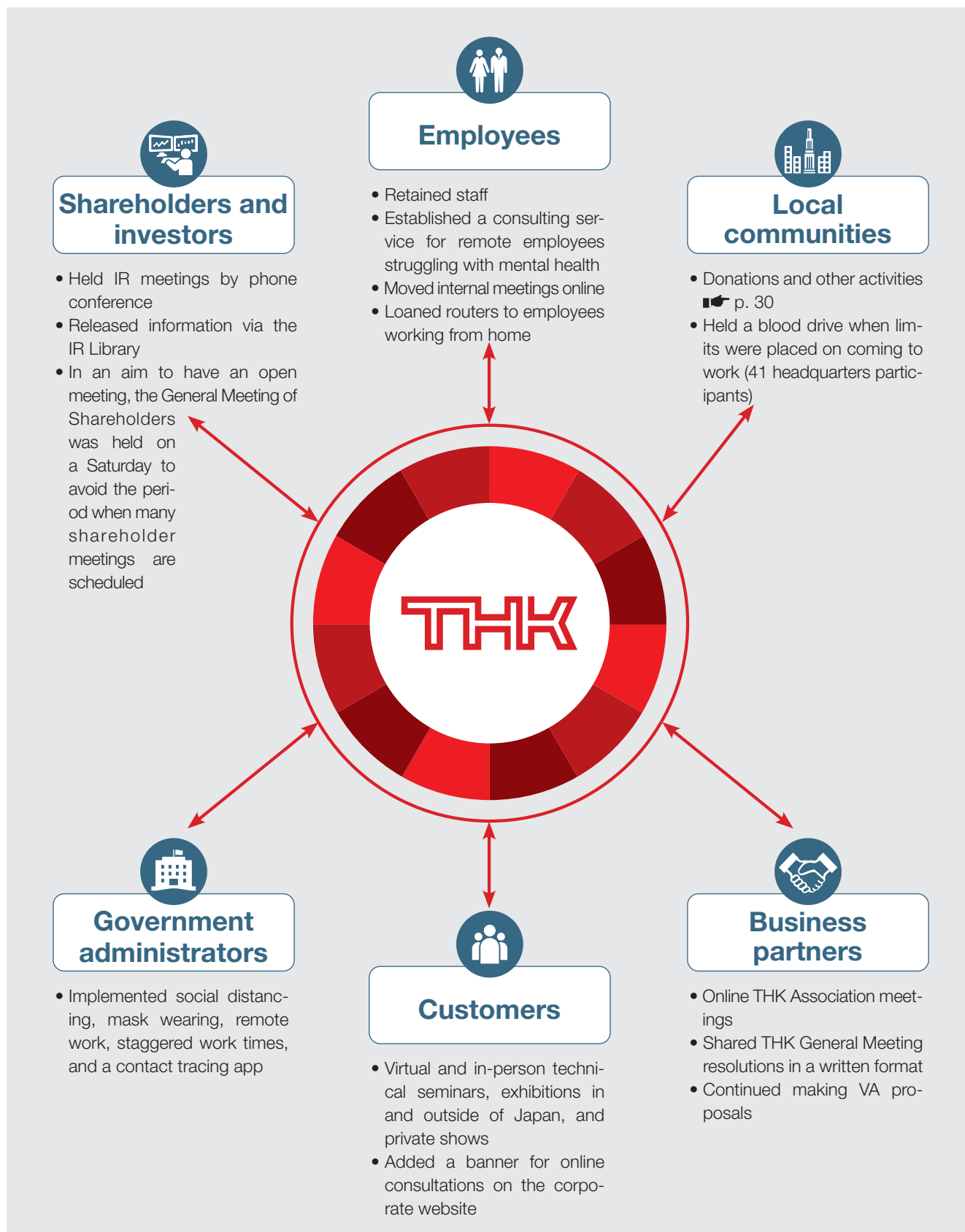
Based on a supercomputer (Fugaku) simulation of how droplets spread, attention was called to reducing the risk of infection by ensuring humidity, ventilation, etc.

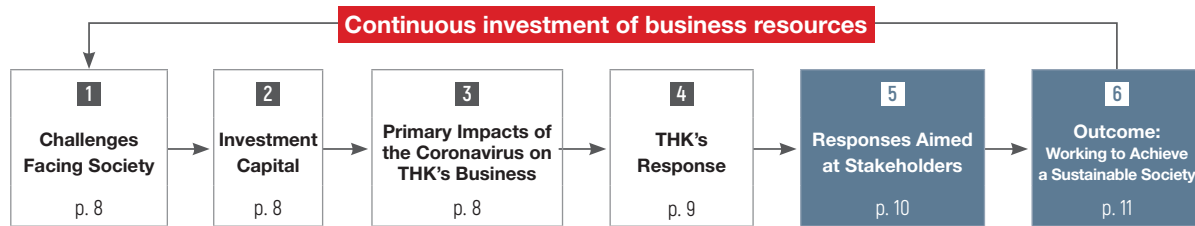
Nov. 19th

Increased remote work ratio and raised awareness

Due to the third wave of infections, the ratio of people working from home was increased, and awareness was raised about employee mental health.

5 Responses Aimed at Stakeholders





6 Outcome: Working to Achieve a Sustainable Society

Contactless product development



OMNIedge

An IoT service that enables constant, remote monitoring of equipment status. Development originally began out of a desire to solve the problems customers were facing with their equipment, and now we have successfully created a sensor that can be added onto existing machinery to quantify the status of components through an original algorithm. 📖 p. 14, 17

Transfer robot: SEED-Mover with Lifter

This transfer robot combines an autonomously moving trolley and the lifter that raises and lowers its height.

📖 p. 16, 31

Door opener

This tool is aimed at preventing infections from surfaces many people touch in office environments, such as door handles, elevators, and copiers/printers.



Door opener

Three products selected for Tokyo Robot Collection's service robot demos

Three THK robots were selected for the Tokyo Robot Collection: a thermometric robot, transfer robot, and autonomously moving digital signage. 📖 p. 31

Creating a pleasant work environment



Earning a doctorate

Tomofumi Ohashi from the Engineering Division's Fundamental Technology Research Laboratory earned a mechanical engineering doctorate at Kobe University's Graduate School of Engineering in March 2020.

📖 p. 28

Strengthening relationships with stakeholders



THK recognized through the Global Niche Top Companies Selection 100 program

THK was one of 113 companies selected for being either a business that has come out on top in a niche field or a raw material company whose importance to the supply chain has risen.

<機械・加工部門 61社>

企業名	代表者氏名	所在地	企業規模	GNT製品・サービス
THK株式会社	寺町 彰博	東京都	大企業	直線運動部の「転がり化」を実現した「LMガイド」
日機精工株式会社	甲斐 敏彦	東京都	大企業	航空機用精密部品向け「スキャット」
日産工業株式会社	藤原 弘治	東京都	中堅企業	工作機械に組み付けて金属等の加工を行う「用研」

2020 Global Niche Top Companies Selection 100 list on METI's website

THK selected as a "Noteworthy DX¹ Company" for 2020

THK was one of 21 companies listed on the Tokyo Stock Exchange that were evaluated highly overall for expanding the scope of DX and were selected by METI² for their noteworthy efforts.

証券コード	企業名	業種	2019 銘柄	2018 銘柄	2017 銘柄	2016 銘柄	2015 銘柄
6481	THK株式会社	機械					
7013	株式会社IHI	機械		○		○	
6701	日本電気株式会社	電気機器			○		

Noteworthy DX Company list for 2020 given on METI's website
(21 companies listed by securities code and sector)

¹ Digital transformation

² Ministry of Economy, Trade and Industry

Reducing environmental impact



Efforts to reduce plastic waste

As one initiative to reduce plastic waste, the THK headquarters and other offices replaced visitor coffee cups with paper versions and the stirrers with wood.



In addition, all employees were given reusable shopping bags to commemorate the anniversary of THK's founding.









Significant Challenges and Their Relationship with SDGs

Efforts to Promote the SDGs

As a company focused on creation and development, we have generated markets and introduced the world to products that reflect the desires of customers ever since our founding.

With the conviction that our business itself is our corporate social responsibility, we aim to cultivate good relationships with all our stakeholders and continue working to achieve an affluent society—in other words, to solve the social challenges addressed by the SDGs—while practicing CSV.

* CSV is an abbreviation of “creating shared value.” This is a strategy of using a company’s strengths to solve social challenges and lead to sustained corporate growth.

Material Issues	SDGs	THK's Approach
Establishing a BCP (business continuity plan) for infectious diseases	 3 Good health and well-being	We work to ensure the safety of our employees and their families, and we establish business continuity.
Development of core technology and next-generation products	 7 Affordable and clean energy	We use the rolling technology we have cultivated through the LM Guide to develop new products for the renewable energy field.
	 9 Industry, innovation, and infrastructure	We supply high-quality products with high added value to meet the needs of customers.
	 11 Sustainable cities and communities	We supply products that work to reduce damage caused by earthquakes and provide stability in people’s lives by protecting homes and other property as well as historical buildings and other aspects of cultural heritage.
Creating a pleasant work environment	 8 Decent work and economic growth	We prohibit discrimination, child and forced labor, and other human rights violations. In addition, we maintain a work environment that is easy for people with disabilities to work in, and we promote the employment of diverse talent.
Strengthening relationships with stakeholders	 8 Decent work and economic growth	We provide forums to teach others about how enjoyable and meaningful it is to work in manufacturing.
Reducing environmental impact	 12 Responsible consumption and production	We cut down on energy use in our business activities and continually promote the reduction of energy consumption and greenhouse gas emissions.
	 13 Climate action	In addition to complying with environmental laws, we set self-imposed standards that are reviewed regularly to improve the efficiency and effectiveness of our environmental management.

The SDGs (Sustainable Development Goals) are an international agenda of 17 goals and 169 targets related to the environment and development for the world to achieve between 2016 and 2030. These goals are held in common by every national and local government, non-governmental organization, and non-profit organization, as well as by public corporations and individuals with the aim of facilitating sustainable livelihoods and societies under the banner of leaving no one behind.



