

Please note that the following is an unofficial English translation of Japanese original text of the Notice of Convocation of the 50th 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:

We would like to take this opportunity to express our deep gratitude for your support.

It gives us great pleasure to inform you that the 50th Ordinary General Meeting of Shareholders of THK CO., LTD. (the “Company”), will be held as outlined below.

With a view toward materializing long-term growth and enhanced corporate value, the Company is developing its business activities based on its strategic focuses: “Full-Scale Globalization” aiming to expand its geographic business areas, “Development of New Business Areas” aiming to expand the areas of application of its products, and “Change in Business Style” aiming to thoroughly apply Artificial Intelligence (AI), IoT, robotics, and other technologies.

In the industrial machinery business, the Company as a whole has promoted digital transformation in an effort to maximize the value provided to customers through the utilization of AI and IoT, and further expand sales. In December 2019, the Company officially commenced receiving orders for “OMNIedge,” an IoT service targeting manufacturers. In addition, the Company has established an IOT Innovation Division to promote new measures such as these, and is pushing ahead faster with unprecedented new initiatives. On the production front, in addition to enhancing productivity by promoting automation of production lines and the incorporation of robots into the production process, the Company is working to further strengthen our production capacity to cater to medium- to long-term growth in demand, mainly through the completion of our new plant expansions in Yamagata and Vietnam, and starting construction of new plants in India and South Korea.

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In the automotive & transportation business, the Company is further expanding L&S (linkage and suspension) business and accelerating the development and sales of new products for automobiles by applying the core linear motion system technologies.

We will strive to meet the expectations of our shareholders by continuing to push forward with “Full-Scale Globalization,” “Development of New Business Areas,” and “Change in Business Style” and promoting initiatives to realize a sustainable society, as well as working on profitability improvement to drive growth and improve corporate value further.

We look forward to your continuous support and encouragement in the coming years.

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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

February 28, 2020

To Shareholders

12-10, Shibaura 2-chome, Minato-ku, Tokyo, Japan

THK CO., LTD.

Representative Director and President: Akihiro Teramachi

Notice of Convocation of the 50th Ordinary General Meeting of Shareholders

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

We are writing to inform you that the 50th 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 Thursday, March 19, 2020.

1. Date and Time: Friday, March 20, 2020, 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 report, consolidated financial statements, and the results of the audits of the consolidated financial statements by the accounting auditor and the Audit and Supervisory Committee for the 50th Term (January 1, 2019 to December 31, 2019)
2. Report of financial statements for the 50th Term (January 1, 2019 to December 31, 2019)

Resolutions:

Proposal 1: Surplus Appropriation

Proposal 2: Appointment of Eight (8) Directors (Excluding Directors who are Audit and Supervisory Committee Members)

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

Proposal 4: Appointment of One (1) Substitute Director who is an Audit and Supervisory Committee Member

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 Audit and Supervisory Committee 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 financial statements shown above, which are 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 Thursday, March 19 (Japan Time), 2020.
- **Exercising Voting Rights via the Internet, etc.**
Please access the voting website (<https://evote.tr.mufg.jp/>) and indicate your consent/dissent concerning each proposal by no later than 17:30 on Thursday, March 19 (Japan Time), 2020.
Please refer to “Guidance on the Exercise of Voting Rights via the Internet, etc.” 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.



A photograph of last year's exhibition site

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Guidance on the Exercise of Voting Rights via the Internet, etc.

You are requested to exercise your voting rights via the Internet by accessing the voting website using your smartphone, PC, other device, and following the guidance shown on your screen.

Deadline for exercising your voting rights: 17:30, Thursday, March 19, 2020.

How to exercise your voting rights by scanning the QR code using a smartphone

By scanning the “QR code for login,” you can log in without entering a “login ID” and “temporary password.”

*** You can exercise your voting rights only once using the following method.**

1. Scan the QR code
Scan the “QR code for login” provided on the right-hand side of the enclosed duplicate of your voting form, using your smartphone.
2. Choose the method of exercising your voting rights
Choose the method of exercising your voting rights, on the screen displayed to allow you to choose the method of indicating your consent/dissent concerning each proposal.
3. Choose consent/dissent for each proposal
Choose consent/dissent for each proposal, in accordance with the guidance on the screen.

Complete the exercise in accordance with the guidance shown on the screen.

When logging in for the second time and thereafter, please log in following the guidance provided on the right page.

How to exercise your voting rights by entering a login ID and temporary password

1. Access the voting website
Click on the “Next” button.
Voting website: <https://evote.tr.mufg.jp/>
2. Enter the “login ID” and “temporary password” shown on the right-hand side of the duplicate of your voting form
Click on the “Login” button.
3. Enter both the “new password” and “new password (for confirmation)”
Click on the “Send” button.

Thereafter enter your consent/dissent in accordance with the guidance shown 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 Regarding How to Operate the Voting Website
Mitsubishi UFJ Trust & Banking Co., Ltd. Securities Agent Division Tel.: 0120-173-027 (Toll-free, hours of operation: 9:00–21:00 Japan local time)

Reference Documents for the Ordinary General Meeting of Shareholders

Proposal 1: Surplus Appropriation

In light of consolidated business performance in the fiscal year under review (50th term), we would like to pay the following term-end dividend for the 50th term and make the following other surplus appropriation, having given comprehensive consideration to the Company's business performance, the Group's business environment, internal reserves to prepare for future business development, consecutive dividends policy, and other factors.

1. Matters Related to Term-End Dividends

For the term-end dividend for the 50th term, we would like to pay out ¥8 per share of common stock.

As a result, annual dividend for the 50th term, including the interim dividend of ¥24, will be ¥32 per share.

(1) Type of Property for Dividends

Money

(2) Allotment of Property for Dividends

¥8 per share of common stock for a total of ¥1,012,574,592

(3) Effective Date of Distribution of Surplus

Effective date to be March 23, 2020

2. Matters Related to Other Surplus Appropriation

(1) Account item and amount of increase in surplus

General reserve ¥4,000,000,000

(2) Account item and amount of decrease in surplus

Profit surplus carried forward ¥4,000,000,000

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Proposal 2: Appointment of Eight (8) Directors (Excluding Directors who are Audit and Supervisory Committee Members)

The tenure of all eight (8) Directors (excluding Directors who are Audit and Supervisory Committee Members) will expire at the close of this Ordinary General Meeting of Shareholders. The Company hereby proposes a total of eight (8) Directors (excluding Directors who are Audit and Supervisory Committee Members), including one (1) Outside Director.

The candidates for Directors (excluding Directors who are Audit and Supervisory Committee Members) are as follows:

Candidate No.	Name (Age)		Current Position and Duties in the Company
1	Reappointment	Akihiro Teramachi (68)	Representative Director, President and CEO of the Company
2	Reappointment	Toshihiro Teramachi (61)	Director, Executive Vice President and CIO
3	Reappointment	Hiroshi Imano (66)	Director, Executive Vice President and CFO
4	Reappointment	Nobuyuki Maki (59)	Director and Senior Managing Executive Officer Senior General Manager of Automotive & Transportation Headquarters
5	Reappointment	Takashi Teramachi (41)	Director and Senior Managing Executive Officer Senior General Manager of Industrial Machinery Headquarters
6	Reappointment	Junji Shimomaki (66)	Director and Managing Executive Officer General Manager of Industrial Machinery Headquarters Senior General Manager of Sales Division, Industrial Machinery Headquarters
7	Reappointment	Junichi Sakai (72)	Director (In charge of Quality Assurance, Risk Management, and Production Engineering)
8	Reappointment Candidate for Outside Director Candidate for Independent Officer	Masaaki Kainosho (69)	Outside Director

Note: The age is as of this Ordinary General Meeting of Shareholders.

