

## Together with Our Customers (Suppliers/Quality/Customer Satisfaction)

### Together with Our Suppliers

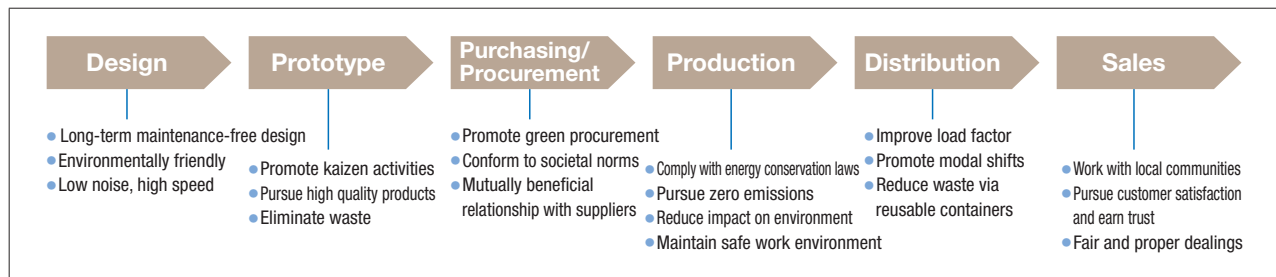
Throughout our supply chain, from design to sales, THK strives to adhere to societal norms and be environmentally conscious in order to facilitate the creation of a sustainable society. We have formed good partnerships with our suppliers, aiming for mutually beneficial relationships.

#### THK Basic Policy on Procurement

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

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

### THK's Supply Chain



### Quality Initiatives

THK has taken measures to provide all of our customers with safe, reliable products.

We have obtained the following public certifications:

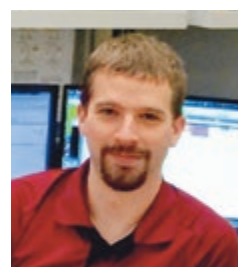
- 1 ISO9001 quality management system at all production facilities
- 2 ISO/TS16949 automotive industry quality management system for our automotive business
- 3 JIS Q 9100 aerospace industry quality management system for our aerospace business

In doing so, we are engaging in each industry with an even stricter commitment to quality management.

We have also revolutionized our quality information system, creating a global network and sharing the opinions of our customers. Gathering quality information from customers around the world and quickly analyzing that data allows us to promptly deal with customer claims and provide service. We will continue to place great importance on customer satisfaction, approaching quality assurance from the customer's viewpoint and responding to the needs of the market and our customers.

### International Engineer Training (Comments from a Participant)

My name is Miles. I work in the engineering department at THK America. I participated in the GEM (Global Engineering Meeting) held in Tokyo in November 2014. The training was very comprehensive and included lectures at the Technology Center, practical experience assembling and inspecting the cross roller ring and LM Guide Model HCR at the MIE Plant, and a visit to Mitsui Seiki. What I learned through this experience still comes in handy today, enabling me to recommend even better products to our customers.



**Miles V. Prestwood**

Regional Mechanical Engineer

GEM was a great opportunity for the participating engineers from each branch around the world to learn the basic technology behind THK products and to gain technical training to be able to sell the great aspects of our products to customers.



**Osamu Haraguchi**

Leader  
Compliance Promotion Department Information Security Division

**Shuichi Nakano**

Leader  
Strategy Control Department Strategic Planning Division



**Gcom Holdings Co., Ltd.**

Established in 1971 as Fukuoka System Machines Ltd., our company develops, installs, and provides maintenance for a municipal information system (Acrocity) used primarily in towns and cities in Fukuoka. We contribute to the region by improving administrative work and always providing products and services that incorporate the latest technology.

## With a firm grasp of our needs and on-point proposals, THK advances our business

Gcom Holdings Co., Ltd.

