

## Basic Stance on Corporate Governance

Intending to maximize its corporate value, THK strives to maintain solid corporate governance in order to make medium- to long-term improvements to its corporate value by sustaining growth through appropriate cooperation with all its shareholders and other stakeholders.

## THK's Corporate Governance Framework

In June 2014, THK introduced an executive officer system. After the Company's 46<sup>th</sup> General Meeting of Shareholders on June 18, 2016, and in conjunction with its establishment of an Audit and Supervisory Committee, THK instituted a non-mandatory Nomination Advisory Committee and a Remuneration Advisory Committee to act as advisors to the Board of Directors. In doing so, THK has endeavored to bring enhanced transparency and objectivity to management, strengthen the auditing functions of the Board of Directors, and bring greater speed and efficiency to management-related decision-making and the management of corporate affairs.

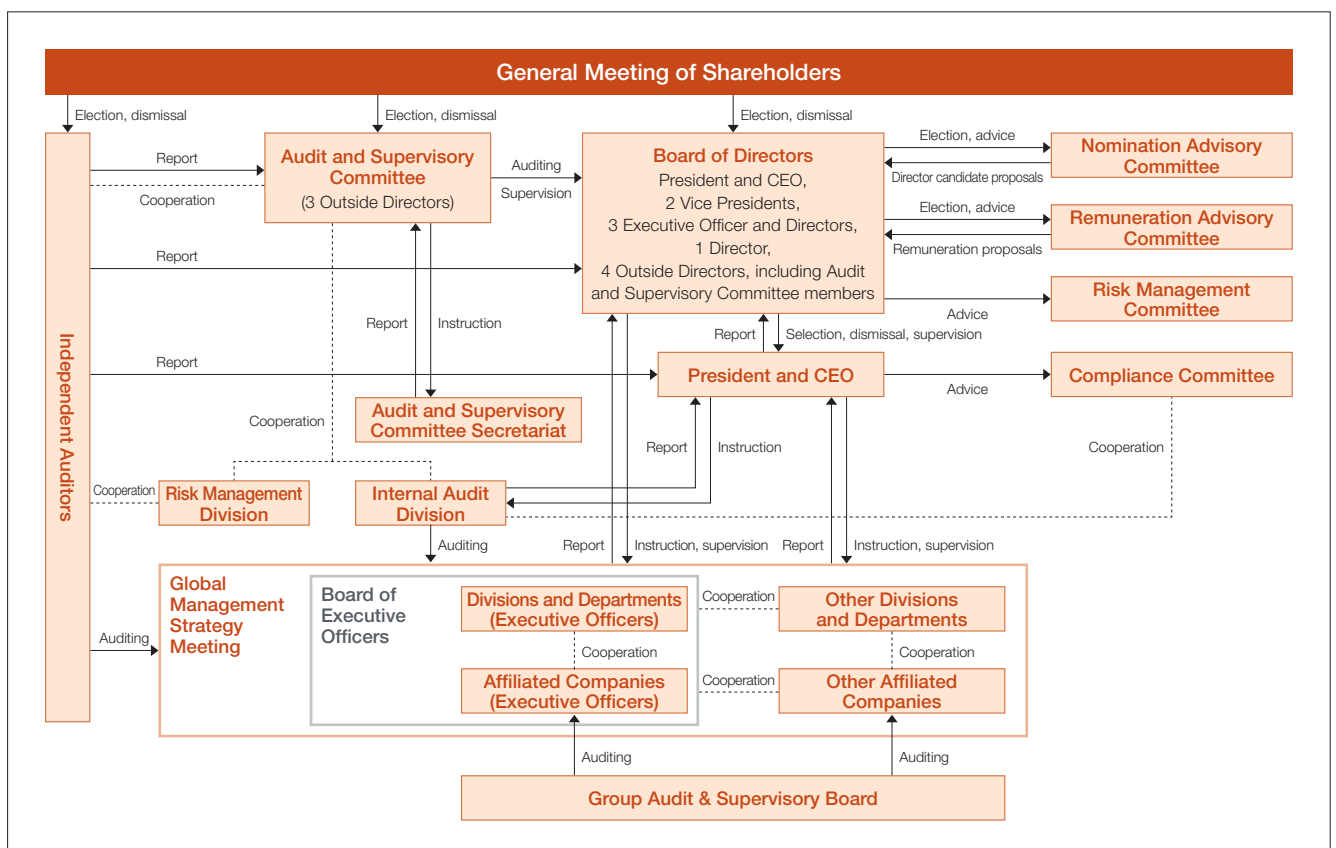
### Board of Directors

THK's Board of Directors comprises a total of eight directors—including one outside director—who are not members of the Audit and Supervisory Committee, in addition to three outside directors who are Audit and Supervisory Committee members. The Board of Directors makes decisions on important matters of general management and carries out the oversight of directors and executive officers in the

execution of their duties. There are also four outside directors whose independence meets the evaluation criteria stipulated by the Tokyo Stock Exchange and THK. With over a third of the directors being outside directors who possess specialized professional knowledge and qualifications related to corporate accounting or general management, this structure has further enhanced management neutrality, legality, and validity while improving the board's management oversight function.

### Audit and Supervisory Committee

Comprising three outside directors who are Audit and Supervisory Committee members, the Audit and Supervisory Committee utilizes the internal control system to audit and supervise directors and executive officers with regard to the current status of the execution of their duties. The effectiveness of the audits is also enhanced by collaboration between the Audit and Supervisory Committee and independent auditors. In addition, the Audit and Supervisory Committee Secretariat was established to support the Audit and Supervisory



