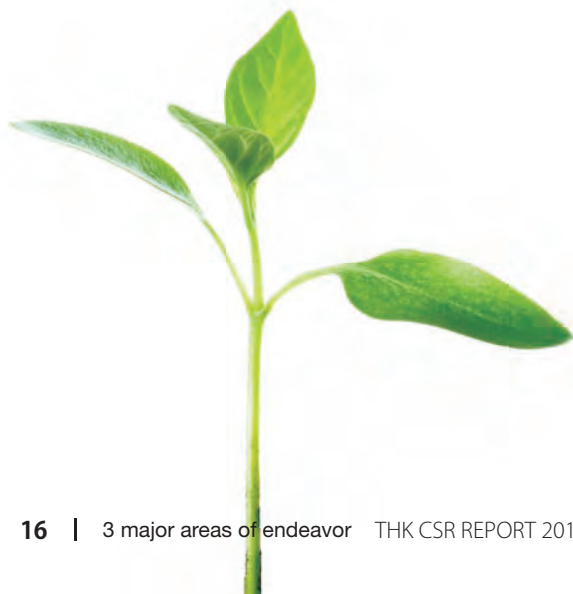


3 major areas of endeavor



Management system

Page 17–19

As the concept of corporate social responsibility becomes more widely established, businesses are faced with increasingly demanding expectations from the society at large. At THK we feel that, as an enterprise engaged in *monozukuri*, our most essential duties are to maintain transparency in our operations and foster a corporate culture that is responsive to societal expectations. We have instilled a thorough awareness of our corporate social responsibilities and established a highly effective management system to ensure they are fulfilled.

In focus in 2012

- ▶ Education and training to support global compliance
- ▶ Business continuity planning

Involvement in society

Page 20–29

Faced with the need to assist in the recovery following the Great East Japan Earthquake, as well as the need to help rebuild Japan's long-struggling economy, THK and other firms engaged in *monozukuri* are finding more opportunities to contribute to society than ever before. As we work to strengthen our relationships with our many stakeholders, we will continue to demonstrate the vital importance of *monozukuri* in everyday life.

In focus in 2012

- ▶ Exhibitions
- ▶ Training programs
- ▶ Volunteer leave system
- ▶ Contributions by LIAONING employees

Harmony with the environment

Page 30–37

Dramatic improvements in energy efficiency, increased product longevity, and other technological advances have played a major role in reducing energy consumption in everyday life. THK has contributed to further advances in Japan's environmental technology, which is already regarded as the best in the world. We continue to pursue a variety of initiatives in this field, convinced that, by passing these advances on to future generations, we are helping to preserve the global environment.

In focus in 2012

- ▶ Commendation for waste management in China
- ▶ Honors for energy management
- ▶ Green purchasing training at overseas sites

» Corporate governance

Governance system

Fundamentally, THK views corporate governance as a means of making management transparent to shareholders and ensuring appropriate and efficient operations, in order to maximize shareholder returns.

THK's primary management structure consists of its Board of Directors and Board of Auditors. To facilitate sound, timely, and strategically apt decision-making by the Board of Directors, THK has established an Executive Council made up of the president, two managing directors, and an outside director.

The Executive Council sets basic management policy from a strategic perspective. With the cooperation of various departments, the council collects the data required to enable the Board of Directors to hold informed discussions, soliciting expert opinions from lawyers, accountants, and other third parties whenever necessary. The council meets for consultations and keeps track of important issues and information.

Internal controls

THK continually strives to improve its internal controls in order to further solidify its operational foundations and ensure full compliance with all its legal obligations.

In 2008 THK established regulations instituting internal controls on financial reporting. The entire THK Group, including subsidiaries and affiliates, continues to maintain and improve systems designed to ensure the reliability of

financial reporting, in accordance with Japan's Financial Instruments and Exchange Law.