### Tell us how you began using THK products.

As a company that handles municipal information systems, it is crucial that we ensure our own systems never fail. Spurred by the Great East Japan Earthquake, we formulated a business continuity plan (BCP), but found ourselves lacking a solution to protect our servers from earthquakes. While we had them fixed in place with anchors, many questioned the stability of this system. Just as we were discussing whether to stay with this anchor system or change to seismic isolation, THK presented us with an idea for seismic isolation which fit our needs. They had initially come to advise us on seismic isolation devices for our customers' municipal computer labs and facilities who were customers of ours, but when we expressed that we also wanted to pursue seismic isolation internally, the capabilities of THK's seismic isolation devices happened to perfectly match our needs, so we first asked THK to work on seismic isolation devices for our servers.

### What do you look for most in a supplier?

This is the obvious answer, but we look for high quality — and post-installation support. We look for support that is both diligent and prompt. Those are the things we stress the most.

It is also very important that the sales representatives we work with fully understand our needs. There are a great many sales representatives who only give one-sided product

explanations, which tell us nothing. I feel that this recent project with THK came together very smoothly thanks to how well THK's proposal matched what we were looking for. The solutions they proposed met our needs and were even considerate of our budget.

### What do you expect to see from THK in the future?

THK proved to be such a reliable collaborator for us, so I'd say I expect to see them reach out to more of our customers in the future. I'm hoping that we can work together to get more seismic isolation devices installed in municipal servers. I say this because if a municipality's system were to go down in a natural disaster, it would affect tens of thousands of residents. We often propose that our customers convert to cloud-based systems as a measure to protect against earthquakes, but there are many cases where this is difficult. When customers are installing system servers in those kinds of situations, I would like to present proposals that include the added value of THK's seismic isolation devices.



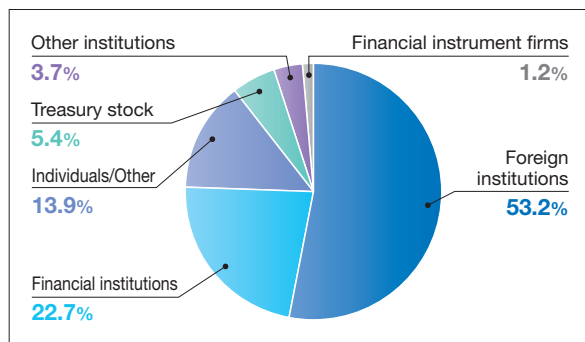
*Servers with seismic isolation devices*

# Together with Our Shareholders

## Investor Relations Event

At the semiannual financial results briefing, our president explains the company's performance and strategies, leaving ample time for a Q&A session, where we receive candid feedback regarding our operations. In addition to this, we endeavor to open discussions with more and more investors through small-scale meetings and one-on-one interviews. We strive to take advantage of any opportunity to communicate with our institutional investors, whether local or international, through phone conference interviews, annual visits to American and European investors, and so on.

### Stock Distribution by Owner (Current as of March 31, 2016)



## Investor Relations on Our Website

We updated the Investor Relations section of our website in June of 2016. Along with creating a new section, *For Our Individual Investors*, which contains a collection of information of interest to our individual investors, we revamped the overall structure of our website to make it more readable, searchable, and usable. Please take a look when you have the chance.



Investor Relations

Corporate Top Page

## Shareholders Meeting

In aiming to create an *open forum meeting* that even more shareholders can attend, in 1998, we began holding our shareholders meeting on a Saturday in the middle of June to avoid the busy season. We also created a space in the meeting room for observers, to give suppliers and others who have a stake in THK the opportunity to better understand our business. As a result, we have seen even greater attendance.

Approximately five hundred shareholders attended our 46th Annual Shareholders Meeting held on Saturday, June 18, 2016. In addition to this, to enable people to experience THK products up close—something individuals have few opportunities to do in their everyday lives—we hold a product exhibition every year after our shareholders meeting. This year, our displays featured example product applications for machine tools and semiconductor machines, industrial machinery essential to *monozukuri*<sup>\*</sup>, and applications that are carving the way into new industries: seismic isolation devices, automotive and transportation products, robotics, and the renewable energy fields of wind and water energy.