Committee and its members. The Audit and Supervisory Committee Secretariat follows the instructions of the Audit and Supervisory Committee, coordinates with each department, and conveys instructions to the Internal Audit Division and the Risk Management Division, which is responsible for the maintenance and operation of internal controls.

### Nomination Advisory Committee and Remuneration Advisory Committee

The non-mandatory Nomination Advisory Committee and Remuneration Advisory Committee are each composed of four directors, two of which are outside directors. This composition is in accordance with the rules for both committees, which stipulate that outside directors must make up half or more of the members. As advisory bodies to the Board of Directors, both committees review and deliberate on director candidates and remuneration proposals, and they propose the content and outcomes of those deliberations to the Board of Directors. The Board of Directors conducts its own deliberations on the subject matter before deciding on a resolution.

### Executive Officer System

By introducing the executive officer system, THK has endeavored to accelerate decision-making and operational execution, in addition to improving the management oversight function of the Board of Directors and clarifying roles and responsibilities relating to the management of corporate affairs. As a means to share information throughout the Group and improve corporate governance through collaboration between the directors, executive officers, and other members of the management team, the Company implemented its Board of Executive Officers, which is attended by directors and executive officers, and established the Global Management Strategy Meeting, which is attended by members of the Board of Executive Officers in addition to those in charge of each division, department, and affiliate company. To clarify the roles and responsibilities of executive officers relating to the management of corporate affairs, an executive officer's term in office is deemed to be one year.

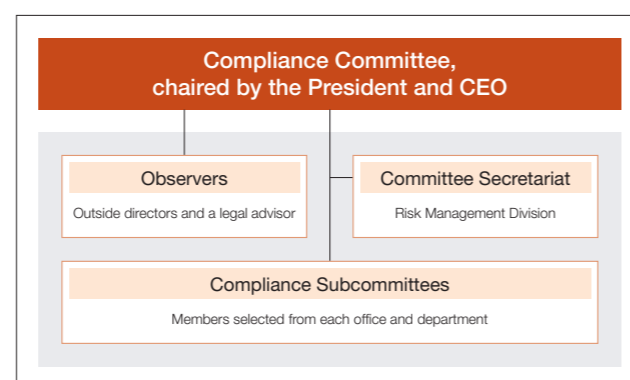
### General Meeting of Shareholders

THK has consistently regarded active communication with all stakeholders as a crucial part of management. Accordingly, the Company is actively committed to maintaining fair and proper disclosure of corporate information. In an aim to have open meetings, THK has held its General Meeting of Shareholders on a Saturday every year since 1998, thereby avoiding the period when many shareholder meetings are scheduled. At the General Meeting of Shareholders, the Company provides seating for business partners and other stakeholders to observe the proceedings. A product exhibition is held after the end of the meeting to help more people gain a greater understanding of the Company.

