

Please note that the following is an unofficial English translation of Japanese original text of the Notice of Convocation of the 46th Ordinary General Meeting of Shareholders of THK CO., LTD. The Company provides this translation for reference and convenience purposes only. In the event of any discrepancy between this translation and the Japanese original, the latter shall prevail.

## To Our Shareholders:



Akihiro Teramachi  
Representative Director and President  
THK CO., LTD.

Dear Shareholders:

Taking this occasion, we would like to express our deep gratitude for your support.

It gives us great pleasure to inform you that the 46th Ordinary General Meeting of Shareholders of THK CO., LTD. (the “Company”), will be held as outlined below.

The Company is developing its business activities by adopting its strategic focuses: “Full-Scale Globalization” aiming to expand its geographic business areas and “Development of New Business Areas” aiming to expand the areas of application of its products. In these conditions, on August 31, 2015 the European and North American linkage and suspension (L&S) business of U.S. automotive parts manufacturer TRW Automotive Inc. (now a ZF Friedrichshafen AG Group company) was transferred to the THK Group to further expand the Group’s transportation equipment-related business. These initiatives give us confidence that the Company’s potential for growth is steadily increasing.

We will strive to meet the expectations of our shareholders by continuing to push forward with “Full-Scale Globalization” and “Development of New Business Areas,” and strengthening cost control to improve profitability and achieving further growth. We look forward to your continuous support and encouragement in the coming years.

### Management Principles

Providing innovative products to the world and generating new trends to contribute to the creation of an affluent society.

In accordance with the management philosophy, the Company aims to enhance the THK Group’s long-term corporate value by continuously growing through appropriate cooperation with all stakeholders, including our shareholders.

Security Code 6481  
May 30, 2016

To Shareholders

11-6, Nishi Gotanda 3-chome, Shinagawa-ku, Tokyo, Japan  
**THK CO., LTD.**  
Representative Director and President: Akihiro Teramachi

### **Notice of Convocation of the 46th Ordinary General Meeting of Shareholders**

Dear Shareholders:

We would like to express our appreciation for your loyal patronage.

We are writing to inform you that the 46th Ordinary General Meeting of Shareholders of THK CO., LTD. (the “Company”) will be held as outlined below, and we cordially request your attendance.

If you are unable to attend the meeting, you may exercise your voting rights in writing or via an electronic method such as the Internet. Please review the reference documents for the Ordinary General Meeting of Shareholders attached to this letter and exercise your voting rights no later than 17:30 Japan local time on Friday, June 17, 2016.

- 1. Date and Time:** Saturday, June 18, 2016, 13:30 (Reception desk: open at 12:30)
- 2. Place** 10-30 Takanawa 4-chome, Minato-ku, Tokyo  
Shinagawa Prince Hotel, Annex Tower 5th Floor (Prince Hall)
- 3. Agenda**
  - Reports:**
    1. Business reports, consolidated financial statements, and the results of the audits of the consolidated financial statements by the accounting auditor and the Board of Auditors for the 46th Term (April 1, 2015 to March 31, 2016)
    2. Report of financial statements for the 46th Term (April 1, 2015 to March 31, 2016)
  - Resolutions:**
    - Proposal 1:** Surplus Appropriation
    - Proposal 2:** Partial Amendments to the Articles of Incorporation
    - Proposal 3:** Appointment of Eight (8) Directors (Excluding Directors who are Audit and Supervisory Committee Members)
    - Proposal 4:** Appointment of Three (3) Directors who are Audit and Supervisory Committee Members
    - Proposal 5:** Appointment of One (1) Substitute Director who is Audit and Supervisory Committee Member

[Translation for Reference and Convenience Purposes Only]

**Proposal 6:** Determination of the Amount of Compensation for Directors  
(Excluding Directors who are Audit and Supervisory  
Committee Members)

**Proposal 7:** Determination of the Amount of Compensation for Directors  
who are Audit and Supervisory Committee Members

#### 4. Disclosure on the Company's Website

Based on laws and regulations and the Company's Articles of Incorporation, we have posted the following items on our website (<http://www.thk.com/us/ir/shareholder/meeting.html>), and thus do not provide them in this convocation notice.

- (1) Notes to the consolidated financial statements
- (2) Notes to the non-consolidated financial statements

The Company's Auditors and the accounting auditor audited the consolidated financial statements and non-consolidated financial statements included in this convocation notice as well as the notes to the consolidated financial statements and the notes to the non-consolidated financial statements posted on the Company's website.

- ⊙ We will also accept your questions regarding the (1) notes to the consolidated financial statements and (2) notes to the non-consolidated financial statements, which are disclosed on the Company's website, at the Ordinary General Meeting of Shareholders.
- ⊙ Corrections to the reference documents for the Ordinary General Meeting of Shareholders, the business report, the financial statements and the consolidated financial statements, if any, will be posted on our Company's website:  
(<http://www.thk.com/us/ir/shareholder/meeting.htm>).
- ⊙ If attending the meeting, please submit the enclosed voting sheet to the reception desk on arrival. Please bring this convocation notice with you.
- ⊙ When exercising voting rights by proxy, the proxy must be another shareholder of the Company holding voting rights as provided under the Company's Articles of Incorporation. There shall be one proxy.

## Guidance on the Exercise of Voting Rights

- **Attending the Meeting**  
Please submit the enclosed voting sheet to the reception desk on arrival at the meeting. Please bring this convocation notice with you.
- **Exercising Voting Rights in Writing**  
Please indicate your consent/dissent concerning each proposal shown on the enclosed voting sheet, and return it to us by no later than 17:30 on Friday, June 17 (Japan Time), 2016.
- **Exercising Voting Rights via the Internet**  
Please access the voting website (<http://www.evote.jp/>) and indicate your consent/dissent concerning each proposal by no later than 17:30 on Friday, June 17 (Japan Time), 2016.  
Please refer to “Procedure for Exercising Voting Rights via the Internet” described on the next page.

To institutional investors,  
To exercise voting rights with regard to the proposals made at the Ordinary General Meeting of Shareholders of the Company, other than the above method to exercise voting rights using the Internet, institutional investors may use the “Voting Rights Electronic Exercise Platform” operated by ICJ Co., Ltd., provided that the shareholder has already subscribed to use of the platform.

### THK Group Products Exhibition

At the Ordinary General Meeting of Shareholders, we will utilize monitors to give a presentation on the current state of the Company, and after the meeting we will hold the “THK Group Products Exhibition” at the venue adjacent to where the meeting is held. We sincerely hope that this opportunity will help deepen your understanding of the THK Group.

The picture on the right shows the image of the previous year’s THK Group Products Exhibition.



## Procedure for Exercising Voting Rights via the Internet

Deadline for exercising your voting right: 17:30, Friday, June 17, 2016

### 1. Access the voting website.

Please access the voting website and click on the “Next” button.

> Voting website:

<http://www.evotep.jp/>

- You may exercise your voting rights on the Internet by accessing the voting website with your PC, smartphone or mobile phone. (Access to the website for exercise of voting rights is disabled between 2:00 and 5:00 Japan local time, due to maintenance and inspection.)

### 2. Login to the website.

Enter the “login ID” and “temporary password” shown on the enclosed voting form and click “login.”

**>>> You are now logged in. Thereafter, follow the instructions given on the screen.**

- In the event that voting rights are exercised both by mail and via the Internet, the vote via the Internet shall prevail.
- In the event that voting rights are exercised multiple times via the Internet, smartphone or mobile phone, the most recent vote shall prevail.
- Some Internet environments, some services or some models of the device that you are using may not enable access to the website.
- Any fees that arise from accessing the site for the exercise of voting rights (e.g., dial-up connection charges, telecommunication charges) shall be borne by the shareholder.

| For Questions Concerning Systems and Other Matters  |  |
|---|--|
| If you have any questions about the operation of your PC, smartphone or mobile phone for exercising your voting rights on the Internet, please contact: | Mitsubishi UFJ Trust & Banking Co., Ltd.<br>Securities Agent Division (Help Desk)<br>Tel.: 0120-173-027 (toll-free)<br>Hours of Operation: 9:00–21:00 Japan local time |



**Proposal 2: Partial Amendments to the Articles of Incorporation**

1. Reasons for the Amendments

Reasons for the amendments are as follows.

- (1) The Company is working to improve its corporate governance with the aim of continuous growth of the THK Group's corporate value.  
In order to increase the transparency and objectivity of the THK Group's management, to enhance the board of directors' supervisory functions, and to expedite and streamline its management decision-making and business execution functions, the Company has made the decision to change its status to a Company with an Audit and Supervisory Committee in which directors, who are also Audit and Supervisory Committee Members that supervise and audit board of directors meetings, participate in board of directors meetings and exercise their votes. In relation to the above, the Company proposes to conduct necessary procedures for the transition to a Company with an Audit and Supervisory Committee, such as establishing new provisions regarding the Audit and Supervisory Committee and its Committee Members and deleting the provisions regarding the Board of Auditors and Auditors.
- (2) In order to expedite and streamline its management decision-making and business execution functions by the transition to a Company with an Audit and Supervisory Committee, the Company proposes to establish new provisions to enable the Board of Directors to delegate all or part of the decision on the execution of important business to directors by a resolution of the Board of Directors.
- (3) Since the revised Companies Act of Japan changed the scope of directors who can enter into a limited liability agreement, the Company proposes to make amendments in Article 35 (Article 37 in the proposed amended version of the Articles of Incorporation) to enable the Company and non-executive directors to enter into a liability limitation agreement in order for non-executive directors to be able to fully perform their expected duties. With respect to this amendment to the Articles of Incorporation regarding limited liability agreement, the Company has received the approval of each Auditor.
- (4) In addition to the foregoing, the Company proposes to make other necessary amendments such as renumbering certain Articles.

The amendments to the Articles of Incorporation shall become effective at the close of this Ordinary General Meeting of Shareholders.

**[Translation for Reference and Convenience Purposes Only]**

2. Content of the Amendments

The proposed amendments are as follows.

(The proposed amendments are underlined.)

| Current Articles of Incorporation  | Proposed Amendments   |
|--|---|
| <p>Article 1–3 (Articles omitted)</p> <p>(Corporate Bodies)</p> <p>Article 4 The Company shall establish the following bodies, in addition to the General Meeting of Shareholders and the Directors.</p> <ol style="list-style-type: none"> <li>1. Board of Directors</li> <li>2. <u>Auditors</u></li> <li>3. <u>Board of Auditors</u></li> <li>4. Accounting Auditors</li> </ol>                                      | <p>Article 1–3 (Same as at present)</p> <p>(Corporate Bodies)</p> <p>Article 4 The Company shall establish the following bodies, in addition to the General Meeting of Shareholders and the Directors.</p> <ol style="list-style-type: none"> <li>1. Board of Directors</li> <li>2. <u>Audit and Supervisory Committee</u></li> <li>(Deleted)</li> <li>3. Accounting Auditors</li> </ol>  |
| <p>Article 5–19 (Articles omitted)</p>   | <p>Article 5–19 (Same as at present)</p>  |
| <p>Chapter 4 Directors and Board of Directors, etc.</p>  | <p>Chapter 4 Directors and Board of Directors, etc.</p>   |
| <p>(Number of Directors)</p> <p>Article 20 The Company shall have <u>no more than 25</u> Directors.</p> <p>(Newly established)</p>   | <p>(Number of Directors)</p> <p>Article 20 The Company shall have <u>no more than ten (10)</u> Directors <u>(excluding Directors who are Audit and Supervisory Committee Members)</u>.</p> <ol style="list-style-type: none"> <li>2. <u>The Company shall have no more than five (5) Directors who are Audit and Supervisory Committee Members.</u></li> </ol>  |
| <p>(Election of Directors)</p> <p>Article 21 Directors shall be elected by resolution of a General Meeting of Shareholders.</p> <ol style="list-style-type: none"> <li>2. Resolutions to elect Directors shall be adopted by a majority of the votes when shareholders that hold not less than one-third (1/3) of the voting rights of all of the shareholders that may exercise voting rights are present.</li> </ol> | <p>(Election of Directors)</p> <p>Article 21 Directors shall be elected by resolution of a General Meeting of Shareholders, <u>distinguishing Directors who are Audit and Supervisory Committee Members and those who are not.</u></p> <ol style="list-style-type: none"> <li>2. Resolutions to elect Directors shall be adopted by a majority of the votes when shareholders that hold not less than one-third (1/3) of the voting rights of all of the shareholders that may exercise voting rights are present.</li> </ol> |
| <p>Article 22 (Article omitted)</p>  | <p>Article 22 (Same as at present)</p>  |



[Translation for Reference and Convenience Purposes Only]

| Current Articles of Incorporation  | Proposed Amendments  |
|--|--|
| <p>(Term of Office of Directors)<br/>           Article 23 The term of office of the Directors shall be until the conclusion of the Ordinary General Meeting of Shareholders for the last fiscal year out of the fiscal years ending within one (1) year after their election.</p> <p>(Newly established)</p> <p>(Newly established)</p> <p>(Newly established)</p> <p>(Representative Director)</p> | <p>(Term of Office of Directors)<br/>           Article 23 The term of office of the Directors <u>(excluding Directors who are Audit and Supervisory Committee Members)</u> shall be until the conclusion of the Ordinary General Meeting of Shareholders for the last fiscal year out of the fiscal years ending within one (1) year after their election.</p> <p><u>2. The term of office of the Directors who are Audit and Supervisory Committee Members shall be until the conclusion of the Ordinary General Meeting of Shareholders for the last fiscal year out of the fiscal years ending within two (2) years after their election.</u></p> <p><u>3. The term of office of any Director who is an Audit and Supervisory Committee Member (or a “Director and Audit and Supervisory Committee Member”) elected as a substitute for a Director and Audit and Supervisory Committee Member who has retired from office before the expiration of the term of office, shall be until the retired Director and Audit and Supervisory Committee Member’s term of office expires.</u></p> <p><u>(Effective Period of Resolution Based on the Result of Primary Election of Substitute Directors who are Audit and Supervisory Committee Members)</u></p> <p><u>Article 24 Resolutions related to the election of substitute Directors who are Audit and Supervisory Committee Members shall remain valid until the start of the Ordinary General Meeting of Shareholders for the last fiscal year out of the fiscal years ending within two (2) years after the resolution.</u></p> <p>(Representative Director)</p> |

[Translation for Reference and Convenience Purposes Only]

| Current Articles of Incorporation  | Proposed Amendments  |
|--|--|
| <p><u>Article 24</u> The Director and President shall represent the Company.<br/>2. In addition to the preceding paragraph, as necessary, by resolution of the Board of Directors, a Director to represent the Company may be appointed.</p>   | <p><u>Article 25</u> The Director and President shall represent the Company.<br/>2. In addition to the preceding paragraph, as necessary, by resolution of the Board of Directors, a Director to represent the Company may be appointed <u>from among the Directors (excluding those who are Audit and Supervisory Committee Members).</u></p>   |
| (Directors with Titles)  | (Directors with Titles)  |
| <p><u>Article 25</u> The Company shall appoint one (1) Director and President by resolution of the Board of Directors. The Company shall appoint one (1) Director and Chairman, one (1) Director and Executive Vice Chairman, and a few Director and Executive Vice Presidents, by resolution of the Board of Directors, if necessary.</p> | <p><u>Article 26</u> The Company shall appoint one (1) Director and President <u>from among the Directors (excluding those who are Audit and Supervisory Committee Members)</u> by resolution of the Board of Directors. The Company shall appoint one (1) Director and Chairman, one (1) Director and Executive Vice Chairman, and a few Director and Executive Vice Presidents, <u>from among the Directors (excluding those who are Audit and Supervisory Committee Members)</u> by resolution of the Board of Directors, if necessary.</p> |
| <u>Article 26– 27</u> (Articles omitted)   | <u>Article 27– 28</u> (Same as at present)   |
| (Remunerations for Directors, etc.)  | (Remunerations for Directors, etc.)  |
| <p><u>Article 28</u> The remunerations for Directors, etc. shall be determined by resolution of a General Meeting of Shareholders.</p>   | <p><u>Article 29</u> The remuneration for Directors, etc. shall be determined by resolution of a General Meeting of Shareholders, <u>distinguishing Directors who are Audit and Supervisory Committee Members and those who are not.</u></p>   |
| (Notice to Convene a Meeting of the Board of Directors)  | (Notice to Convene a Meeting of the Board of Directors)  |
| <p><u>Article 29</u> A notice to convene a meeting of the Board of Directors shall be issued to each Director <u>and each Auditor</u> by three (3) days prior to</p>   | <p><u>Article 30</u> A notice to convene a meeting of the Board of Directors shall be issued to each Director by three (3) days prior to the day of the</p>  |

[Translation for Reference and Convenience Purposes Only]

| Current Articles of Incorporation  | Proposed Amendments  |
|--|--|
| <p>the day of the meeting; provided, however, that if urgently necessary, the period may be shortened.</p> <p>(Newly established)</p>  | <p>meeting; provided, however, that if urgently necessary, the period may be shortened.</p> <p><u>2. When all the members of the Board of Directors have consented, a meeting of the Board of Directors may be held without the procedure for convening such a meeting.</u></p>  |
| <p><u>Article 30–31</u> (Articles omitted)</p>   | <p><u>Article 31–32</u> (Same as at present)</p>   |
| <p>(Omission of Resolutions by the Board of Directors)</p>   | <p>(Omission of Resolutions by the Board of Directors)</p>   |
| <p><u>Article 32</u> When all the members of the Board of Directors have consented, in writing or by electromagnetic recording, with respect to a resolution matter for the Board of Directors, the Company shall deem that such resolution matter has been approved by resolution of the Board of Directors; <u>provided, however, that this provision shall not apply if an Auditor has stated an objection to such resolution matter.</u></p> | <p><u>Article 33</u> When all the members of the Board of Directors have consented, in writing or by electromagnetic recording, with respect to a resolution matter for the Board of Directors, the Company shall deem that such resolution matter has been approved by resolution of the Board of Directors.</p>                  |
| <p>(Newly established)</p>   | <p><u>(Delegation of Decisions on the Execution of Important Business)</u></p>   |
|  | <p><u>Article 34</u> Under the provisions of Article 399-13, Paragraph (6) of the Companies Act, the Company, by resolution of the Board of Directors, may delegate all or part of decisions on the execution of important business to Directors (excluding the matters listed in each item of Paragraph (5) of said Article).</p> |
| <p>(Minutes of Meetings of the Board of Directors)</p>   | <p>(Minutes of Meetings of the Board of Directors)</p>   |
| <p><u>Article 33</u> Pursuant to the laws and regulations, minutes shall be prepared with respect to the</p>   | <p><u>Article 35</u> Pursuant to the laws and regulations, minutes shall be prepared with respect to the</p>   |