THK's Activities	KPIs
During times of trouble, we institute a number of measures based on our Emergency Response Manual to quickly establish a task force and have persons responsible for every region gather and share information.	Conduct corporate activities to fulfill our responsibility to supply products as an essential business
We developed and released the Model WLS Low-Torque Shaft Unit, which provides sufficient strength and durability, guarantees a high level of safety, and conforms to 61400-2 international standards for wind turbines and Japan's JSWTA 0001 standards.	Expand existing wind turbine technology applications to hydroelectric power generation for irrigation channels
We cultivate our core technology centered on the LM Guide, ball screw, and other rolling technologies that provide energy savings in the manufacturing industry, and we develop new products and improvements in addition to our IoT system, which visualizes machine component status.	Continue releasing new products to global markets and updating existing products
We developed and released seismic isolation systems based on the LM Guide, including the Linear Re-circulating Guide CLB for buildings and the Seismic Isolation Module Model TGS and Seismic Isolation Table Model TSD for equipment, and systems based on the ball screw, including the Viscous Damping System RDT and the Internal Rotary Damping Tube iRDT.	Develop products that fit the needs of previously untapped markets and expand the sale of seismic isolation systems
We implemented several systems to create a more accommodating workplace, including our rehiring program introduced in 2019 (which provides reemployment opportunities to former employees who want to return after having to leave for personal circumstances such as marriage, childcare, or elderly care, if they meet work history and other criteria).	Achieve a ratio where women constitute 20% or more of new hires in the sales, administrative, and engineering divisions, and accelerate the promotion of women to management and leadership positions
We launched the THK Education Outreach Program and developed learning materials to provide classrooms with educational opportunities to develop their students' cognitive, decision-making, and presentation skills through manufacturing.	Develop new educational materials and continue visiting middle schools in six local areas around our Japanese production facilities
We installed high-efficiency equipment, upgraded air conditioning units, switched to LED lighting, and introduced new energy systems.	Reduce energy consumption rate by 1% from where it was at a baseline year specified by THK and each Group company
We purchase components in accordance with our Green Procurement Guidelines and reduce our use of PRTR substances and promote alternatives as we conform to regulations related to the management of chemical substances.	Comply with the RoHS Directive and other regulations and reduce PRTR substance use by 3% each year from where it was at a baseline year specified by THK and each Group company

Business Segments

Promoting DX Activities: Industrial Machinery

Becoming a Smart Company with a Customer Perspective

Takashi Teramachi

Director and Senior Managing Executive Officer
Senior General Manager of Industrial Machinery Headquarters



The THK DX Project

In 2016, we announced THK will become a “smart” company in alignment with our new growth strategies: the development of new business areas, full-scale globalization, and a change in business style. Based on that policy, each department under the Industrial Machinery Headquarters began improving their work processes using the latest in digital technology and robots, including RPA¹ and AI.² We also began developing new products that capitalize on new technologies. In addition, we launched the THK DX Project in 2019 to unify the efforts of each department by switching to a cross-departmental framework.

The project’s goals are to restructure the user experience and to automate routine work. In terms of becoming a smart company, we define “smart” from the customer’s (society’s) point of view. Rather than simply promoting efficiency from an internal perspective, we are revolutionizing our business in a way that values the perspective of the customer (society).

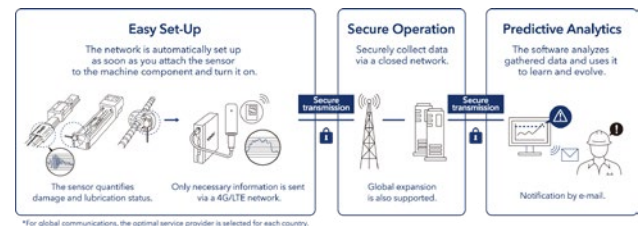
New Services Launched

Our change in business style gave birth to our “Omni THK” communication platform and our “OMNIedge” IoT service.

Omni THK is a dedicated website that was created to give customers valuable access to the prices, shipping dates, CAD data, and technical information they want when they want it, without having to go through a person anymore.

OMNIedge was developed out of our desire to solve issues our customers face with their equipment. What we focused on was reducing the risk of interruptions to production caused by sudden equipment failure. Conventional maintenance has relied on experienced production staff using their intuition to determine if there is a problem with an installed component. THK has made it possible to quantify the status of components using an original algorithm and a sensor that can be attached to components currently in use. Customers

can use this technology to enable anyone to monitor equipment from anywhere and at any time. Currently, this service is available for the LM Guide, ball screws, and actuators. These new services allow us to perceive potential customer needs, and we will use them to develop products and make proposals.



Revitalizing DX Efforts to Achieve Our Corporate Philosophy

During the coronavirus pandemic, customers looked to us to uncover and solve issues. Even if it was done remotely through an online meeting, we were able to continue our sales activities without delay. In order to promote the adoption of our products in medical equipment and in response to the need for contactless solutions around the world, we introduced various service robots to the market. We also put effort into internal staff development to foster a workforce with an expert command of digital tools. Through the DX Project, we will achieve our corporate philosophy of providing innovative products to the world and generating new trends to contribute to the creation of an affluent society.

¹ RPA stands for “robotic process automation.” This technology allows manual, routine tasks performed on a computer to be automated.

² AI stands for “artificial intelligence.” AI can analyze gathered data and determine rules for making revisions and improvements.

THK RHYTHM Activities: Automotive and Transportation Equipment

Developing Automotive Components in Anticipation of the Changing Times

Akira Furihata

Representative Director and President of THK RHYTHM CO., LTD.



Striving for Constant Growth

Our company vision has four aspects:

1. Become the world's leading specialized manufacturer of joint products through our original technology and zero-defect guarantee.
2. Promptly achieve the highest level of QCD around the globe.
3. Steadily grow alongside our customers and employees and create a sound, prosperous society.
4. Align our thinking and take initiative as individuals in order to steadily achieve our goals.

The aforementioned zero-defect guarantee is our commitment to ensuring our products will not have any major defects that would lead to an automobile accident. As a manufacturer of critical safety parts* where a product defect could impact human lives, this guarantee is the core tenet of our company. Improving the reliability of our products through our proprietary cold forging, aluminum casting, and automatic assembly technologies, we are expanding sales of our competitive products. In addition, with our active globalization efforts and two facilities each in North America, China, and the ASEAN region, we are aiming to become the joint manufacturer with the world's largest market share in collaboration with our affiliate TRA, which possesses two facilities in Europe and three in North America.

Furthermore, we promote constant improvement activities aimed at achieving a level of QCD that satisfies the ever-increasing requirements of our customers. At the heart of that effort is improving employees' overall skill levels. By having employees understand that the company goals are also their individual goals, and by encouraging them to do what it takes to achieve them, we will form a sound corporation with a united workforce.

Great Change Breeds Opportunity

The automotive industry is currently experiencing an un-



THK RHYTHM headquarters & Hamamatsu plant

THK RHYTHM Kyushu plant

precedented, massive revolution steered in large part by the growing adoption of electric vehicles in response to environmental regulations. As a result, many new manufacturers have started getting involved in electric vehicle production, while existing manufacturers are reorganizing their businesses and making other significant changes to survive. Furthermore, we are seeing customer demand shift toward components for electric vehicles and other signs of automotive manufacturers focusing their resources on electric and self-driving vehicles. To become the top joint manufacturer in these circumstances, we must be ahead of other companies in our development of products that meet the requirements of electric vehicles, and we need to cultivate new customers in addition to traditional automotive manufacturers. We have been working on developing lightweight, low-friction, highly heat-resistant products to satisfy the needs of electric vehicles, and we have already begun supplying some products to customers.

The shift toward electric and self-driving vehicles has created vastly different needs than before, which is a great opportunity for us. To weather this period of great change, we will develop joint products and technologies aimed at new applications, create next-generation products that fully capitalize on the technology and expertise THK has cultivated since its founding, and work to provide solutions in order to further expand our business.

*Critical safety part: Component of a unit connected to the basic car functions of driving, turning, and stopping. If a defect in the component hinders one or more of these functions, it may cause a major accident.

In Our Customers' Words

Industrial Machinery

Working to Achieve Contactless Service

EJRT

East Japan Railway Trading Co., Ltd.

Seiichiro Ono

Manager AI & Robot Promotion Department



Working toward a Future Where Robots Play an Active Role

Based on the "Global Gateway Shinagawa" concept for the Shinagawa Development Project, which included the opening of the Takanawa Gateway Station in March 2020, JR East has been working with the surrounding areas to investigate ways to create cities with international appeal. A particularly critical issue we are facing now is the ability to provide contactless service as a way to prevent the spread of the coronavirus. That is why we conducted a proof-of-concept trial at the JR Takanawa Gateway Station, using robots such as THK's **SEED-Mover** with Lifter* to perform four tasks: cleaning, acting as security, guiding commuters, and transporting objects.

I first encountered this robot at THK's booth in a robot exhibition two or three years ago. They explained that the base mainly serves to transport an upper robot that can be customized for different purposes. Since this aligned with what I was envisioning, a proposal was eventually made to use the robot for JR East's proof-of-concept trial.

Challenges Identified during the Trial

We are aiming for future widespread use with this experiment, so we have been identifying problems and process bottlenecks that need to be resolved on both the robot and user side of things. For example, we learned that the robot cannot detect clear glass and will run into it, but we can get it to recognize glass as an object if we stick a decal on the surface.

THK's **SEED-Mover** with Lifter has superior mobility and is very easy to use. It can even travel over tactile paving without

issue, and you do not need to be an engineer to operate it. However, the robot is currently unable to move between floors on its own. For example, in order to bring an order from a coffee shop on the first floor of the station to a customer on the second, someone would have to operate the elevator for the robot. Additionally, the range of remote operation is limited to a 10 m radius around the robot. Considering the current issue of preventing the spread of the coronavirus, for the safety of employees, I hope the robot can be made completely contactless and capable of being operated by people working from home.

Looking Forward to Developments/Proposals Regarding Fully Contactless Robots

While the proof-of-concept trial is unfortunately not open to the general public, a number of people involved with the trial have come to see it. We have gotten various kinds of feedback and are looking into what functions can be built into the robot to allow it to perform the four tasks I mentioned earlier. However, stations are places a lot of people use, so we would like to first try introducing the robot to office buildings with a limited number of users and then expand to commercial facilities.

As to be expected from a world-renowned machine component manufacturer, THK has the technological prowess to propose robot products that combine machine elements. Because they also have sales and engineering groups as part of their organization, they are a company that is very easy to work with. Users tend to want to have everything be a perfect 10 out of 10 from the get-go, but I think it is good to start at 5 or 6 and then have the robot manufacturer and user work together to achieve that perfect 10. Once we have summarized all of the issues with this trial, I would like to meet with THK again. I hope that THK will use the technology it has accumulated over many years to develop new offerings and proposals that will meet our needs.



SEED-Mover with Lifter being used in the trial

*An autonomous transfer robot that combines an independently moving trolley and a lifter that raises and lowers its height. The trolley can move in any direction and turn 360°, even in tight spaces, and the lifter can both raise/lower objects and move them forward and backward.

Industrial Machinery

The Road to Smart Work: Automated Machine Condition Diagnosis



Yamaha Motor Co., Ltd.

