

Results of 2016 Initiatives

Management Structure

THK endeavors to improve its management oversight functions and continuously conducts internal training in order to pursue fair and sound corporate activities in compliance with laws, regulations, and other social norms.

Security trade control seminar

6 sessions

(Japan: 4 sales offices, 2 production facilities)

Information security audit

4 audits

(Japan: 2 sales offices, 2 production facilities)

Compliance seminar

32 sessions (Japan: 32 sales offices)

Internal audits

71 facilities (Japan: 54, Outside of Japan: 17)

Involvement in Society

As a manufacturing company, THK engages in many kinds of activities to improve individual employees' skills so that it can supply even better products to the market. The Group also diligently promotes activities that contribute to society.

Kaizen proposals submitted

3,777 proposals

e-Learning course completion rate

72.3%

Employees who passed Japan's National Trade Skill Test & Certification Grade 2 and above

62 employees (Male: 61, Female: 1)

Among these employees was the first female employee in the past five years to become certified in Machine and Plant Drafting. We will continue to encourage other female employees to become certified.

Harmony with the Environment

THK views taking action to address environmental concerns as a responsibility shared by all of humanity, so it actively pursues initiatives to reduce energy use, prevent global warming, use fewer resources, achieve zero emissions, manage hazardous substances, and practice green distribution.

Environmental audits of suppliers and business partners

17 audits

Upgrading to LED lighting

4,405 lights at 20 production facilities
(Japan: 9, the Americas: 5, China: 3, Asia: 2, Europe: 1)

Wind power generated

1,053 kWh (Japan: 1 production facility)

Solar power generated

59,627 kWh (Japan: 3 production facilities, 1 sales office)

Management Structure

Corporate Governance

We have established internal structures and strengthened internal controls in order to heighten the transparency and objectivity of management and to make management-related decision-making more expedient and efficient.

Governance Structure

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

The executive officer system represents one of our main efforts and has been in place since June 2014. Additionally, after the 46th General Meeting of Shareholders on June 18, 2016, and in conjunction with our establishment of an Audit and Supervisory Committee in place of our Audit and Supervisory Board, we set up a non-mandatory Nomination Advisory Committee and a Remuneration Advisory Committee to act as advisory bodies to the Board of Directors. In doing so, we have endeavored to bring enhanced transparency and objectivity to management, strengthen the auditing functions of the Board of Directors, and bring greater speed and efficiency to management-related decision-making and the management of corporate affairs.

SUMMARY

Audit and Supervisory Committee

- The directors on the Audit and Supervisory Committee, which serves in an auditing and supervisory capacity, participate in Board of Directors meetings and exercise their votes.
- This committee utilizes internal controls to audit and supervise the work of directors and managing executive officers.

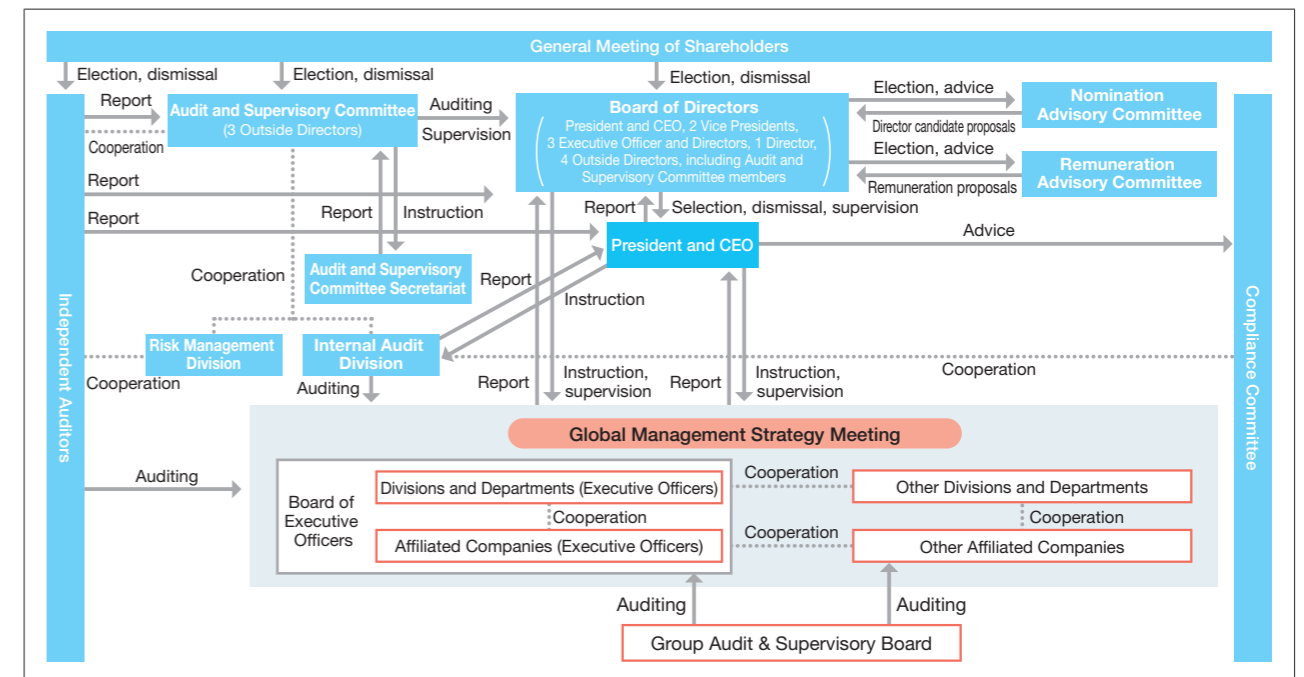
Nomination Advisory Committee and Remuneration Advisory Committee