\* The 50<sup>th</sup> General Meeting of Shareholders was held on a Friday that was a national holiday. In addition, as a precaution for the new coronavirus (COVID-19), there were no seats for observers or a product exhibition.

### Compliance Structure

The Compliance Committee, chaired by the CEO, approves the annual activity plan and reports on the execution of those activities, as well as on the handling of legal violations by employees and other matters to report internally. This committee is also attended by outside directors and a legal advisor, and it functions in a proper and legal manner. In addition, THK has established compliance subcommittees reporting to the Compliance Committee, with the working group members being selected from each site and department. The working group members play an important role in maintaining the compliance system by means such as holding voluntary seminars on compliance and fulfilling an advisory function.



### Risk Management Committee

THK has established a risk management structure that anticipates future circumstances, enabling management to take appropriate risks by identifying, analyzing, and responding to conceivable risks from the perspective of management and the company as a whole. Under its policy of "We facilitate assertive governance with elements of bold risk-taking," the Risk Management Committee convenes annually and is headed by the CEO. The committee, which is attended by outside directors and legal counsel, approves the annual activity plan and works to establish, promote, and maintain the risk management structure by controlling risks throughout the entire Group.



## Board of Directors and Executive Officers (As of March 20, 2020)

### Directors



**Akihiro Teramachi**  
President and CEO



**Toshihiro Teramachi**  
Executive Vice President and CIO



**Hiroshi Imano**  
Executive Vice President and CFO



**Nobuyuki Maki**  
Director and Senior Managing Executive Officer  
Senior General Manager of Automotive & Transportation Headquarters



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



**Junji Shimomaki**  
Director and Managing Executive Officer  
General Manager of Industrial Machinery Headquarters  
Senior General Manager of Sales Division, Industrial Machinery Headquarters



**Junichi Sakai**  
Director  
(In charge of Quality Assurance, Risk Management, and Production Engineering)



**Masaaki Kainosho**  
Outside Director



**Masakatsu Hioki**  
Outside Director  
(Audit and Supervisory Committee Member)



**Tomitoshi Omura**  
Outside Director  
(Audit and Supervisory Committee Member)



**Yoshiki Ueda**  
Outside Director  
(Audit and Supervisory Committee Member)

### Executive Officers

Managing Executive Officer  
**Takashi Okubo**  
Executive Vice Chairman of THK (CHINA) CO., LTD.

Managing Executive Officer  
**Masaki Sugita**  
Representative Director and President of THK Holdings of America, L.L.C.  
Representative Director and President of THK America, Inc.

Managing Executive Officer  
**Tetsuya Hayashida**  
Special Appointive Officer to President

Managing Executive Officer  
**Masato Sawada**  
General Manager of Automotive & Transportation Headquarters  
Director and Executive Vice Chairman of THK RHYTHM CO., LTD.

Managing Executive Officer  
**Takanobu Hoshino**  
General Manager of IMT Division, Industrial Machinery Headquarters  
Director and Executive Vice Chairman of THK INTECHS CO., LTD.

Managing Executive Officer  
**Akihiko Kambe**  
Senior General Manager of Production Division, Industrial Machinery Headquarters

Managing Executive Officer  
**Kaoru Hoshide**  
Senior General Manager of Engineering Division, Industrial Machinery Headquarters

Managing Executive Officer  
**Toshiki Matsuda**  
Representative Director and President of THK Europe B.V.  
Representative Director and President of THK GmbH  
Representative Director and President of THK France S.A.S.  
Representative Director and President of THK Manufacturing of Europe S.A.S.  
Representative Director and President of THK Manufacturing of Ireland Ltd.

Executive Officer  
**Naoki Kinoshita**  
President of THK (CHINA) CO., LTD.