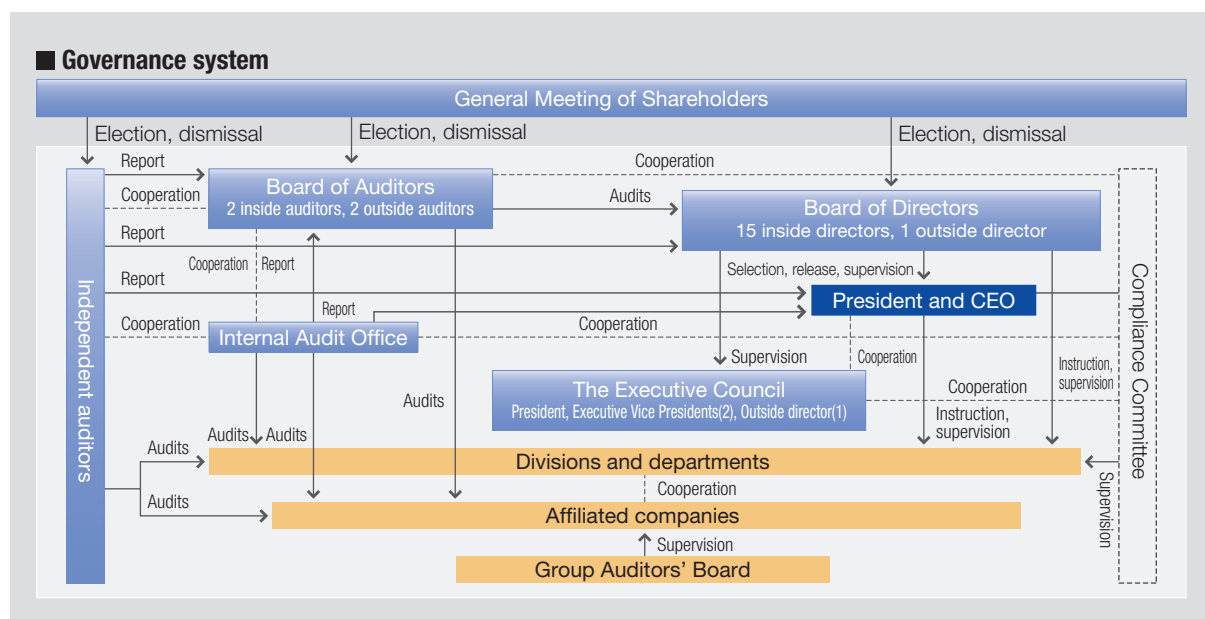
The Internal Control Audit Department, part of the Internal Audit Division, conducts an annual evaluation of the operational impact of THK's internal controls. Based on the findings, any necessary improvements are overseen by the Internal Control Department, which serves as the secretariat of the Risk Management Division.

The 2012 evaluation found no material weaknesses in internal controls. A report disclosing the findings was submitted to the Prime Minister of Japan, via the Kanto Local Finance Bureau of the Ministry of Finance, in June 2013.

Security-related trade controls

THK has improved its security-related trade controls by providing management tools and training for overseas sales divisions. This will help prevent inadvertent violations of the Foreign Exchange and Foreign Trade Control Law in dealings with overseas customers and countries from which products were not previously exported, in accordance with THK's midterm plan for increasing overseas sales.

THK is continually improving its intranet- and Web-based parameter-sheet management system to quickly provide accurate documentation to customers exporting THK products, and working to lower the cost of preparing parameter sheets, to provide greater customer satisfaction.



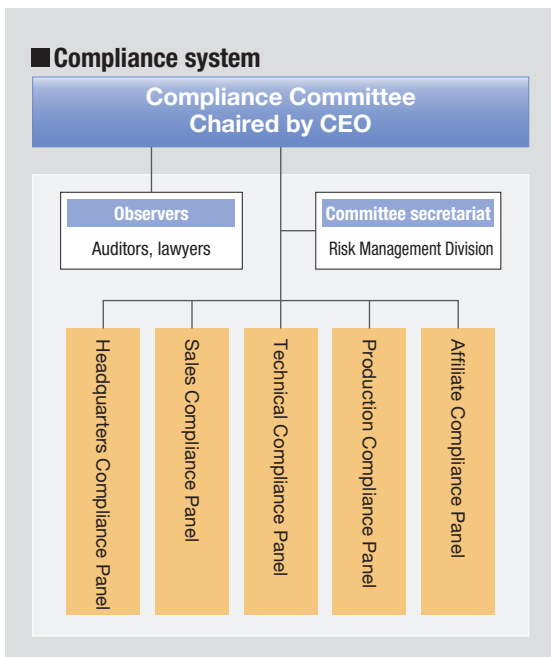
» Compliance

Compliance system

THK has had a permanent Compliance Committee since 2005, chaired by its president and CEO. The Compliance Committee sets policy in relation to THK's compliance system and deals with violations of laws, regulations, and internal rules, as well as internal reports of such infractions. In addressing specific violations, the committee consults with legal advisers who attend its meetings as observers, to ensure that the response is appropriate and legally sound.

THK has also established the THK Helpline, an internal notification system designed to deter potential compliance-related violations by executives or employees and ensure that prompt and appropriate action is taken in the event that a violation occurs. Infractions can be reported by telephone or e-mail or by contacting the company's legal advisers, who provide an external channel for such notifications. In 2012 eight reports were received via the helpline; all eight were resolved with the cooperation of the departments involved.

Each business division has its own Compliance Panel, all of which report to the Compliance Committee. Compliance Panel members provide guidance and act as liaisons to help ensure observance of the compliance system at each THK location and within each area of business. They play an important role, organizing workshops and other efforts to help ensure full compliance with all legal and regulatory requirements.



Education and training

In December 2012 Compliance Panel members attended a periodic training session, conducted by a visiting legal expert, to improve their knowledge of legal matters and reinforce efforts to address compliance-related issues. The participants examined case studies and took part in exercises concerned with legal prohibitions against monopolies and unfair competition, in order to develop a better understanding of the issues involved.

