

CORPORATE GOVERNANCE AND INTERNAL CONTROLS

THK's aim as an enterprise is to maximize the generation of stable returns for shareholders over the long term. To this end, THK is working to strengthen corporate governance while upgrading compliance, risk management and other internal control systems.

Basic Stance on Corporate Governance

THK's basic stance on corporate governance is that, from the perspective of maximizing shareholder returns, the Company aims to boost the transparency of management to shareholders while at the same time striving to achieve proper and efficient management.

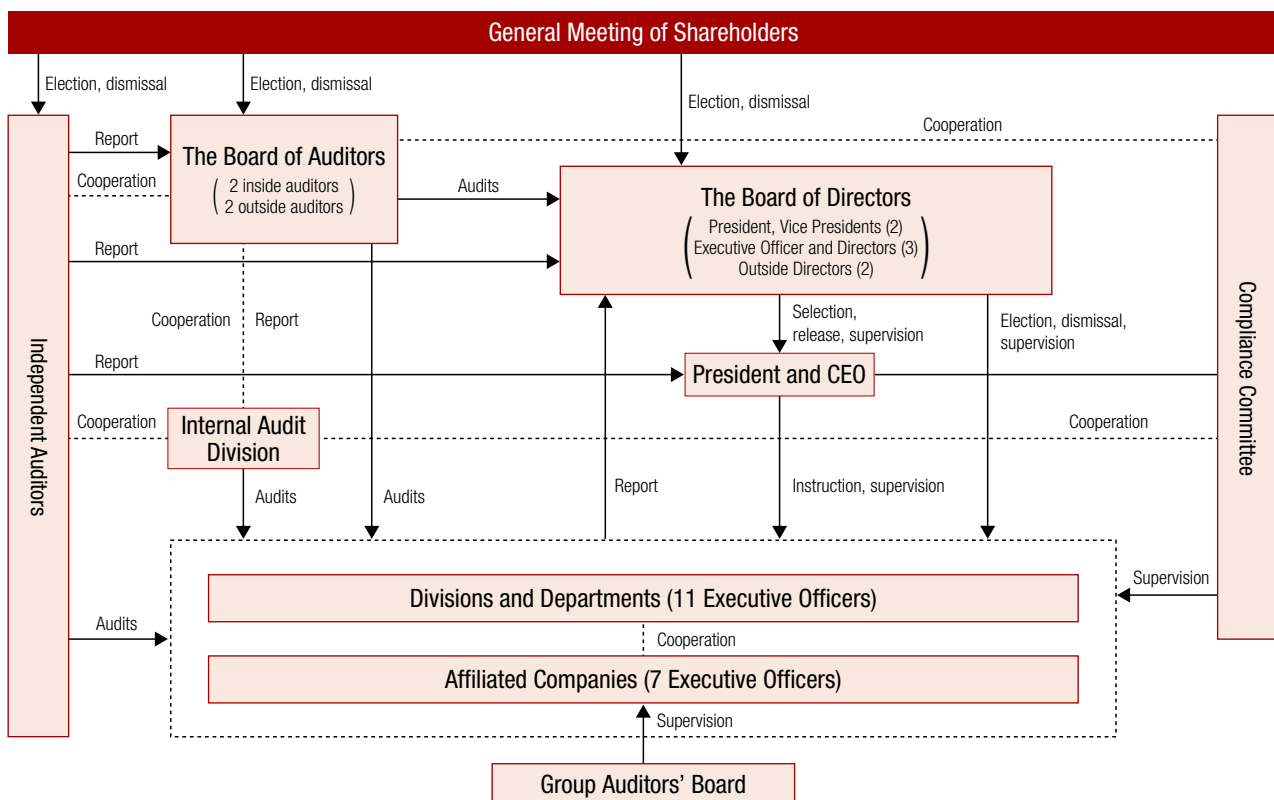
A company with a Board of Auditors, THK's management organizations are based on a Board of Directors and a Board of Auditors that include outside directors and auditors, respectively. With effect from June 21, 2014, the Company is introducing an executive officer system in conjunction with a reduction in the number of its directors. Through this move, THK is planning to enhance the management oversight function carried out by the Board of Directors, clarify roles and responsibilities with regard to operational execution, and accelerate decision making and operational execution.