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Candidate No.	Name (Date of Birth)	Brief History, Position, Assigned Tasks and Significant Positions Concurrently Held	Number of the Shares of the Company Held
1	[Reappointment] Akihiro Teramachi (April 5, 1951) Service years as Director: 38 years Attendance at the Board of Directors meetings: 100% (14 of 14 meetings)	Oct. 1975 Joined the Company Mar. 1982 Director, General Manager of Administration Division Jun. 1987 Managing Director and Senior General Manager of Control Division Jun. 1994 Director and Executive Vice President May 1995 Representative Director and President of DAITO SEIKI CO., LTD. (currently THK INTECHS CO., LTD.) Jan. 1997 Representative Director and President of the Company (current position) <Significant positions concurrently held> Chairman of JAPAN MACHINE ACCESSORY ASSOCIATION (General Incorporated Association)	3,398,710
	<p>[Rationale for Appointment as a Candidate for Director] 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, as well as change in business style, to improve the corporate value of the Group.</p> <p>Note: There is no special interest relationship between Akihiro Teramachi and the Company.</p>		
2	[Reappointment] Toshihiro Teramachi (November 18, 1958) Service years as Director: 21 years and 9 months Attendance at the Board of Directors meetings: 100% (14 of 14 meetings)	Dec. 1988 Joined the Company Jun. 1989 Director, Manager of UK Branch of THK Europe GmbH (currently THK GmbH) Aug. 1992 Director and Executive Vice President of PGM Ballscrews Ireland Ltd. (currently THK Manufacturing of Ireland Ltd.) Feb. 1993 Representative Director and President of THK GmbH May 1993 Representative Director and President of THK Europe B.V. Jun. 1998 Director of the Company Jun. 2005 Managing Director Jun. 2012 Director and Executive Vice President (current position)	100,400
	<p>[Rationale for Appointment as a Candidate for Director] 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, as well as change in business style, to improve the corporate value of the Group.</p> <p>Note: There is no special interest relationship between Toshihiro Teramachi and the Company.</p>		

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Candidate No.	Name (Date of Birth)	Brief History, Position, Assigned Tasks and Significant Positions Concurrently Held	Number of the Shares of the Company Held
3	<p>[Reappointment]</p> <p>Hiroshi Imano (January 31, 1954)</p> <p>Service years as Director: 11 years and 9 months</p> <p>Attendance at the Board of Directors meetings: 100% (14 of 14 meetings)</p>	<p>Mar. 2004 Resigned from Mizuho Corporate Bank, Ltd. (currently Mizuho Bank, Ltd.)</p> <p>Apr. 2004 Joined the Company</p> <p>May 2004 President of THK MANUFACTURING OF CHINA (WUXI) CO., LTD.</p> <p>Oct. 2007 General Manager of Production Division of the Company</p> <p>Dec. 2007 Representative Director and President of THK Manufacturing of Europe S.A.S.</p> <p>Jun. 2008 Director of the Company</p> <p>Jun. 2010 Managing Director</p> <p>Jun. 2012 Director and Executive Vice President (current position)</p>	3,300
	<p>[Rationale for Appointment as a Candidate for Director]</p> <p>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, as well as change in business style, to improve the corporate value of the Group.</p> <p>Note: There is no special interest relationship between Hiroshi Imano and the Company.</p>		

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Candidate No.	Name (Date of Birth)	Brief History, Position, Assigned Tasks and Significant Positions Concurrently Held	Number of the Shares of the Company Held
4	<p>[Reappointment]</p> <p>Nobuyuki Maki (May 12, 1960)</p> <p>Service years as Director: 4 years and 9 months</p> <p>Attendance at the Board of Directors meetings: 100% (14 of 14 meetings)</p>	<p>Apr. 1983 Joined the Company</p> <p>Jul. 1992 Manager of Chicago Branch of THK America, Inc.</p> <p>Jan. 2003 Representative Director and President of THK Manufacturing of America, Inc.</p> <p>Oct. 2007 Manager of Yamaguchi Plant</p> <p>Jun. 2010 Director of the Company Senior General Manager of Production Division</p> <p>Jun. 2014 Managing Executive Officer (Retired as Director following the implementation of the Executive Officer System)</p> <p>Apr. 2015 Senior General Manager of Sales Support Division</p> <p>May 2015 General Manager of L&S Business Integration Division</p> <p>Jun. 2015 Director (current position)</p> <p>Nov. 2015 Director and Managing Executive Officer Senior General Manager of Automotive & Transportation Business Unit</p> <p>Jun. 2016 Director and Senior Managing Executive Officer (current position) Senior General Manager of Automotive & Transportation Headquarters (current position)</p>	3,600
	<p>[Rationale for Appointment as a Candidate for Director]</p> <p>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 supervising and controlling the automotive & transportation business and 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, as well as change in business style, to improve the corporate value of the Group.</p> <p>Note: There is no special interest relationship between Nobuyuki Maki and the Company.</p>		

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Candidate No.	Name (Date of Birth)	Brief History, Position, Assigned Tasks and Significant Positions Concurrently Held	Number of the Shares of the Company Held
5	<p>[Reappointment]</p> <p>Takashi Teramachi (November 17, 1978)</p> <p>Service years as Director: 5 years and 9 months</p> <p>Attendance at the Board of Directors meetings: 100% (14 of 14 meetings)</p>	<p>Sep. 2013 Resigned from Sumitomo Corporation</p> <p>Nov. 2013 Joined the Company</p> <p>Jan. 2014 General Manager of IMT Division</p> <p>Jun. 2014 Director (current position) Executive Officer Deputy General Manager of IMT Division Representative Director and President of THK INTECHS CO., LTD.</p> <p>Jun. 2016 Senior Managing Executive Officer (current position) Senior General Manager of Industrial Machinery Headquarters (current position)</p>	2,500
	<p>[Rationale for Appointment as a Candidate for Director]</p> <p>With regard to the rationale for the appointment of Takashi Teramachi as a candidate for Director, based on his considerable experience and actual performance as a person responsible for the Group's robotics and unit products fields, we judged Mr. Teramachi 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, as well as change in business style, to improve the corporate value of the Group.</p> <p>Note: There is no special interest relationship between Takashi Teramachi and the Company.</p>		
6	<p>[Reappointment]</p> <p>Junji Shimomaki (October 6, 1953)</p> <p>Service years as Director: 3 years and 9 months</p> <p>Attendance at the Board of Directors meetings: 100% (14 of 14 meetings)</p>	<p>Apr. 1976 Joined the Company</p> <p>Jul. 1992 Manager of Tokyo Branch</p> <p>Feb. 2003 General Manager of East Japan Sales Region I</p> <p>Jun. 2004 General Manager of East Japan Sales Region II</p> <p>Jun. 2009 Director Senior General Manager of Sales Division</p> <p>Oct. 2011 General Manager of ACE Division</p> <p>Jun. 2014 Managing Executive Officer (current position) (Retired as Director following the implementation of the Executive Officer System)</p> <p>Jun. 2016 Director (current position) General Manager of Industrial Machinery Headquarters (current position) Senior General Manager of Sales Division, Industrial Machinery Headquarters (current position)</p>	8,700
	<p>[Rationale for Appointment as a Candidate for Director]</p> <p>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 supervising and controlling the industrial machinery business and 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, as well as change in business style, to improve the corporate value of the Group.</p> <p>Note: There is no special interest relationship between Junji Shimomaki and the Company.</p>		

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Candidate No.	Name (Date of Birth)	Brief History, Position, Assigned Tasks and Significant Positions Concurrently Held	Number of the Shares of the Company Held
7	<p>[Reappointment]</p> <p>Junichi Sakai (October 5, 1947)</p> <p>Service years as Director: 15 years and 9 months</p> <p>Attendance at the Board of Directors meetings: 100% (14 of 14 meetings)</p>	<p>Jan. 1990 Resigned from NIPPEI TOYAMA CORPORATION Joined the Company</p> <p>Jul. 1992 General Manager of Mechatronics Division</p> <p>Oct. 1994 General Manager of Sales Engineering Division</p> <p>Mar. 2000 General Manager of East Japan Sales Region I</p> <p>Feb. 2003 General Manager of Quality Assurance Division General Manager of Advanced Technology Information Center</p> <p>Jun. 2004 Director (current position)</p> <p>Sep. 2006 General Manager of Quality Assurance Division General Manager of Advanced Technology Information Center</p> <p>Jun. 2014 Executive Officer General Manager of ICB Center</p> <p>Jun. 2016 In charge of Quality Assurance, Risk Management, and Production Engineering (current position)</p>	4,550
<p>[Rationale for Appointment as a Candidate for Director]</p> <p>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 and businesses he is in charge of as the THK Group undertakes full-scale globalization and development of new business areas, as well as change in business style, to enhance the corporate value of the Group on the basis of his abundant experience and accomplishments gained in management as a technology, quality and sales executive.</p> <p>Note: There is no special interest relationship between Junichi Sakai and the Company.</p>			