Satoshi Yoshida

Senior Supervisor, FA Planning & Promotion Group, Machinery R&D Div., Manuf. Technology Center

Hidenori Nakazono

General Supervisor, Maintenance Promotion Department, Maintenance Engineering Division

Tomoaki Akahori

Supervisor, Maintenance Promotion Department, Maintenance Engineering Division

Masayuki Takahashi

Maintenance Promotion Department, Maintenance Engineering Division



Keeping Production Running

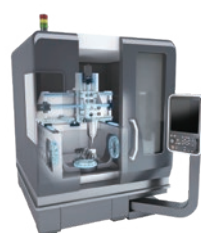
"Keep production running!" is the motto at our company, and all of us work as a team to make that happen. The Maintenance Engineering Division is in charge of maintenance for machines used to produce engine components, and maintenance personnel check machine vibrations and use that data to determine the status of equipment on an annual basis. In order to improve efficiency within this division, the FA Planning & Promotion Group searched for a device that could diagnose the condition of production equipment. That is how we found ourselves at a THK exhibition booth two years ago on an information-gathering mission and encountered **OMNIedge**, a device that can easily be installed on machinery currently in use. LM Guide and ball screw units are critical machine components that cause production lines to stop when they malfunction, so the ability to predict and prevent failures before they happen makes **OMNIedge** a very attractive product. We decided to try it out immediately, and we are currently running a trial on two of our machining centers.

OMNIedge's Superiority and Future Developments

As stated above, **OMNIedge** is easy to install on equipment currently in use, and we believe the diagnostic results will be virtually the same as those we get from our usual periodic diagnostics. After the software update, we discovered how easy the system is to use. The periodic diagnostics we have performed in the past required a certain degree of knowledge and skill, but since the sensor collects the data and brings it right to us in a visual format, our work efficiency is improving greatly. Of course, it also allows us to work more remotely during the coronavirus pandemic, since we do not have to go to a machine to diagnose it.

In terms of future developments, we would like for THK to make **OMNIedge** even easier to use and to keep providing software updates. Within the scope of what information THK can disclose, we would also like to see a feature added that goes beyond a simple judgment based on the vibration level and automatically analyzes the shape of the waveform to provide insight into which waveform patterns are not an issue and which ones indicate a certain problem.

We do prioritize certain production lines at our company, but we really do not want any to stop. That is why we are considering expanding the use of **OMNIedge** to all the lines not included in our current trial. When we do, we believe that linking this product with other systems will support manufacturing operations throughout the entire factory. If an essential machine component fails, the costs of that lost production are great, and we need to determine the cause of the failure and a countermeasure. In the past, we would all gather around the failed component and discuss things in person, but that is difficult to do during the coronavirus pandemic, so our investigation findings and countermeasures may be delayed. To help with this analysis, we hope that THK will develop and propose ideas that will lead to a more evolved version of **OMNIedge** with ways to troubleshoot failures online, providing support in identifying causes and countermeasures, as well as sharing more knowledge from the seller's side.



Machining center with
OMNIedge installed



OMNIedge installed in
machining center

Enduring Social Upheaval for the **Benefit of All Stakeholders**



Masaaki Kainosho

Outside Director



Masakatsu Hioki

Outside Director

In a volatile and unpredictable socioeconomic climate exemplified by the term VUCA,* corporations are called upon to contribute to the creation of a sustainable society. Two of THK's outside directors discuss our company's present and future in relation to the current environment.

* The acronym VUCA stands for volatility, uncertainty, complexity, and ambiguity. It is used to describe a time in which the socioeconomic climate is extremely unpredictable.

Q What is the role of an outside director?

Kainosho: There is a saying that comes from Go: "Spectators see more than the players." Watching the game from the sideline lets you anticipate future moves better than those actually playing. The same goes for business organizations. It is crucial to have an outside perspective to keep you from focusing so much on the short-term execution of duties that you harm shareholder interests over the medium to long term. In short, it is an outside director's responsibility to heighten corporate governance by always offering recommendations to management from a shareholder's perspective.

Hioki: I think Mr. Kainosho gave a perfect analogy. It is our role to share our opinions with management from the perspective of shareholders and other stakeholders and to contribute to the sound management of the business. Fortunately, THK's four outside directors represent a unique mix of different experiences. Since I have long been involved with HR and talent development, I place a greater importance on people—on domestic and international staff—in how I look at the organization.

Q Both of you mentioned the shareholder and stakeholder perspective. What do you think of THK's current corporate governance (the structure, Board of Directors, etc.)?

Hioki: In addition to holding regular Board of Directors meetings, THK has strengthened its governance with a committee structure that includes a Board of Executive Officers, a Global Management Strategy Meeting, and a Compliance Committee. To digress a little, when it came to responding to the coronavirus, President Tera-machi himself actively communicated information to employees. Unlike other companies that have recently started foregoing this practice, THK continues to do things like hosting company parties and biennial trips to allow staff to interact with those in other departments, so there are plenty of opportunities for sharing information. I myself participate in THK's company functions, so I see them from an internal perspective rather than external. The most important part of governance is having the mindset that "Bad news is good news," which takes advantage of THK's corporate culture that eliminates hidden risks and quickly responds to any risks that are identified.

Kainosho: There are opportunities to interact with various people at THK, so you can get the latest information about what is going on in Production, Sales, and the market. In addition to the committees Mr. Hioki mentioned, I also go to Board of Directors meetings periodically held at overseas branches and listen to local staff directly. With the coronavirus pandemic restricting mobility this year, the heads of domestic and international branches have been sharing information online. From a corporate governance perspective, this

demonstrates how THK has made prior investments in information technology in preparation for an emergency. I am convinced that THK will continue to strengthen its governance through DX (digital transformation), which the company is pursuing to maximize the value it provides to customers.



Q You mentioned the coronavirus. Have improvements been made to THK's corporate value that consider how this global turmoil has dramatically changed society and the market? Please share your thoughts and advice for the future.

Kainosho: THK is aiming to improve the added value brought to customers. Based on the actions THK has been taking to improve customer satisfaction, the company is focusing on how customers are using THK products and services, becoming more customer-focused than ever before. Two concrete examples of that are Omni THK, an online platform for communicating with customers, and OMNIedge, an IoT service for the manufacturing industry that launched in 2020. Looking ahead, I think THK needs to strive for customer transformation—activities that will lead customers to an even better future. It is incumbent on the organization to improve its corporate value by “providing innovative products to the world,” as it says in the corporate philosophy, in order to reduce environmental impact and achieve other SDGs.

Hioki: Historically speaking, the world experiences great changes after pandemics. Even with the coronavirus, it feels at first like change was forced upon us, but it can also be considered a golden opportunity for making rapid progress. The machine components THK provides will continue to be needed for essential things in people's lives. Starting in 2016 with President Teramachi's new growth strategy, THK has been ahead of other companies in terms of DX, with each department

working to improve their processes with the latest digital tools and robots in addition to developing new products that utilize new technologies. Every employee should find confidence and pride in the company's role as an essential business and in the fact that maintaining operations allows the company to generate useful value.

Q Here is a separate question for each of you. Mr. Hioki, with your extensive experience in HR and talent development, what do you think about the company's decision to use the phrase “human assets” instead of “human resources”?

Hioki: This is a good phrasing that conveys the idea that the company values people, but it sounds insincere if the reality does not support it. It may feel strange, but I would rather that the employees themselves think about if the company is valuing them as an “asset” and if they have become indispensable to the organization. I think providing company support for people's efforts to better themselves will allow THK to improve what President Teramachi calls “individual empowerment.”

Q Now for Mr. Kainosho: Since you mentioned the SDGs, with THK being a company focused on creation and development, what role do you think THK products should play in working to achieve a sustainable society?

Kainosho: The late Stephen Hawking, known for his work on the Big Bang theory, predicted humanity will need to colonize another planet within the next 100 years to survive. The SDGs are supposed to be achieved by 2030, so it is now or never. THK is working quickly to become active in the development of wind and other renewable power generation, and the “Toughness” part of the company name (represented by the “T”) plays a major role in decreasing the environmental impact of equipment that adopts THK products (by providing long-lasting components). The lightweight technology provided by the automotive and transportation business helps improve the fuel efficiency of vehicles. I would like to see THK utilize its creativity to actively get involved in a wide range of fields, including working on the reuse and recycling of products.

Corporate Governance and Tax Matters

Corporate Governance

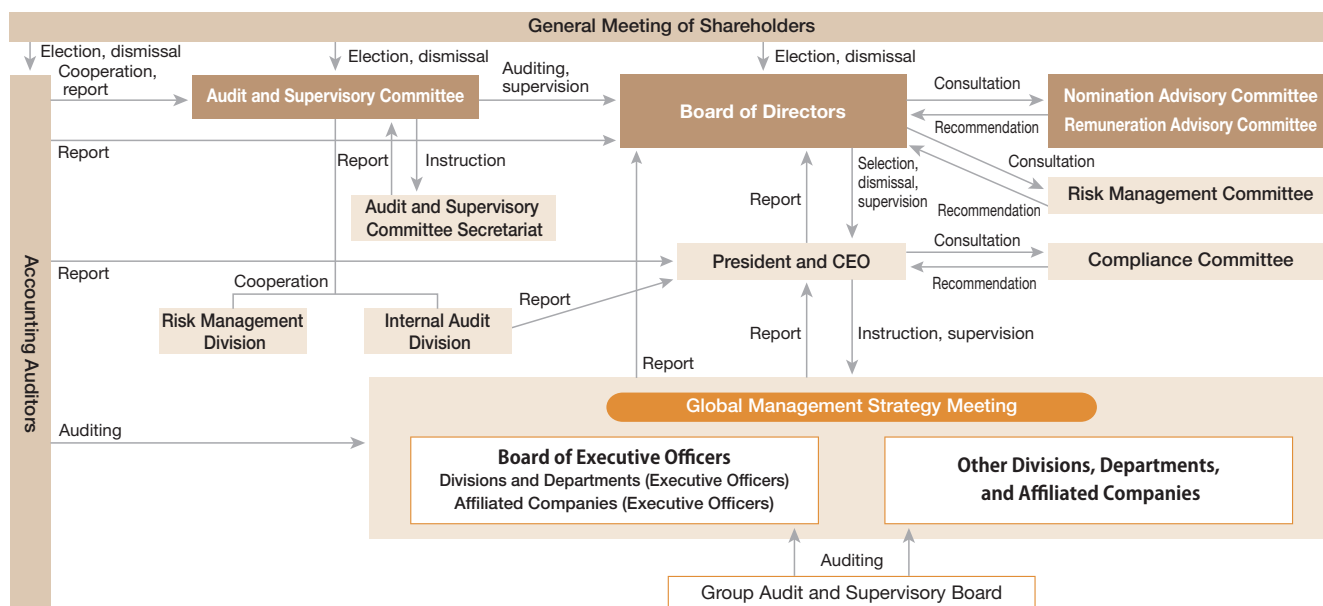
With the aim of maximizing THK's corporate value, we strive to make medium- to long-term improvements to our corporate value by bettering our corporate governance.