Comprising a total of eight directors—a president, two directors with special titles, three directors who also serve as executive officers, and two outside directors—the new Board of Directors make decisions on important management matters and carry out oversight of directors and executive officers in the execution of their duties. Having introduced an outside director who has independence from the members who make up the

Board of Directors, the Company is working to further improve management oversight functions. Also with effect from June 21, 2014, the number of independent outside directors was increased from one to two, as part of the Company's efforts to ensure the neutrality, legality, and validity of management.

In order to make rapid and appropriate decisions, the Board of Directors hears and acts upon necessary information from officers and relevant internal departments. Discussions and debate are undertaken during Board of Directors' meetings with the opinions of lawyers, accountants and other third-party professionals sought as required. The Board of Directors then holds discussions on the basis of the gathered information and makes decisions on important management matters. As seen from the above, the Company is working to improve management oversight functions by having the opinions of experts, who have a third-party perspective, reflected in the Board of Directors' decision-making process, and the opinions of the two outside directors, who possess sufficient insight and a wealth of experience reflected in its corporate management, reflected in corporate management.

Comprising a total of four auditors—two full-time and two part-time—the Board of Auditors works to improve auditing function by



strengthening the functions of the Board of Auditors itself. In addition to attending Board of Directors' meetings and other important meetings, and having examined the Company's business affairs and finances, each auditor works on effective audits of the execution of directors' and executive officers' duties and of business execution through the exchange of views and information at Board of Auditors' meetings. The outside auditors conduct legitimate and pertinent audits in each of the respective fields with which they are conversant, namely financial accounting and corporate legal affairs.

THK is also introducing an executive officer system. Appointed by decision of the Board of Directors, executive officers will be granted authority as officials responsible for the comprehensive execution of business affairs in specific matters. The Company is working to accelerate business execution by clarifying roles and responsibilities related to the execution of executive officers' duties.

Active Disclosure of Corporate Information

THK has consistently regarded active communication with all stakeholders as an extremely important part of management, and as such the Company is actively committed to maintaining fair and proper disclosure of corporate information.

THK holds the General Meeting of Shareholders on a Saturday in mid-June. This policy deliberately avoids the period in late June when many shareholder meetings are clustered, thus making it easier for shareholders to attend.



Construction and Reinforcement of a System of Internal Controls

Concentrating on comprehensive compliance, THK is implementing initiatives to reinforce internal controls as a part of efforts to strengthen its management platform. In 2008, THK introduced an internal control regulation regarding financial reporting. The entire THK Group including its subsidiaries and affiliates is thus endeavoring to engage in ongoing efforts to facilitate a corporate structure that ensures the reliability of its financial reporting based on Japan's Financial Instruments and Exchange Law.

At the same time, the Internal Control Audit Department was established within the Internal Audit Division to evaluate the operational status and performance of internal control systems. Based on evaluations that

are conducted annually, initiatives are implemented within the Internal Control Department, set up as a secretariat within the Risk Management Division, to further improve operations and performance.

In-house evaluations undertaken during fiscal 2013 on the Group's internal control systems did not detect any flaws or serious outstanding issues that required disclosure. The conclusions from these evaluations were submitted in a statutory filing on internal control to the Prime Minister of Japan (the Kanto Local Finance Bureau) in June 2014 and then disclosed.

Framework for the Promotion of Compliance

THK established the Compliance Committee in 2005 as a permanent body chaired by the President and CEO. As well as determining all policies relating to the establishment of an in-house compliance framework, the Committee considers and manages the response to any instances where employees are in breach of statutory or internal regulatory requirements as well as cases of reported compliance violations. In order to ensure the legality and efficacy of each response, steps are taken to coordinate with designated legal counsel in its capacity as observer to the Committee.

The Company has established the THK Help Line to prevent executive officers and employees from committing violations and to help ensure that swift corrective measures can be taken in the event of any serious compliance-related problems. Reports can be made by telephone or e-mail. Contact can also be made with external legal counsel. In fiscal 2013, four inquiries were fielded through the THK Help Line. Each was attended to in an appropriate manner in collaboration with the relevant department.

In addition, THK's operating divisions have all established compliance working groups reporting to the Compliance Committee. Working group members are selected from each site and region and are charged with the responsibilities of promoting compliance while fulfilling an advisory function. Furthermore, members play an important role in ensuring compliance with statutory, regulatory and other requirements through a variety of measures including the holding of voluntary study workshops.

Thorough Risk Management

THK has set up the Risk Management Division to oversee and address risks on a Groupwide basis. Within this division, separate sections are responsible for formulating guidelines and organizing educational and training programs relating to such risks as compliance, the environment, disasters, information security, export controls and new forms of influenza.