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Candidate No.	Name (Date of Birth)	Brief History, Position, Assigned Tasks and Significant Positions Concurrently Held	Number of the Shares of the Company Held
8	<p>[Reappointment] [Outside Director] [Independent Officer]</p> <p>Masaaki Kainosho (January 21, 1951)</p> <p>Service years as Outside Director: 7 years and 9 months</p> <p>Attendance at the Board of Directors meetings: 92% (13 of 14 meetings)</p>	<p>Apr. 1976 Joined Mitsui Bank (currently Sumitomo Mitsui Banking Corporation)</p> <p>Apr. 1996 Resigned from The Sakura Bank, Limited (currently Sumitomo Mitsui Banking Corporation)</p> <p>May 1996 Joined SAP Japan Co., Ltd.</p> <p>Sep. 1999 Resigned from SAP Japan Co., Ltd. Joined Japan Business Create Co., Ltd.</p> <p>Jan. 2005 Resigned from Japan Business Create Co., Ltd. Representative Director of K-BRAIN CO., LTD. (currently KAINOSHO CO., LTD.) (current position)</p> <p>Apr. 2011 Professor of Otsuma Women's University Junior College Division (current position)</p> <p>Jun. 2012 Outside Director of the Company (current position) <Significant positions concurrently held> Representative Director of KAINOSHO CO., LTD. Professor of Otsuma Women's University Junior College Division</p>	3,000
<p>[Rationale for Appointment as a Candidate for Outside Director]</p> <p>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, as well as change in business style, to enhance the corporate value of the Group on the basis of his abundant experience and accomplishments, and insights gained as a university professor knowledgeable about business administration and as the manager of a management consulting company.</p> <p>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:</p> <ol style="list-style-type: none"> 1. There is no special interest relationship between Masaaki Kainosho and the Company. 2. Masaaki Kainosho is a candidate for Outside Director. 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 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. 			

Note: The summary of the Audit and Supervisory Committee's opinion regarding the appointment of Directors and remuneration, etc. is as follows.

The Nomination Advisory Committee deliberated each candidate's qualifications as a Director by examining their knowledge, experience, and ability, etc. One Audit and Supervisory Committee Member participated in deliberations as a member of the Nomination Advisory Committee. The Audit and Supervisory Committee had a discussion based on the deliberation results of the

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Nomination Advisory Committee. As a result, we have determined that the nomination procedure was carried out properly and each candidate is qualified to be a Director of the Company. The Audit and Supervisory Committee deliberated over remuneration for Directors based on the deliberation results of the Remuneration Advisory Committee, in which one Audit and Supervisory Committee Member participates in deliberations, as was the case with the deliberations by the Nomination Advisory Committee. As a result, we have determined that remuneration is appropriate considering that the decision procedure was carried out properly in accordance with the remuneration system.

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

The tenure of all three (3) Directors who are Audit and Supervisory Committee Members will expire at the close of this Ordinary General Meeting of Shareholders. The Company hereby proposes a total of three (3) Directors who are Audit and Supervisory Committee Members.

The Company has obtained the consent of the Audit and Supervisory Committee to this proposal.

The candidates for Directors who are Audit and Supervisory Committee Members are as follows:

Candidate No.	Name (Date of Birth)	Brief History, Position, Assigned Tasks and Significant Positions Concurrently Held	Number of the Shares of the Company Held
1	<p>[Reappointment] [Outside Director] [Independent]</p> <p>Masakatsu Hioki (July 30, 1950)</p> <p>Service years as Outside Director: 5 years and 9 months</p> <p>Service years as Director who is an Audit and Supervisory Committee Member: 3 years and 9 months</p> <p>Attendance at the Board of Directors meetings: 100% (14 of 14 meetings)</p> <p>Attendance at the Audit and Supervisory Committee meetings: 100% (13 of 13 meetings)</p>	<p>Apr. 1975 Joined Komatsu Ltd. Apr. 2004 Executive Officer of Komatsu Ltd. Apr. 2008 Senior Executive Officer of Komatsu Ltd. Jul. 2012 Advisor of Komatsu Ltd. Jun. 2014 Outside Director of the Company Nov. 2014 Outside Director of SUKIYA Co., Ltd. (current position) Apr. 2015 Visiting Professor of Ritsumeikan University Graduate School (current position) May 2016 Outside Director of ZUIKO CO., LTD. (current position) Jun. 2016 Outside Director (Audit and Supervisory Committee Member) of the Company (current position)</p> <p><Significant positions concurrently held> Outside Director of SUKIYA Co., Ltd. Outside Director of ZUIKO CO., LTD. Visiting Professor of Ritsumeikan University Graduate School</p>	1,200

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	<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, as well as change in business style, to enhance the corporate value of the Group on the basis of his abundant experience, accomplishments, and insights mainly as a person responsible for personnel and general affairs in the management division of a global enterprise and a manufacturer.</p> <p>Mr. Hioki is a former employee of Komatsu Ltd., and the Company has business transactions with Komatsu Ltd. involving sales, etc. of the Company's products. However, the amount of such transactions accounts for less than 1% of the Company's and Komatsu's sales revenue in the current consolidated fiscal year. Therefore, we have determined that Mr. Hioki can maintain his independence and perform his duties appropriately as Outside Director of the Company.</p>
	<p>Notes:</p> <ol style="list-style-type: none">1. There is no special interest relationship between Masakatsu Hioki and the Company.2. Masakatsu Hioki is a candidate for Outside Director.3. 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 liability agreement with him as an Outside Director.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.

[Translation for Reference and Convenience Purposes Only]

Candidate No.	Name (Date of Birth)	Brief History, Position, Assigned Tasks and Significant Positions Concurrently Held	Number of the Shares of the Company Held
	<p>[Reappointment] [Outside Director] [Independent]</p> <p>Tomitoshi Omura (August 3, 1954)</p> <p>Service years as Outside Director: 3 years and 9 months</p> <p>Service years as Director who is an Audit and Supervisory Committee Member: 3 years and 9 months</p> <p>Attendance at the Board of Directors meetings: 100% (14 of 14 meetings)</p> <p>Attendance at the Audit and Supervisory Committee meetings: 100% (13 of 13 meetings)</p>	<p>Oct. 1976 Registered as Assistant CPA Oct. 1977 Joined Fuji Accounting Office Oct. 1980 Joined Asahi & Co. (currently KPMG AZSA LLC.) Mar. 1982 Registered as Certified Public Accountant Dec. 1989 Managing Director of Omura Accounting Office (current position) Jun. 2016 Outside Director (Audit and Supervisory Committee Member) of the Company (current position)</p> <p><Significant positions concurrently held> Managing Director of Omura Accounting Office</p>	1,400
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 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, as well as change in business style, to enhance the corporate value of the Group on the basis of his abundant experience, accomplishments, and insights as an accounting expert who has knowledge in corporate accounting gained over many years as a certified public accountant.</p> <p>Although Mr. Omura has no experience of being directly involved in corporate management in the past, we have determined that he can perform his duties appropriately as Outside Director of the Company for the reasons above.</p> <p>Notes:</p> <ol style="list-style-type: none"> 1. There is no special interest relationship between Tomitoshi Omura and the Company. 2. Tomitoshi Omura is a candidate for Outside Director. 3. Under the provisions of Article 427, Paragraph 1, of the Companies Act, the Company may enter into an agreement with Tomitoshi 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. If Mr. Omura is reelected, the Company intends to continue the limited liability agreement with him as an Outside Director. 4. The Company registered Tomitoshi Omura as an independent officer in accordance with the regulations of the Tokyo Stock Exchange. If Mr. Omura is reelected, the Company intends to continue to register him as an independent officer. 		