Executive Officer  
**Yukio Yamada**  
General Manager of Sales Division, Industrial Machinery Headquarters  
General Manager of International Sales Division, Sales Division, Industrial Machinery Headquarters

Executive Officer  
**Takehiro Nakanishi**  
Deputy Senior General Manager of Production Division, Industrial Machinery Headquarters  
General Manager of Production Engineering Department, Production Division, Industrial Machinery Headquarters  
General Manager of Global Procurement Department, Production Division, Industrial Machinery Headquarters

Executive Officer  
**Yasutoshi Hoshino**  
Deputy General Manager of Corporate Strategy Headquarters

Executive Officer  
**Kenji Nakane**  
General Manager of Finance & Accounting Department, Corporate Strategy Headquarters

Executive Officer  
**Akira Furihata**  
Representative Director and President of THK RHYTHM CO., LTD.

Executive Officer  
**Masaki Kimura**  
Head of The President's Office  
Head of Corporate Planning Department, Corporate Strategy Headquarters

Executive Officer  
**Takuya Sakamoto**  
Head of IOT Innovation Division



## Harmony with the Environment

### The Selection of Outside Directors

<b>Masaaki Kainosho</b> Outside Director (as of June 2012) <hr/> <b>Significant concurrent positions:</b> Representative Director of KAINOSHO CO., LTD. Professor at Otsuma Women's University Junior College Division	<b>Reason for selection</b> In addition to being a university professor deeply versed in business administration, Masaaki Kainosho possesses a wealth of experience, a history of success, and sound judgment from managing an executive consulting company.
	<b>Independent status</b> Masaaki Kainosho was employed at THK's current lender, Sumitomo Mitsui Banking Corporation (previously Mitsui Bank), from April 1976 to April 1996. However, he was consistently working in a systems-related division, and the THK Group did not do business with Mitsui Bank at the time. Therefore, he is considered to be independent.

<b>Masakatsu Hioki</b> Outside Director, Audit and Supervisory Committee Member (as of June 2016) <hr/> <b>Significant concurrent positions:</b> Outside Director of SUKIYA Co., Ltd. Outside Director of ZUIKO CO., LTD. Visiting Professor at Ritsumeikan University Graduate School	<b>Reason for selection</b> In addition to possessing sound judgment, Masakatsu Hioki has extensive experience and a proven history of success as an executive responsible primarily for human resources and general affairs in a global manufacturing company.
	<b>Independent status</b> Masakatsu Hioki began his career with Komatsu Ltd. Although THK and Komatsu do have a business relationship that includes the sale of THK products, the sum value of those transactions equals less than 1% of THK's and Komatsu's consolidated net sales for the corresponding fiscal year. Therefore, he is considered to be independent.

<b>Tomitoshi Omura</b> Outside Director, Audit and Supervisory Committee Member (as of June 2016) <hr/> <b>Significant concurrent positions:</b> Certified Public Accountant Managing Director of Omura Accounting Office	<b>Reason for selection</b> In addition to the knowledge of corporate accounting he has gained over many years as a certified public accountant, Tomitoshi Omura is an expert who possesses a wealth of experience, a history of success, and sound judgment.
	<b>Independent status</b> There are no particular conflicts of interest concerning Tomitoshi Omura's relationship with THK. Additionally, although he does not have direct experience in corporate management, the Company has determined that he appropriately executes his duties as an outside director because of the aforementioned reasons.

<b>Yoshiki Ueda</b> Outside Director, Audit and Supervisory Committee Member (as of June 2016) <hr/> <b>Significant concurrent positions:</b> Outside Director of SINTOKOGIO, LTD. Representative Director & Vice-Chairman of Makino Milling Machine Co., Ltd. Visiting Professor of National University Corporation Shizuoka University	<b>Reason for selection</b> In addition to possessing sound judgment, Yoshiki Ueda has extensive experience and a proven history of success as an executive deeply versed in corporate management, having spent many years at a global company active in machinery-related fields.
	<b>Independent status</b> Yoshiki Ueda is an outside director at SINTOKOGIO, LTD., a representative director and vice-chairman at Makino Milling Machine Co., Ltd., and a visiting professor at National University Corporation Shizuoka University. Although THK and SINTOKOGIO do have a business relationship that includes the purchase of SINTOKOGIO products, the sum value of those transactions equals less than 1% of THK's and SINTOKOGIO's consolidated net sales for the corresponding fiscal year. Additionally, although THK and Makino Milling Machine do have a business relationship that includes the sale of THK products, the sum value of those transactions equals less than 1% of THK's and Makino Milling Machine's consolidated net sales for the corresponding fiscal year. There are no particular conflicts of interest regarding the relationship between the Company and Shizuoka University.