For our institutional design, in conjunction with our establishment of an Audit and Supervisory Committee, we instituted a non-mandatory Nominee Advisory Committee and a Remuneration Advisory Committee, and half of the members of both committees are outside directors. We have also introduced an executive officer system. In doing so, THK has

strengthened the auditing functions of the Board of Directors in addition to bringing greater speed and efficiency to management-related decision-making and the management of corporate affairs. Furthermore, over one-third of the Board of Directors comprises independent outside directors in order to enhance the neutrality and objectivity of management.

As a precaution for the coronavirus, 12 out of the 16 Board of Directors meetings held in 2020 were conducted with some members attending by video conference.

Governance Structure



Tax Matters

Basic Policy

The THK Group appropriately files tax returns and pays taxes in accordance with both international tax regulations and the laws of each country and region in which it does business.

Tax Risks

In addition to closely reviewing any transaction that may incur tax risks, we handle such matters appropriately by seeking advice from outside experts and consulting with the relevant tax authorities. Furthermore, we seek to control tax risks by utilizing advance pricing agreements (APA).

Our Relationship with Tax Authorities

The THK Group strives to maintain a relationship of trust with tax authorities by disclosing required information in good faith.

Ensuring Transparency

The THK Group appropriately discloses information in accordance with each country's laws and disclosure standards. Furthermore, we submit a Master File as well as a Country-by-Country Report in accordance with Japanese tax rules.

Management Structure

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.

The Internal Audit Department 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 2020, a total of 45 locations and departments were audited virtually due to the spread of the coronavirus.

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 2020, the overall internal controls were evaluated at 21 locations, and the internal controls related to business processes were evaluated at 13 locations.

Internal Controls

We have established and properly enforce our internal control 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 control reporting system, which is based on the Financial Instruments and Exchange Act. In accordance with the basic framework outlined in the Financial Services Agency

standards, we have established and enforce the “Regulations for Internal Control over Financial Reporting,” and we improve them as necessary.

In 2020, the evaluation was primarily conducted in a virtual format due to the coronavirus pandemic, and no critical deficiencies requiring disclosure were found. The final evaluation results were summarized in the internal control report submitted and disclosed to the Prime Minister (Kanto Local Finance Bureau) in March 2021.

Information Security

Policy Establish, instill, and maintain the THK Group information security structure.

Information Security Management

The standing Information Security Committee, chaired by the CEO, convenes four times per year. Although the outside directors and legal counsel participated remotely due to the coronavirus, this committee made decisions concerning policies related to the establishment of information security systems, and it deliberated on responses to information security concerns.

Information System

Before the state of emergency was declared in Japan, we anticipated the need for remote work and took steps to make that transition. To that end, we established an even more advanced security environment including an e-mail license upgrade, anti-spam measures, account verification and cloud access management, and a virus detection framework. We

also regularly monitor the Management Console logs for unusual activity.

Measures to enable remote work included:

1. Procuring new laptops
2. Obtaining additional SSL VPN licenses to enable access to internal systems
3. Reconfiguring the network to boost its speed and performance when connecting from outside
4. Providing mobile routers to employees without internet access at home
5. Preparing handsets for connecting with Teams meetings, internal phone calls, and external Skype phone calls

In addition, we modified the network on the Technology Center floor for the value chain teams to use as a headquarters office space kept separate from other departments.

Compliance and Intellectual Property

Compliance Structure

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

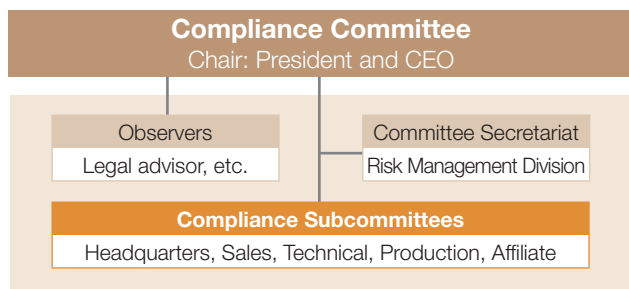
To thoroughly instill compliance awareness, we maintain structures and conduct various programs with the aim of complying with laws, internal standards, and ethical norms.

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.

Due to the coronavirus, the outside directors and legal advisor participated virtually.

Compliance Structure



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 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 we faithfully enforce our rules ensuring confidentiality regarding their contents and prohibiting unfavorable treatment on the basis of having made a report. There were ten cases reported in 2020, and we worked with the necessary divisions to handle each case appropriately.

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

Establishing the THK Group Human Rights Policy

The THK Group has always conducted its business activities in a manner that respects human rights based on The THK Group Action Charter. In order to further clarify our stance on human rights and align our efforts therewith, we established the THK Group Human Rights Policy, which was approved by the Board of Directors in June 2020.

Intellectual Property

Policy THK values and promotes the creation and full utilization of its intellectual property to continue contributing to the creation of an affluent society through the development of innovative products.

Even during the coronavirus pandemic, we have continued to plan and develop products aimed at both improving the value of our offerings and contributing to society, working together with the sales and development divisions to promote activities related to intellectual property. Although working remotely presented communication challenges when it came to conveying nuance and confirming product details during planning and development, we met those challenges by making

effective use of Teams and 3D CAD data during discussions. Next year, we will utilize the company’s improved system environment and the skills we developed from this year’s experiences as we conduct internal and external meetings related to intellectual property. We will continue to increase our utilization of digital tools and further revitalize the intellectual property efforts of the THK Group.

Management Structure

Risk Management Committee and BCP

Risk Management Committee

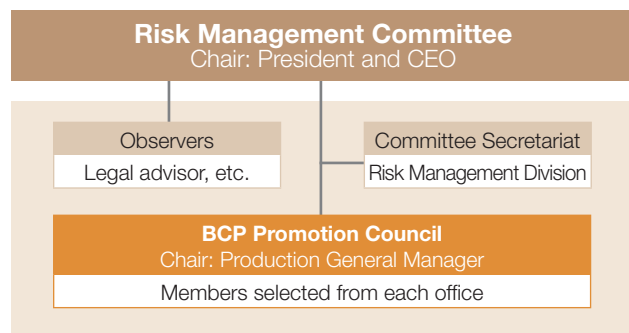
Policy We facilitate assertive governance with elements of bold risk-taking.

We maintain a forward-looking risk management structure that actively involves management in order to support appropriate risk-taking by executive staff.

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

Risk Management System



and works to establish, promote, and maintain the risk management structure by controlling risks throughout the entire Group.

2020 Activities

Activity	Description
BCP Promotion Council	<ul style="list-style-type: none"> The BCP Promotion Council established under the Risk Management Committee in 2018 was restructured so that the Production Division will take the lead in its promotion. This year, the meeting for those in charge of BCP promotion was delayed as a precaution for the coronavirus. However, they did coordinate with the Material Purchasing Unit to strengthen the supply chain. To quickly assess the status of our supply chain when a natural disaster such as an earthquake or heavy rain occurs, we adopted Rescue Web Map, which determines which suppliers are in affected areas.
Reviewing risk assessments	<ul style="list-style-type: none"> A review of THK and its domestic and international Group companies was conducted to uncover, identify, categorize, analyze, and evaluate the risks of which each company and department is aware, and the results were reported to the Board of Directors. In consideration of the global spread of the coronavirus, we reevaluated risks arising from infectious diseases.
Other	<ul style="list-style-type: none"> The medium- to long-term financial sense and future outlook of primary cross-held stocks were verified.

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, we are 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).

This past year was one of coping with how the coronavirus upended both the business environment and everyone's way of life. On the other hand, this experience has made evident the depth of harm that natural disasters bring and the threat they pose to business continuity.

In order to fulfill our responsibility to supply products even during a disaster, we introduced a system to quickly identify components that are impacted by the supplier's location.

We also participated in a gathering held by the Disaster Risk Reduction Industry Conference of Japan in order to begin promoting BCP activities that involve working with the National Research Institute for Earth Science and Disaster Resilience and other participating organizations. We will continue to improve our business continuity management in order to fulfill our social responsibility.

BCP Strategies for a Large-Scale Earthquake

Activity	Description
Supplying products	<ul style="list-style-type: none"> Confirming back-up domestic and international Group factories to make products in place of a facility suffering a disaster Expanding production capabilities of international Group factories
Servers	<ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> All production and sales facilities: potable water, food, sanitary items, emergency supplies, and rescue equipment
Safety drills	<ul style="list-style-type: none"> Annual drills at all locations Annual satellite phone test

Together with Our Customers, Together with Our Suppliers

Sales Activities

Our company name incorporates three principles: Toughness (tough, durable products), High Quality (the world's top-quality products), and Know-how (expertise for our customers). Under these principles, we conduct our daily sales activities with a customer-focused approach where we think, act, and verify results from the customer's perspective.

Currently, we have established an integrated production and sales structure with 122 sales offices and 37 production facilities close to centers of demand in order to produce and sell locally in four regions: Japan, the Americas, Europe, and Asia. In addition, we have enhanced the functions of Omni

THK, the customer communication platform we have been expanding. Furthermore, in order to introduce more people to our products, we occasionally hold exhibitions, private shows, and technical seminars as venues to explain our offerings directly to customers. Due to the spread of the coronavirus, we also adopted an online format for some events in 2020.

We began feeling the effects of the coronavirus from the beginning of the year, and by March, many customers had notified us that they were prohibiting visitors. When Japan's first state of emergency was declared after that, all in-person sales activities were put on hold. However, because we had quickly established a system that enabled us to meet with customers and hold technical seminars online, our executives were able to have customer meetings without issue, and there were no interruptions to our sales activities. We will continue to conduct our sales activities with our customers in a way that suits the times by fusing traditional methods with new ways of working.

Events Held	(Times)	
	In-person	Online
Technical seminars	2	27
Exhibitions in Japan	8	4
Exhibitions outside of Japan	8	2
Private shows	9	1

Together with Our Suppliers

Global procurement Optimize procurement locations

Accelerated ordering Develop purchasing system that incorporates AI

Active proposals Double communication with business partners to promote value analysis* and production innovation

Our daily operations are performed in accordance with our policy to manufacture products in the optimal location and to conduct our business and improve our technology in a way that meets the needs of our customers.