[Translation for Reference and Convenience Purposes Only]

Candidate No.	Name (Date of Birth)	Brief History, Position, Assigned Tasks and Significant Positions Concurrently Held	Number of the Shares of the Company Held
3	<p>[Reappointment] [Outside Director] [Independent]</p> <p>Yoshiki Ueda (March 10, 1953)</p> <p>Service years as Outside Director: 3 years and 9 months</p> <p>Service years as Director who is an Audit and Supervisory Committee Member: 3 years and 9 months</p> <p>Attendance at the Board of Directors meetings: 92% (13 of 14 meetings)</p> <p>Attendance at the Audit and Supervisory Committee meetings: 100% (13 of 13 meetings)</p>	<p>Apr. 1976 Joined Mitsubishi Corporation</p> <p>Apr. 2007 Deputy General Manager of Kansai Branch of Mitsubishi Corporation</p> <p>Apr. 2008 Executive of Mitsubishi Corporation</p> <p>Jun. 2010 President & CEO of Mitsubishi Corporation Technos</p> <p>Jun. 2011 Chairman of Japan Machine Tool Distributors Association</p> <p>Jun. 2015 Advisor of Mitsubishi Corporation Technos</p> <p>Jun. 2016 Outside Director (Audit and Supervisory Committee Member) of the Company (current position)</p> <p>Jun. 2016 Outside Director of SHINTOKOGIO, LTD. (current position)</p> <p>Nov.2016 Corporate Advisor to Makino Milling Machine Co., Ltd.</p> <p>Dec. 2016 Visiting Professor of National University Corporation Shizuoka University (current position)</p> <p>Jun. 2018 Representative Director & Vice-Chairman of Makino Milling Machine Co., Ltd.</p> <p><Significant positions concurrently held></p> <p>Outside Director of SHINTOKOGIO, LTD.</p> <p>Representative Director & Vice-Chairman of Makino Milling Machine Co., Ltd.</p> <p>Visiting Professor of National University Corporation Shizuoka University</p>	1,400

[Translation for Reference and Convenience Purposes Only]

[Rationale for Appointment as a Candidate for Outside Director who is an Audit and Supervisory Committee Member]

The rationale for the appointment of Yoshiki Ueda 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, as well as change in business style, to enhance the corporate value of the Group on the basis of his abundant experience, actual performance and insights, given that he has experience gained from years of involvement in the field of machinery-related business in a global company and is highly adept also in corporate management.

Mr. Ueda concurrently serves as Outside Director of SHINTOKOGIO, LTD and Representative Director & Vice-Chairman of Makino Milling Machine Co., Ltd. The Company has business transactions with SHINTOKOGIO, LTD. involving purchase, etc. of its products, but the amount of such transactions accounts for less than 1% of the Company's and SHINTOKOGIO's sales revenue in the current consolidated fiscal year. The Company also has business transactions with Makino Milling Machine Co., Ltd. involving sales, etc. of the Company's products, but the amount of such transactions accounts for less than 1% of the Company's and Makino Milling Machine's sales revenue in the current consolidated fiscal year. Therefore, we have determined that Mr. Ueda can maintain his independence and perform his duties appropriately as Outside Director of the Company.

Notes:

1. There is no special interest relationship between Yoshiki Ueda and the Company.
2. Yoshiki Ueda is a candidate for Outside Director.
3. Under the provisions of Article 427, Paragraph 1, of the Companies Act, the Company may enter into an agreement with Yoshiki 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. If Mr. Ueda is reelected, the Company intends to continue the limited liability agreement with him as an Outside Director.
4. The Company registered Yoshiki Ueda as an independent officer in accordance with the regulations of the Tokyo Stock Exchange. If Mr. Ueda is reelected, the Company intends to continue to register him as an independent officer.

[Translation for Reference and Convenience Purposes Only]

Proposal 4: Appointment of One (1) Substitute Director who is an Audit and Supervisory Committee Member

As the effective tenure of Tetsuro Toriumi, who was appointed as a substitute Director who is an Audit and Supervisory Committee Member at the 48th Ordinary General Meeting of Shareholders held on March 17, 2018, expires at the beginning of this Ordinary General Meeting of Shareholders, the Company hereby proposes the appointment of one (1) substitute Director who is an Audit and Supervisory Committee Member to prepare for the contingency in which the Company does not have the number of Directors who are Audit and Supervisory Committee Members required by laws and regulations.

The Company has obtained the consent of the Audit and Supervisory Committee to this proposal.

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

Name (Date of Birth)	Brief History, Position and Significant Positions Concurrently Held	Number of the Shares of the Company Held
[Reappointment] [Outside Director] [Independent] Tetsuro Toriumi (August 3, 1950)	Apr. 1979 Registered at the Daini Tokyo Bar Association Apr. 1979 Joined Masuda & Ejiri Jun. 1982 Joined Ray Connell law firm in Vancouver May 1983 Joined Bronson, Bronson & McKinnon LLP in San Francisco Jan. 1985 Partner attorney of Masuda & Ejiri Apr. 1993 Partner attorney of Asahi Law Offices Apr. 2007 Partner attorney of TMI Associates (current position) <Significant positions concurrently held> Partner attorney of TMI Associates	—
<p>[Rationale for Appointment as a Candidate for Substitute Outside Director who is an Audit and Supervisory Committee Member]</p> <p>The rationale for the appointment of Tetsuro Toriumi as a candidate for substitute 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, as well as change in business style, to enhance the corporate value of the Group on the basis of his abundant experience and accomplishments, and insights as a legal expert who has legal expertise gained over the years as a lawyer and experience in working for foreign law firms. Although Mr. Toriumi has no experience of being directly involved in corporate management in the past, we have determined that he can perform his duties appropriately as Outside Director of the Company for the reasons above.</p> <p>Notes:</p> <ol style="list-style-type: none"> 1. There is no special interest relationship between Tetsuro Toriumi and the Company. 2. Tetsuro Toriumi is a candidate for Outside Director. 3. If Tetsuro Toriumi assumes office as Director, under the provisions of Article 427, Paragraph 1, of the Companies Act, the Company intends 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. 4. If Tetsuro Toriumi assumes office as Outside Director, the Company intends to register him as an independent officer in accordance with the regulations of the Tokyo Stock Exchange. 		

[Translation for Reference and Convenience Purposes Only]

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

The Company formulated its Standards for Independence of Outside Directors 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) Person who falls under (b) 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 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 January 1, 2019 to December 31, 2019)

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, while signs of economic slowdown were spreading mainly in China because of the US-China trade friction, there were growing concerns of the global economic slowdown. In Japan, uncertainty was spreading in the economy; exports and production weakened due to the declining demand from China and other countries.

Overall Summary of Sales

The THK Group has identified “Full-Scale Globalization,” the “Development of New Business Areas,” and “Change in Business Style” as cornerstones of its growth strategy to expand the markets of its products such as LM Guide (Linear Motion Guide). As to Full-Scale Globalization, while the markets in emerging countries such as China are growing by dint of the factory automation progress, which is also spreading to developed-country users, the THK Group endeavors to expand its global sales network to meet such demand. Regarding Development of New Business Areas, while the THK Group’s products are getting widely adopted in various business fields, the THK Group is working on expanding sales of not only existing products but also new developed products. Such business fields include automobile parts, medical equipment, aircraft, and robot, which are close to consumer goods, as well as seismic isolation and damping systems and renewable energy, which offer products that reduce risks arising from natural disasters and climate change. In addition to promoting these strategies above, the THK Group is also committed to further expand its business fields by changing its business style enabled by making full use of AI, IoT and robot technologies in many ways.