46th Annual Shareholders Meeting



Shareholders Meeting Product Exhibition

<sup>\*</sup> Monozukuri is a Japanese word, often translated as "manufacturing," that suggests a high level of craftsmanship.



# Together with Our Employees (Health and Safety)

## Occupational Health and Safety Management System

In 2010, in order to eliminate work-related injuries and continuously promote the health and safety of our employees as an organization, we received certification for and began conforming to the Occupational Health and Safety Assessment Series (OHSAS\* 18001).

At each plant, we have established a health and safety committee which determines major controls and actions related to health and safety, educates employees through departmental meetings and postings, and promotes specific activities to ensure the health and safety of all who work in the plant. As one part of employing continuous organizational safety and health activities, we hold a "reciprocal safety audit" twice per year where individuals visit and perform internal audits of other plants. The purpose is to deepen inter-facility rapport and raise the level of control and auditing.

\* OHSAS: Occupational Health and Safety Assessment Series

## Stretching Class

In an effort to improve the health of our employees, our headquarters and Technology Center held a stretching class during lunch in October 2015. Forty-nine employees participated. Exercise instructor Miyako Tonami explained some basic stretches (to perform first thing in the morning, to relieve shoulder tension, etc.), and then everyone practiced them on their own.

While it was only a few minutes of stretching, comments from participants included: "My body feels warmer and more relaxed," and, "I want to keep doing this."

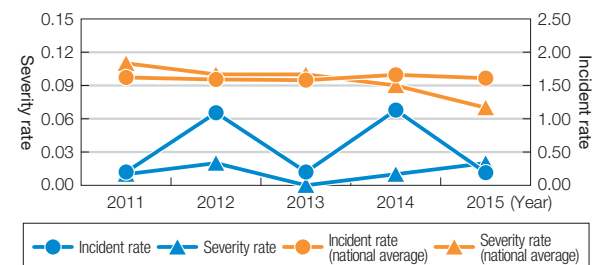


Leg and hip exercises

## Incident and Severity Rates

Helping employees improve their health and creating a pleasant work environment are important in maintaining a strong business. It is with this mindset that our Production Division established the occupational health and safety management system based on the Occupational Health and Safety Policy set forth in 2010. We strive to create a work environment that is safe, easy to work in, and pleasant.

### Incident and Severity Rates (at five THK plants in Japan)



Incident rate: Describes frequency of work-related injuries  
 $IR = (\text{Number of cases}) \div (\text{Labor hours worked}) \times 1,000,000$   
 Severity rate: Describes severity of work-related injuries  
 $SR = (\text{Number of lost workdays}) \div (\text{Labor hours worked}) \times 1,000$

## Certificate of Excellence/Safe Handling of Hazardous Materials

In June 2015, the Oita branch of the Japan Association for Safety of Hazardous Materials awarded the THK RHYTHM KYUSHU Plant with a certificate of excellence for safely handling hazardous materials. The certificate is given to companies that have gone 15 or more years without accidents or injuries and shown exceptional effort in maintenance (and improvements).

This plant stores 27 kL of Class 4, Level 4\* oil, so it is considered a facility that handles hazardous materials and must undergo inspections by the fire department. We received this certificate due to our quick responses to the guidance and suggestions we received during these inspections.



Certificate of Excellence

## Winning Entry of the Hand-Drawn Poster Contest

"Let's find safety issues and fix them together—  
Greater awareness means a safer workplace"

This was the slogan for the 88th National Safety and Health Week held in October 2015.

The MIE Plant participated in a hand-drawn poster contest for Safety and Health Week that was publicized by the Matsusaka Labor Standards Inspection Office. An employee from Manufacturing Section 1 submitted an entry, and hers was selected as a standout piece.