Throughout our supply chain, from design to sales, we strive to adhere to social norms and be environmentally conscious in order to create a sustainable society. In conjunction with the

suppliers of all applicable materials, we are taking specific action to investigate a switch to lead-free alternatives, which will take place in 2021 in compliance with the EU RoHS Directive.

Due to the coronavirus, some of our annual THK Association events were held online, while others were canceled. We will continue to find ways to coordinate with our suppliers as circumstances permit.

* Value analysis involves proposals for reducing costs.

THK's Supply Chain

Design	Purchasing/Procurement	Production	Distribution	Sales
<ul style="list-style-type: none"> Long-term maintenance-free operation Low noise, low dust generation Develop grease that can be used in the food industry 	<ul style="list-style-type: none"> Check for presence of environmentally hazardous materials Comply with the Act against Delay in Payment of Subcontract Proceeds, Etc. to Subcontractors Reject dealings with criminal organizations 	<ul style="list-style-type: none"> Comply with the Energy Conservation Act Pursue zero emissions Reduce impact on the environment Maintain safe working environment 	<ul style="list-style-type: none"> Reject dealings with criminal organizations Security declarations for air shipments Reduce waste via reusable containers 	<ul style="list-style-type: none"> Collect and reuse packaging materials Enforce safe driving practices Fair and proper transactions

Involvement in Society

Together with Our Shareholders

Together with Our Shareholders

We engage in IR activities in an effort to disclose information in a manner that is fair, impartial, expedient, accurate, and easy to understand. We strive to provide more thorough

and valuable information through IR events such as financial results briefings and IR tools such as our investor relations website and Annual Report.

Primary IR Activities

IR events	IR meetings	Due to the coronavirus, these meetings were conducted over the phone. About 300 meetings were held during the year.
	Financial results briefing	Post presentation materials and videos on the IR website mid-year and at year end
	General Meeting of Shareholders	Scheduled on a Saturday during a period when few shareholder meetings are scheduled, accompanied by an exhibition*
IR tools	IR website	Publish various IR tools and content oriented towards individual investors
	Annual Report	Compile company overview, management targets, and medium- to long-term strategies
	Investor information (fact book)	Compile detailed financial data

The IR Website



IR Library

In addition to documents related to financial statements, including investor information compiled from summaries of financial results and detailed financial data, the library also includes Annual Reports and Sustainability Reports. Presentation materials and videos are available here following the financial results briefings held every year in February and August.

IR Information E-mail Delivery Service (RIMSNET)

This service sends an electronic newsletter announcing financial results to registrants, who are primarily individual investors.

General Meeting of Shareholders
For Our Individual Investors

Since 1998, we have held our General Meeting of Shareholders, which is based on the concept of an open meeting, on Saturdays during periods when few shareholder meetings are scheduled. We provide seats for observers so that many

people, including business partners, can participate.

We also hold an exhibition after the meeting for participants, where we introduce the various fields where our products are utilized, such as machine tools, industrial robots, automotive and transportation equipment, and seismic isolation systems.

* As a precaution for the coronavirus, there were no seats for observers or a product exhibition at the 50th and 51st General Meeting of Shareholders.

Quality Assurance

Quality Assurance Structure

Policy We implement quality assurance activities that ensure we always deliver products that will satisfy our customers and earn their trust.

THK has established a quality assurance system in which each production facility both in and outside of Japan is certified with the ISO 9001 Quality Management System. We provide a quality assurance system for the industrial machinery business that produces machine tools, semiconductor manufacturing equipment, medical devices, robots, and seismic isolation and damping systems. With this as our base, we obtain certifications in quality standards adapted for new fields such as the automotive and transportation business and the aerospace industry.

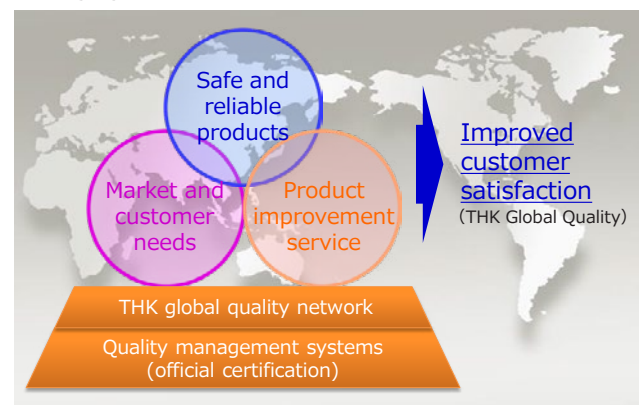
In addition, as the cooperation of our suppliers is critical to improving our product quality, we work to establish trusting relationships with our vendors and conduct quality audits in compliance with our quality management system in order to maintain and improve quality.

Furthermore, as part of managing our product development process, we review the solutions implemented for any issues during the planning, design, prototype, trial, and mass-production stages, and we work to manage the stability and maintenance of quality levels after mass production.

We have also established a system that allows quality data to be shared globally. In addition to gathering feedback from

customers in each region, analyzing it, and providing rapid and appropriate service, we endeavor to develop products that meet market needs and improve quality.

Quality System Overview



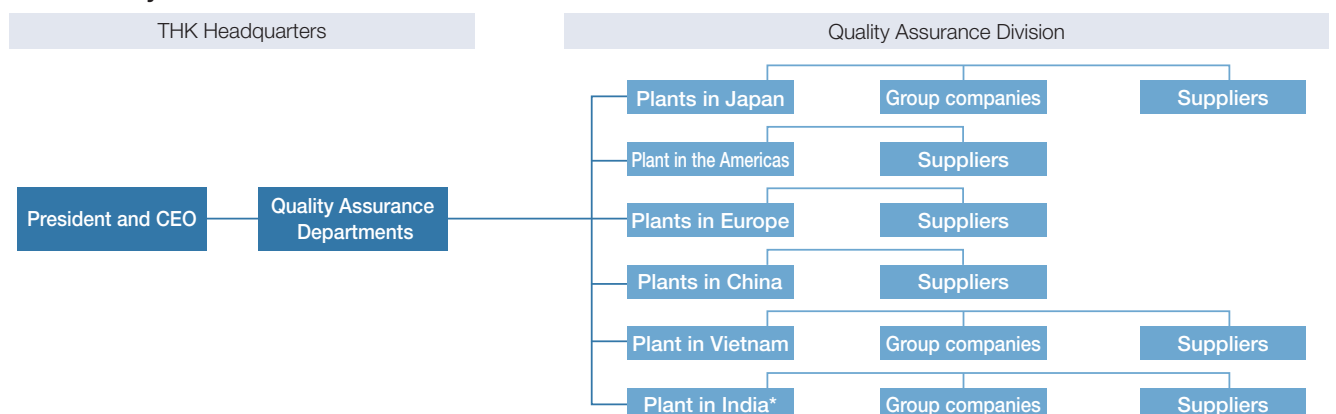
Quality Management System Certification Status (Facilities)

	ISO 9001	JIS Q 9100 Aerospace Industry	IATF 6949 Automotive Industry
Japan	11	1	4
Outside of Japan	13	—	7
Total	24	1	11

Quality Management Process



Global Quality Assurance Structure




* The plant in India is scheduled to begin operation in 2021.

Involvement in Society

Health and Safety

Management Structure

 **Policy** Create a pleasant work environment with zero work-related accidents or illnesses.

We consider occupational health and safety activities to be the foundation of corporate management and one of our highest priorities. Maintaining a safe and comfortable place that is easy to work in is our basic principle, and we promote activities to achieve this goal.

We manage supplier safety for all factories based on ISO 45001 standards, but due to the coronavirus, all on-site audits were put on hold. Instead, THK created a self-assessment check sheet and distributed it to all suppliers for them to conduct a self-audit. When an inadequacy was found through

the check sheet, we reached out to that company by e-mail or another method in order to give advice for improvement.

Regarding our safety track record, the Yamagata plant achieved 3.1 million hours without any accidents as of February and around 4.37 million hours as of the end of December. Furthermore, the running total at the THK RHYTHM headquarters and Hamamatsu plant is about 12.83 million hours.

We will continue to promote health and safety activities at each factory to maintain zero accidents.

2020 Occupational Health and Safety Activities in the Production Division

Objective	No.	Activity
1. Allow occupational health and safety management system (ISO 45001) to reach all employees	1	Implement risk assessments and workplace safety training
	2	File and provide information pertaining to relevant regulations (chemical substance risk assessments)
	3	Prepare and perform internal audits (reciprocal audits)
	4	Conduct management reviews
2. Revitalize health and safety committee activities	5	Promote disaster prevention
	6	Implement traffic safety activities (achieve zero traffic accidents)
	7	Conduct workplace safety patrols
	8	Promote 5S ¹ (6S ²) activities
3. Eliminate workplace accidents	9	Achieve 3.1 million hours without any accidents (class 1 accident-free record) Prevent workplace accidents from occurring (zero accidents) • Promote submission of proposals to prevent near misses (production: 1/month per group, support: 1/month per department) • Promote hazard prediction training (production: 1/month per group, support: 1/month per department)
	10	Ensure employees confirm machines have completely stopped
	11	Train new employees (temporary and mid-career hires) thoroughly
	12	Provide instruction to business partners who work on site and visitors
4. Enhance health management	13	Perform regular and special health checks
	14	Promote mental health
	15	Perform stress checks
	16	Implement illness prevention activities
	17	Make improvements based on occupational physician recommendations

¹ Abbreviation of *seiri* (sort), *seiton* (set in order), *seisou* (shine), *seiketsu* (standardize), and *shitsuke* (sustain)

² 5S + *shuukan* (second nature)

Supporting Development

We are working to support the development of our employees in order to empower individuals. In addition, we are currently promoting specific measures to accomplish this goal in alignment with our three growth strategies.

Empowering individuals in alignment with our growth strategies

- 1. Full-scale globalization:** Developing talent that can succeed globally
- 2. Development of new business areas:** Conducting the 66 Project* and our basic technical training program
- 3. Change in business style:** Developing talent that utilizes data to quickly adapt to a digital society

* 66 ("Six-Six") Project: Six people from across the Engineering Division lead six project teams to conduct research activities to cultivate new markets.

Supporting New Employees

This year's ceremony for new hires was canceled due to the coronavirus, replaced by a celebratory event held at the end of August during a lull in the pandemic. In addition, the group training that normally occurs right after joining the company was held remotely in mid-May. Afterward, new employees underwent practical training at a factory for two and a half months before being sent to their assigned workplace. This year, special emphasis was placed on existing efforts

to develop talent capable of promoting digital transformation, so a significant amount of content about data utilization was added to the curriculum. During the on-the-job training that followed, we virtually checked in with each new hire on a monthly basis to identify and quickly respond to any issues related to their motivation, workload, or emotional stress from working remotely.