In such a situation where overall demand was in an adjustment phase due to the US-China trade friction, the THK Group captured the demand, which had been accumulated at a high level before entering the adjustment phase. The sales, however, amounted to ¥277,900 million, down ¥75,579 million, or 21.4%, compared to the figure a year earlier, which was robust.

Overall Summary of Income

On the cost front, the THK Group continued to implement various activities to improve its productivity and to mitigate the decline in profitability. The cost to sales ratio, however, rose 4.6% from a year earlier to 75.7% due to the sharp decrease in sales.

Selling, general and administrative expenses amounted to ¥50,211 million, down ¥2,254 million, or 4.3%, compared to the figure a year earlier. This was mainly attributable to the THK Group’s endeavors to contain costs and improve operating

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efficiency as well as the decreased sales. The ratio to net sales, however, worsened by 3.3% from a year earlier to 18.1%

As a result, operating income decreased from a year earlier by ¥32,566 million, or 65.4%, to ¥17,265 million. Ratio to net sales dropped by 7.9% to 6.2%.

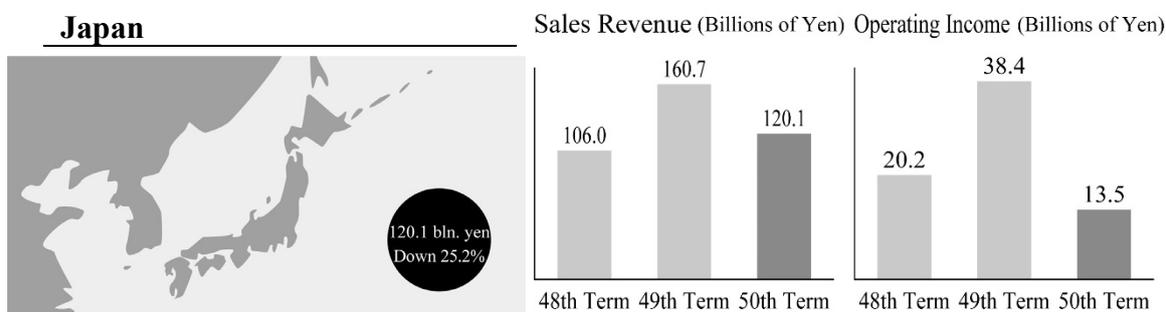
Total non-operating income was ¥3,263 million of which major component was ¥907 million of interest income. Total non-operating expenses were ¥1,589 million of which major components were ¥294 million of interest expenses and ¥183 million of foreign exchange loss—net.

As a result, ordinary income decreased from a year earlier by ¥32,818 million, or 63.4%, to ¥18,940 million.

For certain fixed assets owned by THK RHYTHM AUTOMOTIVE CANADA LIMITED, a consolidated subsidiary of THK who is engaged in the transportation equipment business, the THK Group reviewed for impairment in accordance with "Guidance for Accounting Standard for Impairment of Fixed Assets" because there were indications of impairment arising from decline in profitability due to the deterioration in market conditions. As a result, the carrying amounts of such fixed assets were written down to their recoverable amounts and the THK Group recorded an impairment loss of ¥2,137 million as an extraordinary loss.

As a result, net income attributable to owners of the parent decreased from a year earlier by ¥25,798 million, or 72.9%, to ¥9,602 million.

Segment Breakdown

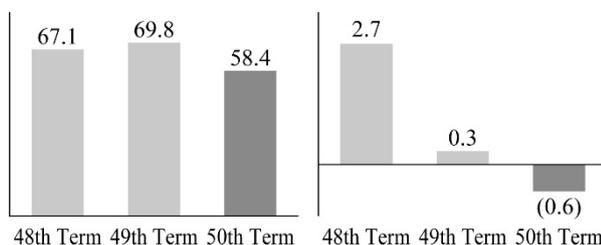


In Japan, while exports and production weakened due to the declining demand from China and other countries led by the US-China trade friction, the THK Group successfully generated sales by capturing demand which was favorable overall. Sales, however, decreased by ¥40,583 million, or 25.2%, to ¥120,159 million. Operating income (segment income) decreased by ¥24,946 million, or 64.9%, to ¥13,514 million due to the decreased sales.

The Americas



Sales Revenue (Billions of Yen) Operating Income (Billions of Yen)

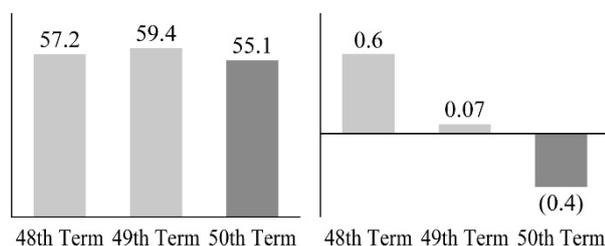


In the Americas, while the economy continued its growth trend led by its domestic demand, the production and sales sections worked in unison to expand and deepen transactions with existing customers and to cultivate new business fields such as automobile, medical equipment, aircraft, and energy-related business. However, sales decreased by ¥11,401 million, or 16.3%, to ¥58,480 million due to the adjustment phase of demand mainly for electronics products. In addition to the decreased sales, the profitability of the transportation equipment business declined due mainly to the higher material costs and unexpected costs incurred for launching new forged aluminum products. As a result, the THK Group recorded ¥611 million of operating loss (segment loss), a turnaround of ¥920 million.

Europe



Sales Revenue (Billions of Yen) Operating Income (Billions of Yen)

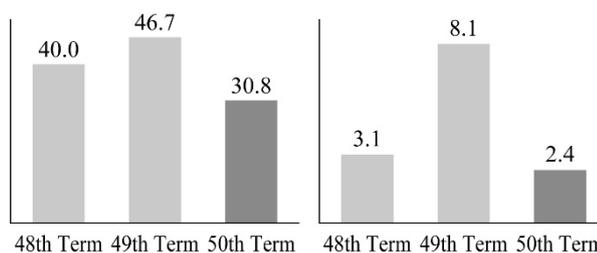


In Europe, while there were weaknesses in exports and production mainly because of the US-China trade friction, the moderate economic growth continued because of the domestic demand mainly for consumer spending. In such a situation, the production and sales sections proactively worked in unison to expand transactions with existing customers and to cultivate new business fields such as automobile, medical equipment, aircraft and robot. Sales, however, decreased by ¥4,339 million, or 7.3%, to ¥55,143 million. As a result, the THK Group recorded ¥440 million of operating loss (segment loss), a turnaround of ¥515 million, mainly due to the decreased sales.

China

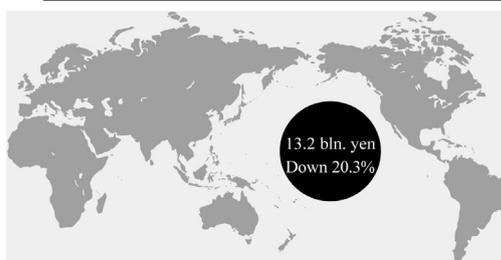


Sales Revenue (Billions of Yen) Operating Income (Billions of Yen)

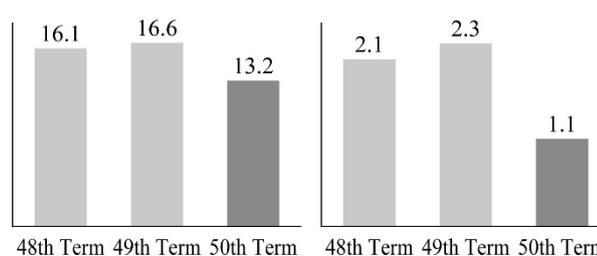


In China, while adjustment phases caused by the US-China trade friction concern were widely seen in capital investments, the THK Group captured the growing demand for electronics products and automation and robotization-related products. Sales, however, decreased by ¥15,884 million, or 34.0%, to ¥30,851 million. Operating income (segment income) decreased by ¥5,791 million, or 70.7%, to ¥2,402 million due to the decreased sales.