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 environment 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

### Energy-Saving Initiatives

#### Solar Panels at the Yamaguchi Plant

The Yamaguchi plant is carrying out plans to reduce CO<sub>2</sub> emissions by installing solar panels. Fifty-seven fluorescent bulbs are used to light the walkway between Factory 1 and Factory 7 for the safety of night workers. Technicians certified for Type 1 and Type 2 electrical work installed solar panels there in order to generate and store electricity during the day and reduce CO<sub>2</sub> emissions. Operation began February 2020, and the panels are expected to produce 26,964 kWh of electricity per year and reduce yearly energy consumption by the equivalent of 7.1 kL of crude oil. The panels can also be used as an emergency power source, so the plant is planning to establish an effective system for energy self-sufficiency as a BCP measure.



#### LED Upgrade Results

The Company has established a plan to upgrade to LED lighting where needed in its five Japanese THK production facilities by the end of December 2020. The following table shows the status and results of the LED lighting upgrades in all Group companies in Japan during the 2019 fiscal year.

Plant	Location	Time frame	Bulbs replaced	Reductions	
				Energy (kWh)	Crude oil equivalent (kL)
Yamagata Plant	Factory 1	10/2019	Fluorescent: 1,339	78,000	20.0
	Factory 2	10/2019	Fluorescent: 289	35,000	9.0
Kofu Plant	Factory 3	9-11/2019	Fluorescent: 993	118,277	30.4
	Factory 4		Mercury: 41		
Gifu Plant	Chubu Distribution Center Gifu Plant	9/2019	Fluorescent: 324 Mercury: 3 Ceramic metal halide: 3	52,567	13.5
Mie Plant	Factory building Office building	9-11/2019	Fluorescent: 585 Mercury: 125	200,369	50.0
Yamaguchi Plant	Entire factory	9-12/2019	Fluorescent: 377 Mercury: 217	218,950	56.3
THK NIIGATA	Entire factory	12/2019	Fluorescent: 48	37,393	3.9
THK RHYTHM Hamamatsu	Cold-forging factory Machine factory Welfare building	12/2019	Fluorescent: 144 Fluorescent: 350 Fluorescent: 104	204,817	529.0
THK RHYTHM Kyushu	Office building Factory 2 (New factory)	5/2019 11/2019	Fluorescent: 195 New: 300	34,593	89.0



# Management Base Involvement in Society

As a good corporate citizen, THK actively contributes to society in the following ways.

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

## Working with Vendors

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

Throughout its supply chain, from design to sales, THK strives to adhere to social norms and be environmentally conscious in order to create a sustainable society. In accordance with the revised RoHS directive effective in 2021, companies will no longer be able to ship steel, aluminum alloys, or copper alloys that contain lead to Europe. After issuing surveys to each of its suppliers and gathering information, THK is working with suppliers to investigate lead-free alternatives.

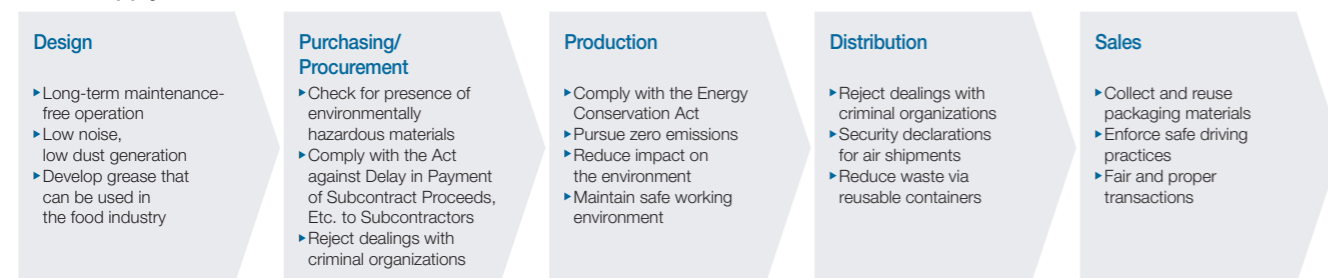
### THK Basic Policy on Procurement

In order to continue to provide THK products that satisfy our customers, we establish good, healthy, and mutually beneficial relationships with our suppliers.