[Translation for Reference and Convenience Purposes Only]

| Current Articles of Incorporation  | Proposed Amendments  |
|--|--|
| <p>business of the Board of Directors. The attending Directors <u>and Auditors</u> shall affix their names and seals or electronic signatures to the minutes.</p>  | <p>business of the Board of Directors. The attending Directors shall affix their names and seals or electronic signatures to the minutes.</p>  |
| <p><u>Article 34</u> (Article omitted)</p>   | <p><u>Article 36</u> (Same as at present)</p>  |
| <p>(Limited Liability Agreement with <u>Outside Directors</u>)</p>   | <p>(Limited Liability Agreement with Directors)</p>  |
| <p><u>Article 35</u> Under the provisions of Article 427, paragraph (1) of the Companies Act, the Company may enter into agreements with <u>Outside Directors</u> to limit the liability for damages provided for in Article 423, paragraph (1) of the Companies Act; provided, however, that the maximum amount of liability for damages under an agreement shall be the higher of either a predetermined amount of not less than ¥10 million or the amount prescribed by the laws and regulations.</p> | <p><u>Article 37</u> Under the provisions of Article 427, Paragraph (1) of the Companies Act, the Company may enter into agreements with Directors (<u>excluding those are Executive Directors, etc.</u>) to limit the liability for damages provided for in Article 423, Paragraph (1) of the Companies Act; provided, however, that the maximum amount of liability for damages under an agreement shall be the higher of either a predetermined amount of not less than ¥10 million or the amount prescribed by the laws and regulations.</p> |
| <p><u>Chapter 5 Auditors and Board of Auditors</u></p>   | <p>(Deleted)</p>   |
| <p>(<u>Number of Auditors</u>)</p>   | <p>(Deleted)</p>   |
| <p><u>Article 36</u> The Company shall have no more than four (4) Auditors.</p>  | <p>(Deleted)</p>   |
| <p>(<u>Election of Auditors</u>)</p>   | <p>(Deleted)</p>   |
| <p><u>Article 37</u> Auditors shall be elected by resolution of a General Meeting of Shareholders.<br/> <u>2. Resolutions to elect Auditors shall be adopted by a majority of the votes when shareholders that hold not less than one-third (1/3) of the voting rights of all of the shareholders that may exercise voting rights are present.</u></p>   | <p>(Deleted)</p>   |
| <p>(<u>Term of Office of Auditors</u>)</p>   | <p>(Deleted)</p>   |
| <p><u>Article 38</u> The term of office of the Auditors shall be until the conclusion of the</p>   | <p>(Deleted)</p>   |

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| Current Articles of Incorporation   | Proposed Amendments |
|---|---------------------|
| <p><u>Ordinary General Meeting of Shareholders for the last fiscal year out of the fiscal years ending within four (4) years after their election.</u></p> <p><u>2. The term of office of any Auditor elected as a substitute for an Auditor who has retired from office before the expiration of the term of office, shall be until the retired Auditor’s term of office expires.</u></p> <p><u>3. Resolutions to elect substitute Auditors shall remain valid until the start of the Ordinary General Meeting of Shareholders for the last fiscal year out of the fiscal years ending within four (4) years after their election.</u></p> |                     |
| <p><u>(Standing Auditors)</u><br/> <u>Article 39 Standing Auditors shall be appointed by resolution of the Board of Auditors.</u></p>   | (Deleted)           |
| <p><u>(Notice to Convene a Meeting of the Board of Auditors)</u><br/> <u>Article 40 A notice to convene a meeting of the Board of Auditors shall be issued to each Auditor by three (3) days prior to the day of the meeting; provided, however, that if urgently necessary, the period may be shortened.</u></p>   | (Deleted)           |
| <p><u>(Method of Resolution by the Board of Auditors)</u><br/> <u>Article 41 Unless otherwise provided for in the laws and regulations, resolutions of the Board of Auditors shall be adopted by a majority of the Auditors.</u></p>  | (Deleted)           |
| <p><u>(Rules for the Board of Auditors)</u></p>   | (Deleted)           |

[Translation for Reference and Convenience Purposes Only]

| Current Articles of Incorporation   | Proposed Amendments   |
|---|---|
| <p><u>Article 42 Matters concerning the Board of Auditors shall be subject to the provisions provided in the laws and regulations or the Articles of Incorporation, as well as to the Rules for the Board of Auditors established by the Board of Auditors.</u></p>   |   |
| <p><u>(Minutes of Meetings of the Board of Auditors)</u></p>  | (Deleted)   |
| <p><u>Article 43 The proceedings and results of meetings of the Board of Auditors, as well as other matters provided for in the laws and regulations, shall be stated or recorded in minutes. The attending Auditors shall affix their names and seals or electronic signatures to the minutes.</u></p>   |   |
| <p><u>(Remunerations for Auditors, etc.)</u></p>  | (Deleted)   |
| <p><u>Article 44 The remunerations for Auditors, etc. shall be determined by resolution of the General Meeting of Shareholders.</u></p>   |   |
| <p><u>(Limited Liability Agreement with Outside Auditors)</u></p>   | (Deleted)   |
| <p><u>Article 45 Under the provisions of Article 427, paragraph (1) of the Companies Act, the Company may enter into agreements with Outside Auditors to limit the liability for damages provided for in Article 423, paragraph (1) of the Companies Act; provided, however, that the maximum amount of liability for damages under an agreement shall be the higher of either a predetermined amount of not less than ¥5 million or the amount prescribed by the laws and regulations.</u></p> |   |
| <p>(Newly established)</p>  | <u>Chapter 5 Audit and Supervisory Committee</u>                            |
| <p>(Newly established)</p>  | <u>(Notice to Convene a Meeting of the Audit and Supervisory Committee)</u> |

[Translation for Reference and Convenience Purposes Only]

| Current Articles of Incorporation   | Proposed Amendments   |
|---|---|
| <p>(Newly established)</p>  | <p><u>Article 38</u> A notice to convene a meeting of the Audit and Supervisory Committee shall be issued to each Audit and Supervisory Committee Member by three (3) days prior to the day of the meeting; provided, however, that if urgently necessary, the period may be shortened.</p> <p>2. When all Audit and Supervisory Committee Members have consented, a meeting of the Audit and Supervisory Committee may be held without the procedure for convening such a meeting.</p> <p><u>(Rules for the Audit and Supervisory Committee)</u></p> <p><u>Article 39</u> Matters concerning the Audit and Supervisory Committee shall be subject to the provisions provided in the laws and regulations or the Articles of Incorporation, as well as to the Rules for the Audit and Supervisory Committee established by the Audit and Supervisory Committee.</p> |
| <p>Chapter 6 Accounting Auditors</p> <p><u>Article 46–47</u> (Articles omitted)</p> <p>(Remunerations for Accounting Auditors, etc.)</p> <p><u>Article 48</u> Remunerations for Accounting Auditors, etc. shall be determined by the Representative Director with the consent of the Board of Auditors.</p> | <p>Chapter 6 Accounting Auditors</p> <p><u>Article 40–41</u> (Same as at present)</p> <p>(Remunerations for Accounting Auditors, etc.)</p> <p><u>Article 42</u> Remunerations for Accounting Auditors, etc. shall be determined by the Representative Director with the consent of the Audit and Supervisory Committee.</p>   |
| <p>Chapter 7 Accounts</p> <p><u>Article 49–52</u> (Articles omitted)</p> <p>(Newly established)</p>   | <p>Chapter 7 Accounts</p> <p><u>Article 43–46</u> (Same as at present)</p> <p><u>Supplementary Provisions</u><br/> <u>(Provisional Measures Regarding Limited Liability Agreement with Outside Auditors)</u></p> <p>1. With regard to the agreements with Outside Auditors (including</p>   |

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| Current Articles of Incorporation | Proposed Amendments  |
|-----------------------------------|--|
|                                   | <u>those who used to be Outside Auditors) to limit the liability for damages provided for in Article 423, Paragraph (1) of the Companies Act before the conclusion of the 46th Ordinary General Meeting of Shareholders, the provisions then in force shall remain applicable.</u> |



[Translation for Reference and Convenience Purposes Only]

**Proposal 3: Appointment of Eight (8) Directors (Excluding Directors who are Audit and Supervisory Committee Members)**

The tenure of all nine (9) Directors will expire at the close of this Ordinary General Meeting of Shareholders. If Proposal 2: Partial Amendments to the Articles of Incorporation is approved and adopted as proposed, the Company will transition to a company with audit and supervisory committee governance structure. In line with the shift to a company with the Audit and Supervisory Committee, the Company would like to decrease the number of Directors by one (1) and hereby proposes a total of eight (8) Directors (excluding those who are Audit and Supervisory Committee members), including one (1) Outside Director.

The candidates for Director (excluding Director who is Audit and Supervisory Committee Member) are as follows:

| Candidate No. | Name<br>(Date of Birth)   | Brief History, Position, Assigned Tasks and Significant Positions Concurrently Held   | Number of the Shares of the Company Held |
|---------------|---|---|--|
| 1             | [Reappointment]<br><br>Akihiro Teramachi<br>(April 5, 1951)<br>Service years as Director: 34 years<br>Attendance at the Board of Directors meetings: 100%<br>(17 of 17 meetings)  | Oct. 1975    Joined the Company<br>Mar. 1982    Director, General Manager of Administration Division<br>Jun. 1987    Managing Director and Senior General Manager of Control Division<br><br>Jun. 1994    Director and Executive Vice President<br>May 1995    Representative Director and President of DAITO SEIKI CO., LTD. (currently THK INTECHS CO., LTD.)<br>Jan. 1997    Representative Director and President of the Company (current position)<br><br><Significant positions concurrently held><br>Chairman of JAPAN MACHINE ACCESSORY ASSOCIATION<br>(General Incorporated Association) | 3,647,110                                |
|               | [Rationale for Appointment as a Candidate for Director]<br>With regard to the rationale for the appointment of Akihiro Teramachi as a candidate for Director, Mr. Teramachi has shown leadership as a top manager responsible for the supervision and control of the Company and the entire Group operating in Japan and overseas, and based on his considerable experience and actual performance, we judged Mr. Teramachi to be a human resource who can supervise and control the entire Group appropriately, especially in our efforts for global business development and development into new fields to improve the corporate value of the Group. |   |  |
|               | Note: There is no special interest relationship between Akihiro Teramachi and the Company.  |   |  |

[Translation for Reference and Convenience Purposes Only]

| Candidate No. | Name<br>(Date of Birth)  | Brief History, Position, Assigned Tasks and Significant Positions Concurrently Held  | Number of the Shares of the Company Held |
|---------------|--|--|--|
| 2             | [Reappointment]<br><br>Toshihiro Teramachi<br>(November 18, 1958)<br>Service years as Director: 18 years<br>Attendance at the Board of Directors meetings: 100%<br>(17 of 17 meetings)   | Dec. 1988 Joined the Company<br>Jun. 1989 Director, Manager of UK Branch of THK Europe GmbH (currently THK GmbH)<br>Aug. 1992 Director and Executive Vice President of PGM Ballscrews Ireland Ltd. (currently THK Manufacturing of Ireland Ltd.)<br>Feb. 1993 Representative Director and President of THK GmbH<br>May 1993 Representative Director and President of THK Europe B.V.<br>Jun. 1998 Director of the Company<br>Jun. 2005 Managing Director<br>Jun. 2012 Director and Executive Vice President (current position) | 150,400                                  |
|               | <p>[Rationale for Appointment as a Candidate for Director]<br/>With regard to the rationale for the appointment of Toshihiro Teramachi as a candidate for Director, Mr. Teramachi has supervised and controlled the Company and the entire Group operating in Japan and overseas, and based on his considerable experience and actual performance, we judged Mr. Teramachi to be a human resource who can supervise and control the entire Group appropriately, especially in our efforts for global business development and development into new fields to improve the corporate value of the Group.</p> <p>Note: There is no special interest relationship between Toshihiro Teramachi and the Company.</p> |  |  |
| 3             | [Reappointment]<br><br>Hiroshi Imano<br>(January 31, 1954)<br>Service years as Director: 8 years<br>Attendance at the Board of Directors meetings: 100%<br>(17 of 17 meetings)   | Mar. 2004 Resigned from Mizuho Corporate Bank, Ltd. (currently Mizuho Bank, Ltd.)<br>Apr. 2004 Joined the Company<br>May 2004 President of THK MANUFACTURING OF CHINA (WUXI) CO., LTD.<br>Oct. 2007 General Manager of Production Division of the Company<br>Dec. 2007 Representative Director and President of THK Manufacturing of Europe S.A.S.<br>Jun. 2008 Director of the Company<br>Jun. 2010 Managing Director<br>Jun. 2012 Director and Executive Vice President (current position)                                   | 2,500                                    |
|               | <p>[Rationale for Appointment as a Candidate for Director]<br/>With regard to the rationale for the appointment of Hiroshi Imano as a candidate for Director, Mr. Imano has supervised and controlled the Company and the entire Group operating in Japan and overseas, and based on his considerable experience and actual performance, we judged Mr. Imano to be a human resource who can supervise and control the entire Group appropriately, especially in our efforts for global business development and development into new fields to improve the corporate value of the Group.</p> <p>Note: There is no special interest relationship between Hiroshi Imano and the Company.</p>                     |  |  |

[Translation for Reference and Convenience Purposes Only]

| Candidate No. | Name<br>(Date of Birth)   | Brief History, Position, Assigned Tasks and Significant Positions Concurrently Held  | Number of the Shares of the Company Held |
|---------------|---|--|--|
| 4             | [Reappointment]<br><br>Nobuyuki Maki<br>(May 12, 1960)<br>Service years as Director: 1 year<br>Attendance at the Board of Directors meetings: 100%<br>(13 of 13 meetings)   | Apr. 1983 Joined the Company<br>Jul. 1992 Manager of Chicago Branch of THK America, Inc.<br>Jan. 2003 Representative Director and President of THK Manufacturing of America, Inc.<br>Oct. 2007 Manager of Yamaguchi Plant<br>Jun. 2010 Director of the Company<br>Senior General Manager of Production Division<br>Jun. 2014 Managing Executive Officer (current position)<br>(Retired as Director following the implementation of the Executive Officer system)<br>Apr. 2015 Senior General Manager of Sales Support Division<br>May 2015 General Manager of L&S Business Integration Division<br>Jun. 2015 Director (current position)<br>Nov. 2015 Senior General Manager of Automotive & Transportation Business Unit (current position) | 2,300                                    |
|               | <p>[Rationale for Appointment as a Candidate for Director]<br/>With regard to the rationale for the appointment of Nobuyuki Maki as a candidate for Director, based on his considerable experience and actual performance as a person responsible for controlling the production of the Company and the entire Group operating in Japan and overseas and the domestic and overseas sales operations of the Group, we judged Mr. Maki to be a human resource who can appropriately supervise and control the entire Group and the businesses that he is in charge of, especially in our efforts for global business development and development into new fields to improve the corporate value of the Group.</p> <p>Note: There is no special interest relationship between Nobuyuki Maki and the Company.</p> |  |  |
| 5             | [Reappointment]<br><br>Junichi Sakai<br>(October 5, 1947)<br>Service years as Director: 12 years<br>Attendance at the Board of Directors meetings: 100%<br>(17 of 17 meetings)  | Jan. 1990 Resigned from NIPPEI TOYAMA CORPORATION<br>Joined the Company<br>Jul. 1992 General Manager of Mechatronics Division<br>Oct. 1994 General Manager of Sales Engineering Division<br>Mar. 2000 General Manager of East Japan Sales Region I<br>Feb. 2003 General Manager of Quality Assurance Division<br>(current position)<br>General Manager of Advanced Technology Information Center<br>Jun. 2004 Director (current position)<br>Jun. 2014 Executive Officer (current position)<br>General Manager of ICB Center (current position)  | 3,050                                    |
|               | <p>[Rationale for Appointment as a Candidate for Director]<br/>The rationale for the appointment of Junichi Sakai as a candidate for Director is that we believe that he is capable of appropriately engaging in overall supervision and management of the THK Group as it undertakes full-scale globalization and development of new business areas to enhance corporate value on the basis of his abundant experience and accomplishments gained in management in Japan and overseas and as a technology, quality and sales executive.</p> <p>Note: There is no special interest relationship between Junichi Sakai and the Company.</p>  |  |  |

**[Translation for Reference and Convenience Purposes Only]**

| Candidate No.  | Name<br>(Date of Birth)   | Brief History, Position, Assigned Tasks and Significant Positions Concurrently Held  | Number of the Shares of the Company Held |
|--|---|--|--|
| 6  | <p>[Reappointment]</p> <p><b>Takashi Teramachi</b><br/>(November 17, 1978)<br/>Service years as Director: 2 years<br/>Attendance at the Board of Directors meetings: 100%<br/>(17 of 17 meetings)</p> | <p>Sep. 2013 Resigned from Sumitomo Corporation<br/>Nov. 2013 Joined the Company<br/>Jan. 2014 General manager of IMT Division<br/>Jun. 2014 Director and Executive Officer (current position)<br/>Deputy General Manager of IMT Division (current position)<br/>Representative Director and President of THK INTECHS CO., LTD. (current position)</p> | 600                                      |
| <p>[Rationale for Appointment as a Candidate for Director]<br/>The rationale for the appointment of Takashi Teramachi as a candidate for Director is that we believe that he is capable of appropriately engaging in overall supervision and management of the THK Group as it undertakes full-scale globalization and development of new business areas to enhance corporate value on the basis of his involvement mainly in the electronics business and his experience and accomplishments gained as a THK Group executive in the robotics and unit products fields as representative director and president of THK INTECHS CO., LTD.</p> <p>Note: There is no special interest relationship between Takashi Teramachi and the Company.</p> |   |  |  |