Other Areas



Sales Revenue (Billions of Yen) Operating Income (Billions of Yen)



In other countries and regions, the THK Group continued to expand and deepen transactions with existing customers and to cultivate new customers while demand for THK Group's products was widely expanded in India and the ASEAN countries. Sales, however, decreased by ¥3,370 million, or 20.3%, to ¥13,265 million, mainly owing to the decreased demand in China that unfavorably affected the sales in some countries. Operating income (segment income) decreased by ¥1,245 million, or 52.3%, to ¥1,138 million due to the decreased sales.

Overall Summary of Research and Development

The THK Group is actively engaged in R&D activities, conducted primarily at its Head Office and the Technology Center (Tokyo) as an R&D base, to develop core LM systems and other products by applying the core technologies and know-how in Linear Motion Systems, including mechatronics such as Precision XY Stage and Linear motor actuators, and products in fields close to consumer goods such as automobiles, seismic isolation and damping systems, medical equipment, aircraft, renewable energy, and robotics.

Turning to activities outside Japan, THK established the R&D Center in China, the Company's first overseas R&D facility, in 2010 and started its full-scale operation in 2012. Together with the R&D Division of Germany-based THK RHYTHM AUTOMOTIVE, a subsidiary included in THK's scope of consolidation in 2015, the THK Group is working to establish an R&D framework for product development at optimal locations covering the Americas, Europe, and Asia to enable

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development of products that more accurately meet diverse needs of global customers.

In the industrial machinery businesses, THK developed the Model RSX Miniature LM Guide. Utilizing a gothic arch groove structure, the Model RSX is compact and can bear loads from any direction. THK also expanded its lineup of compatible LM guides, the Model HDR, Model SRG and Model HRX, which are user-friendly in a wide range of markets. Regarding ball screws, THK launched the hollow shaft ball screw N Series, which enables forced cooling of the ball screw shaft, in order to contribute to greater machinery precision. Regarding actuators, THK further expanded its lineup, with additions including the lightweight series CFK37, which is size-compatible with the existing SKR and features outer rails manufactured from carbon, as well as the ALK20,45, which realize significant weight reductions through the use of aluminum in core components. THK also further expanded its lineup of seismic isolators, with the development of the TSD-1200L, which covers massive earthquakes and long-period seismic motion. In addition, THK has developed the Model PPR, which is specially designed for pick & place processes for electronic parts, as it proceeds with the development of new markets.

In IoT-related fields, THK commenced service operation of OMNIedge, which is equipped with network functions, by launching failure diagnosis and lubrication diagnosis for the LM Guide. In addition, THK launched free trials of preload loss diagnosis for ball screws, and is working to realize the provision of integrated service, from predictive failure detection to the procurement of aftermarket products.

In the automotive & transportation business, THK launched aluminum products which were manufactured by a new method to meet the needs for reducing the weight of automobiles with the transition to electric vehicles, and strived to expand sales. In addition, in North America, THK succeeded in internalizing aluminum forging technology and shipped the products to customers.

In addition to the linkage and suspension (L&S) business, the THK Group has developed and is mass-producing ball screw products for "CASE" automatic brakes as a second pillar for its business, and is striving to expand sales by developing a series of similar products.

Furthermore, as the third pillar of its business, the THK Group is striving to expand sales of its product lineup targeting existing customer needs, while at the same time promoting the development of next-generation products at its R&D divisions in Japan and overseas, utilizing composite technologies to target potential needs five or ten years into the future, of which customers themselves are not yet aware.

[Translation for Reference and Convenience Purposes Only]

Overall Summary of the Operation and Production Systems

In our four key geographical regions of Japan, the Americas, Europe and Asia, the THK Group is pursuing the establishment of the unified producer-retailer system at locations closer to centers of demand. In addition, we are making various efforts to expand sales to wide-ranging customers who actually use machinery equipment, in addition to machinery equipment manufacturers.

In terms of sales activities, the THK Group developed new functions for Omni THK to maximize its value offered to customers utilizing digital technology such as the IoT and AI as well as further expand sales. Furthermore, regarding OMNIedge, an IoT service targeting manufacturers, it officially commenced accepting orders for the LM Guide in December 2019, and commenced free trials for ball screws. In this way, it is pushing ahead faster with unprecedented new initiatives amid the advance of digital technology.

In terms of production, the THK Group continued to promote the incorporation of automation and robots into the production process in each region, and also completed new plant expansions in Vietnam and Yamagata. In addition, the THK Group further strengthened its production structure, commencing construction of a new plant in India, where demand is expected to expand over the medium to long term, and South Korea, at its equity-method affiliate SAMICK THK CO., LTD.

Term-end Dividends

Our policy regarding dividends is to continue stable dividend payments, as well as to make efforts to flexibly return profits to shareholders according to business results, while strengthening the financial position by increasing internal reserves. According to this policy, THK sets its payout ratio on a consolidated basis at 30% and a minimum dividend for a fiscal year at ¥15.00 per share (¥7.5 per share for both interim dividend and year-end dividend). THK plans to make effective use of internal reserve by investing it to research and development activities, production facilities, and IT systems, to respond globalization.

In accordance with these policies, the Company plans ¥8.00 per share for the year-end dividends. As a result, cash dividends applicable for the year ended December 31, 2019 will be ¥32.00 per share, including the interim dividends of ¥24.00 per share. The amounts of dividends for the year ending December 31, 2020 are planned to be determined in accordance with these policies.

[Translation for Reference and Convenience Purposes Only]

2. Status of Capital Investments

Total capital investments in the consolidated fiscal year under review amounted to ¥32,196 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 Operational Bases	THK CO., LTD.	(Millions of Yen)
	Yamagata Plant	5,819
	Yamaguchi Plant	1,550
	THK RHYTHM CO., LTD.	4,144
Overseas Operational Bases	THK RHYTHM NORTH AMERICA CO., LTD.	3,349
	THK India Pvt. Ltd.	2,819
	THK RHYTHM CHANGZHOU CO., LTD.	1,514
	THK RHYTHM AUTOMOTIVE CZECH a.s.	1,308
	THK MANUFACTURING OF VIETNAM CO., LTD.	1,259

3. Status of Funding

During the consolidated fiscal year under review, the Group raised funds of ¥20,000 million each from long-term loans payable and by the issuance of straight bonds, respectively.