To help employees better understand the laws governing everyday conduct in the workplace, compliance-related study materials have been made available via THK's in-house e-learning program. In March 2013, 29 new study problems dealing with information security were added, bringing the total to 107. Employees can also review 30 compliance-related case studies via the e-learning program.

In December 2012 training was provided at THK TAIWAN for all local employees—34 in all, from the company's offices in Taipei, Taichung, and Tainan—as well as employees on loan from other firms, to improve their understanding of the fundamental issues underlying compliance and its relation to corporate social responsibility. Attention was also devoted to the corporate philosophy, basic principles, and code of conduct presented in the employee handbook, to help ensure that these values are upheld at THK locations all over the world.

At THK MANUFACTURING OF VIETNAM, monthly workshops on ethics have been held since January 2013. Topics have included THK's basic philosophy, the 5S rule, and attitudes toward work. Each workshop winds up with a simple test designed to provide employees with an objective measure of their progress in mastering ethics. Employees have been invited to come up with slogans to encourage companywide participation in the ethics campaign, and other consciousness-raising efforts have been made as well. The aim is to facilitate incremental progress toward a proper grasp of ethical behavior.



Training session for Compliance Panels.



Training session at THK TAIWAN's Taipei office.



Ethics workshop at THK MANUFACTURING OF VIETNAM.

» Risk management and information security

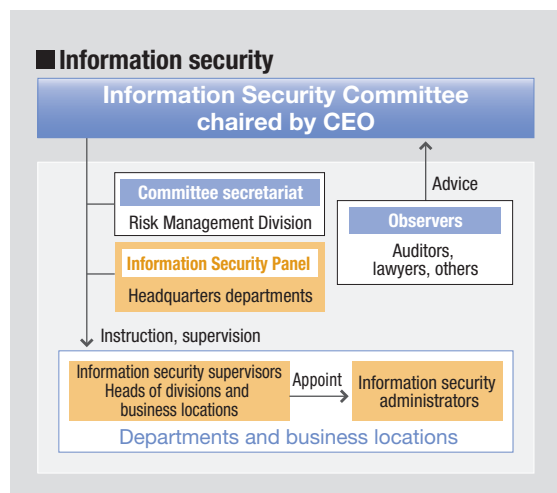
Information security

To help ensure that reliable information security systems are in place throughout the THK Group, in 2012 the Information Security Committee Office conducted internal audits of information security arrangements at four business sites in Japan, including those of affiliated companies.

Training sessions were offered at 26 THK locations in Japan in 2012 to help educate employees about the importance of information security. THK also conducts self-assessments via its intranet to ascertain the current status of information security throughout the group. When problems are identified, improvements are carried out.

In light of the growing importance of its overseas business sites, THK had internal audits conducted on the information security arrangements at five affiliates in China, applying the same standards employed at its business sites in Japan. As time goes on, further measures will be carried out to improve information security systems at both domestic and foreign business locations.

THK is also enacting more forceful measures prohibiting unauthorized access to its computer networks, to protect against viruses and other malevolent incursions and prevent disclosure of private information.



Business continuity planning

To ensure that it's prepared for a major earthquake or other disaster, THK has been formulating business continuity plans and taking a variety of other actions to reduce the scale of potential damage and help ensure rapid resumption of operations.

Securing servers

To protect its critical server computers, for some time now THK has kept its actual servers and backup servers

in two separately located data centers. To further reduce the risk of damage in the event of a natural disaster, in 2012 other computer systems were also relocated to separate data centers.

Securing office supplies and equipment

At THK offices, to protect employees from being injured in an earthquake and facilitate rapid resumption of operations afterward, fixtures designed to prevent objects from being moved or toppled by seismic tremors have been affixed to copiers and other office machines and installed on storage shelves holding spare parts, tools, and office supplies.

Stockpiling emergency supplies

To provide for the needs of those who may be unable to reach their homes in the event of a major earthquake or other disaster, all THK offices have been equipped with a three-day supply of food, drinking water, blankets, portable toilets, and other emergency supplies. Offices located in heavily populated urban areas have been provided with a seven-day supply of emergency goods. At THK plants where large numbers of people are employed, stretchers and other rescue supplies have been procured, along with emergency generators and other key equipment. To prepare for all potential scenarios, procedures have been established for assisting disaster victims and quickly resuming business operations in the aftermath of a disaster.

Training for a disaster

THK Headquarters has long conducted evacuation drills, firefighting exercises, and training in first aid, including the use of defibrillators, and training in the use of emergency generators. In 2012 the program was expanded to include instruction in using first-aid slings and transporting the injured using stretchers and conveyance devices designed for stairways.

Each THK Group business location has been equipped with satellite telephones. Regular training is provided in emergency communications procedures, and a system has been established to enable THK to rapidly assess the situation at each location in the event of a disaster.



THK employees receiving training in first aid.