[Translation for Reference and Convenience Purposes Only]

| Candidate No. | Name<br>(Date of Birth)  | Brief History, Position, Assigned Tasks and Significant Positions Concurrently Held  | Number of the Shares of the Company Held |
|---------------|--|--|--|
| 7             | [New Appointment]<br><br>Junji Shimomaki<br>(October 6, 1953)  | Apr. 1976 Joined the Company<br>Apr. 1992 Manager of Tokyo Branch<br>Feb. 2003 General Manager of East Japan Sales Region I<br>Jun. 2004 General Manager of East Japan Sales Region II<br>Jun. 2009 Director, Senior General Manager of Sales Division (current position)<br>Oct. 2011 General Manager of ACE Division<br>Jun. 2014 Managing Executive Officer (current position)<br>(Retired as Director following the implementation of the Executive Officer system)  | 7,700                                    |
|               | <p>[Rationale for Appointment as a Candidate for Director]<br/>With regard to the rationale for the appointment of Junji Shimomaki as a candidate for Director, based on his considerable experience and actual performance as a person responsible for controlling the sales operations of the Company and the entire Group operating in Japan and overseas, we have judged Mr. Shimomaki to be a human resource who is capable of appropriately supervising and controlling the whole Group and the businesses he is in charge of, especially in our efforts for global business development and development into new fields to improve the corporate value of the Group.</p> <p>Note: There is no special interest relationship between Junji Shimomaki and the Company.</p>  |  |  |
| 8             | [Reappointment]<br>[Outside Director]<br><br>Masaaki Kainosho<br>(January 21, 1951)<br>Service years as<br>Outside Director:<br>4 years<br>Attendance at the<br>Board of Directors<br>meetings: 94%<br>(16 of 17 meetings)   | Apr. 1976 Joined Mitsui Bank (currently Sumitomo Mitsui Banking Corporation)<br>Apr. 1996 Resigned from The Sakura Bank, Limited (currently Sumitomo Mitsui Banking Corporation)<br>May 1996 Joined SAP Japan Co., Ltd.<br>Sep. 1999 Resigned from SAP Japan Co., Ltd.<br>Joined Japan Business Create Co., Ltd.<br>Jan. 2005 Resigned from Japan Business Create Co., Ltd.<br>Representative Director of K-BRAIN CO., LTD. (currently KAINOSHO CO., LTD.) (current position)<br>Apr. 2011 Professor at Otsuma Women's University Junior College Division (current position)<br>Jun. 2012 Outside Director of the Company (current position) | 1,000                                    |
|               | <p>[Rationale for Appointment as a Candidate for Outside Director]<br/>The rationale for the appointment of Masaaki Kainosho as a candidate for Outside Director is that we expect that he will help ensure the objectivity, neutrality and legality of the Company's management as the THK Group undertakes full-scale globalization and development of new business areas to enhance corporate value on the basis of his abundant experience accomplishments, and insights gained as a university professor knowledgeable about business administration and as the manager of a management consulting company.<br/>Although Mr. Kainosho held a position at Mitsui Bank, from April 1976 to April 1996, which was a previous entity of Sumitomo Mitsui Banking Corporation, currently a lender to the Company, he consistently belonged to an IT system-related unit and the Company did not have any transactional relationship with Mitsui Bank at that time. Therefore, we have determined that Mr. Kainosho can maintain his independence and perform his duties appropriately as Outside Director of the Company.</p> <p>Notes:<br/>1. There is no special interest relationship between Masaaki Kainosho and the Company.<br/>2. Masaaki Kainosho is a candidate for Outside Director.</p> |  |  |

**[Translation for Reference and Convenience Purposes Only]**

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|  | <p>3. Under the provisions of Article 427, Paragraph 1, of the Companies Act, the Company may enter into an agreement with Masaaki Kainosho to limit his indemnity liability under Article 423, Paragraph 1, thereof. The limitation of liability under the agreement is either the higher of ¥10 million or the minimum liability limit stipulated in Article 425, Paragraph 1, of the Companies Act. If Mr. Kainosho is reelected, the Company intends to continue the limited liability agreement with him as an Outside Director.</p> <p>4. The Company registered Masaaki Kainosho as an independent officer in accordance with the regulations of the Tokyo Stock Exchange. If Mr. Kainosho is reelected, the Company intends to continue to register him as an independent officer.</p> |
|--|--|

[Translation for Reference and Convenience Purposes Only]

**Proposal 4: Appointment of Three (3) Directors who are Audit and Supervisory Committee Members**

If Proposal 2: Partial Amendments to the Articles of Incorporation is approved and adopted as proposed, the Company will transition to a company with audit and supervisory committee governance structure. Accordingly, the Company requests the appointment of three (3) Directors who are Audit and Supervisory Committee Members.

The consent of the Board of Auditors of the Company has been obtained for this proposal.

This proposal shall be put on the agenda for deliberation on the condition that Proposal 2: Partial Amendments to the Articles of Incorporation is approved as originally proposed at this Ordinary General Meeting of Shareholders and shall take effect on the condition that the amendments to the Articles of Incorporation in Proposal 2 have taken effect.

The candidates for Director who is Audit and Supervisory Committee Member are as follows:

| Candidate No. | Name<br>(Date of Birth)   | Brief History, Position, Assigned Tasks and Significant Positions Concurrently Held  | Number of the Shares of the Company Held |
|---------------|---|--|--|
| 1             | <p>[Reappointment]<br/>[Outside Director]</p> <p>Masakatsu Hioki<br/>(July 30, 1950)<br/>Service years as<br/>Outside Director:<br/>2 years<br/>Attendance at the<br/>Board of Directors<br/>meetings: 94%<br/>(16 of 17 meetings)</p>  | <p>Apr. 1975 Joined Komatsu Ltd.<br/>Apr. 2004 Executive Officer of Komatsu Ltd.<br/>Apr. 2008 Senior Executive Officer of Komatsu Ltd.<br/>Jul. 2012 Advisor of Komatsu Ltd.<br/>Jun. 2014 Outside Director of the Company (current position)<br/>Nov. 2014 Outside Director of SUKIYA Co., Ltd. (current position)<br/>Apr. 2015 Visiting Professor at Ritsumeikan University Graduate School of Management (current position)</p> | 200                                      |
|               | <p>[Rationale for Appointment as a Candidate for Outside Director who is an Audit and Supervisory Committee Member]</p> <p>The rationale for the appointment of Masakatsu Hioki as a candidate for Outside Director who is an Audit and Supervisory Committee Member is that we expect that he will help ensure the objectivity, neutrality and legality of the Company's management as the THK Group undertakes full-scale globalization and development of new business areas to enhance corporate value on the basis of his abundant experience, accomplishments, and insights gained in executive-level management, principally overseeing human resources and general affairs at global corporations in the manufacturing industry.</p> <p>Notes:</p> <ol style="list-style-type: none"> <li>There is no special interest relationship between Masakatsu Hioki and the Company.</li> <li>Masakatsu Hioki is a candidate for Outside Director.</li> <li>Under the provisions of Article 427, Paragraph 1, of the Companies Act, the Company may enter into an agreement with Masakatsu Hioki to limit his indemnity liability under Article 423, Paragraph 1, thereof. The limitation of liability under the agreement is either the higher of ¥10 million or the minimum liability limit stipulated in Article 425, Paragraph 1, of the Companies Act. If Mr. Hioki is reelected, the Company intends to continue the limited</li> </ol> |  |  |

[Translation for Reference and Convenience Purposes Only]

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|---|---|---|---|
|   | <p>liability agreement with him as an Outside Director.</p> <p>4. The Company registered Masakatsu Hioki as an independent officer in accordance with the regulations of the Tokyo Stock Exchange. If Mr. Hioki is reelected, the Company intends to continue to register him as an independent officer.</p>  |   |   |
|   | <p>[New Appointment]<br/>[Outside Director]</p> <p>Tomitoshi Omura<br/>(August 3, 1954)</p>   | <p>Oct. 1976 Registered as Assistant CPA<br/>Oct. 1977 Joined Fuji Accounting Office<br/>Oct. 1980 Joined Asahi &amp; Co. (currently KPMG AZSA LLC.)<br/>Mar. 1982 Registered as Certified Public Accountant<br/>Dec. 1989 Managing Director of Omura Accounting Office (current position)</p>  | — |
| 2 | <p>[Rationale for Appointment as a Candidate for Outside Director who is an Audit and Supervisory Committee Member]</p> <p>The rationale for the appointment of Tomitoshi Omura as a candidate for Outside Director who is an Audit and Supervisory Committee Member is that he has knowledge in accounting nurtured during his long professional experience as a certified public accountant (CPA), and we expect him to help ensure the objectivity, neutrality and legality of the Company's management as the THK Group undertakes full-scale globalization and development of new business areas to enhance corporate value on the basis of his abundant experience, accomplishments, and insights.</p> <p>Although Tomitoshi Omura does not have direct experience in corporate management, for the above reasons we believe that he is capable of appropriately executing the duties of an Outside Auditor of the Company.</p> <p>Notes:</p> <ol style="list-style-type: none"> <li>1. There is no special interest relationship between Tomitoshi Omura and the Company.</li> <li>2. Tomitoshi Omura is a candidate for Outside Director.</li> <li>3. If Tomitoshi Omura assumes office as Director, pursuant to the provisions of Article 427, Paragraph 1, of the Companies Act, the Company is scheduled to enter into an agreement with Mr. Omura to limit his indemnity liability under Article 423, Paragraph 1, thereof. The limitation of liability under the agreement is either the higher of ¥10 million or the minimum liability limit stipulated in Article 425, Paragraph 1, of the Companies Act.</li> <li>4. If Tomitoshi Omura assumes office as an Outside Director, the Company intends to register him as an independent officer in accordance with the regulations of the Tokyo Stock Exchange.</li> </ol> |   |   |
|   | <p>[New Appointment]<br/>[Outside Director]</p> <p>Yoshiki Ueda<br/>(March 10, 1953)</p>  | <p>Apr. 1976 Joined Mitsubishi Corporation<br/>Apr. 2007 Deputy General Manager of Kansai Branch of Mitsubishi Corporation<br/>Apr. 2008 Executive of Mitsubishi Corporation<br/>Jun. 2010 President &amp; CEO of Mitsubishi Corporation Technos<br/>Jun. 2011 Chairman of Japan Machine Tool Distributors Association<br/>Jun. 2015 Advisor of Mitsubishi Corporation Technos (current position)</p> | — |
| 3 | <p>[Rationale for Appointment as a Candidate for Outside Director who is an Audit and Supervisory Committee Member]</p> <p>The rationale for the appointment of Yoshiki Ueda as a candidate for Outside Director, who is an Audit and Supervisory Committee Member, is that Mr. Ueda possesses experience engaging in the machine-related business at global corporations for many years and he is adept in corporate management. On the basis of his abundant experience, actual performance and insights, we expect that he will help ensure the objectivity, neutrality and legality of the Company's management, as the THK Group undertakes global business development and development into new business areas to enhance corporate value.</p>  |   |   |



**[Translation for Reference and Convenience Purposes Only]**

|  |   |
|--|---|
|  | <p>Notes:</p> <ol style="list-style-type: none"><li>1. There is no special interest relationship between Yoshiki Ueda and the Company.</li><li>2. Yoshiki Ueda is a candidate for Outside Director.</li><li>3. If Yoshiki Ueda assumes office as Director, pursuant to the provisions of Article 427, Paragraph 1, of the Companies Act, the Company is scheduled to enter into an agreement with Mr. Ueda to limit his indemnity liability under Article 423, Paragraph 1, thereof. The limitation of liability under the agreement is either the higher of ¥10 million or the minimum liability limit stipulated in Article 425, Paragraph 1, of the Companies Act.</li><li>4. If Yoshiki Ueda assumes office as an Outside Director, the Company intends to register him as an independent officer in accordance with the regulations of the Tokyo Stock Exchange.</li></ol> |
|--|---|

**[Translation for Reference and Convenience Purposes Only]**

**Proposal 5: Appointment of One (1) Substitute Director who is Audit and Supervisory Committee Member**

If Proposal 2: Partial Amendments to the Articles of Incorporation is approved and adopted as proposed, the Company will transition to a company with audit and supervisory committee governance structure. Accordingly, to provide for a case of vacancy that results in an insufficient number Directors who are Audit and Supervisory Committee Members as stipulated in laws and regulations, we propose to appoint one (1) substitute Audit and Supervisory Committee Member.

Concerning the submission of this proposal, the consent of the Board of Auditors of the Company has been obtained beforehand. This proposal shall be put on the agenda for deliberation on the condition that Proposal 2: Partial Amendments to the Articles of Incorporation is approved as originally proposed at this Ordinary General Meeting of Shareholders and shall take effect on the condition that the amendments to the Articles of Incorporation in Proposal 2 have taken effect.

The candidate for substitute Director who is an Audit and Supervisory Committee Member is as follows:

| Name<br>(Date of Birth)   | Brief History, Position and<br>Significant Positions Concurrently Held  | Number of the<br>Shares of the<br>Company Held |
|---|---|--|
| <p>[New Appointment]<br/>[Outside Auditor]<br/><br/>Tetsuro Toriumi<br/>(August 3, 1950)</p>  | <p>Apr. 1979 Registered at the Daini Tokyo Bar Association<br/>Apr. 1979 Joined Masuda &amp; Ejiri<br/>Jun. 1982 Joined Ray Connell law firm in Vancouver<br/>May 1983 Joined Bronson, Bronson &amp; McKinnon LLP in San Francisco<br/>Jan. 1985 Partner attorney of Masuda &amp; Ejiri<br/>Apr. 1993 Partner attorney of Asahi Law Offices<br/>Apr. 2007 Partner attorney of TMI Associates (current position)</p> | <p>—</p>                                       |
| <p>[Rationale for Appointment as a Candidate for Substitute Outside Director who is an Audit and Supervisory Committee Member]<br/>The rationale for the appointment of Tetsuro Toriumi as a candidate for Outside Director, who is a substitute Audit and Supervisory Committee Member, is that Mr. Toriumi possesses ample legal knowledge nurtured in many years as a lawyer and experience working for overseas law offices. On the basis of his abundant experience, actual performance and insights, we expect that he will help ensure the objectivity, neutrality and legality of the Company's management as an expert of laws, as the THK Group undertakes global business development and development into new business areas to enhance corporate value. Although Tetsuro Toriumi does not have direct experience in corporate management, for the above reasons we believe that he is capable of appropriately executing the duties of an Outside Auditor of the Company.</p> <p>Notes:<br/>1. There is no special interest relationship between Tetsuro Toriumi and the Company.<br/>2. Tetsuro Toriumi is a candidate for Outside Director.<br/>3. If Tetsuro Toriumi assumes office as Director, pursuant to the provisions of Article 427, Paragraph 1, of the Companies Act, the Company is scheduled to enter into an agreement with Mr. Toriumi to limit his indemnity liability under Article 423, Paragraph 1, thereof. The limitation of liability under the agreement is either the higher of ¥10 million or the minimum liability limit stipulated in Article 425, Paragraph 1, of the Companies Act.<br/>4. If Tetsuro Toriumi assumes office as an Outside Director, the Company intends to register</p> |   |  |

**[Translation for Reference and Convenience Purposes Only]**

him as an independent officer in accordance with the regulations of the Tokyo Stock Exchange.

**Proposal 6: Determination of the Amount of Compensation for Directors  
(Excluding Directors who are Audit and Supervisory Committee  
Members)**

Regarding compensation for Directors of the Company, it was determined by resolution of the 41st Ordinary General Meeting of Shareholders, held on June 18, 2011, that the maximum fixed compensation (aggregate amount) for a Director is ¥100 million a month and the maximum performance-based compensation at an aggregate amount of 3% of consolidated net income\* for the current business year, combined with 3% of the average amount of consolidated net income\* for the most recent four business years including the current business year, taking into account their medium-term efforts and performance. These amounts have not changed to date. However, if Proposal 2: Partial Amendments to the Articles of Incorporation is approved as originally proposed, the Company will shift to a company with an Audit and Supervisory Committee. To address this change, pursuant to the provisions of Paragraphs 1 and 2 of Article 361 of the Companies Act, and considering various factors such as the current economic situation, we would like to replace the conventional framework for compensation, etc., for Directors (excluding Directors who are Audit and Supervisory Committee members) with a total of (1) fixed amount of compensation (aggregate amount) and (2) performance-based compensation (aggregate amount), as described below. The total amount of (1) and (2) is the same as the amount of compensation, etc., paid to Directors before. Provided, however, that performance-based compensation shall not be paid to Outside Directors. Compensation for Directors does not include the salary of employees who concurrently serve as Directors, which is the same as before.

(1) Amount of fixed compensation (total)

Within ¥100 million a month (including a maximum of ¥10 million a month for Outside Directors (excluding those who are Audit and Supervisory Committee members))

(2) Performance-based compensation (total)

The total amount of performance-based compensation is limited to the sum of 3% of net income attributable to owners of the parent for the fiscal year of payment, and 3% of the average of net income attributable to owners of the parent for the most recent four (4) fiscal years including the said fiscal year. Provided, however, that this performance-based compensation shall not be paid to Outside Directors.

The current number of Directors of the Company is nine (9), including two (2) Outside Directors. If Proposal 2: Partial Amendments to the Articles of Incorporation and Proposal 3: Appointment of Eight (8) Directors (Excluding Directors who are Audit and Supervisory Committee Members) are approved as originally proposed, the number of Directors (excluding those who are Audit and Supervisory Committee members) will become eight (8), including one (1) Outside Director.

The resolution in this Proposal shall become effective under the condition that the amendments to the Articles of Incorporation in Proposal 2 take effect.

\* From the consolidated fiscal year under review, this refers to “net income attributable to owners of the parent.”

**Proposal 7: Determination of the Amount of Compensation for Directors who are Audit and Supervisory Committee Members**

If Proposal 2: Partial Amendments to the Articles of Incorporation is approved and adopted as proposed, the Company will transition to a company with audit and supervisory committee governance structure. To address this change, pursuant to the provisions of Paragraphs 1 and 2 of Article 361 of the Companies Act, and considering various factors such as the current economic situation, we would like to determine the amount of compensation for Directors who are Audit and Supervisory Committee members to be within ¥10 million a month.

If Proposal 2: Partial Amendments to the Articles of Incorporation and Proposal 4: Appointment of Three (3) Directors who are Audit and Supervisory Committee Members are approved as originally proposed, the number of Directors who are Audit and Supervisory Committee Members will become three (3).

The resolution in this Proposal shall become effective under the condition that the amendments to the Articles of Incorporation in Proposal 2 take effect.

(Reference) The Company's Standards for Independence of Outside Directors and Outside Auditors

The Company formulated its Standards for Independence of Outside Directors and Outside Auditors as follows. Any person who falls under any of the following items is judged not to be "independent."

1. Not currently a business operator of the Group but was a business operator of the Company within 10 years before the assumption of current office (provided, however, with regard to a person who was a non-Executive Director, Auditor or Accounting Advisor sometime within 10 years before the assumption of office, within 10 years before assuming such office)
2. Entity for which the Company is a major client or its business operator
3. The Company's major client or its business operator
4. Consultant, Certified Public Accountant or other accounting expert or a legal expert such as a lawyer who is receiving from the Company a large amount of money or other assets other than officer's compensation (if the recipient of such money or asset is an organization such as a corporation, a person who belongs to such an organization)
5. Person who falls under 2, 3 or 4 above in the past one year
6. Spouse or a relative within the second degree of kinship of the following persons (excluding those who are not important)
  - (a) Person who falls under 2 through 5 above
  - (b) A business operator of the Group
  - (c) Non-Executive Director of the Group (only in the case of assessing the independence of an Outside Auditor)
  - (d) Person who falls under (b) or (c) above in the past one (1) year
7. The Company's shareholder who holds 10% or more of the current total voting rights of the Company (if the shareholder is an organization such as a corporation, a business operator of the organization)

Notes:

A "business operator" refers to a person who executes business duties as prescribed in

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Article 2, Paragraph 3, Item 6, of the Ordinance for Enforcement of the Companies Act, including Executive Directors, Executive Officers, Managers and other employees but excluding non-executive directors and Auditors.