Winning entry



Rieka Ito  
Manufacturing Department  
Manufacturing Section 1  
MIE Plant Production Division

\* Under the Japan Fire Service Act of 1948, a Class 4 hazardous material is a flammable liquid, and a Level 4 is a liquid with a flash point of 200-250 °C.

# Together with Our Employees (Supporting Development)

## Kaizen Proposal System

We started a *kaizen proposal system* with the goal of developing and improving our products, work efficiency, quality, safety, productivity, technology, and more. In our kaizen activity evaluation system, which greatly values the creativity and perspective of those who work on the manufacturing floor, all submitted proposals get recognized, and monetary rewards are given to the employees who submit them. Points are given based on these evaluations, and if the accumulated points exceed a certain threshold, they become eligible for a prize via secondary evaluation—a system unique to THK. In 2015, over five thousand proposals relating to *new markets for our parts* and *improving product quality* were submitted. As a result of continuously encouraging proposals, we are seeing not just process improvements, but also better observational skills and motivation among our employees.

### Proposal Submissions and Prize Recipients

	Proposals (Submissions)	Prize Recipients (Individuals)
2011	11,840	352
2012	11,871	331
2013	11,065	278
2014	7,213	192
2015	5,793	162

## e-Learning

As one part of our employee training, we have brought in e-learning, which enables people to study on their own no matter what time it is or where they are, as long as they have access to the internet. Last year, we expanded our primary curriculum of “business skills” and “product knowledge” to include another important topic: “compliance.” As of March 2016, we offer 59 courses that can be taken online.

### e-Learning Course Statistics

	Participation			Course Completion
	Eligible Individuals	Participating Individuals	Participation (%)	Completion (%)
Sept. 2012	2,049	1,192	58.2	73.2
Sept. 2013	1,951	1,181	60.5	74.0
Sept. 2014	2,012	1,260	63.0	77.0
Sept. 2015	2,018	1,246	61.7	73.6

## RHYTHM KYUSHU—Sensory Evaluation

At the THK RHYTHM KYUSHU Plant, we handle critical safety parts\*, so it is essential that we maintain a system of high-quality production. We have implemented many ideas in an effort to accomplish this, including sensory evaluation. To hone the ability of our employees to sense when something is wrong, we hold sensory evaluations for all operators twice per year to assess knowledge and to maintain and heighten quality awareness. For this test, we intentionally plant defective parts in a mix of sample parts of the same type that an individual typically works on, and the individual must sort good parts from bad using movement and visual inspections. Test takers must get them all correct; even a single overlooked defect means the individual must go through additional testing. The actual final inspection process is visual, so this sensory evaluation is very useful in helping individuals maintain their technique.



Left: Employee being tested (Yamazaki)  
Right: Test proctor (Inazuki)

Sensory evaluation test sheet

THKリズム九州検査課  
工程内検査確認テスト

課長 技術員 班長

実施日 2016年 3月 25日 名前 山崎 博志

※サンプル箱1〜20の振動及び外観の合否判定をして下さい。(OK/NGどちらかに○を記入)  
またNG品の場合はのみ、その理由を記入してください。(NG品記入例:ホルダーA側に打痕あり)

サンプル箱	判定	NG品の場合
1	OK / NG	
2	OK / NG	右側 キャップなし
3	OK / NG	左側のネジが緩み
4	OK / NG	
5	OK / NG	
6	OK / NG	右側のネジが緩み

\* Critical safety part: Components connected to the basic car functions of driving, turning, and stopping, the obstruction of which can lead to major accidents.

# Together with Our Employees (Accommodating Employee Needs)

## Greater Flexibility for Accumulated Paid Time Off

We have expanded our system of accumulated paid time off so employees can use it to care for their children. Our system up until now has allowed an employee with one child of non-schooling age to take off five days per year, or ten days in the case of two children, but this has not always been enough. With the revision of this system, if an individual needs to take an extended period of leave to care for their child, they can now use the time off they have accumulated for this purpose.