- To secure greater transparency and fairness, half of the members are outside directors.
- As advisory bodies to the Board of Directors, these committees review and deliberate on director candidates and remuneration proposals. The Board of Directors then deliberates and makes decisions regarding those topics.

Executive Officer System

- This system endeavors to improve the management oversight function of the Board of Directors, clarifies roles and responsibilities relating to the management of corporate affairs, and accelerates operational execution.

Governance Structure



Internal Controls

At THK, we comply with laws and regulations and have strengthened our internal controls by establishing an internal control policy to serve as a solid base for our management. We have also established the "Regulations for Internal Control over Financial Reporting" and constantly maintain structures to ensure the reliability of financial reporting throughout the entire THK Group in accordance with the Financial Instruments and Exchange Act.

The Internal Audit Division's Internal Control Audit Depart-

ment evaluates the effectiveness of internal controls, and the Risk Management Division's secretariat, the Internal Control Section, makes improvements based on their findings.

The internal evaluation performed in 2016 found no critical deficiencies requiring disclosure. The final evaluation results were summarized in the internal control report submitted and disclosed to the Prime Minister (Kanto Local Finance Bureau) in June 2017.

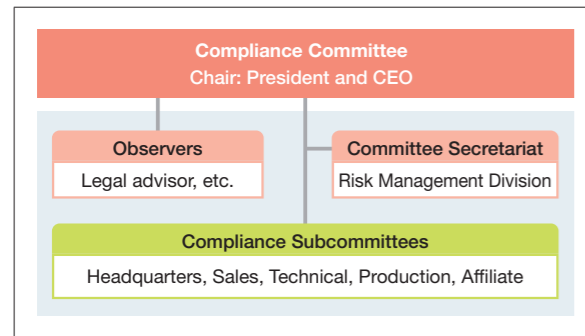
Strengthening Compliance Awareness

To ensure the thorough practice of corporate ethics, we hold various types of training for our employees to learn how to better follow laws and social norms, and we take appropriate action in response to information we receive through the THK Group Helpline.

Compliance Committee

The Compliance Committee, chaired by the CEO, approves the annual activity plan and reports on the execution of those activities, as well as on the handling of legal violations by employees and other matters to report internally. This committee is also attended by outside directors and legal counsel, and it functions in a proper and legal manner.

Compliance Structure



Compliance Training

1. Compliance Subcommittee Seminar

In December 2016, an outside instructor led one of our regular seminars for all 38 members of the compliance subcommittees, covering power harassment prevention and proper methods of interaction.

After the seminar, all of the participants were asked to record not just what they learned, but what problems or concerns exist at their workplaces. Based on the nature of those concerns, we responded to them in turn or made plans for initiatives in the following year.



Seminar for subcommittee members

2. Compliance Seminars Outside of Japan

In April 2017, we shared the fundamentals of compliance with a total of 19 managers at THK America and TMA (THK

Manufacturing of America) in a seminar that covered topics such as corruption and cartels.