Doctorate from Kobe University: Bringing Added Value to LM Guide Development



Tomofumi Ohashi

Fundamental Technology Research Laboratory, Engineering Division

During my graduate student days before joining THK, I researched motion controls for feed drive systems, including linear motors and ball screws. As part of that process, I learned that THK develops linear motor drivers, and I decided I wanted to make use of my expertise by joining THK.

Since coming on board, I have worked on developing a control algorithm for servo drivers, learning about electricity and machines in addition to software. I have also been

involved in research on nanometer-level positioning technology for feed drive systems. At the urging of the colleagues I worked with on that project and my manager, I enrolled in the mechanical engineering doctorate program at Kobe University's Graduate School of Engineering in April 2017. This gets a bit technical, but when an LM Guide moves back and forth, it demonstrates a friction phenomenon known as "non-linear spring characteristics" whenever the system changes direction. This phenomenon leads to a kind of tracking error known as "quadrant error." Therefore, in order for a feed drive system using an LM Guide to achieve highly precise contour motion, this quadrant error has to be corrected. For my doctorate program, I analyzed the mechanism that causes quadrant error and researched ways to correct it, and in March 2020, I earned my degree.

In addition, nonlinear spring characteristics also help reduce vibrations when the system stops, so I am currently researching a proposal to add value to the LM Guide by capitalizing on these characteristics in a way that meets customer specifications.

Involvement in Society

THK Education Outreach Program

Now in its fifth and final year, the THK Education Outreach Program began in 2017 as a special project in anticipation of our 50th anniversary in 2021 and with the desire to introduce children to the joy of manufacturing. The objective of this project is to use manufacturing education to foster talent that can create and develop, thinking about issues with classmates and arriving at solutions.

The coronavirus caused a number of events to be canceled or postponed in 2020. Many schools were closed for about three months between March and May, which meant that we did not conduct our middle school visits as we had done in the past.

However, we decided to hold virtual interviews for the 4th Science Castle Grant THK Prize, which is aimed at students

pursuing manufacturing-related research and development. Although the application period was during the school closures, we received submissions from 20 schools. Ten of those were selected, and those students spent half a year developing their project. The annual gathering at the end of December to present everyone's results was held online, but we made use of the meeting chat to liven things up in a different way than an in-person event. Among the ten entries, Okayama Junior and Senior High School was selected for the Best Development Prize.

We will resume our school trips and continue the Science Castle Grant THK Prize in 2021, and we are also planning to release new learning materials that can be used in middle school engineering curricula.

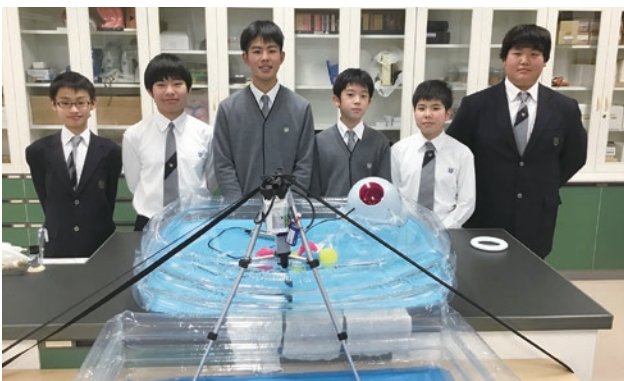
Winner of the Science Castle Grant THK Prize for Best Development: Okayama Junior High School (Okayama City)

Seeing the 2018 floods damage our friends' houses and watching the rescue teams saving people from the widespread flooding downtown after the levees collapsed made us realize our limitations. That is how we came up with the concept of creating a disaster prevention robot to minimize damage immediately after a levee collapses.

We named it the Megaslime 39. First, it uses an air pump to cause balloons to float, then an electromagnetic valve is used to release the air so the balloons can be filled with water. After that, a submersible pump adds the water so the balloons will sink from the weight of the liquid. The six water-filled balloons then plug the space where the river has broken its bank. The current robot is a miniature, indoor model. Because the battery runs out quickly and it cannot be used outside of the re-

mote control range, it is 70% complete. However, we should make a breakthrough if we can come up with solutions like adding a solar cell to keep it from losing power or putting a cellphone inside the robot to operate it remotely by using the electric current from when the phone produces sound.

When we started on this project, we were unsure if we would be successful, but our advisor supported us over those six months and gave us very reassuring advice whenever we ran into trouble. Because of the pandemic, we ran into issues with the audio and frozen screens when meeting online, but we ended up with an amazing creation. There are big challenges ahead, but we hope to see this disaster prevention robot in action.



Okayama Junior High School students who developed the disaster prevention robot



Megaslime stopping the breach

Local Communities

THK's Approach

As a good corporate citizen, our company actively contributes to society. Our activities include:

1. Establishing a basic philosophy of contributing to society through our business activities
2. Identifying areas to prioritize our efforts and using our corporate resources to promote specific contributions based on our corporate philosophy
3. Coordinating and cooperating with various stakeholders, including NPOs, NGOs, local communities, governments, and international institutions
4. Supporting employees' own community contributions and involvement
5. Participating in the social efforts of the industry and business community

In 2020, we provided financial support to our local communities in Japan and around the world.

Additionally, although many production facilities had to forgo offering internships due to the coronavirus, five plants outside of Japan hosted a total of 74 interns.

Charitable Contributions

Date	Purpose	Recipient
1/2020	Japan Science Foundation support/membership dues	Japan Science Foundation
7/2020	Activity funds	Japanese Red Cross
9/2020	Japan Philharmonic Orchestra special member fee	Japan Philharmonic Orchestra
10/2020	The Disaster Relief Fund for Victims	Central Community Chest of Japan
12/2020	Holiday meal program	Portland Community Fund Association

Community Outreach in Response to the Pandemic

As part of our response to the coronavirus, we provided appropriate assistance to medical institutions and health care

workers who treat and care for patients, and we also aided local schools and suppliers.

Activities

Facility	Beneficiary	Details
THK Headquarters	Ministry of Health, Labour and Welfare's mask team	Donated 12,900 medical N95 masks
THK Headquarters	National Cancer Center Japan	Donated 3,120 medical N95 masks
THK Singapore	Health care workers	Joined "Clap For #SGUnited" at 8 p.m. to express gratitude
THK Singapore	Health care workers	Joined "Sing Together Singapore" to sing the Singapore National Day song "Home" at 7:55 p.m.
THK Changzhou (China)	Two machining parts suppliers	Shared documents to prepare for reopening and helped the suppliers meet government requirements for reopening
THK Changzhou (China)	Xuejiazhen government	Donated 300 masks
TMA (USA)	Perry County Family Practice	Donated five 3D-printed face shields
TMA (USA)	Licking Memorial Hospital	Donated fifty 3D-printed ear guards for masks
TMA (USA)	Licking Memorial Hospital	Donated 200 coveralls, 400 shoe coverings, and 8 face shields with headgear
TRA Michigan (USA)	St. Patrick School	Donated 24 desktop plastic barriers made in-house to prevent the spread of droplets



Face shield made at TMA



Ear guard made at TMA



Plastic barrier made at TRA Michigan

Three Products Selected for Tokyo Robot Collection's Service Robot Demos

The Tokyo Robot Collection* promoted by the city of Tokyo is installing demos of robots that will reduce in-person contact at overnight treatment facilities for people with minor coronavirus symptoms, as well as robots aimed at automating and streamlining the work of municipal complexes in response to the aging population and declining birthrate. Three THK robots were selected for demonstration: a thermometric robot, transfer robot, and autonomously moving digital signage.

Thermometric Robot: **SEED-noid**

The head of this service robot uses a thermal camera to measure body temperature. If a fever is detected, a remote operator can take appropriate action.



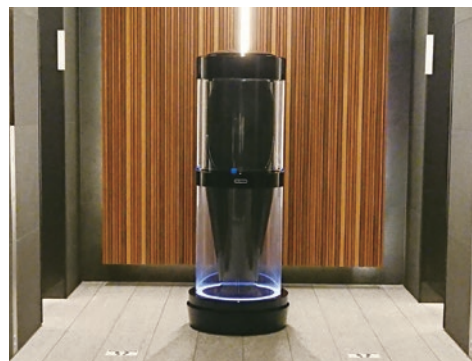
Transfer Robot: **SEED-Mover with Lifter**

This transfer robot combines an autonomously moving trolley and the lifter that raises and lowers its height. The trolley can move in any direction and turn 360°, even in tight spaces, and the lifter can both raise/lower objects and move them forward and backward.



Autonomously Moving Display Signage

This transfer robot combines an autonomously moving trolley and a display. The trolley can move in any direction and turn 360°, even in tight spaces, and the versatile display can be used for showing advertisements, contact-free temperature checks, and more.



* Tokyo Robot Collection: This project aims to conduct demonstrations of robots that coexist with humans as they provide services in order to lead to the development of a new implementation model for addressing Tokyo's challenges and to promote the latest in robotics and other technologies. These demonstrations take place at various locations in Tokyo where services are provided, including mobility support (excluding self-driving automobile systems), security, cleaning, and customer service.

THK Group Business Activity Environmental Impact Overview¹

(Data covers the period from January to December.)

INPUT



Product design



LM Guide high-speed durability tester

01
Development

Production Materials Used

	2019	2020	Change
Main raw materials (t)	67,243	56,542	-15.9%
Main indirect materials (t)	1,430	1,186	-17.1%
Packaging materials (t)	6,137	6,459	5.2%

02
Material
Procurement

Resources Used

	2019	2020	Change
Bunker A fuel oil (kL)	2,489	2,554	2.6%
Liquefied natural gas (t)	225	128	-43.1%
Propane (t)	1,343	1,222	-9.0%
Kerosene (kL)	11	9	-25.5%
Electricity (MWh)	255,181	232,690	-8.8%
Water (1,000 m ³)	643	493	-23.3%

Renewable Energy²

	2019	2020	Change
Solar power generated (MWh)	111	99	-10.8%



Mishima Plant
THK INTECHS CO., LTD.
Solar power generation

03
Production

Fuel for Vehicles³

	2019	2020	Change
Gasoline (kL)	60	61	1.6%
Diesel (kL)	1,602	1,217	-24.0%

04
Logistics

Objectives and Targets (12 production facilities in Japan)

Item	Objective	Target
Conserving energy	Reduce energy consumption	Reduce energy consumption rate by 1% from where it was at the baseline year * Consumption rate (value added)
Preventing global warming	Reduce CO ₂ emissions	Maintain zero emissions (final disposal volume of less than 0.5%)
Recycling and reducing waste	Achieve and maintain zero emissions	Reduce use by 3% every year compared to the baseline year
Green procurement (managing hazardous materials)	Reduce PRTR substances	Comply with regulations such as the RoHS Directive
	Manage chemicals contained in products	Conduct independent conservation activities specific to the local circumstances at every factory
Sustainability activities	Environmental conservation	

¹ The overview of our environmental impact and environmental accounting data is based on the following production facilities:

Twelve production facilities in Japan: Yamagata, Kofu, Gifu, Mie, Yamaguchi, THK NIIGATA, THK INTECHS (Sendai and Mishima), NIPPON SLIDE, and THK RHYTHM (Hamamatsu, Inasa, and Kyushu)

Eight production facilities outside of Japan: TMA (USA), TME (France), TMI (Ireland), DALIAN THK (China), Wuxi (China), Liaoning (China), Changzhou (China), and TMV (Vietnam)

² Data covers the Toyota branch, Yamaguchi plant, THK INTECHS Mishima, and THK RHYTHM Hamamatsu plant.