## Shortened Working Hours

Our former system allowed employees with children under three years of age to work days shortened by two hours, and those with children ages three until schooling age to work days shortened by one hour. In response to employee requests, we have broadened this system to allow the work days of employees with children in third grade or below to be shortened by two hours. In addition, to allow for more flexibility and to accommodate preschool start times, work start and end times can now be set at 15-minute intervals rather than the previous 30-minute intervals.

## Recognition of Continuous Service

While many businesses honor employees at the end of each decade of service, in order to be able to recognize even more employees who have contributed many years to the business, THK presents awards to its employees after every five years of continuous service. In 2016, 813 employees were recognized and presented with commemorative gifts to honor their continuous service. Our European and American facilities similarly recognize those with many years of service at their holiday parties.

### Continuous Service Awards (2012-2016)

(Individuals)

	2012	2013	2014	2015	2016
Total	586	744	579	624	813

### HR Data Records

	2011	2012	2013	2014	2015
Childcare leave (individuals)	29	31	29	23	25
Shortened hours (individuals)	33	41	48	62	71

	2012.4	2013.4	2014.4	2015.4	2016.4
Disabled employees in the THK workforce (%)	1.89	2.01	2.24	2.23	2.21



## My Experience with Childcare Leave



**Toshinori Sato**

Assistant Manager  
Corporate Strategy Headquarters  
in charge of Appointive Global  
Human Resources Strategy

I learned a lot in the two months of childcare leave I took beginning in July of 2015.

First of all, by looking after a child 24 hours a day and dealing with stress that you can't prepare for the way you would for something at work, I experienced what it's like to be entrusted with the life of a child. I also came to understand the physical and mental state of employees who work shortened hours for their kids. I understood why the heightened awareness of time these individuals develop contributes to high efficiency in the work they do. I also realized how much the experience of caring for a newborn affects a couple's trust in one another, as well as a husband's awareness of what it means to care for a child.

Second, I learned that childcare leave is only possible with the understanding and collaboration of those at your workplace. I was hesitant about requesting leave at first, but thanks to everyone's understanding and their efforts to cover for me in my absence, my return to work afterwards went smoothly.

The third fact I became conscious of was the lack of recognition childcare leave receives. Friends from college told me that their companies don't offer anything like it, but childcare leave is actually something open to everyone, regardless of their gender. According to a government study, while both partners work in half of all families, 81.5% of women and 2.65% of men take childcare leave, so the individuals taking it are almost entirely women.

To address this problem, I believe that our workplace must recognize diverse working patterns, foster employee awareness, and develop systems that enable us to bring about results as a team. I personally plan to face my jobs both at work and at home without hesitation. I want to use my personal experiences to change the conception people have of childcare leave and to contribute to creating an atmosphere that better facilitates diverse working patterns.

\* Details of THK's system for childcare leave are described in the handbook distributed to all employees.

# Together with Our Employees (Local Communities)

## Charitable Contributions

As part of our contributions to society, THK provides financial assistance in times of natural disasters and donates money to organizations devoted to the advancement of science and the future development of *monozukuri*<sup>1</sup> in Japan. In addition, we sponsor a variety of events in communities where we have business locations.

### Donations

Date	Donation for:	Donation sent to:
May 2015	April 2015 Nepal Earthquake Relief Fund	Japanese Red Cross
July 2015	Japanese Red Cross activities	Japanese Red Cross
September 2015	Tropical Storm Etau relief	Japanese Red Cross
October 2015	The Disaster Relief Fund for Victims	Central Community Chest of Japan, Tokyo branch
January 2016	Japan Science Foundation	Japan Science Foundation
March 2016	2016 Taiwan Earthquake	Japanese Red Cross
May 2016	2016 Kumamoto Earthquakes	Japanese Red Cross

## Hydroelectric Power Generation Tour

In Kanagawa prefecture, periodic guided tours of farming facilities are offered to local residents to teach them about the importance of agriculture and agricultural land and why their protection and promotion are so critical.