The Company's concept of "major" and "importance":

A person or an organization such as a corporation that gives significant influence on the Company's decision making as well as stakeholders including shareholders, or a business operator who belongs to such an organization

Specifically, the Company's client with which the transaction amount with the Company accounts for a significant part of the Company's sales revenue and the Group's management (Directors and Executive Officers, etc.) are considered to be major and/or important.

(Submitted Documents)

## **Business Report**

(From April 1, 2015 to March 31, 2016)

### **1. Present Status of the Corporate Group**

#### **(1) Review of Business Performance in the Current Consolidated Fiscal Year**

##### **1. Business Progress and Results**

###### **Economic Environment**

During the consolidated fiscal year under review (46th term), a moderate recovery continued in the global economy, led by Europe and the United States and other developed countries despite a slowdown in the economic growth of China and other emerging countries. Concerning the Japanese economy, although a moderate recovery trend continued, partial weakness was seen in such areas as exports and production.

###### **Overall Summary of Sales**

The Group's core growth strategies are "Full-Scale Globalization" and "Development of New Business Areas" to expand markets for the Company's products such as LM guides. Under the "Full-Scale Globalization" strategy, the Group is striving to expand its sales networks globally to capture demand from the growing markets in China and other emerging countries where factory automation (FA) is under way, among other developments, and in developed countries where the user base is expanding. Under the "Development of New Business Areas" strategy, the Group is striving to increase sales revenue from not only existing products but also newly developed products, against the backdrop of expanding adoption of the Company's products in new fields such as medical equipment, aircraft, robotics and renewable energy. In addition, the Group is striving to increase sales revenue by strengthening its sales structure and marketing strategy functions. During the consolidated fiscal year under review, the Group made aggressive efforts to expand sales on a global scale, harnessing its business structure, which has been reinforced to date. In addition, to further expand the transportation equipment-related business, the European and North American linkage and suspension (L&S) business was transferred from TRW Automotive Inc. to the Group as of August 31, 2015. Consequently, the four companies have been included in the scope of consolidation, as THK RHYTHM AUTOMOTIVE (TRA). In addition, due to such reasons as the yen depreciation compared with a year earlier, consolidated sales revenue increased ¥22,799 million (10.5%) from the previous term to ¥240,478 million.

###### **Overall Summary of Income**

In terms of costs, due to an increase in fixed expenses associated with investments toward future growth of the Group, the cost-to-sales ratio increased 2.6 percentage points from a year earlier to 71.8%.

In terms of selling, general and administrative expenses ("SG&A expenses"), despite our efforts to reduce various expenses and streamline operations and increasing sales revenue, business transfer-related expenses of ¥1,487 million were incurred,

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resulting in a rise in the ratio of SG&A expenses to sales by 0.8 percentage point from a year earlier to 18.5%.

As a result of the above, operating income decreased ¥5,218 million (18.4%) from the previous year to ¥23,169 million, and the ratio of operating income to sales declined 3.4 percentage points to 9.6%.

Non-operating income was ¥2,766 million mainly due to ¥644 million of equity in earnings of affiliates and interest received of ¥407 million. Non-operating expenses were ¥6,795 million mainly due to a foreign exchange loss of ¥5,716 million, resulting from the yen appreciation at the end of the term, and interest expenses of ¥426 million.

Due to these factors, ordinary income recorded a ¥14,890 million decrease (43.8%) from the previous year to ¥19,140 million, and net income attributable to owners of the parent fell to ¥13,575 million, which was a decrease of ¥9,130 million (40.2%) from the previous term.

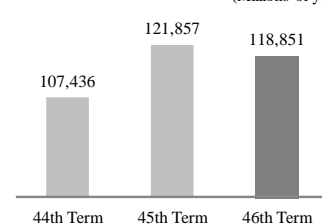
## Segment Breakdown

### Japan



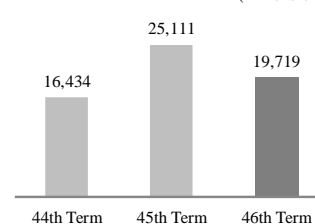
#### Sales Revenue

(Millions of yen)



#### Operating Income

(Millions of yen)



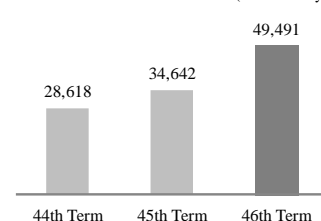
In Japan, although a moderate recovery trend continued, partial weakness was seen in such areas as exports and production. In such a situation, the Company developed aggressive sales activities and strove to develop new markets for seismic isolation and damping systems, etc. However, mainly due to a decline in demand for small machine tools, which had been driven by investments related to smartphones, and electronics products, sales revenue decreased ¥3,006 million, or 2.5%, from the previous term to ¥118,851 million. In terms of profitability, mainly due to the increase in various expenses for measures toward future growth in addition to the decrease in sales revenue, segment income (operating income) decreased ¥5,391 million, or 21.5%, from the previous term to ¥19,719 million.

### The Americas



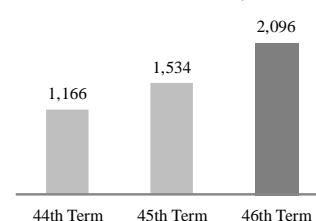
#### Sales Revenue

(Millions of yen)



#### Operating Income

(Millions of yen)

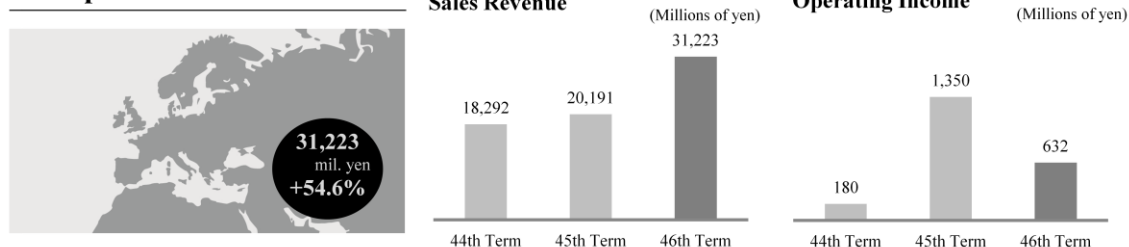




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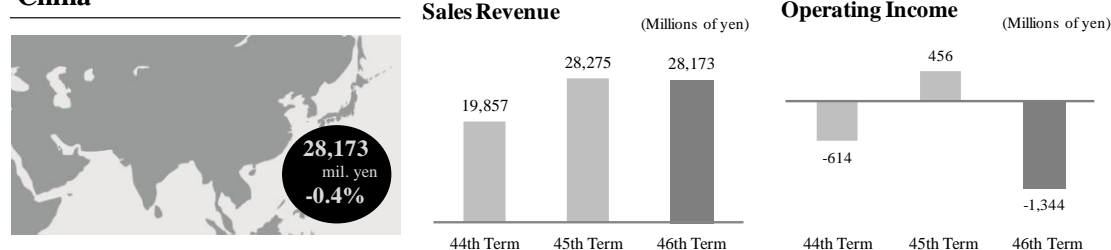
In the Americas, economic growth continued to recover, driven by steady personal consumption, although partial weakness was seen in such areas as exports and capital investment. The Company strove to expand transactions with existing customers by unifying production and sales and develop new business areas such as the medical equipment, aircraft and energy-related fields. As a result of these efforts, sales revenue in the businesses such as general machinery and transportation equipment increased. In addition, the Company included two TRA companies in the Americas into the scope of consolidation and the yen remained lower than a year earlier, leading to sales revenue of ¥49,491 million, representing an increase of ¥14,848 million, or 42.9%, from the previous term. Segment income (operating income) rose ¥562 million, or 36.7%, from the previous year to ¥2,096 million.

### Europe



In Europe, where signs of a moderate economic recovery were seen, we strove to expand transactions with existing customers by unifying production and sales and develop aggressive sales activities to explore new business areas such as the aircraft, railway train, household appliances and space-defense-related fields. As a result, sales revenue increased in the machine tools and other businesses. In addition, due to the inclusion of two TRA companies in Europe in the scope of consolidation, sales revenue increased ¥11,031 million, or 54.6%, from the previous term to ¥31,223 million. In terms of profitability, due to our aggressive measures toward future growth and other factors, segment income (operating income) decreased ¥718 million, or 53.2%, from the previous year to ¥632 million.

### China

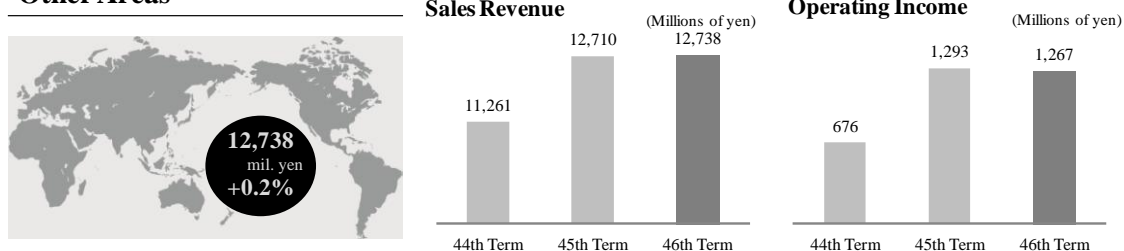


In China, where factory automation (FA) progressed against the backdrop of rising wages and a shortage of labor, which has broadened the demand for the Company's products, the Group developed aggressive sales activities optimizing its sales networks, which we have strengthened to date. However, despite the yen depreciating further compared with a year earlier, decline in overall demand affected by the slowdown of economic growth of China and a decline in demand for small

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machine tools related to smartphones resulted in sales revenue of ¥28,173 million, representing a decrease of ¥102 million, or 0.4%, from the previous term. In terms of profitability, income fell ¥1,801 million from the previous year, due to our aggressive investments toward future growth and other factors, resulting in the recording of a segment loss (operating loss) of ¥1,344 million.

### Other Areas



In other areas, we installed the Customer Support Center in the ASEAN region and expanded our sales networks by establishing new sales bases in India, while developing aggressive sales activities to expand transactions with existing customers and acquire new customers. However, mainly due to the impact of the slowdown of economic growth in China on certain regions, sales revenue increased ¥28 million, or 0.2%, year on year to ¥12,738 million. Segment income (operating income) decreased ¥25 million, or 2.0%, to ¥1,267 million.

### Overall Summary of Research and Development

The Group's basic philosophy is to widely contribute to society by offering innovative mechanisms, leveraging its creative ideas and proprietary technologies. We engaged in research-and-development activities under the current main theme of "E<sup>3</sup> (Cubic E) Concept" with the keywords Ecological, Economical and Endless. The major task force of the Group's R&D activities, primarily at the Technology Center established in 2005 as the R&D base for new products, has been focused on the mechatronics, public welfare and transportation equipment markets in addition to the core LM systems. Furthermore, overseas, our R&D center in China started full R&D activities in 2012, and in the consolidated fiscal year under review we incorporated the German R&D section of THK RHYTHM AUTOMOTIVE, a new consolidated subsidiary of the Company, thereby promoting the establishment of our product development system to address the world's diversifying needs at the most suitable locations.

During the consolidated fiscal year under review, regarding the LM guides, we added a compact-type LM Guide with caged balls "model SPR/SPS," which achieved high accuracy equivalent to a static pressure guide, and an LM Guide with caged roller "model SRG," thereby exploring the markets of "rolling" guides, mainly targeting inspection equipment and semiconductor manufacturing equipment. Regarding ball screws, we added a large-lead type to the product lineup of the "model SDA-V," which is DIN-standard compliant and has been highly popular since its release in 2014. With this extended product lineup, we are now able to better contribute to increasingly high-speed machines and equipment. Furthermore, we developed the compact ball spline "model LT/LF-X/XL" series with equivalent nut dimension as a

**[Translation for Reference and Convenience Purposes Only]**

Linear Bushing nut, proposing the reduction of equipment size as well as the higher rigidity and speed of equipment. In actuators, we improved the product lineup of the compact “model KSF” series, which enables a reduction of the process time, to include a large variation of sizes from compact to large, thereby being able to better address a broad range of market needs. In addition, assuming the use in clean rooms, we released the “model KSF”-based clean series “model CKSF,” which enables a reduction of the process time. Regarding the linear motor series, we added to the “model CCM/CCR” an integrated braking mechanism, which has been in high market demand, as an option. Furthermore, to address the increasing need for the automation of machine equipment, we developed economy series of the gripper-type “model EG” and of the rotating table-type “model ET.” By developing such product lines of linear motion products and products that are used with linear motion products, we can now explore new markets. In addition, regarding controllers, we promoted product development pursuing the ease of use for customers, such as developing software with new functions for the servo driver controller “model TLC/THC,” the network unit “model TNU” and the servo drivers’ “model XD/MD” for linear motor actuators.

With regard to our endeavors in new business areas, in such fields as seismic isolation and damping systems, renewable energy, aircraft, medical equipment, video equipment and robotics, we focused on product development aiming to explore new markets and expand sales. In the field of seismic isolation and damping systems, the Company is promoting seismic damping systems with a high-speed spec that can cope with “long-period ground vibration due to a great-scale earthquake,” which is newly defined by the Cabinet Office, Government of Japan, with the related measures being under way. In the renewable energy field, we are promoting the mass production and sales of low-torque shaft units for wind power generation systems. Such shaft units embed optimal parts that were developed based on the operational data from our existing wind and hydraulic power systems. For hydraulic power generation, we are continuing the demo and verification experiments that began at agricultural irrigation channels in 2014. In the solar power generation field, while promoting demo and verification experiments of solar tracking panels under industry-academia collaborations, we engage in R&D of compact solar panels and related element/components. In the aircraft field, we conducted the joint development of airplane interiors with a major aircraft manufacturer and released products that are suited for the rotating parts and the reclining mechanism of airplane seats and the sliding part of aircraft folding tables, drawing on our technology on smooth movements featured in the Company’s products. In the medical equipment field, we engaged in product development for various types of analysis and measurement equipment that requires high reliability and quality. In the video equipment field, to address the need for high resolution and high brightness, we engaged in the development of high precision and high rigidity units. In the robotics field, by establishing peripheral technologies for upper-body humanoid robots, we are developing our business in related markets. In addition, for service robots, to our “SEED Solutions” series, which is a product line of element/components for robot technology systems, we newly added the “SEED” compact distributed multi-spindle controller drivers, the “SEED+Picxel” simple actuators and the “model TRX” robot hands. The “SEED Solutions” series and other products of the Company were

**[Translation for Reference and Convenience Purposes Only]**

adopted widely for many robots that were entered in the “2015 DARPA Robotics Challenge,” a disaster rescue robot contest hosted by the U.S. Defense Advanced Research Projects Agency (DARPA).

**Overall Summary of the Operation and Production Systems**

In our four key geometric regions of Japan, the Americas, Europe and Asia, the Company is aggressively promoting the unified producer-retailer system at the locations closer to centers of demand.

In terms of sales operation, we worked to expand our sales networks not only in developed countries but also in China, India and the ASEAN region where a medium- to long-term increase in demand is predicted. In line with such efforts, we worked to further expand our sales networks by establishing new sales bases in three areas—Ahmedabad, Chennai and Delhi in India.

In terms of production, we further improved productivity by promoting robots and automation in all regions where we operate. In China, where medium- to long-term growth in demand is projected, we relocated and expanded DALIAN THK CO., LTD., to reinforce the production capacity. In addition, with the aim of further expanding our transportation equipment-related business, the linkage and suspension (L&S) business in Europe and North America was transferred from TRW Automotive Inc. in August 2015, thereby adding a total of six plants in four countries—the United States, Canada, Germany and the Czech Republic.

**Term-end Dividends**

As the Company earnings are affected by industry trends in capital expenditures, which is a changeable external environment factor, our policy regarding dividends is to flexibly return profits to shareholders according to mid-term business results, while also stabilizing the payment of dividends. Under this policy, taking into consideration the Company’s business results for this term, we intend to pay a term-end dividend of ¥25 per common share, which, along with the interim dividend of ¥25 per share, results in an annual dividend of ¥50 per share.