#### Activities

1. Procurement practices emphasizing communication with suppliers. Evaluating and choosing suppliers with thorough consideration for QCDES
2. Fair and equitable dealings in compliance with all pertinent laws and social norms
3. Efforts to minimize costs. Encouraging the active pursuit of cost-saving projects and value analysis initiatives
4. Pursuit of global procurement
5. Implementation of a BCP (business continuity plan)
6. Environmental consciousness through green procurement

### THK's Supply Chain



## The Promotion of Robotic Systems

In December 2019, the Japan Robot Association's Robot Business Promotion Council awarded THK the 5<sup>th</sup> Award for Contributions to the Promotion of RT-Middleware for the Company's notable success at promoting the use of RT<sup>1</sup> Middleware<sup>2</sup> robotic systems in industrial factories through the "SIGNAS" autonomous movement control system.

<sup>1</sup> Robotics Technology

<sup>2</sup> Software that acts as a bridge between the operating system (OS), which performs basic computer operations, and the application software that processes various tasks



Autonomous Movement Control System "SIGNAS"



Award for Contributions to the Promotion of RT-Middleware

## Talent Development

To support future developments, THK is strengthening the technical skills and the ability of every employee to make proposals as appropriate for their role and to respond to globalization. The Company conducts efforts to support such growth of individual employees with the premise of "strengthening the individual."

The Company performs the following activities in alignment with its three growth strategies:

- ▶ Full-scale globalization: Developing talent that can succeed globally
- ▶ Development of new business areas: Conducting the unique 66 Project and the basic technical training program that has been held since 1998
- ▶ Change in business style: Developing talent that utilizes data to quickly adapt to a digital society

### Specific Activities

#### ▶ Developing talent that can succeed globally (supporting growth through international experiences)

In 2018, THK launched a program for employees in Japan who joined the company hoping to gain experience abroad, in which employees spend several months working in another country. Around five employees have participated in this program so far. The Cross-Border Trainee Program, in which participants spend a year at an overseas facility, was established in 2016 based on feedback from employees, and there have been around nine participants so far.

#### ▶ 66 Project

This project began with six employees creating six cross-departmental teams within the Engineering Division as a research activity to lead to new market expansion for THK products. The results from the research teams are presented once a year, and some have led to ideas that are currently in development to become future products.

#### ▶ Basic technical training

To impart technical knowledge that will aid the development of innovative new products and to improve the quality of developed products, lectures are held for new employees entering with technical degrees. Furthermore, THK has developed an internal engineering test and certification program for employees to broaden their knowledge and explore their areas of specialization more deeply as engineers.

#### ▶ Developing talent that utilizes data (supporting digitalization)

To make tasks that use data more sophisticated and increase their added value, the Company began a three-level training program in 2019 that covers basic, intermediate, and advanced skills.

##### Basic

- Using data for one's area of responsibility
- Aggregating and visualizing data, analyzing a root cause, and developing a solution based on an understanding of the entire picture shown by the data and basic methods of visualization and analysis (statistics, etc.)

##### Intermediate

- Promoting the use of data in each department
- Using data analysis to execute the entire process of identifying a departmental challenge, conducting the analysis, and solving the challenge

##### Advanced

- Promoting company-wide data use as an expert, advising others on data utilization, and conducting training sessions to develop talent
- Using data analysis to solve inter-departmental or even more complex challenges

#### ▶ Supporting new employees

New employees in Japan continue their development through on-the-job training at their assigned departments after completing their new hire orientation and a period of practical training at various production facilities. Beginning in 2017, to make sure new hires are staying motivated and confirm that they are not overwhelmed by or anxious about their daily work, the Company has been taking care of those employees by conducting monthly check-ins.