In an event held in September 2015 called "Experience the taste of autumn with Ebina pears!," a study trip was held to tour the hydroelectric power generation facility featured in last year's CSR report.

In response to the explanation of these generators, which are powered by irrigation canals, the elementary school children and their chaperones gave us feedback such as, "It taught me that there are eco-friendly generators that use fresh water," and, "It's not wind—it's water power! It's incredible. I really hope this gets put to use."



Explaining the hydroelectric power generation system

## World Scout Jamboree

The World Scout Jamboree, which takes place once every four years, was held in Yamaguchi prefecture in 2015 from late July until the beginning of August. This event was attended by 33,628 Scouts from 155 countries and regions. Each city in Yamaguchi prefecture was asked for its cooperation with the event, and Sanyo-Onoda made it their policy to emphasize the following to their visitors: 1. Traditional culture, 2. Sanyo-Onoda's unique atmosphere, 3. Technological innovations, and 4. Safety and peace of mind. With regards to technological innovations, the city of Sanyo-Onoda asked the YAMAGUCHI Plant to allow plant tours for the event because of its excellence in terms of environmentally-friendly technology. Over two days, a total of forty Scouts visited the facility.

The visitors showed particular interest in the seismic isolation device simulator we have in the showroom. When they saw how little the water in the plastic bottle on the machine moved during the demonstration, some doubted there was real liquid inside. They also showed great interest during the

plant tour. Afterwards, we received comments from participants that it had been a beneficial and extremely satisfying day for them.



In front of the YAMAGUCHI Plant

<sup>1</sup> Monozukuri is a Japanese word, often translated as "manufacturing," that suggests a high level of craftsmanship.



# Together with Our Employees (Local Communities)

## Combating Science Phobia

To do our part for the Childcare Support and Environmental Management Project promoted by Mie prefecture, in addition to participating in a seminar held by the prefectural government, the MIE Plant put up posters on a telephone pole by the elementary school near the plant and visited a school as a guest speaker to get students more interested in science.

In January 2016, we introduced 79 students at Matsusaka Technical High School to THK products, and they became more interested in industrial products.



Poster on a telephone pole in front of the elementary school near the MIE Plant

## To a Successful G7 Ise-Shima Summit!

The Group of Seven (G7 Summit) met on the island of Kashikojima in Mie prefecture at the end of May 2016. The MIE Plant assisted with event support to help make the summit a success.

We displayed posters in two places where all plant employees could see them: the general bulletin board and the board at the location where we hold the morning assembly. The office workers also pinned badges on their uniforms to catch the attention of plant visitors.



Ise-Shima Summit commemorative badges

## Removing Non-Native Fish from Lake Biwa

Populations of non-native species of fish such as black basses and bluegills have multiplied in Lake Biwa in recent years, which has caused a drop in the populations of native fish who originally inhabited the lake. We learned of the activities of the Lake Biwa restoration group, whose goal is to reduce the amount of non-native fish, and 14 people from the KEIJI Branch (now the KYOTO Branch and SHIGA Office) and WEST JAPAN OFC participated in the non-native fish removal event held in April 2015.

Unfortunately, a chilly rain started falling the morning of the event. Because it had also rained the day before, the water temperature had dropped, so our catch was no more than twenty fish. We will continue to actively participate in events closely tied to the local community.



Ready to fish!

## Recreating the Satoyama in Nanasawa

The Nanasawa area of the city of Atsugi has a rich natural environment and sweeping terraced rice fields rarely found in metropolitan areas. However, there have recently been problems managing those fields due to wildlife damage and an aging population. In an effort to utilize the resources of the *satoyama* (the border zone between foothills and farmland) and engage with local citizens, ten volunteers from EAST JAPAN OFC and the Engineering Division participated in a rice-planting event organized by the city of Atsugi.

Some of the volunteers had planted rice as children, but after a long time spent holding the same posture, many were met with sore muscles the next day. We received 17 kg of rice from the organizers as our share, but we donated all of it to the Atsugi child guidance center.



Muscles were sore the next day