**2. Status of Capital Investments**

Total capital investments in the consolidated fiscal year under review amounted to ¥16,370 million, consisting mostly of investments in buildings and processing facilities that were made to reinforce production facilities and improve product quality. The main investment amount at each base is as follows:

|                                  |   |                   |
|----------------------------------|---|-------------------|
| Domestic<br>Operational<br>Bases | THK CO., LTD.                             | (Millions of Yen) |
|                                  | Yamaguchi Plant                           | 2,455             |
|                                  | Yamagata Plant                            | 1,872             |
|                                  | Kofu Plant                                | 860               |
|                                  | THK RHYTHM CO., LTD.                      | 742               |
|                                  | THK NIIGATA CO., LTD.                     | 395               |
| Overseas<br>Operational<br>Bases | DALIAN THK CO., LTD. (China)              | 1,336             |
|                                  | THK Manufacturing of America, Inc. (USA)  | 1,268             |
|                                  | THK RHYTHM MEXICANA,S.A. DE C.V. (Mexico) | 756               |

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**3. Status of Funding**

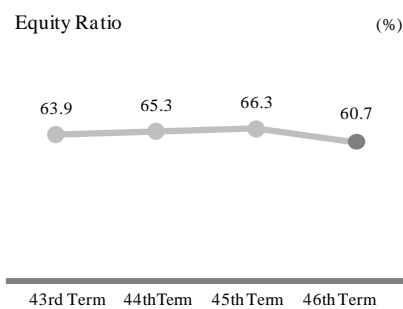
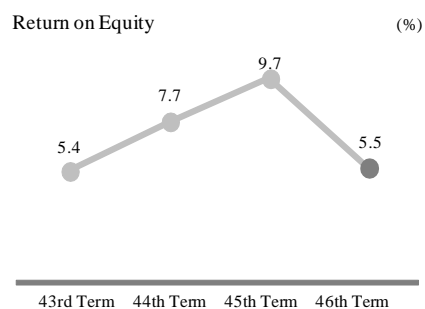
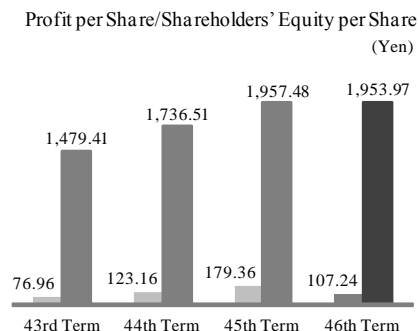
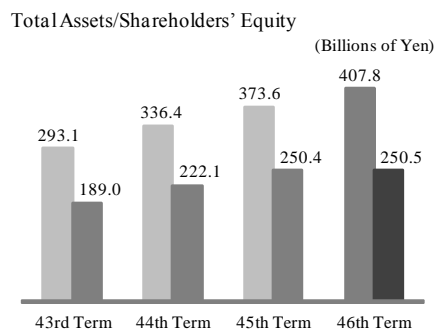
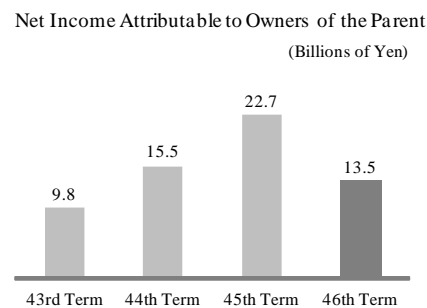
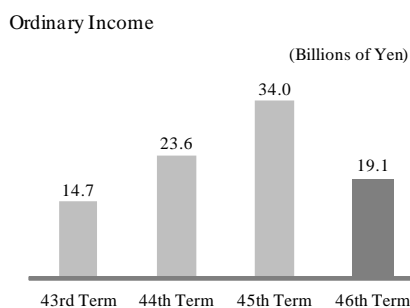
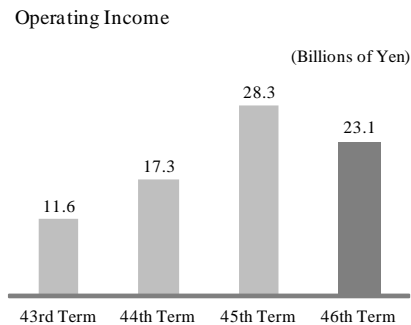
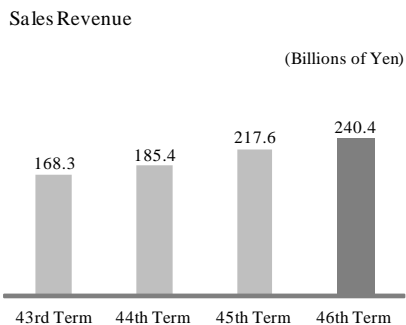
The funds raised in the consolidated fiscal year under review amounted to long-term loans of ¥22,534 million and straight bond issues of ¥10,000 million.

| Company name  | Brand   | Date of Issue    | Total Amount of Notes (Millions of yen) | Rate (%) | Maturity         |
|---------------|---|------------------|---|----------|------------------|
| THK CO., LTD. | The tenth Unsecured Debt Securities (with inter-bond pari passu clause) | October 23, 2015 | 10,000                                  | 0.296    | October 23, 2020 |

For effective funding of operating capital, the Group has specified credit lines totaling ¥15,000 million with its main correspondent financial institutions.

[Translation for Reference and Convenience Purposes Only]

**(2) Assets and Profit/Loss**  
Assets and Profit/Loss of the Group



[Translation for Reference and Convenience Purposes Only]

1. Assets and Profit/Loss of the Group (Consolidated)

| Millions of Yen                                    |   |   |   |  |
|--|---|---|---|--|
| Item   | 43rd Term<br>(Term Ended<br>March 2013) | 44th Term<br>(Term Ended<br>March 2014) | 45th Term<br>(Term Ended<br>March 2015) | 46th Term<br>(Term Ended<br>March 2016;<br>Current<br>Consolidated<br>Fiscal Year) |
| Sales Revenue                                      | 168,366                                 | 185,466                                 | 217,678                                 | 240,478  |
| Operating Income                                   | 11,692                                  | 17,370                                  | 28,388                                  | 23,169   |
| Ordinary Income                                    | 14,765                                  | 23,618                                  | 34,031                                  | 19,140   |
| Net Income Attributable to<br>Owners of the Parent | 9,808                                   | 15,590                                  | 22,705                                  | 13,575   |
| Total Assets                                       | 293,145                                 | 336,416                                 | 373,610                                 | 407,808  |
| Shareholders' Equity                               | 189,058                                 | 222,148                                 | 250,498                                 | 250,540  |
| Net Income per Share (Yen)                         | 76.96                                   | 123.16                                  | 179.36                                  | 107.24   |
| Shareholders' Equity per Share<br>(Yen)            | 1,479.41                                | 1,736.51                                | 1,957.48                                | 1,953.97   |
| Return on Equity (%)                               | 5.4                                     | 7.7                                     | 9.7                                     | 5.5  |
| Equity Ratio (%)                                   | 63.9                                    | 65.3                                    | 66.3                                    | 60.7   |

- Notes: 1. The Company has adopted the Accounting Standard for Business Combinations (ASBJ Statement No. 21; September 13, 2013), etc., thereby renaming "net income" as "net income attributable to owners of the parent" from the consolidated fiscal year under review.
2. Net income per share is calculated based on the average number of outstanding shares of the term. Shareholders' equity per share is calculated based on the number of outstanding shares at the term end. In calculating net income per share and shareholders' equity per share, the number of shares of treasury stock is deducted from the average total number of outstanding shares of the term and the total number of outstanding shares at the term end, respectively.

2. Assets and Profit/Loss of the Company (Non-consolidated)

| Millions of Yen  |   |   |   |  |
|------------------|---|---|---|--|
| Item             | 43rd Term<br>(Term Ended<br>March 2013) | 44th Term<br>(Term Ended<br>March 2014) | 45th Term<br>(Term Ended<br>March 2015) | 46th Term<br>(Term Ended<br>March 2016;<br>Current Fiscal<br>Year) |
| Sales Revenue    | 104,567                                 | 111,913                                 | 132,786                                 | 126,127  |
| Operating Income | 9,825                                   | 13,808                                  | 21,899                                  | 17,925   |
| Ordinary Income  | 12,053                                  | 18,790                                  | 27,378                                  | 16,068   |
| Net income       | 8,018                                   | 12,255                                  | 17,585                                  | 11,855   |

**(3) Description of Main Business Operations** (As of March 31, 2016)

The Company manufactures and sells vital machinery components including LM guides and ball screws, and vital components for transportation systems such as link balls and suspension ball joints. The Company's principal customer base includes manufacturers of industrial equipment such as machine tools, general machinery and semiconductor manufacture equipment, as well as transportation equipment manufacturers of automobiles and motorcycles. In addition, under the policy "production in the district having demand is production in the optimal district," we are working to build a "unified producer-retailer system at the locations closer to centers of demand" in the four key geographic regions of Japan, the Americas, Europe and Asia.

LM guides, our core products, enable "rolling" in linear motion parts in a mechanical device, etc., achieving lighter and more accurate movements compared with a "sliding" motion. This feature enables mechanical devices to move with higher speed, higher precision and enhanced energy saving, thereby contributing to the development of industry and the preservation of the ecosystem.

**(4) Future Tasks**

The Company's business performance is currently affected by variable industrial capital investment trends. To alleviate the associated business risk and achieve middle-to-long-term growth, the Group has expanded its business areas through "Full-Scale Globalization" and "Development of New Business Areas."

For "Full-Scale Globalization," we believe there exists great latent demand for linear motion systems because the usage level of these systems overseas is lower than that in Japan, whereas the awareness of these systems, including the Group's "LM guides," is high and their market share is large at home. Especially in China and other emerging countries, where higher economic growth is continuing compared with advanced countries and FA is expected to continue to progress, we foresee a great increase in demand for our products in the medium to long term.

For "Development of New Business Areas," we believe that while the main customers of our LM guides and other product groups are now capital goods manufacturers, there exists a huge demand for these products in fields close to consumer goods, such as automobiles, aircraft, housing, medical appliances and renewable energy.

In order to steadily meet such demand, we will work to heighten our business value by continuing to speed up the expansion of our business areas via "Full-Scale Globalization" and "Development of New Business Areas" and improving profitability and strengthening our financial position.



[Translation for Reference and Convenience Purposes Only]

**(5) Status of Major Subsidiaries**

1. Status of Major Subsidiaries

| Name of Company                            | Capital Stock          | Percentage of Voting Rights Held by the Company | Description of Main Business Operations  |
|--|------------------------|---|--|
| THK INTECHS CO., LTD.                      | ¥100 million           | 100%  | Manufacturing and sales of mechanical element devices and vital machinery components |
| TALK SYSTEM CORPORATION                    | ¥400 million           | 99.00   | Sales of vital machinery components, etc.  |
| THK RHYTHM CO., LTD.                       | ¥490 million           | 100   | Manufacturing and sales of transport equipment parts                                 |
| THK Holdings of America, L.L.C.            | USD 120,000 thousand   | 100   | Holding and controlling company in North America                                     |
| THK America, Inc.                          | USD 20,100 thousand    | 100<br>(100)                                    | Sales of the Company's products in North America                                     |
| THK Manufacturing of America, Inc.         | USD 75,000 thousand    | 100<br>(100)                                    | Manufacturing of vital machinery components in North America                         |
| THK RHYTHM NORTH AMERICA CO., LTD.         | USD 66 thousand        | 100<br>(100)                                    | Manufacturing and sales of transport equipment parts in North America                |
| THK RHYTHM AUTOMOTIVE MICHIGAN CORPORATION | USD 70,000 thousand    | 100   | Manufacturing and sales of transport equipment parts in North America                |
| THK RHYTHM AUTOMOTIVE CANADA LIMITED       | CAD 50,000 thousand    | 100   | Manufacturing and sales of transport equipment parts in North America                |
| THK Europe B.V.                            | EUR 90,000 thousand    | 100   | Holding and controlling company in Europe  |
| THK GmbH                                   | EUR 1,000 thousand     | 100<br>(100)                                    | Sales of the Company's products in Europe  |
| THK Manufacturing of Europe S.A.S.         | EUR 72,040 thousand    | 100<br>(100)                                    | Manufacturing of vital machinery components in Europe                                |
| THK RHYTHM AUTOMOTIVE GmbH                 | EUR 1,000 thousand     | 100   | Manufacturing and sales of transport equipment parts in Europe                       |
| THK RHYTHM AUTOMOTIVE CZECH a.s.           | CZK 335,479 thousand   | 100   | Manufacturing and sales of transport equipment parts in Europe                       |
| THK (CHINA) CO., LTD.                      | CNY 2,079,652 thousand | 100   | Holding and controlling company in China and sales of vital machinery components     |
| DALIAN THK CO., LTD.                       | CNY 420,997 thousand   | 70.00<br>(25.00)                                | Manufacturing and sales of vital machinery components in China                       |

**[Translation for Reference and Convenience Purposes Only]**

| Name of Company                                 | Capital Stock        | Percentage of Voting Rights Held by the Company | Description of Main Business Operations                                       |
|---|----------------------|---|---|
| THK MANUFACTURING OF CHINA (WUXI) CO., LTD.     | CNY 806,494 thousand | 100 (100)                                       | Manufacturing of vital machinery components in China                          |
| THK MANUFACTURING OF CHINA (LIAONING) CO., LTD. | CNY 848,827 thousand | 100 (100)                                       | Manufacturing of vital machinery components in China                          |
| THK RHYTHM GUANGZHOU CO., LTD.                  | CNY 91,498 thousand  | 100 (100)                                       | Manufacturing and sales of transport equipment parts in China                 |
| THK RHYTHM CHANGZHOU CO., LTD.                  | CNY 135,391 thousand | 100 (71.43)                                     | Manufacturing and sales of transport equipment parts in China                 |
| THK RHYTHM (THAILAND) CO., LTD.                 | THB 350,000 thousand | 100 (100)                                       | Manufacturing and sales of transport equipment parts in other Asian countries |

Note: Figures in parentheses in the “Percentage of Voting Rights Held by the Company” indicate indirect ownership.

**2. Status of Major Affiliated Companies**

| Name of Company      | Capital Stock      | Percentage of Voting Rights Held by the Company | Principal Business  |
|----------------------|--------------------|---|---|
| SAMICK THK CO., LTD. | KRW 10,500 million | 33.82%  | Manufacturing and sale of vital machinery components in South Korea |

**3. Changes in the Group**

A. As of August 31, 2015, the Group acquired the linkage and suspension (L&S) business in Europe and North America, transferred from TRW Automotive Inc., thereby converting THK RHYTHM AUTOMOTIVE MICHIGAN CORPORATION, THK RHYTHM AUTOMOTIVE CANADA LIMITED, THK RHYTHM AUTOMOTIVE GmbH and THK RHYTHM AUTOMOTIVE CZECH a.s. into subsidiaries of the Company.

Amounts of the assets and liabilities assumed by the Company and the breakdown thereof

|                          |                           |
|--------------------------|---------------------------|
| Current Assets           | 12,644 million yen        |
| Fixed Assets             | 34,988 million yen        |
| <b>Total Assets</b>      | <b>47,632 million yen</b> |
| Current Liabilities      | 8,833 million yen         |
| Long-Term Liabilities    | 2,702 million yen         |
| <b>Total Liabilities</b> | <b>11,536 million yen</b> |

**[Translation for Reference and Convenience Purposes Only]**

Breakdown of the acquisition costs of the acquired company, the acquisition costs of the acquired business and the purchase prices by category

|                   |                   |                    |
|-------------------|-------------------|--------------------|
| Purchase price    | Cash and deposits | 49,330 million yen |
| Acquisition costs |                   | 49,330 million yen |

Amount of goodwill generated  
13,235 million yen

B. THK (CHINA) CO., LTD. conducted a capital increase in August 2015, raising its capital stock to 2,079,652 thousand yuan.

C. DALIAN THK CO., LTD. (China) conducted a capital increase in September 2015, raising its capital stock to 420,997 thousand yuan.

[Translation for Reference and Convenience Purposes Only]

(6) Major Offices and Plants (As of March 31, 2016)

|                                       |   |
|---------------------------------------|---|
| Head Office                           | 11-6, Nishi-Gotanda 3-chome, Shinagawa-ku, Tokyo, Japan   |
| Production Sites<br>(Domestic Plants) | Kofu Plant (Chuo-shi, Yamanashi), Gifu Plant (Fuwa-gun, Gifu)<br>Mie Plant (Matsusaka-shi, Mie), Yamaguchi Plant (Sanyo Onoda-shi, Yamaguchi)<br>Yamagata Plant (Higashine-shi, Yamagata)<br>THK INTECHS CO., LTD. (Sunto-gun, Shizuoka; Kurokawa-gun, Miyagi)<br>THK NIIGATA CO., LTD. (Agano-shi, Niigata)<br>THK RHYTHM CO., LTD. (Hamamatsu-shi, Shizuoka; Nakatsu-shi, Oita)   |
| Production Sites<br>(Overseas Plants) | THK Manufacturing of America, Inc. (United States)<br>THK RHYTHM NORTH AMERICA CO., LTD. (United States)<br>THK RHYTHM AUTOMOTIVE MICHIGAN CORPORATION (United States)<br>THK RHYTHM AUTOMOTIVE CANADA LIMITED (Canada)<br>THK Manufacturing of Ireland Ltd. (Ireland)<br>THK Manufacturing of Europe S.A.S. (France)<br>THK RHYTHM AUTOMOTIVE GmbH (Germany)<br>THK RHYTHM AUTOMOTIVE CZECH a.s. (Czech)<br>DALIAN THK CO., LTD. (China)<br>THK MANUFACTURING OF CHINA (WUXI) CO., LTD. (China)<br>THK MANUFACTURING OF CHINA (LIAONING) CO., LTD. (China)<br>THK RHYTHM GUANGZHOU CO., LTD. (China)<br>THK RHYTHM CHANGZHOU CO., LTD. (China)<br>THK RHYTHM (THAILAND) CO., LTD. (Thailand) |
| Sales Offices<br>(Domestic)           | THK CO., LTD.: 29 offices in nationwide<br>TALK SYSTEM CORPORATION: 15 offices in nationwide  |
| Sales Offices<br>(Overseas)           | THK America, Inc. (United States)<br>THK GmbH (Germany)<br>THK (CHINA) CO., LTD. (China)<br>THK TAIWAN CO., LTD. (Taiwan)<br>THK LM SYSTEM Pte. Ltd. (Singapore)  |
| Research Sites<br>(Domestic)          | Technology Center (Ota-ku, Tokyo)   |
| Research Sites<br>(Overseas)          | THK (CHINA) CO., LTD. R&D Center (China)<br>THK RHYTHM AUTOMOTIVE GmbH (Germany)  |

[Translation for Reference and Convenience Purposes Only]

**(7) Status of Employees** (As of March 31, 2016)

1. Employees of the Group

| Business Segment | Number of Employees | Change from the Previous Consolidated Fiscal Year-End |
|------------------|---------------------|---|
| Japan            | 4,833               | +49   |
| Americas         | 1,886               | +1,030  |
| Europe           | 1,772               | +1,174  |
| China            | 2,664               | -25   |
| Other            | 599                 | +32   |
| Total            | 11,754              | +2,260  |

- Notes: 1. The number of employees is the number of staff members in service (excluding employees transferred from the Group to a company outside of the Group and including employees of a company outside of the Group transferred to the Group).
2. The numbers of employees in the “Change from the Previous Consolidated Fiscal Year-End” column include the number of employees added by THK RHYTHM AUTOMOTIVE, which was included in the scope of consolidation as of August 31, 2015 (899 in the Americas and 1,178 in Europe).

2. Status of Employees of the Company

| Number of Employees | Change from the Previous Fiscal Year | Average Age | Average Years of Service |
|---------------------|--------------------------------------|-------------|--------------------------|
| 3,386 employees     | +33                                  | 39.7        | 17.8                     |

Note: The number of employees is the number of staff members in service (excluding employees transferred from the Company to outside of the Group and including the Company’s employees on loan from a different company).