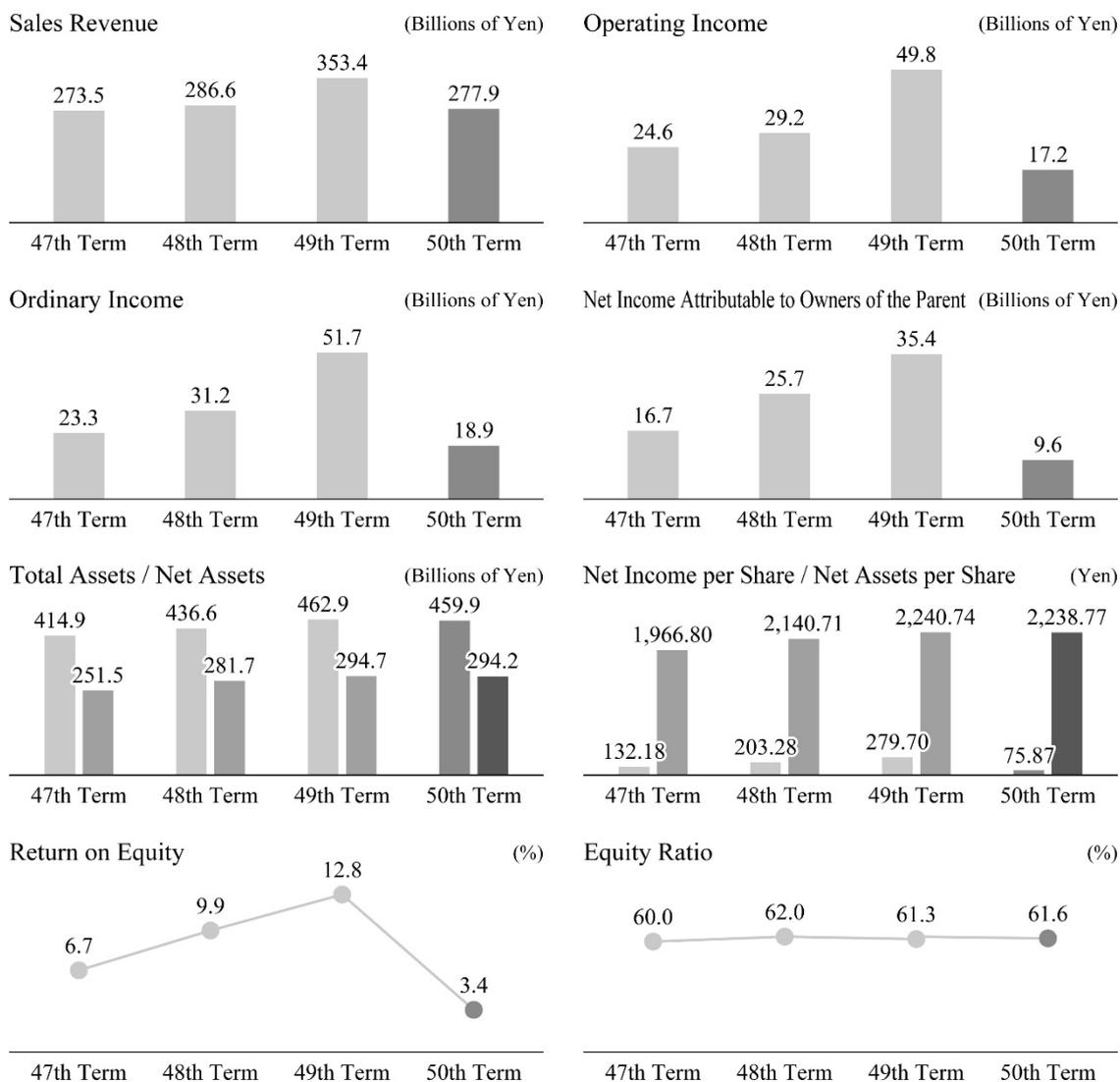
Name of Company	Description	Date of issuance	Total amount of issuance (Million yen)	Rate (%)	Due date
THK CO., LTD.	The Thirteenth Series of THK CO., LTD. Unsecured Straight Bonds (with limited inter-bond pari passu clause)	February 6, 2019	10,000	0.170	February 6, 2024
THK CO., LTD.	The Fourteenth Series of THK CO., LTD. Unsecured Straight Bonds (with limited inter-bond pari passu clause)	February 6, 2019	10,000	0.290	February 6, 2026

For effective funding of operating capital, the Group has concluded Specified Commitment Line Contract totaling ¥30,000 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	47th Term (Term Ended March 2017)	48th Term (Term Ended December 2017)	49th Term (Term Ended December 2018)	50th Term (Term Ended December 2019; Current Consolidated Fiscal Year)
Sales Revenue	273,577	286,603	353,479	277,900
Operating Income	24,653	29,279	49,832	17,265
Ordinary Income	23,398	31,254	51,758	18,940
Net Income Attributable to Owners of the Parent	16,731	25,729	35,400	9,602
Total Assets	414,931	436,664	462,931	459,909
Net Assets	251,540	281,754	294,719	294,229
Net Income per Share (Yen)	132.18	203.28	279.70	75.87
Net Assets per Share (Yen)	1,966.80	2,140.71	2,240.74	2,238.77
Return on Equity (%)	6.7	9.9	12.8	3.4
Equity Ratio (%)	60.0	62.0	61.3	61.6

- Notes: 1. Net income per share is calculated based on the average number of outstanding shares of the term. Net assets per share are calculated based on the number of outstanding shares at the term end. In calculating net income per share and net assets 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. Following the change in the fiscal year-end, the 48th Term covers the nine months from April 1, 2017 to December 31, 2017.
3. Effective January 1, 2019, the Company applied “Partial Amendments to Accounting Standard for Tax Effect Accounting” (Statement No. 28 issued by Accounting Standards Board of Japan, February 16, 2018). The 2018 figures in the above table have been retrospectively adjusted in accordance with the revised standard.

[Translation for Reference and Convenience Purposes Only]

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

Millions of Yen				
Item	47th Term (Term Ended March 2017)	48th Term (Term Ended December 2017)	49th Term (Term Ended December 2018)	50th Term (Term Ended December 2019; Current Fiscal Year)
Sales Revenue	133,189	123,403	186,311	136,189
Operating Income	15,998	18,656	34,699	11,933
Ordinary Income	16,241	20,756	39,053	15,746
Net income	12,165	28,215	28,035	7,559

- Notes: 1. Following the change in the fiscal year-end, the 48th Term covers the nine months from April 1, 2017 to December 31, 2017.
2. Effective January 1, 2019, the Company applied “Partial Amendments to Accounting Standard for Tax Effect Accounting” (Statement No. 28 issued by Accounting Standards Board of Japan, February 16, 2018). The 2018 figures in the above table have been retrospectively adjusted in accordance with the revised standard.

(3) Description of Main Business Operations (As of December 31, 2019)

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 Group'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 the three strategies of "Full-Scale Globalization," "Development of New Business Areas" and "Change in Business Style."

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 to advanced countries and FA is expected to continue to progress further in the future, we believe that demand for our products will increase significantly over 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, we aim to expand sales of these products in fields close to consumer goods such as automobiles, medical equipment, aircraft, and robotics, as well as in applications aimed at mitigating the risk of natural disasters and climate change, such as seismic isolation and damping systems, and renewable energy.

Furthermore, we are working to further expand our business areas via "Change in Business Style" by thoroughly applying AI, IoT and robot technologies in all aspects.

Along with these initiatives, we will raise our corporate value by pressing ahead with improving profitability and strengthening our financial position, as well as contributing to the achievement of a sustainable society through our main businesses.

[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 of mechanical element devices and vital machinery components
TALK SYSTEM CORPORATION	¥400 million	99.00	Sales of vital machinery components, etc.
TRA Holdings, CO., LTD.	¥100 million	70.00	Holding and controlling company of transport equipment business
THK RHYTHM CO., LTD.	¥490 million	70.00 (70.00)	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 (100)	Sales of the Company's products in North America
THK Manufacturing of America, Inc.	USD 75,000 thousand	100 (100)	Manufacturing of vital machinery components and transport equipment parts in North America
THK RHYTHM NORTH AMERICA CO., LTD.	USD 66 thousand	70.00 (70.00)	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 (100)	Sales of the Company's products in Europe
THK Manufacturing of Europe S.A.S.	EUR 72,040 thousand	100 (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 CAPITAL UNLIMITED COMPANY	USD 250,000 thousand	100	In-group financing and fund management for THK's group companies in the Americas

[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 FINANCE UNLIMITED COMPANY	EUR 50,000 thousand	100	In-group financing and fund management for THK's group companies in Europe
THK (CHINA) CO., LTD.	CNY 2,168,045 thousand	100	Holding and controlling company in China and sales of vital machinery components
DALIAN THK CO., LTD.	CNY 420,997 thousand	70.00 (25.00)	Manufacturing and sales of vital machinery components in China
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	70.00 (70.00)	Manufacturing and sales of transport equipment parts in China
THK RHYTHM CHANGZHOU CO., LTD.	CNY 237,265 thousand	75.00 (58.33)	Manufacturing and sales of transport equipment parts in China
THK RHYTHM (THAILAND) CO., LTD.	THB 350,000 thousand	70.00 (70.00)	Manufacturing and sales of transport equipment parts in other Asian countries
THK India Pvt. Ltd.	INR 3,000,000 thousand	99.97 (0.05)	Sales of vital machinery components in India

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. Progress of Business Combination

- A. THK RHYTHM CHANGZHOU CO., LTD. conducted a capital increase in April 2019, bringing its capital stock amount to CNY 237,265 thousand.
- B. THK India Pvt. Ltd. conducted a capital increase in October 2019, bringing its capital stock amount to INR 3,000,000 thousand.