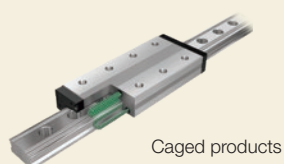
³ Data was collected from five production facilities in Japan (Yamagata, Kofu, Gifu, Mie, and Yamaguchi); three distribution centers (Tokyo, Chubu, and Yamaguchi); and three factory centers (Yamagata, Kofu, and Mie).

⁴ Data was collected from the 12 production facilities in Japan.

OUTPUT

- Development of products with reduced environmental impact
- Components for the renewable energy field

E³ Concept (Endless, Ecological, Economical)



Caged products



Components for vertical-axis wind turbines

- Green procurement
- CSR procurement

- Energy conservation
- Resource conservation
- Hazardous material management
- Global warming prevention
- Zero emissions

Production Volume

	2019	2020	Change
Products produced (t)	66,995	51,521	-23.1%

Waste

	2019	2020	Change
Total waste (t)	18,500	15,456	-16.5%
Recycled (t)	16,269	13,544	-16.7%
Disposed (t)	1,812	1,527	-15.7%

Air Emissions⁴

	2019	2020	Change
Air emissions of PRTR substances (kg)	1,324	877	-33.8%

Air Emissions (Production)

	2019	2020	Change
CO ₂ emissions (t-CO ₂)	162,460	152,929	-5.9%

Water Discharge

	2019	2020	Change
Water discharge (1,000 m ³)	506	275	-45.7%

- Green logistics
- Streamlining shipping methods
- Low-pollution forklifts
- Packaging material improvements

Air Emissions (Logistics)³

	2019	2020	Change
CO ₂ emissions (t-CO ₂)	4,285	3,293	-23.2%



Result

Main Initiatives for 2020

Target consumption rate was 0.549. Result was 0.807.	1. Conserve energy on existing equipment 2. Improve system for energy use 3. Upgrade air conditioning 4. Replace light fixtures 5. Reduce frequency of shipments
Target was 0.50. Result was 0.18.	1. Sort and recycle waste 2. Reduce material use
Target was 50,791 kg. Result was 37,392 kg.	1. Reduce PRTR substances 2. Review solvents used
Promoted the replacement of substances identified as RoHS Directive exemptions	1. Promote the replacement of substances identified as RoHS Directive exemptions
Conducted activities at every factory	1. Collect plastic bottle caps and aluminum pull-tabs * Local outreach activities were not conducted.

Environmental Policy

The THK Group contributes to both society and the economy through our pioneering role as manufacturers of the Linear Motion Guide and other products. We also believe that it is a company's social responsibility to leave the global environ-

ment in a healthy state for the next generation, which is why we are promoting the following initiatives to continually decrease our environmental impact and to sustain and improve the natural environment.

THK Group's Basic Environmental Policy

1. We consider conservation of the environment to be a major management challenge, and we are striving to accurately understand how our business activities, products, and services impact the environment. All divisions set appropriate environmental goals to address this challenge.
2. In addition to complying with environmental laws, we have set self-imposed standards that are reviewed regularly to improve the efficiency and effectiveness of our environmental management.
3. We will continually promote the development of products that help reduce environmental impact.
4. We will cut down energy use in our business activities and continually promote the reduction of energy consumption and greenhouse gas emissions.
5. With a particular focus on the reduction and recycling of waste, we will not only continue to promote the saving and recycling of resources, but also strive to prevent pollution.
6. We recognize the impact our business activities have on biodiversity, and we will actively work toward the conservation of all life on Earth.
7. To achieve greater collaboration with regard to our environmental activities, we provide guidance and support to our affiliate companies and business partners, and also strive to work in cooperation and harmony with the community.
8. This basic environmental policy is disseminated to all divisions in the group through education, training, and awareness campaigns, and we facilitate the timely release of information on the environment both within and outside the Group.

Revised on August 21, 2019

Structure for the Promotion of Environmental Activities

THK has developed a structure that promotes various initiatives aimed at reducing the environmental impact of its business activities.

The Environmental Committee, chaired by the CEO, convenes quarterly and approves each year's environmental targets and environmental promotion schedule. In addition to reporting on the state of energy conservation activities, the management of hazardous materials, and the status of compliance with various other environmental laws and regulations, it also considers necessary improvements as appropriate.

The General Meeting for Environmental Measures convenes twice a year, headed by the Vice President. Representatives from each production facility and office department gather to recognize the necessity of proactive efforts toward reducing environmental impact. They share useful data such as the status of energy use at each facility and examples of the results of energy-saving projects, and connect this information to improvement initiatives.

Specifically, they report on activities to reduce environmen-

tal impact that are suitable to each business location, such as the discovery and elimination of wasteful uses of energy, the transition to energy-efficient production equipment and HVAC systems, the installation of solar panels in open spaces, the conversion of lighting to LED bulbs, and so on.

As part of its activities to reduce environmental impact, THK distributed reusable shopping bags as gifts to celebrate the anniversary of the Company's founding and to promote increased awareness among employees of the problem of plastics, particularly shopping bags, in society.



Harmony with the Environment

Conserving Energy and Preventing Global Warming

Energy Conservation Initiatives

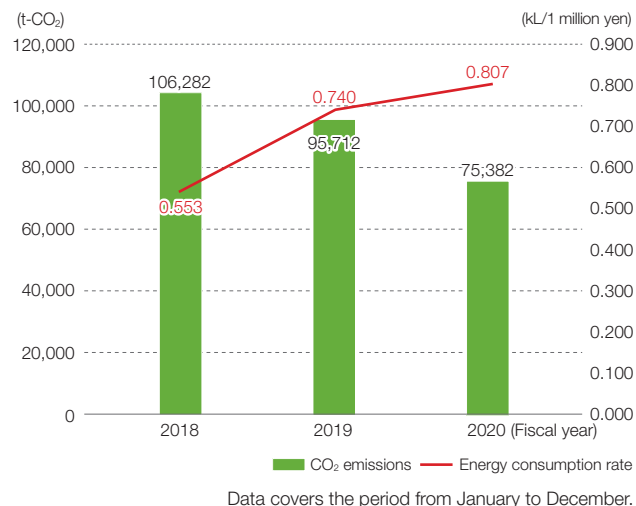
Reducing Energy Consumption and CO₂ Emissions

The entire THK Group is working on energy-saving initiatives to reduce our energy consumption and prevent global warming. Our target is defined in terms of our energy consumption rate (energy consumption/value added). Our actual rate was 0.807, so we were not able to hit our target of 0.549.

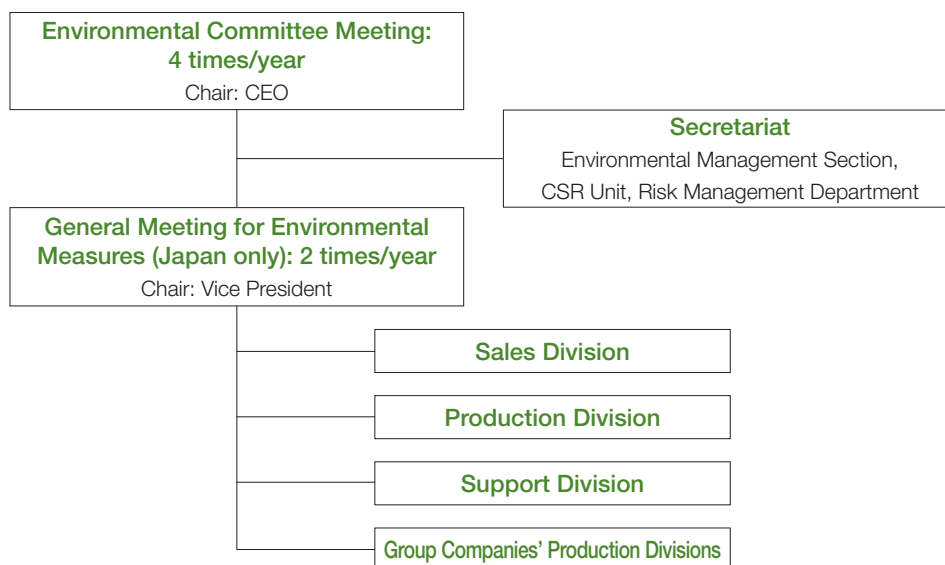
CO₂ emissions (absolute emissions) from our 12 production facilities in Japan totaled 75,382 tons in 2020. Furthermore, in an effort to reduce energy use at our production facilities, we have done the following:

1. Upgraded to LED lighting (due to the coronavirus, we were not able to achieve 100% LED lighting in our 12 Japanese production facilities in 2020)
2. Installed or upgraded equipment for higher efficiency
3. Installed renewable energy equipment
4. Actively utilized existing renewable energy equipment
5. Implemented various creative energy conservation activities
6. Monitored our usage of air conditioning and lighting

Please visit our homepage for details about our initiatives at each production facility.

Changes in CO₂ Emissions

Structure for the Promotion of Environmental Activities



Recycling, Reducing Waste, and Green Distribution

Achieve and Maintain Zero Emissions

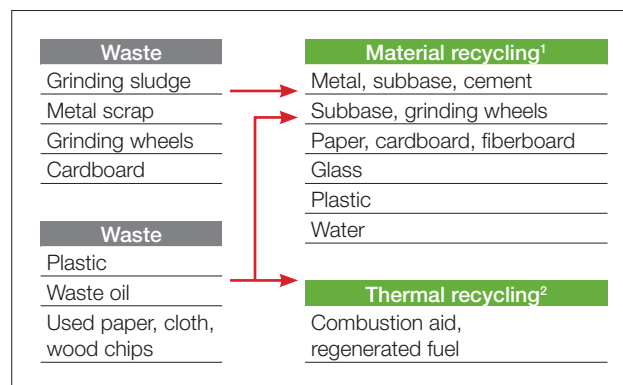
The aim of zero emissions is to recycle waste generated during production processes, switch to beneficial materials that can be put to other industrial uses, and get as close to discharging zero waste as possible. We promote zero-emissions activities through controlling the use of direct and indirect materials, emissions and final waste, and reusing and recycling.