**(8) Status of Significant Borrowings** (As of March 31, 2016)

(Millions of Yen)

| Lender                                       | Amount of Borrowing |
|--|---------------------|
| Mizuho Bank, Ltd.                            | 17,320              |
| The Bank of Tokyo-Mitsubishi UFJ, Ltd.       | 8,760               |
| Sumitomo Mitsui Banking Corporation          | 3,053               |
| Mitsubishi UFJ Trust and Banking Corporation | 1,600               |
| Mizuho Trust & Banking Co., Ltd.             | 500                 |
| Sumitomo Mitsui Trust Bank, Limited          | 400                 |
| THE YAMAGUCHI BANK, Ltd.                     | 350                 |
| Resona Bank, Limited.                        | 300                 |
| The Yamanashi Chuo Bank, Ltd.                | 250                 |

[Translation for Reference and Convenience Purposes Only]

**2. Current Status of the Company**

**(1) Stocks** (As of March 31, 2016)

|  |             |
|--|-------------|
| 1. Total authorized shares:                                      | 465,877,700 |
| 2. Total outstanding shares (incl. 7,266,012 of treasury shares) | 133,856,903 |
| 3. Number of shareholders:                                       | 20,154      |
| 4. Major shareholders (Top 10):                                  |             |

| Shareholder  | Number of Shares Held<br>(Thousand Shares) | Shareholding Ratio (%) |
|--|--|------------------------|
| Japan Trustee Services Bank, Ltd., Trust Account                                 | 6,385                                      | 5.04                   |
| JP MORGAN CHASE BANK 385632  | 4,009                                      | 3.16                   |
| MELLON BANK N.A. AS AGENT FOR ITS CLIENT MELLON OMNIBUS US PENSION               | 3,941                                      | 3.11                   |
| The Master Trust Bank of Japan, Ltd., Trust Account                              | 3,901                                      | 3.08                   |
| NORTHERN TRUST CO.(AVFC) RE THE KILTEARN GLOBAL EQUITY FUND                      | 3,854                                      | 3.04                   |
| Akihiro Teramachi  | 3,647                                      | 2.88                   |
| FTC Co., Ltd.  | 2,774                                      | 2.19                   |
| NORTHERN TRUST CO.(AVFC) RE - SSD00  | 2,397                                      | 1.89                   |
| BBH BOSTON CUSTODIAN FOR JAPAN VALUE EQUITY CONCENTRATED FUND A SERIES OF 620135 | 2,115                                      | 1.67                   |
| THE BANK OF NEW YORK 132812  | 2,063                                      | 1.62                   |

Notes: 1. The treasury shares held by the Company, which is 7,266,012 shares in total, are excluded from the above-mentioned Shareholders.

2. Shareholding ratio is calculated by excluding treasury stock.

**(2) Status of Corporate Officers**

1. Directors and Auditors (As of March 31, 2016)

| Position in the Company               | Name                | Duties or Significant Positions Concurrently Held   |
|---------------------------------------|---------------------|---|
| Representative Director and President | Akihiro Teramachi   | Chairman of JAPAN MACHINE ACCESSORY ASSOCIATION (General Incorporated Association)                |
| Director and Executive Vice President | Toshihiro Teramachi |   |
| Director and Executive Vice President | Hiroshi Imano       |   |
| Director                              | Nobuyuki Maki       | Managing Executive Officer<br>Senior General Manager of Automotive & Transportation Business Unit |

[Translation for Reference and Convenience Purposes Only]

| Position in the Company | Name              | Duties or Significant Positions Concurrently Held   |
|-------------------------|-------------------|---|
| Director                | Takashi Okubo     | Managing Executive Officer<br>Executive Vice Chairman of THK (China) Co., Ltd.  |
| Director                | Junichi Sakai     | Executive Officer<br>General Manager of Quality Assurance Division<br>General Manager of ICB Center   |
| Director                | Takashi Teramachi | Executive Officer<br>Deputy General Manager of IMT Division<br>Representative Director and President of THK INTECHS CO., LTD.   |
| Director                | Masaaki Kainosho  | Representative Director of KAINOSHO CO., LTD.<br>Professor at Otsuma Women's University Junior College Division   |
| Director                | Masakatsu Hioki   | Outside Director of SUKIYA Co., Ltd.<br>Visiting Professor at Ritsumeikan University Graduate School  |
| Standing Auditor        | Hideyuki Kiuchi   |   |
| Standing Auditor        | Kazunori Igarashi |   |
| Auditor                 | Shizuo Watanabe   | Tax Accountant  |
| Auditor                 | Masatake Yone     | Esq., Partner of Mori Hamada & Matsumoto, a law firm<br>Outside Director of GCA Savvian Corporation<br>External Corporate Auditor of TERUMO CORPORATION<br>Outside Auditor of BANDAI NAMCO Entertainment Inc. |

Notes: 1. Personnel change in Directors and Auditors of the Company during the fiscal year under review is as follows.

At the closing of the 45th Ordinary General Meeting of Shareholders held on June 20, 2015, Nobuyuki Maki was newly elected as Director and assumed office.

2. Directors Masaaki Kainosho and Masakatsu Hioki are Outside Directors.
3. Auditors Shizuo Watanabe and Masatake Yone are Outside Auditors.
4. Auditor Shizuo Watanabe is a certified tax accountant with a substantial level of expertise in finance and tax accounting.
5. The Company registered Directors Masaaki Kainosho and Masakatsu Hioki, as well as Auditor Shizuo Watanabe, as independent officers, as stipulated under the guidelines of the Tokyo Stock Exchange.

[Translation for Reference and Convenience Purposes Only]

<Reference>

The Company employs the Executive Officer System. The executive officers excluding those concurrently serving as Director are as follows:

(As of March 31, 2016)

| Position in the Company    | Name              | Duties   |
|----------------------------|-------------------|--|
| Managing Executive Officer | Tetsuya Hayashida | Representative Director and President of THK Europe B.V.<br>Representative Director and President of THK GmbH<br>Representative Director and President of THK France S.A.S.<br>Representative Director and President of THK Manufacturing of Europe S.A.S.<br>Representative Director and President of THK Manufacturing of Ireland Ltd. |
| Managing Executive Officer | Junji Shimomaki   | Senior General Manager of Sales Division   |
| Managing Executive Officer | Masato Sawada     | General Manager of Automotive & Transportation Business Unit<br>Director and Executive Vice Chairman of THK RHYTHM CO., LTD.   |
| Managing Executive Officer | Takanobu Hoshino  | General Manager of IMT Division<br>Director and Executive Vice Chairman of THK INTECHS CO., LTD.   |
| Managing Executive Officer | Akihiko Kambe     | Senior General Manager of Production Division<br>Senior General Manager of the Sales Support Division  |
| Managing Executive Officer | Kaoru Hoshide     | Senior General Manager of Engineering Division   |
| Managing Executive Officer | Masaki Sugita     | Representative Director and President of THK Holdings of America L.L.C.<br>Representative Director and President of THK America, Inc.  |
| Executive Officer          | Naoki Kinoshita   | President of THK (CHINA) CO., LTD.   |
| Executive Officer          | Nobuaki Sugahara  | General Manager of Corporate Strategy Division<br>General Manager of Operating Strategy Division   |
| Executive Officer          | Junichi Kuwabara  | General Manager of ACE Division  |
| Executive Officer          | Yukio Yamada      | General Manager of Sales Division and International Sales Division   |
| Executive Officer          | Sakae Ito         | General Manager of Risk Management Division  |



[Translation for Reference and Convenience Purposes Only]

| Position in the Company | Name              | Duties  |
|-------------------------|-------------------|---|
| Executive Officer       | Hitoshi Muramoto  | Representative Director and President of THK RHYTHM CO., LTD. |
| Executive Officer       | Yasutoshi Hoshino | General Manager of Corporate Strategy Division                |

## 2. Description of Limited Liability Agreement

Pursuant to the provision of Article 427, Paragraph 1, of the Companies Act, the Company and each Outside Director and Outside Auditor entered into an agreement that limits the indemnity liability under Article 423, Paragraph 1.

Under this agreement, the limitation of liability for an Outside Director is the higher of ¥10 million or the minimum liability limit set forth in Article 425, Paragraph 1, of the Companies Act. The maximum limit of the indemnity liability for an Outside Auditor is the higher of ¥5 million or the minimum liability limit set forth in Article 425, Paragraph 1, of the Companies Act on condition that the Outside Director and the Outside Auditor fulfills due diligence and there is no gross negligence or no knowledge of it of the Outside Director or Outside Auditor with regard to the execution of duties that caused such liability.

## 3. Compensation for Directors and Auditors

| Classification      | Persons Receiving Payment (Persons) | Amount of Payment (Millions of Yen) |
|---------------------|-------------------------------------|-------------------------------------|
| Directors           | 9                                   | 456                                 |
| (Outside directors) | (2)                                 | (30)                                |
| Auditors            | 4                                   | 63                                  |
| (Outside auditors)  | (2)                                 | (21)                                |
| Total               | 13                                  | 519                                 |
| (Outside officers)  | (4)                                 | (51)                                |

Notes: 1. Pursuant to resolutions of the General Meeting of Shareholders, the maximum compensation for a Director is ¥100 million a month, not including the salary of employees who concurrently serve as Directors (Resolution of the General Meeting of Shareholders in June 2011).

2. Pursuant to resolutions of the General Meeting of Shareholders, the maximum compensation for an Auditor is ¥10 million a month (Resolution of the General Meeting of Shareholders in June 2004).

3. In addition to the amounts shown above, employees who concurrently serve as Directors receive the equivalent of ¥1 million in employee salary.

4. In addition to the amounts shown above, there are accrued payable balances of retirement allowances to two (2) Directors pursuant to resolutions of the General Meeting of Shareholders in the amounts of ¥742 million.

As for the accrued payable balances of retirement allowances to Directors, the system of retirement bonuses for Directors was abolished as of June 26, 2004 and in the wake of the abolishment of that system, the resolution for the payment of retirement bonuses for Directors was passed at the General Meeting of Shareholders held on the same day.

**[Translation for Reference and Convenience Purposes Only]**

5. There were nine (9) Directors as of the end of the current fiscal year (of which two (2) were Outside Directors) and four (4) Auditors (of which two (2) were Outside Auditors).
6. The remuneration amounts in the table above include ¥100 million (¥100 million for Directors) to be payable as performance-based compensation for the fiscal year under review.

4. Matters Related to Outside Officers

A. Status of important concurrent services in other corporations, etc. and relationships between the Company and other such corporations, etc.

- Director Masaaki Kainosho is the Representative Director of KAINOSHO CO., LTD. and a professor at Otsuma Women's University Junior College Division. There is no interest relationship between the Company and KAINOSHO CO., LTD., or Otsuma Women's University Junior College Division.
- Director Masakatsu Hioki is an Outside Director of Sukiya Co., Ltd. and a visiting professor at Ritsumeikan University Graduate School. There is no interest relationship between the Company and Sukiya Co., Ltd., or Ritsumeikan University Graduate School.
- Auditor Masatake Yone is a Partner of Mori Hamada & Matsumoto, a law firm, an Outside Director of GCA Savvian Corporation and TERUMO CORPORATION, and an Outside Auditor of BANDAI NAMCO Entertainment Inc. During the current consolidated fiscal year, the Company had transactions with Mori Hamada & Matsumoto and GCA Savvian Corporation. These transactions were consulting and advisory contracts to address the acquisition of the linkage and suspension (L&S) business in Europe and North America from TRW Automotive Inc., which is currently a group company of ZF Friedrichshafen AG. However, the amounts of such transactions were less than 1% of the Company's sales revenue. There is no interest relationship between the Company and TERUMO CORPORATION or BANDAI NAMCO Entertainment Inc.

[Translation for Reference and Convenience Purposes Only]

B. Status of major business activities in the current fiscal year

| Title            | Name             | Attendance at the Board of Directors meetings | Attendance at the Board of Auditors meetings | Presentations at Board of Directors and Board of Auditors Meetings  |
|------------------|------------------|---|--|---|
| Outside Director | Masaaki Kainosho | 94%<br>(16 of 17 meetings)                    | –  | Mr. Kainosho made comments based on his abundant experience and broad knowledge and insight as a university professor highly adept in management and as the manager of a management consulting firm.                            |
| Outside Director | Masakatsu Hioki  | 94%<br>(16 of 17 meetings)                    | –  | Mr. Hioki made comments based on his abundant experience and broad knowledge and insight mainly as a person responsible for personnel and general affairs in the management division of a global enterprise and a manufacturer. |
| Outside Auditor  | Shizuo Watanabe  | 100%<br>(17 of 17 meetings)                   | 100%<br>(14 of 14 meetings)                  | Mr. Watanabe made comments based on his abundant experience and broad knowledge and insight as a tax accountant highly adept in tax accounting.   |
| Outside Auditor  | Masatake Yone    | 100%<br>(17 of 17 meetings)                   | 92%<br>(13 of 14 meetings)                   | Mr. Yone made comments based on his abundant experience and broad knowledge and insight as a lawyer highly adept in corporate legal affairs.  |

[Translation for Reference and Convenience Purposes Only]

**(3) Status of Accounting Auditor**

1. Name: Grant Thornton Taiyo LLC

2. Amount of Compensation of the Accounting Auditor Pertinent to the Fiscal Year under Review:

(Millions of Yen)

|   | Amount of Compensation |
|---|------------------------|
| 1. Amount of compensation as the accounting auditor for the current fiscal year                                     | 96                     |
| 2. Total sum of monies or money equivalent to be paid by the Company and its subsidiaries to the accounting auditor | 96                     |

Notes: 1. In line with the “Practical Guidelines on the Alliance with Accounting Auditors” announced by the Japan Audit & Supervisory Board Members Association, the Board of Auditors of the Company checked and verified the Accounting Auditors’ actual performance by audit item in the accounting audit plan for the previous fiscal year and hours spent for auditing each tier, the transition in the amounts of compensation paid to the Accounting Auditors and the status of execution of duties by the Accounting Auditors. Based on such verification, the board inspected the Accounting Auditors’ accounting audit plan for the current fiscal year and the adequacy of the amounts of compensation. As a result, the Board of Auditors gave consent under Article 399, Paragraph 1, of the Companies Act.

2. Under the audit agreement between the Company and the accounting auditor, the Company does not classify the amount of auditing compensation for the audit set forth in the Companies Act and the audit set forth in the Financial Instruments Exchange Law. Therefore, the amount shown in 1. above includes auditing compensation under the Financial Instruments Exchange Law.

3. Matters Related to the Audit of the Financial Statements of Important Consolidated Subsidiaries

Of the Company’s important consolidated subsidiaries, THK Holdings of America, L.L.C., THK America, Inc., THK Manufacturing of America, Inc., THK RHYTHM NORTH AMERICA CO., LTD., THK Europe B.V., THK GmbH, THK Manufacturing of Europe S.A.S., THK (CHINA) CO., LTD., DALIAN THK CO., LTD., THK MANUFACTURING OF CHINA (WUXI) CO., LTD., THK MANUFACTURING OF CHINA (LIAONING) CO., LTD. and THK RHYTHM GUANGHOU CO., LTD. were audited by certified accountants other than the Company’s accounting auditor, Grant Thornton Taiyo ASG LLC.

4. Description of Non-Audit Activities  
Not applicable

5. Policy for Determining Dismissal and Non-Reappointment of Accounting Auditors  
The Board of Auditors will, if it considers it necessary, such as in the case where the performance of the accounting auditor’s duties is hindered, decide the details of the

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proposal for the dismissal or non-reappointment of the accounting auditor to be presented to the General Meeting of Shareholders.

In addition, if it is considered that the accounting auditor comes under any of the items of Article 340, Paragraph 1, of the Companies Act, the accounting auditor will be dismissed with the consent of all of the Auditors. In this case, the Auditor selected by the Board of Auditors will report the dismissal of the Accounting Auditor and the reason for such dismissal at the first General Meeting of Shareholders held after such dismissal.

#### **(4) Systems to Ensure the Adequacy of Operations and the Status of Operation of Such Systems**

##### **[Basic Policy for the Internal Control System]**

The following is an overview of decisions concerning the systems to ensure compliance with applicable laws and regulations and the Company's Articles of Incorporation in Directors' business executions and other systems to ensure adequacy in the Company's business operations.

This policy was determined by resolution of the meeting of the Board of Directors held on June 20, 2015, based on the revisions to related laws and regulations such as the Companies Act.

1. A structure for ensuring that the directors' and employees' execution of their respective duties at our Group comply with laws and regulations and the articles of incorporation

To ensure that our Group's executives and employees comply with laws and regulations and the articles of incorporation and perform their respective duties under sound social norms, our company establishes "THK's Basic Policy" and the "THK Group Charter of Behavior," and familiarizes its executives and employees with the policy and the charter. By repeatedly communicating the spirit of the policy and the charter to our Group's executives and employees, the President and Corporate Executive Officer ensures that all corporate activities are predicated on compliance with laws and regulations. In addition, "Directions for THK Group Employees," a booklet containing "THK's Basic Policy" and the "THK Group Charter of Behavior," is distributed to all executives and employees of the Group companies with the intent of spreading corporate ethics and compliance with the law. Furthermore, a Compliance Committee, chaired by the President and Corporate Executive Officer, and a Compliance Subcommittee, consisting of representatives from all operations divisions, are established to ensure that compliance and corporate ethics form the basis of all our corporate activities. The Compliance Committee, which also consists of external experts, prepares a company-wide compliance structure, identifies problems, and provides instructions for improvement. As a means to enable our executives and employees to directly provide information regarding any legally questionable act on a disclosed or anonymous basis to external experts and the internal department(s) with authority over the concerned matter, the "THK Helpline" is established and implemented.

2. Matters related to the preservation and management of information regarding the directors' execution of their duties

Our company records and preserves information on our directors' execution of their duties in documents or electromagnetic media (hereafter called "documents") in accordance with the Document Management Regulations. Under the Document Management Regulations, the directors and auditors may view these documents at any time.

3. Regulations and other structures concerning the management of risk of loss for our Group

In our company, the departments respectively in charge of compliance, environment, disasters, quality, information security, export control, risks related to new strains of influenza, etc. shall conduct activities such as establishing rules and guidelines,

**[Translation for Reference and Convenience Purposes Only]**

conducting education/training, and preparing/distributing manuals, while the Risk Management Division shall monitor the status of cross-sectional risks and company-wide responses. For any risk that has newly arisen, the Board of Directors shall promptly appoint a director or an executive officer who serves as the response manager. In addition, to ensure continuity of our business in case of a large earthquake, our Group formulates a business continuity plan (BCP) and familiarizes its executives and employees with the plan. Our company's Internal Audit Division conducts audits on the risk management structure of each Group company.

4. A structure for ensuring that the duties of our Group's directors are efficiently executed

Our company's Board of Directors defines a company-wide objective to be shared among and thereby instilled in the directors and employees, and defines a consolidated Mid-term Management Plan for a period of three fiscal years based on this objective. By introducing an executive officer system, our company seeks to improve the supervisory function of the Board of Directors, and to clarify the roles and responsibilities related to the carrying out of operations. In addition, the company seeks to accelerate the process of making decisions and carrying out operations, and determines an efficient structure for performing operations, which includes allocating the specific actions and authorities for each department in order to achieve the objective. The Board of Directors establishes a system for achieving a company-wide streamlining of its operations by reviewing progress on a monthly and quarterly basis and urging improvement as necessary. Our Group introduces an accounting system and a Group Finance system (cash management system) that are held common among our Group companies with the aim of accelerating consolidated account work and streamlining fund management.