Seminar at THK America

Seminar at TMA

3. Seminars at Sales Offices

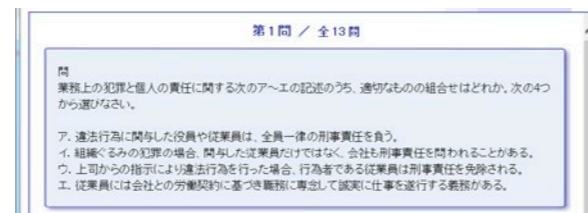
We held seminars for THK and THK INTECHS sales staff covering the importance of contracts and compliance case studies involving bribery, the Product Liability Act, and other topics.



Seminar at the Komaki branch

4. Adding e-Learning Materials

In order to improve employees' knowledge about compliance topics critical to their everyday work, in March 2017, we added 13 new questions to the materials published to our internal e-learning environment. We created questions and answers based on the THK Group Compliance Manual, which is distributed to all managers, in order to promote better understanding of the manual's contents.



Sample of a question added

THK Group Helpline

The THK Group Helpline internal notification system was established to prevent compliance violations and to enable quick and appropriate action in the event of an executive or other employee committing a violation. There were seven cases reported in 2016, and we worked with the necessary departments to handle each case appropriately.

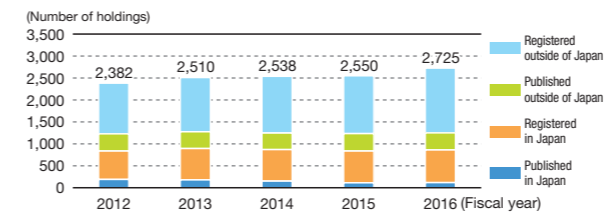
Risk Management and Information Security

To respond to potential risks, we have established systems for information security concerns and pursued initiatives regarding intellectual property, our BCP, and export control.

Intellectual Property

Since THK's founding, as a company focused on creation and development, we have recognized the importance of protecting the new technology that accompanies the development of highly innovative products by actively engaging in intellectual property management. To accelerate our full-scale globalization and the cultivation of new business areas, we have recently been endeavoring to quickly obtain patent rights and become more active in applying for patents outside of Japan. To continue contributing to the creation of an affluent society through the development of innovative products, we will continue to value our intellectual property and fully utilize this resource.

THK's Intellectual Property



BCP

THK has formulated a BCP (business continuity plan) and taken other measures to minimize damage and ensure a rapid business recovery in the event of a disaster such as a large-scale earthquake.

Server Precautions

- We have reduced the risk we would face in a disaster by separating our servers and other main systems from their backups, locating them in different data centers.
- We annually rehearse the process of switching over to backups to prepare for potential issues with our main equipment, thereby ensuring that we will be ready to respond quickly in a worst-case scenario.
- We identify any problems based on this test and make improvements to increase our readiness.

Earthquake-Proofing

- Equipment such as the component and tool storage racks at our production facilities and printers and cabinets at our sales offices are equipped with fixtures that will prevent them from toppling.

Emergency Supplies

- All of our places of business are stocked with items including potable water, food, blankets, and portable toilets. Our production facilities also have items such as rescue equipment and emergency generators prepared.

Export Control

For the examination of regular transactions, we make use of our internal network and promptly classify export materials and services rendered. In addition, we have examinations of materials listed in Appended Table 1 of the Export Trade Control Order and items with special applications conducted by the president and in consultation with the Ministry of Economy, Trade and Industry to ensure the proper examinations are conducted and necessary procedures are completed.

Information Security

The Information Security Committee, chaired by the CEO, has been in place since 2006, and the organization, authority, and roles and responsibilities of its members are clearly defined in the committee's regulations. This committee makes decisions concerning policies related to the establishment of information security systems and deliberates on responses to information security concerns. In 2016, an internal information security audit was conducted by the Information Security Committee Secretariat at four locations in Japan (two sales offices and two production facilities). In addition, we strive to assess our current situation and continuously increase our employees' awareness of information security and educate them through annual information security self-assessments throughout the company.

We maintain security levels throughout the company and have developed the following precautions to prevent accidental information leaks and other incidents.

- Monitoring of our anti-virus software to ensure it is always functioning
- System to quickly investigate the origin of any viruses detected
- Monitoring system to prevent illegal access and unauthorized transmissions
- Response manual for security incidents

Information Management System