The waste produced by our business activities includes metal scrap, oil and liquid waste, grinding sludge, packaging, and plastic waste. By thoroughly separating our waste, we reuse or transform waste into usable materials. For example, we turn steel scrap into steel-making material, sludge with grinding wheel dust into cement material, and oil and plastic waste into fuel.

As we work to conserve resources and promote zero emissions, we achieved an emissions rate (volume of waste dis-

posed/total discharged) of 0.18% in 2020, once again reaching our annual target of less than 0.50%.

Waste Recycling Methods



¹ Material recycling: Reusing waste as raw material for another product

² Thermal recycling: Using waste as combustion material

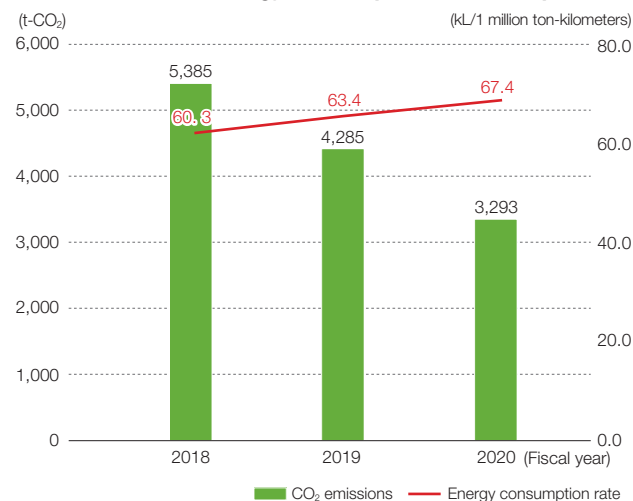
Initiatives for Green Distribution

Distribution departments at three of our distribution centers (Tokyo, Chubu, and Yamaguchi); three of our factory centers (Yamagata, Kofu, and Mie); and other production facilities (INTECHS Mishima, INTECHS Sendai, THK NIIGATA, THK RHYTHM Hamamatsu, THK RHYTHM Inasa, THK RHYTHM Kyushu, and NIPPON SLIDE) have done the following:

1. Reducing CO₂ emissions: modal shifts (switching from trucks to rail or sea transportation), consolidation of transportation trucks, and improvement of transportation efficiency
2. Reducing environmental impact: transitioning to eco-friendly forklifts
3. Reducing waste: initiating a Green Distribution Plan that includes utilizing returnable containers and reusing packing materials

In 2020, the amount of CO₂ released by our transportation activities was 3,293 tons, a reduction from the 4,285 tons released in 2019. Conversely, our energy consumption rate (ratio of energy use to freight transport in ton-kilometers) increased by about 6.4%, from 63.4 in 2019 to 67.4. Please visit our homepage for details about our initiatives at each production facility.

CO₂ Emissions and Energy Consumption from Transportation



Data covers the period from January to December.

Data was collected from five production facilities in Japan (Yamagata, Kofu, Gifu, Mie, and Yamaguchi); three distribution centers (Tokyo, Chubu, and Yamaguchi); and three factory centers (Yamagata, Kofu, and Mie).

Harmony with the Environment

Hazardous Material Management and ISO 14001

Hazardous Material Management Activities

Environmentally hazardous materials are defined as materials that may be harmful to the human body or ecosystems when contained in a product. In principle, we prohibit the use of such substances in our components and raw materials. For hazardous substances that may be present as impurities, we have established tolerances and handle such materials accordingly.

With regard to the Restriction of Hazardous Substances Directive (RoHS)¹ and REACH Regulation² in the EU and the Administrative Measure on the Control of Pollution Caused by Electronic Information Products³ in China, we have adopted our Green Procurement Guidelines at our production facilities in and outside of Japan and provide information necessary to meeting our customers' requirements. In addition, we submit REACH reports to the relevant authorities as required.

We stringently manage chemicals specified in the PRTR Law⁴ and are working to switch to products that do not contain such substances. Our goal is to reduce our handling of these chemicals by 3% each year, and we achieved a reduction from last year, going from 38,293 kg in 2019 to 37,962 kg in 2020. Please visit our homepage for details about our

initiatives at each production facility.

¹ RoHS Directive: Restriction of the Use of Certain Hazardous Substances in Electrical and Electronic Equipment Regulations

² REACH (Registration, Evaluation, Authorisation and Restriction of Chemicals) Regulation: A regulation that requires almost all chemicals sold in the EU to be evaluated for safety and to be registered

³ Administrative Measure on the Control of Pollution Caused by Electronic Information Products: A law, also called "China RoHS," that requires disclosure when certain hazardous substances are present in electronic information products and components

⁴ PRTR Law: Law Concerning Reporting, etc. of Releases to the Environment of Specific Chemical Substances and Promoting Improvements in Their Management

PRTR Substance Amount and Air Emissions (kg)

Substance	Amount	Air Emissions
Xylene	1,091	172
Toluene	2,106	419
Ethylbenzene	310	53
Benzene	109	37
Methylnaphthalene	30,605	50
Other	3,741	147
Total	37,962	877

ISO 14001 Certified Facilities

Japan

Production Facility	Country	Certifying Body
Yamagata Plant, Kofu Plant, Gifu Plant, Mie Plant, Yamaguchi Plant, THK NIIGATA	Japan	JQA
THK RHYTHM Headquarters, Hamamatsu Plant, Inasa Plant, Kyushu Plant		JIA
THK INTECHS Headquarters, Mishima Plant, Sendai Plant		ClassNK

The Americas

Production Facility	Country	Certifying Body
THK Manufacturing of America	USA	SAI GLOBAL
THK RHYTHM NORTH AMERICA		SQA
THK RHYTHM AUTOMOTIVE MICHIGAN		DQS
THK RHYTHM AUTOMOTIVE CANADA (Tillsonburg)	Canada	DQS
THK RHYTHM AUTOMOTIVE CANADA (St. Catharines)		DQS

Europe

Production Facility	Country	Certifying Body
THK Manufacturing of Europe	France	AFAQ
THK RHYTHM AUTOMOTIVE GmbH	Germany	DQS
THK RHYTHM AUTOMOTIVE CZECH	Czech Republic	DQS

Asia

Production Facility	Country	Certifying Body
THK MANUFACTURING OF CHINA (WUXI)	China	CQC
DALIAN THK, THK MANUFACTURING OF CHINA (LIAONING)		TUV
THK RHYTHM CHANGZHOU		BUREAU VERITAS
THK RHYTHM GUANGZHOU		SGS
THK RHYTHM MALAYSIA	Malaysia	DQS
THK RHYTHM (THAILAND)	Thailand	URS

Third-Party Opinion

I hereby present my third-party opinion on the 2021 THK Sustainability Report (hereinafter referred to as “this report”).

“Transforming the World” with the SDGs and THK’s “Change in Business Style”

The SDGs were outlined in the “Transforming our world: the 2030 Agenda for Sustainable Development” resolution adopted at the 2015 United Nations summit. Meanwhile, THK adopted its “change in business style” growth strategy the following year. From this, it is evident that both the SDGs and THK seek to transform society, business, and our world.

This report frequently uses key phrases that evoke the idea of transformation, such as “changing times,” “massive revolution,” “social upheaval,” “VUCA,” and so forth. In this “time of great change,” society is experiencing a steady advance of innovations, including CASE, MaaS, AI, the IoT, and DX (digital transformation). At the same time, it is clear throughout this report that, as a company focused on creation and development, THK’s strategy is to promote efforts such as the THK DX Project, Omni THK, OMNIedge, and the **SEED-Mover** with Lifter in order to establish an even more solid foundation.

In addition, while the mention of CSV was absent in last year’s report, it is woven throughout this one. It is clear how THK capitalized on its aforementioned strengths to solve social challenges such as the coronavirus and environmental problems and, furthermore, to translate those efforts into improved corporate value.

With Pride as an Essential Business

For instance, the subtitle to the Message from the CEO is “With Pride as an Essential Business.” Then in the Value Creation section, “infectious diseases” has been added to the challenges facing society, showing how THK was responding and achieving results (outcomes) based on its “pride as an essential business.” Furthermore, seeing “Establishing a BCP

for infectious diseases” at the top of the “Significant Challenges and Their Relationship with SDGs” table demonstrates that THK has maximized its corporate activities aimed at fulfilling its responsibility of providing products to the supply chain.

Working Toward Carbon Neutrality in 2050

In October 2020, the Japanese government declared that it would aim for carbon neutrality by 2050. Then in April 2021, the administration announced a 2030 goal to reduce greenhouse gases (GHG) by 46% compared to 2013 levels. As this movement toward decarbonization is a new global trend, Japanese manufacturers are formulating and announcing medium- and long-term targets to reduce GHG by 2030 and 2050. In addition, there are rapid efforts for companies to reduce not only their own direct GHG emissions, but those in their supply chain as well. Therefore, I hope that THK will also set and announce medium- to long-term goals for GHG reduction and share robust information regarding its efforts to reduce GHG throughout the Group and its supply chain.

Data Related to Human Assets

THK uses the phrase “human assets” instead of “human resources.” Additionally, in the Value Creation section, “gender inequality” has been added to the challenges facing society. In order to help readers of the report gain a better understanding of THK’s efforts in relation to these concepts, in addition to a qualitative explanation and the information presented on the website regarding this publication, I would like to see more data about employees—who are the foundation of BCP in the face of significant challenges—specifically in relation to health and safety (e.g. occupational health and safety activities in the Production Division) and creating a pleasant work environment (e.g. the rehiring program and the promotion of women to management and leadership positions).



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Editor's Note

This report reviews the efforts THK made toward achieving a sustainable society during the coronavirus pandemic and how those activities relate to various stakeholders and the targets of the SDGs. In the special features section, we introduce a customer who is using THK products to provide contactless service. We also invite you to visit our homepage, which provides details about the activities of each of our facilities and our affiliates in relation to our management structure, involvement in society, and harmony with the environment.

We will continue to promote initiatives that will earn the trust of our stakeholders and disclose that information in a suitable manner. To that end, we would like to hear your thoughts about this report. Your opinions are valued and will guide us in our future CSR endeavors and the creation of future reports,

so please use the attached survey or the website below to send us your honest thoughts and opinions.

URL:

www.thk.com/eng/csr/a2021/

Access from your smartphone or tablet here



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