5. Structures for ensuring the appropriateness of operations at our Group

Our company establishes a Risk Management Division as the department in charge of internal control of our Group, and creates a structure which incorporates a system to efficiently conduct activities such as discussions on internal control among our Group companies, information sharing, and communication of instructions and requests. The directors of our company and the presidents of our Group companies have the authority and responsibility to establish and operate an internal control system for each department. In addition, our company's Internal Audit Division conducts internal audits of our Group, reports the audit results to our Board of Directors and the presidents of our Group companies, and reports any matter related to internal control to the Risk Management Division. In response to reporting from the Internal Audit Division, the Risk Management Division instructs the respective Group companies regarding measures to improve internal control and provides assistance and advice on the implementation of such measures as necessary. In addition, "Internal Control Regulations for Financial Reporting" for our Group companies are established, provided, and implemented as a framework for ensuring the reliability of financial reporting.

6. A structure for reporting to the parent company regarding matters concerning the execution of the duties of our subsidiaries' directors, etc.

Our company periodically holds a "Global Business Strategy Meeting" attended by responsible personnel, such as our Group's directors and executive officers; in the

**[Translation for Reference and Convenience Purposes Only]**

meeting, the personnel responsible for the respective businesses report on the state of their business and on matters of importance. In addition, our company establishes “Regulations for the Management of Affiliates” to oblige our subsidiaries to periodically report important information, such as their operating results and financial states, to our company.

7. A structure for cases where an auditor orders an employee to be appointed as his/her assistant, and matters related to ensuring the effectiveness of the auditor’s instructions to the employee and the independence of the employee from the directors

Each auditor may order an employee belonging to the Internal Audit Division to perform an activity necessary for the auditing operation. The employee ordered by the auditor to perform the activity necessary for the auditing operation shall not take any instruction or order from any director, Internal Audit Division General Manager, etc. concerning the order placed on him/her.

8. A structure for an employee or director, auditor, etc. of our Group, or a person who has received a report from one of the aforementioned individuals, to report to our company’s auditor

Our company establishes a structure in which our company’s executives and employees promptly report, in addition to legal matters, the state of the internal audit being conducted, the status and content of reporting from the THK Helpline, as well as any matter that may seriously affect our Group to the auditor. The method for reporting, including the reporter, the recipient of the report, and reporting timeframe shall be determined through consultation between the directors and the auditors. However, if a matter that may significantly damage our Group or a serious fact related to gross violation of laws and regulations or the articles of incorporation is found, the employee or individual may directly report to an auditor.

9. A structure for ensuring that a person reporting to an auditor is protected from being unfavorably treated on the grounds that he/she has made such a report

Our company prohibits our executives and employees from unfavorably treating a person directly reporting to an auditor on that grounds that he/she has made such a report.

10. Matters related to our policy concerning procedures for advance payment or reimbursement of expenses incurred in the execution of a duty of an auditor, and treatment of other expenses or debts incurred in the execution of such a duty

If an auditor asks our company to reimburse any expense incurred in the execution of his/her duty, our company shall promptly take care of such an expense or debt, unless such an expense or debt is deemed unnecessary for the execution of the auditor’s duty. In addition, our company prepares a budget of a certain amount every year for expenses that may be incurred in the execution of our auditors’ duties.

11. Structures for ensuring that audits by our auditors are effectively conducted

With the aim of seeking close coordination among the participants, our company holds a periodic meeting for exchanging opinions between the auditors, President and Corporate



**[Translation for Reference and Convenience Purposes Only]**

Executive Officer, and other directors and executive officers. In addition, the auditors hold periodic meetings with auditors of subsidiaries to seek close cooperation with them. Based on the “Board of Auditors Rules,” the Board of Auditors may ask the accounting auditor, directors, executive officers, Internal Audit Division, and Risk Management Division’s employees, etc. to report on internal control.

The Internal Audit Division cooperates with the audits performed by the auditors.

**[Status of Operation of the Internal Control System]**

1. A structure for ensuring that the directors’ and employees’ execution of their respective duties at our Group comply with laws and regulations and the articles of incorporation

The Company established the “THK Basic Policy” and the “THK Charter of Corporate Behavior” and has disseminated such policies by distributing the “THK Code of Conduct Handbook” and has provided related education and guidance to ensure that officers and employees comply with applicable laws, regulations and the Articles of Incorporation and perform their duties under sound social norms. Also, during the current consolidated fiscal year, the Company held four meetings of the Compliance Committee, which is chaired by the Representative Director and President, to understand the status of operation of the compliance system and strive to further improve the system. Furthermore, the Company has formulated the “THK Helpline Regulations,” under which the “THK Helpline” was established and has been operated.

2. Matters related to the preservation and management of information regarding the directors’ execution of their duties

In accordance with the Document Control Procedure, the Company has recorded information related to Directors’ execution of duties such as the minutes of the Board of Directors meetings and stored such information in documents or electromagnetic media appropriately.

3. Regulations and other structures concerning the management of risk of loss for our Group

To address the operational risks, the Company has established rules and guidelines and prepared manuals. The Risk Management Office of the Company has been monitoring the status of risks across the board conducting companywide risk monitoring and measures. In cases when an unpredicted situation occurs, such as a disaster or an accident, the Risk Management Office has quickly collected information, notified related sections and provided instructions. In addition, the Company has formulated a business continuity plan (BCP), under which an adequate level of emergency supplies has been secured and regular training has been conducted.

4. A structure for ensuring that the duties of our Group’s directors are efficiently executed

During the current consolidated fiscal year, the Company held 17 meetings of the Board of Directors to decide important items and monitor the status of business execution. Concerning the progress of the medium-term management plan with the fiscal year ending March 2017 as its final year, which was formulated by the Board of Directors, the Company has been monitoring and supervising the progress status via the Board of

**[Translation for Reference and Convenience Purposes Only]**

Directors meetings and the Executive Officers' meetings. To prepare the consolidated financial statements more quickly and make cash management more efficiently, the Company is working to adopt a Group-wide common accounting system and group finance (cash management system).

**5. Structures for ensuring the appropriateness of operations at our Group**

The Risk Management Office of the Company has been facilitating the improvement and operation of the internal controls within the Group, collecting information related to the internal controls, conducting related discussion efficiently, sharing information and communicating its instructions and requests. The Company's Internal Audit Office has conducted the internal audits of the Group to check whether the business execution activities were conducted in accordance with the intended purposes, efficiently and in compliance with laws. The results of such audits have been reported to the Representative Director and President. Moreover, to ensure the reliability of financial reports of the Group, based on the "internal control regulations for financial reports," the Company has been improving and operating the relevant control system.

**6. A structure for reporting to the parent company regarding matters concerning the execution of the duties of our subsidiaries' directors, etc.**

During the current consolidated fiscal year, the Company held a total of 12 Global Management Strategy meetings and Executive Officers' meetings, attended by the Directors and Executive Officers of the Group, to receive reports on the status of business operation of the entire Group and other important matters. The Company also formulated its "Group Companies Management Rules," thereby collecting important information of the group companies such as sales performance and the financial position of the group companies.

**7. A structure for cases where an auditor orders an employee to be appointed as his/her assistant, and matters related to ensuring the effectiveness of the auditor's instructions to the employee and the independence of the employee from the directors**

Auditors of the Company shall be allowed to instruct the staff members of the Internal Audit Office to conduct tasks that are necessary for audit operations. A staff member who receives a related instruction from an Auditor shall not be governed by any supervision or order from a Director or the head of the Internal Audit Office in conducting the instructed duties.

**8. A structure for an employee or director, auditor, etc. of our Group, or a person who has received a report from one of the aforementioned individuals, to report to our company's auditor**

The Company has reported the content of internal reports received via the "THK Helpline" to the Compliance Committee, which is attended by the Representative Director and President and the Auditors of the Company.

**9. A structure for ensuring that a person reporting to an auditor is protected from being unfavorably treated on the grounds that he/she has made such a report**

**[Translation for Reference and Convenience Purposes Only]**

The Company has stipulated the “THK Helpline Regulations,” which prohibit the Company’s officers and employees from treating persons who have done internal reporting in a disadvantageous way.

10. Matters related to our policy concerning procedures for advance payment or reimbursement of expenses incurred in the execution of a duty of an auditor, and treatment of other expenses or debts incurred in the execution of such a duty  
The Company has made a budget to pay for expenses incurred by the execution of duties by the Auditors and has quickly processed the expenses and obligations when the Auditors requested the Company to pay such expenses.

11. Structures for ensuring that audits by our auditors are effectively conducted  
During the current consolidated fiscal year, the Company held meetings to exchange opinions with all Directors and all Executive Officers including the Representative Director and President. In addition, the Company held 12 meetings of the Board of Auditors of the Group to strive to establish a close alliance among the Auditors of the Group. Furthermore, the Company has a system to allow the Company’s Auditors to request reports related to internal controls from the Accounting Auditors, the Directors, the Executive Officers, the Internal Audit Office and the employees in the Risk Management Office based on the “Rules of the Board of Auditors.”

**(5) Basic Beliefs towards the Elimination of Anti-Social Forces and the Degree of the Introduction of Necessary Steps**

The Company has established its own system which aims to remove anti-social forces as below:

- A. The Company has declared in the “THK Basic Policy” that it shall “take a firm stance against anti-social forces.”
- B. The Company, as a member of the “Liaison Council of Tokyo Metropolitan Policy’s Anti-Crime Syndicate (the “Council”),” collects information at monthly meetings hosted by the Council and on other occasions. In addition, the Corporate Strategy Division is engaged in the management of relevant information in an integrated manner.
- C. If the Company receives an inappropriate demand from anti-social forces, the Corporate Strategy Division and the Risk Management Office are to respond to it. In so doing, staff at the Corporate Strategy Division and the Risk Management Office who have participated in lectures and other courses of the Council will respond to such a matter while in conjunction with the police station under the jurisdiction and so forth, and will take resolute steps such as resorting to legal means through our corporate lawyers as necessary.
- D. In order to extirpate transactions with companies that have relations with anti-social forces, the Company strives to conclude a Memorandum of Understanding regarding extirpation of transactions with anti-social forces with our business partners.

**(6) Basic Policies on Control of the Company**

Based on its management philosophy of “providing innovative products to the world and staying abreast of new trends to contribute to the creation of an affluent society,”

**[Translation for Reference and Convenience Purposes Only]**

the Company has formulated the “THK Basic Policy” consisting of three policies: 1) Creation of Value and Contribution to the Society, 2) Customer-Oriented Mind-Set and 3) Legal Compliance. The Basic Policy serves as the fundamental ethics that supersede all internal regulations and codes of conduct.

Under this Policy, the Company engages in business operations in order to create values beneficial to society by utilizing various management resources. In other words, the Company aims to expand corporate value through creative product development and exclusive production technology as a creative and developmental corporation while conducting fair and safe business operations; building strong relationships with customers, shareholders and local communities; and fulfilling its responsibility as a member of society through environmental conservation and prompt, proper and just information disclosure. The Company believes that it cannot raise its corporate value and the common interests of shareholders without fulfilling its social responsibility. At the same time, the Company aims to gain customers’ trust by thinking from their perspective, always treating them with integrity, and offering the best products and services. The Company believes that such efforts help us earn the trust of shareholders and other stakeholders, resulting in an appropriate gain of profits. Earning trust thereby earning profits is the way to achieve the sustainability of the Company. We direct profits earned in this way to new investments and the creation of new products and services, thereby, we believe, earning further trust from customers.

The Company has so far earned the trust of customers and of various kinds of stakeholders, including shareholders, through offering creative ingenious technologies and customer-oriented products and services based on the aforementioned beliefs. Accordingly, the Company is fully convinced that it can achieve the common interests of shareholders, that is, to enhance corporate value and further growth, only by further refining its originality and offering even higher-quality and customer-oriented products and services.

From such perspectives, the Company’s growth and rise in corporate value cannot be achieved without the support of shareholders that share the same beliefs—the same ideas that have supported the past growth of the Company and improvement of the Company’s corporate value—regardless of the size of their stakes. If shareholders with such perspectives increase, that will help further improve the Company’s corporate value and leverage its growth. Accordingly, the Company intends to strive to gain their lasting support and understanding.

With regard to specific measures to address any party that might emerge to attempt a large-scale acquisition of the Company’s stocks solely for their own profit, ignoring the sacrifice of other shareholders, not considering the growth of the Company’s corporate value and conflicting with the basic beliefs described above, the Company will continue careful consideration. When a clear plan and specifics to address such events is ready, we will present it to the shareholders and ask their opinion.

[Translation for Reference and Convenience Purposes Only]

**Consolidated Balance Sheet**

(As of March 31, 2016)

(Millions of Yen)

| <b>Assets</b>                                     |                | <b>Liabilities</b>  |                 |
|---|----------------|---|-----------------|
| <b>Current Assets</b>                             | <b>248,858</b> | <b>Current Liabilities</b>                                  | <b>59,572</b>   |
| Cash and deposits                                 | 126,964        | Notes and accounts payable                                  | 20,129          |
| Notes and accounts receivable                     | 65,977         | Electronically recorded obligations—operating               | 16,544          |
| Electronically recorded monetary claims—operating | 5,523          | Lease obligations   | 190             |
| Merchandise and finished goods                    | 16,619         | Accrued corporate tax, etc.                                 | 806             |
| Work in process                                   | 7,352          | Reserve for bonuses   | 3,193           |
| Raw materials and supplies                        | 15,270         | Other   | 18,707          |
| Deferred tax assets                               | 2,573          | <b>Long-Term Liabilities</b>                                | <b>97,695</b>   |
| Short-term loans receivable                       | 4              | Bonds payable   | 53,000          |
| Accrued receivables                               | 3,565          | Long-term loans payable                                     | 30,280          |
| Other   | 5,170          | Lease obligations   | 234             |
| Allowance for bad debts                           | (162)          | Deferred tax liabilities                                    | 5,488           |
|   |                | Reserve for officers' retirement benefits                   | 129             |
|   |                | Product warranty allowance                                  | 142             |
|   |                | Net defined benefit liability                               | 7,195           |
|   |                | Other   | 1,224           |
| <b>Fixed Assets</b>                               | <b>158,950</b> | <b>Total Liabilities</b>                                    | <b>157,268</b>  |
| <b>Tangible fixed assets</b>                      | <b>109,428</b> | <b>Net Assets</b>   |                 |
| Buildings and structures                          | 33,543         | <b>Shareholders' Equity</b>                                 | <b>230,317</b>  |
| Machinery and transportation equipment            | 50,101         | <b>Capital stock</b>  | <b>34,606</b>   |
| Land  | 13,998         | <b>Capital surplus</b>                                      | <b>44,584</b>   |
| Construction in progress                          | 8,854          | <b>Profit surplus</b>                                       | <b>165,076</b>  |
| Other   | 2,931          | <b>Treasury stock</b>                                       | <b>(13,950)</b> |
| <b>Intangible fixed assets</b>                    | <b>36,468</b>  | <b>Accumulated Other Comprehensive Income</b>               | <b>17,030</b>   |
| Goodwill  | 12,780         | <b>Net unrealized gain on available-for-sale securities</b> | <b>665</b>      |
| Other   | 23,688         | <b>Foreign exchange conversion loss adjustment account</b>  | <b>17,759</b>   |
| <b>Investments and other assets</b>               | <b>13,052</b>  | <b>Remeasurements of defined benefit plans</b>              | <b>(1,394)</b>  |
| Investment securities                             | 7,052          | <b>Non-Controlling Interests</b>                            | <b>3,192</b>    |
| Net defined benefit asset                         | 1,493          | <b>Total Net Assets</b>                                     | <b>250,540</b>  |
| Deferred tax assets                               | 2,060          | <b>Total Liabilities and Net Assets</b>                     | <b>407,808</b>  |
| Insurance reserve                                 | 942            |   |                 |
| Other   | 1,603          |   |                 |
| Allowance for bad debts                           | (99)           |   |                 |
| <b>Total Assets</b>                               | <b>407,808</b> |   |                 |

[Translation for Reference and Convenience Purposes Only]

**Consolidated Statement of Income**  
(From April 1, 2015, to March 31, 2016)

(Millions of Yen)

| Accounting Item  | Amount |                |
|--|--------|----------------|
| <b>Sales Revenue</b>                                   |        | <b>240,478</b> |
| <b>Cost of Sales</b>                                   |        | <b>172,711</b> |
| <b>Gross Profit</b>                                    |        | <b>67,766</b>  |
| Selling, general, and administrative expenses          |        | 44,597         |
| <b>Operating Income</b>                                |        | <b>23,169</b>  |
| <b>Non-Operating Income</b>                            |        |                |
| Interest received                                      | 407    |                |
| Dividends received                                     | 78     |                |
| Rent income  | 387    |                |
| Equity in earnings of affiliates                       | 644    |                |
| Miscellaneous income                                   | 1,248  | 2,766          |
| <b>Non-Operating Expenses</b>                          |        |                |
| Interest expenses                                      | 426    |                |
| Foreign exchange losses                                | 5,716  |                |
| Miscellaneous loss                                     | 651    | 6,795          |
| <b>Ordinary Income</b>                                 |        | <b>19,140</b>  |
| <b>Extraordinary Income</b>                            |        |                |
| Gain on sale of fixed assets                           | 864    | 864            |
| <b>Extraordinary Loss</b>                              |        |                |
| Loss on disposition and sale of fixed assets           | 392    |                |
| Other  | 0      | 392            |
| <b>Net Income before Income Taxes</b>                  |        | <b>19,612</b>  |
| Income taxes—current                                   | 5,289  |                |
| Income taxes—deferred                                  | 1,073  | 6,363          |
| <b>Net Income</b>                                      |        | <b>13,249</b>  |
| Loss attributable to non-controlling interests         |        | (325)          |
| <b>Net Income Attributable to Owners of the Parent</b> |        | <b>13,575</b>  |

[Translation for Reference and Convenience Purposes Only]

**Consolidated Statement of Changes in Shareholders' Equity**

(From April 1, 2015, to March 31, 2016)

(Millions of Yen)

|  | Shareholders' Equity |                 |                |                |                            | Accumulated Other Comprehensive Income               |   |   |   | Non-Controlling Interests | Total Net Assets |
|--|----------------------|-----------------|----------------|----------------|----------------------------|--|---|---|---|---------------------------|------------------|
|  | Capital stock        | Capital surplus | Profit surplus | Treasury stock | Total shareholders' equity | Net unrealized gain on available-for-sale securities | Foreign exchange conversion loss adjustment account | Remeasurements of defined benefit plans | Total of accumulated other comprehensive income |                           |                  |
| Balance as of April 1, 2015  | 34,606               | 44,584          | 158,463        | (13,943)       | 223,711                    | 1,312  | 22,940  | (166)                                   | 24,086  | 2,701                     | 250,498          |
| Changes in the consolidated fiscal year  |                      |                 |                |                |                            |  |   |   |   |                           |                  |
| Dividends from surplus   |                      |                 | (6,962)        |                | (6,962)                    |  |   |   |   |                           | (6,962)          |
| Net income attributable to owners of the parent  |                      |                 | 13,575         |                | 13,575                     |  |   |   |   |                           | 13,575           |
| Acquisition of treasury stock  |                      |                 |                | (6)            | (6)                        |  |   |   |   |                           | (6)              |
| Changes in the item other than shareholders' equity during the consolidated fiscal year (net amount) |                      |                 |                |                |                            | (646)  | (5,181)   | (1,227)                                 | (7,055)   | 490                       | (6,565)          |
| Total change in the consolidated fiscal year   | —                    | —               | 6,612          | (6)            | 6,606                      | (646)  | (5,181)   | (1,227)                                 | (7,055)   | 490                       | 41               |
| Balance as of March 31, 2016   | 34,606               | 44,584          | 165,076        | (13,950)       | 230,317                    | 665  | 17,759  | (1,394)                                 | 17,030  | 3,192                     | 250,540          |

[Translation for Reference and Convenience Purposes Only]

**Balance Sheet**

(As of March 31, 2016)

(Millions of Yen)

| Assets  |                | Liabilities   |                 |
|---|----------------|---|-----------------|
| <b>Current Assets</b>                             | <b>154,728</b> | <b>Current Liabilities</b>                                  | <b>33,735</b>   |
| Cash and deposits                                 | 52,819         | Accounts payable  | 6,162           |
| Notes receivable                                  | 13,433         | Electronically recorded obligations—operating               | 14,092          |
| Electronically recorded monetary claims—operating | 5,126          | Short-term loans payable                                    | 1,507           |
| Accounts receivable                               | 25,790         | Current portion of long-term loans payable                  | 2,253           |
| Merchandise and finished goods                    | 7,097          | Lease obligations   | 148             |
| Work in process                                   | 2,802          | Accrued payables  | 4,260           |
| Raw materials and supplies                        | 4,324          | Accrued expenses  | 2,626           |
| Prepaid expenses                                  | 584            | Accrued corporate tax, etc.                                 | 147             |
| Deferred tax assets                               | 879            | Advances  | 34              |
| Short-term loans                                  | 36,314         | Deposits received   | 248             |
| Accrued receivables                               | 4,253          | Reserve for bonuses   | 2,205           |
| Other   | 1,303          | Other   | 48              |
| Allowance for bad debts                           | (3)            | <b>Long-Term Liabilities</b>                                | <b>86,053</b>   |
|   |                | Bonds payable   | 53,000          |
|   |                | Long-term loans payable                                     | 30,280          |
| <b>Fixed Assets</b>                               | <b>163,026</b> | Lease obligations   | 161             |
| <b>Tangible fixed assets</b>                      | <b>32,403</b>  | Reserve for employees' retirement benefits                  | 1,813           |
| Buildings   | 9,178          | Other   | 797             |
| Structures  | 306            | <b>Total Liabilities</b>                                    | <b>119,789</b>  |
| Machinery and equipment                           | 12,972         | <b>Net Assets</b>   |                 |
| Automobiles and transportation equipment          | 11             | <b>Shareholders' Equity</b>                                 | <b>197,319</b>  |
| Tools and supplies                                | 531            | <b>Capital stock</b>  | <b>34,606</b>   |
| Land  | 6,889          | <b>Capital surplus</b>                                      | <b>47,471</b>   |
| Lease properties                                  | 276            | Capital reserve   | 47,471          |
| Construction in progress                          | 2,235          | Other capital surplus                                       | 0               |
| <b>Intangible fixed assets</b>                    | <b>1,250</b>   | <b>Profit surplus</b>                                       | <b>129,186</b>  |
| Goodwill  | 3              | Legal retained earnings                                     | 1,958           |
| Software  | 1,158          | Other profit surplus  | 127,227         |
| Other   | 88             | Special depreciation reserve                                | 70              |
| <b>Investments and other assets</b>               | <b>129,372</b> | Reserve for advanced depreciation of land                   | 15              |
| Investment securities                             | 2,524          | Dividend reserve  | 3,000           |
| Affiliates' stocks                                | 69,224         | General reserve   | 112,000         |
| Investment in affiliated companies                | 49,784         | Profit surplus carried forward                              | 12,141          |
| Long-term loans                                   | 5,937          | <b>Treasury stock</b>                                       | <b>(13,944)</b> |
| Insurance reserve                                 | 826            | <b>Valuation/Conversion Difference</b>                      | <b>645</b>      |
| Deferred tax assets                               | 443            | <b>Net unrealized gain on available-for-sale securities</b> | <b>645</b>      |
| Other   | 668            | <b>Total Net Assets</b>                                     | <b>197,965</b>  |
| Allowance for bad debts                           | (36)           | <b>Total Liabilities and Net Assets</b>                     | <b>317,754</b>  |
| <b>Total Assets</b>                               | <b>317,754</b> |   |                 |



[Translation for Reference and Convenience Purposes Only]

**Statement of Income**  
(From April 1, 2015, to March 31, 2016)

(Millions of Yen)

| Accounting Item                               | Amount |                |
|---|--------|----------------|
| <b>Sales Revenue</b>                          |        | <b>126,127</b> |
| <b>Cost of Sales</b>                          |        | <b>85,192</b>  |
| <b>Gross Profit</b>                           |        | <b>40,935</b>  |
| Selling, general, and administrative expenses |        | 23,009         |
| <b>Operating Income</b>                       |        | <b>17,925</b>  |
| <b>Non-Operating Income</b>                   |        |                |
| Interest received                             | 587    |                |
| Dividends received                            | 958    |                |
| Rent income                                   | 498    |                |
| Loyalty income                                | 575    |                |
| Miscellaneous income                          | 461    | 3,082          |
| <b>Non-Operating Expenses</b>                 |        |                |
| Interest expenses                             | 94     |                |
| Interest on corporate bonds                   | 317    |                |
| Foreign exchange losses                       | 4,055  |                |
| Miscellaneous loss                            | 472    | 4,940          |
| <b>Ordinary Income</b>                        |        | <b>16,068</b>  |
| <b>Extraordinary Income</b>                   |        |                |
| Gain on sale of fixed assets                  | 1      | 1              |
| <b>Extraordinary Loss</b>                     |        |                |
| Loss on disposition and sale of fixed assets  | 96     |                |
| Other   | 0      | 97             |
| <b>Net Income before Income Taxes</b>         |        | <b>15,972</b>  |
| Income taxes—current                          | 3,523  |                |
| Income taxes—deferred                         | 593    | 4,117          |
| <b>Net Income</b>                             |        | <b>11,855</b>  |

[Translation for Reference and Convenience Purposes Only]

**Statement of Changes in Shareholders' Equity**

(From April 1, 2015, to March 31, 2016)

(Millions of Yen)

|  | Shareholders' Equity |                 |                       |                       |                         |                              |   |                  |                 |                                |                      |
|--|----------------------|-----------------|-----------------------|-----------------------|-------------------------|------------------------------|---|------------------|-----------------|--------------------------------|----------------------|
|  | Capital stock        | Capital Surplus |                       |                       | Legal retained earnings | Profit Surplus               |   |                  |                 |                                | Total profit surplus |
|  |                      | Capital reserve | Other capital surplus | Total capital surplus |                         | Other profit surplus         |   |                  |                 |                                |                      |
|  |                      |                 |                       |                       |                         | Special depreciation reserve | Reserve for advanced depreciation of land | Dividend reserve | General reserve | Profit surplus carried forward |                      |
| Balance as of April 1, 2015  | 34,606               | 47,471          | 0                     | 47,471                | 1,958                   | 49                           | 15  | 3,000            | 102,000         | 17,269                         | 124,293              |
| Change in the fiscal year  |                      |                 |                       |                       |                         |                              |   |                  |                 |                                |                      |
| Dividends from surplus   |                      |                 |                       |                       |                         |                              |   |                  |                 | (6,962)                        | (6,962)              |
| Addition to the special depreciation reserves  |                      |                 |                       |                       |                         | 37                           |   |                  |                 | (37)                           |                      |
| Reimbursement from the special depreciation reserves                                 |                      |                 |                       |                       |                         | (18)                         |   |                  |                 | 18                             |                      |
| Adjustment to reserve due to change in tax rate                                      |                      |                 |                       |                       |                         | 1                            |   |                  |                 | (1)                            |                      |
| Provision of general reserve   |                      |                 |                       |                       |                         |                              |   |                  | 10,000          | (10,000)                       |                      |
| Net Income   |                      |                 |                       |                       |                         |                              |   |                  |                 | 11,855                         | 11,855               |
| Acquisition of treasury stock  |                      |                 |                       |                       |                         |                              |   |                  |                 |                                |                      |
| Changes in items other than shareholders' equity during the fiscal year (net amount) |                      |                 |                       |                       |                         |                              |   |                  |                 |                                |                      |
| Total changes in the fiscal year   | —                    | —               | —                     | —                     | —                       | 20                           | —   | —                | 10,000          | (5,128)                        | 4,892                |
| Balance as of March 31, 2016   | 34,606               | 47,471          | 0                     | 47,471                | 1,958                   | 70                           | 15  | 3,000            | 112,000         | 12,141                         | 129,186              |

|  | Shareholders' Equity |                            | Valuation/Conversion Difference, etc.                |   | Total Net Assets |
|--|----------------------|----------------------------|--|---|------------------|
|  | Treasury stock       | Total shareholders' equity | Net unrealized gain on available-for-sale securities | Total valuation/conversion difference, etc. |                  |
| Balance as of April 1, 2015  | (13,938)             | 192,433                    | 1,286  | 1,286                                       | 193,719          |
| Changes in the fiscal year   |                      |                            |  |   |                  |
| Dividends from surplus   |                      | (6,962)                    |  |   | (6,962)          |
| Addition to the special depreciation reserve   |                      |                            |  |   |                  |
| Reimbursement from the special depreciation reserves                                 |                      |                            |  |   |                  |
| Adjustment to reserve due to change in tax rate                                      |                      |                            |  |   |                  |
| Provision of general reserve   |                      |                            |  |   |                  |
| Net Income   |                      | 11,855                     |  |   | 11,855           |
| Acquisition of treasury stock  | (6)                  | (6)                        |  |   | (6)              |
| Changes in items other than shareholders' equity during the fiscal year (net amount) |                      |                            | (640)  | (640)                                       | (640)            |
| Total changes in the fiscal year   | (6)                  | 4,886                      | (640)  | (640)                                       | 4,245            |
| Balance as of March 31, 2016   | (13,944)             | 197,319                    | 645  | 645   | 197,965          |

[Translation for Reference and Convenience Purposes Only]

**Accounting Audit Report on the Consolidated Financial Statements**

**AUDIT REPORT BY INDEPENDENT AUDITOR**

May 16, 2016

To the Board of Directors of THK CO., LTD.

Grant Thornton Taiyo LLC

|                                  |                                |                       |
|----------------------------------|--------------------------------|-----------------------|
| Designated<br>Executive Employee | Certified Public<br>Accountant | Yoshiyuki Wada (Seal) |
| Designated<br>Executive Employee | Certified Public<br>Accountant | Keita Tajiri (Seal)   |
| Designated<br>Executive Employee | Certified Public<br>Accountant | Hideki Akita (Seal)   |

In accordance with the provisions of Article 444, Paragraph 4, of the Companies Act, we audited the consolidated financial statements of THK CO., LTD., consisting of the consolidated balance sheet, consolidated statement of income, statement of changes in consolidated shareholders' equity and notes on the consolidated financial statements covering the consolidated fiscal year from April 1, 2015, to March 31, 2016.

**Management's Responsibility for the Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for designing and operating such internal control as management determines is necessary to enable the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

**Auditors' Responsibility**

Our responsibility is to express an opinion on the consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected and adopted depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

**[Translation for Reference and Convenience Purposes Only]**

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Audit Opinion**

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position and results of operations of THK CO., LTD., which consisted of the Company and consolidated subsidiaries, applicable to the fiscal year under review in conformity with accounting principles generally accepted in Japan.

**Interest**

There is no relation of interests between the Company and the auditing firms stated above or any participating partners thereof, as is required to be stated under the Certified Public Accountant Law.

[Translation for Reference and Convenience Purposes Only]

**Accounting Audit Report on the Financial Statements**

**AUDIT REPORT BY INDEPENDENT AUDITOR**

May 16, 2016

To the Board of Directors of THK CO., LTD.

Grant Thornton Taiyo LLC

|                    |                  |                       |
|--------------------|------------------|-----------------------|
| Designated         | Certified Public | Yoshiyuki Wada (Seal) |
| Executive Employee | Accountant       |                       |
| Designated         | Certified Public | Keita Tajiri (Seal)   |
| Executive Employee | Accountant       |                       |
| Designated         | Certified Public | Hideki Akita (Seal)   |
| Executive Employee | Accountant       |                       |

In accordance with the provisions of Article 436, Paragraph 2, No. 1, of the Companies Act, we audited the financial statements of THK CO., LTD., consisting of the balance sheet, statement of income, statement of changes in shareholders' equity, notes to the non-consolidated financial statements and supplementary schedules covering the 46th fiscal year from April 1, 2015, to March 31, 2016.

**Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements and the related supplementary schedules in accordance with accounting principles generally accepted in Japan, and for designing and operating such internal control as management determines is necessary to enable the preparation and fair presentation of the financial statements and the related supplementary schedules that are free from material misstatement, whether due to fraud or error.

**Auditors' Responsibility**

Our responsibility is to express an opinion on the financial statements and the related supplementary schedules based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and the related supplementary schedules are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements and the related supplementary schedules. The procedures selected and adopted depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements and the related supplementary schedules, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements and the related supplementary schedules in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating

**[Translation for Reference and Convenience Purposes Only]**

the overall presentation of the financial statements and the related supplementary schedules.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Audit Opinion**

In our opinion, the financial statements and the related supplementary schedules referred to above present fairly, in all material respects, the financial position and results of operations of the THK CO., LTD., applicable to the fiscal year under review in conformity with accounting principles generally accepted in Japan.

**Interest**

There is no relation of interests between the Company and the auditing firms stated above or any participating partners thereof, as is required to be stated under the Certified Public Accountant Law.

**Audit Report by the Board of Auditors**

**AUDIT REPORT**

We, the Board of Auditors, submit the following Audit Report based on our deliberation of the Audit Reports prepared by each Auditor with respect to the execution of duties of the Directors during the Company's 46th fiscal year starting on April 1, 2015, and ended on March 31, 2016:

1. Auditing Method and Content of Audits Performed by Auditors and the Board of Auditors

(1) The Board of Auditors determined the auditing policy and allocation of tasks, received reports from each Auditor concerning execution status and results of audits, received reports from Directors and accounting auditors concerning the status of their tax execution, and requested explanations when necessary.

(2) In accordance with the audit policies and task allocations determined by the Board of Auditors, each Auditor communicated with Directors, the Internal Audit Office and other employees to collect information and maintain and improve an appropriate audit environment, and conducted audits in the following methods.

- 1) Each Auditor attended the Board of Directors meetings and other important meetings to receive reports concerning the status of execution of duties from Directors, Executive Officers and employees, request explanations when necessary, peruse important settlement documents, and investigated the business and asset conditions of the Head Office and other major offices. With respect to subsidiaries, Auditors communicated and exchanged information with the Directors and Auditors of subsidiaries and received reports by subsidiaries concerning their operations when necessary. Moreover, the Board of Auditors meetings were held on a monthly basis, where results of audits conducted by each Auditor were conveyed to other Auditors to exchange opinions and information sharing. Opinions concerning results of audit activities conducted by Auditors were notified to Directors.
- 2) With respect to the systems (Internal Control System) established in accordance with the description of the resolution of the Board of Directors concerning the system defined in Paragraphs 1 and 3, Article 100, of the Ordinance for Enforcement of the Companies Act and said resolution, as necessary systems to ensure compliance of Directors' execution of duties described in business reports with laws and regulations and the Company's Articles of Incorporation, and to ensure the adequacy of other business operations of the corporate group consisting of the Company and its subsidiaries, the Auditors received reports regularly from Directors, Executive Officers and employees, etc., requested explanations when necessary and expressed their opinions regarding the status of the establishment and performance of the systems.
- 3) For the basic policy of the Enforcement Regulations of the Companies Act, Article 118, No.3-B, as described in the Business Report, auditors examined the contents of the policy based on the status of deliberations at the Board of Directors meetings, etc.

**[Translation for Reference and Convenience Purposes Only]**

- 4) Auditors monitored and inspected whether the independent auditors maintained their independence and appropriateness in their implementation of audits, received reports from accounting auditors concerning their execution of duties and requested explanations when necessary. Furthermore, we received the notice stating to the effect that the “System to Ensure Appropriate Execution of Duties” (various provisions stated in Article 131 of the Corporate Accounting Regulations) is prepared in accordance with the “Quality Control Standards Concerning Audits” (Business Accounting Deliberation Council, October 28, 2005) and requested explanations when necessary.

In accordance with the approach explained above, we reviewed the business reports and supplementary schedules thereof, the financial statements (balance sheet, statement of income, statement of changes in shareholders’ equity and notes to the financial statements) and the supplementary schedules thereof, as well as the consolidated financial statements (consolidated balance sheet, consolidated statement of income, consolidated statement of changes in shareholders’ equity and notes to the consolidated financial statements) for the fiscal year under review.

**2. Results of the Audit**

**(1) Audit Results for the Business Report, etc.**

- 1) We are of the opinion that the content of business reports and supplementary schedules comply with laws and regulations and the Articles of Incorporation and fairly reflect the state of the Company.
- 2) We determined no improper acts or material breaches of laws and regulations or the Articles of Incorporation in the execution of duties by Directors.
- 3) We are of the opinion that the content of the Board of Directors resolutions pertaining to the Internal Control System is appropriate. In addition, we did not identify anything that requires comment with regard to execution of duties by directors concerning said Internal Control System.
- 4) We do not identify anything that requires comment on the basic policy (described in the Business Report) for the behavior of the person(s) taking control of the determination of financial policies and business policies of the Company.

**(2) Audit Results for the Financial Statements and Supplementary Schedules**

We are of the opinion that the audit methods and results of Grant Thornton Taiyo are appropriate.

**(3) Audit Results for the Consolidated Financial Statements**

We are of the opinion that the audit methods and results of Grant Thornton Taiyo are appropriate.

May 23, 2016

The Board of Auditors of THK CO., LTD.  
Standing Auditor Hideyuki Kiuchi  
Standing Auditor Kazunori Igarashi  
Outside Auditor Shizuo Watanabe  
Outside Auditor Masatake Yone