[Translation for Reference and Convenience Purposes Only]

(6) Major Offices and Plants (As of December 31, 2019)

Head Office	12-10, Shibaura 2-chome, Minato-ku, Tokyo, Japan
Production Sites (Domestic Plants)	Kofu Plant (Chuo-shi, Yamanashi), Gifu Plant (Fuwa-gun, Gifu) Mie Plant (Matsusaka-shi, Mie), Yamaguchi Plant (Sanyo Onoda-shi, Yamaguchi) Yamagata Plant (Higashine-shi, Yamagata) THK INTECHS CO., LTD. (Sunto-gun, Shizuoka; Kurokawa-gun, Miyagi) THK NIIGATA CO., LTD. (Agano-shi, Niigata) THK RHYTHM CO., LTD. (Hamamatsu-shi, Shizuoka; Nakatsu-shi, Oita)
Production Sites (Overseas Plants)	THK Manufacturing of America, Inc. (United States) THK RHYTHM NORTH AMERICA CO., LTD. (United States) THK RHYTHM AUTOMOTIVE MICHIGAN CORPORATION (United States) THK RHYTHM AUTOMOTIVE CANADA LIMITED (Canada) THK RHYTHM MEXICANA, S.A. DE C.V. (Mexico) THK Manufacturing of Ireland Ltd. (Ireland) THK Manufacturing of Europe S.A.S. (France) THK RHYTHM AUTOMOTIVE GmbH (Germany) THK RHYTHM AUTOMOTIVE CZECH a.s. (Czech) DALIAN THK CO., LTD. (China) THK MANUFACTURING OF CHINA (WUXI) CO., LTD. (China) THK MANUFACTURING OF CHINA (LIAONING) CO., LTD. (China) THK RHYTHM GUANGZHOU CO., LTD. (China) THK RHYTHM CHANGZHOU CO., LTD. (China) THK RHYTHM (THAILAND) CO., LTD. (Thailand) THK MANUFACTURING OF VIETNAM CO., LTD. (Vietnam)
Sales Offices (Domestic)	THK CO., LTD.: 29 offices in nationwide TALK SYSTEM CORPORATION: 20 offices in nationwide
Sales Offices (Overseas)	THK America, Inc. (United States) THK GmbH (Germany) THK (CHINA) CO., LTD. (China) THK TAIWAN CO., LTD. (Taiwan) THK LM SYSTEM Pte. Ltd. (Singapore)
Research Sites (Domestic)	Head Office (Minato-ku, Tokyo) Technology Center (Ota-ku, Tokyo)
Research Sites (Overseas)	THK (CHINA) CO., LTD. R&D Center (China) THK RHYTHM AUTOMOTIVE GmbH (Germany)

[Translation for Reference and Convenience Purposes Only]

(7) Status of Employees (As of December 31, 2019)

1. Employees of the Group

Business Segment	Number of Employees	Change from the Previous Consolidated Fiscal Year-End
Japan	5,482	+ 132
Americas	2,050	-110
Europe	2,092	+ 22
China	2,913	- 281
Other	723	+ 19
Total	13,260	- 218

Note: 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. Status of Employees of the Company

Number of Employees	Change from the Previous Fiscal Year	Average Age	Average Years of Service
3,891 employees	+ 118	39.8	17.3

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 December 31, 2019)

(Millions of Yen)

Lender	Amount of Borrowing
Mizuho Bank, Ltd.	16,435
MUFG Bank, Ltd.	12,044
Sumitomo Mitsui Banking Corporation	3,214
Mizuho Trust & Banking Co., Ltd.	1,000
Sumitomo Mitsui Trust Bank, Limited	800
THE YAMAGUCHI BANK, Ltd.	700
Resona Bank, Limited.	600
The Yamanashi Chuo Bank, Ltd.	500

[Translation for Reference and Convenience Purposes Only]

2. Current Status of the Company

(1) Stocks (As of December 31, 2019)

1. Total authorized shares:	465,877,700
2. Total outstanding shares (incl. 7,286,079 of treasury shares)	133,856,903
3. Number of shareholders:	20,463
4. Major shareholders (Top 10):	

Shareholder	Number of Shares Held (Thousand Shares)	Shareholding Ratio (%)
Japan Trustee Services Bank, Ltd., Trust Account	12,604	9.95
The Master Trust Bank of Japan, Ltd., Trust Account	8,243	6.51
JP MORGAN CHASE BANK 385632	4,570	3.61
Akihiro Teramachi	3,398	2.68
FTC Co., Ltd.	2,774	2.19
SSBTC CLIENT OMNIBUS ACCOUNT	2,709	2.14
SMBC Nikko Securities Inc.	2,459	1.94
Japan Trustee Services Bank, Ltd., Trust Account 5	2,358	1.86
OPPENHEIMER GLOBAL OPPORTUNITIES FUND	2,000	1.58
STATE STREET BANK WEST CLIENT – TREATY 505234	1,892	1.49

Notes: 1. The treasury shares held by the Company, which is 7,286,079 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 December 31, 2019)

Position in the Company	Name	Duties or Significant Positions Concurrently Held
Representative Director and President	Akihiro Teramachi	CEO Chairman of JAPAN MACHINE ACCESSORY ASSOCIATION (General Incorporated Association)
Director and Executive Vice President	Toshihiro Teramachi	CIO
Director and Executive Vice President	Hiroshi Imano	CFO
Director	Nobuyuki Maki	Senior Managing Executive Officer Senior General Manager of Automotive & Transportation Headquarters

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Position in the Company	Name	Duties or Significant Positions Concurrently Held
Director	Takashi Teramachi	Senior Managing Executive Officer Senior General Manager of Industrial Machinery Headquarters Representative Director and President of THK INTECHS CO., LTD.
Director	Junji Shimomaki	Managing Executive Officer General Manager of Industrial Machinery Headquarters Senior General Manager of Sales Division, Industrial Machinery Headquarters
Director	Junichi Sakai	In charge of Quality Assurance, Risk Management, and Production Engineering
Director	Masaaki Kainosho	Representative Director of KAINOSHO CO., LTD. Professor of Otsuma Women's University Junior College Division
Director (Audit and Supervisory Committee Member)	Masakatsu Hioki	Outside Director of SUKIYA Co., Ltd. Outside Director of ZUIKO CO., LTD. Visiting Professor of Ritsumeikan University Graduate School
Director (Audit and Supervisory Committee Member)	Tomitoshi Omura	Registered as Certified Public Accountant Managing Director of Omura Accounting Office
Director (Audit and Supervisory Committee Member)	Yoshiki Ueda	Outside Director of SHINTOKOGIO, LTD. Representative Director & Vice-Chairman of Makino Milling Machine Co., Ltd. Visiting Professor of National University Corporation Shizuoka University

- Notes: 1. Director Masaaki Kainosho and Directors (Audit and Supervisory Committee Members) Masakatsu Hioki, Tomitoshi Omura and Yoshiki Ueda are Outside Directors.
2. The Company registered Directors Masaaki Kainosho and Directors (Audit and Supervisory Committee Members) Masakatsu Hioki, Tomitoshi Omura and Yoshiki Ueda, as independent officers, as stipulated under the guidelines of the Tokyo Stock Exchange.
3. Director (Audit and Supervisory Committee Member) Tomitoshi Omura is a certified public accountant and has a substantial level of expertise in finance and accounting.
4. THK established the Audit and Supervisory Committee Secretariat to support the execution of duties by the Audit and Supervisory Committee, and assigns a dedicated employee. Audit and Supervisory Committee Members and the Audit and Supervisory Committee Secretariat collect and share information by attending important meetings, etc., and they work in close cooperation

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with internal control departments responsible for the internal control system and implement measures to facilitate access to information under the control of each department. By taking such measures, Audit and Supervisory Committee Members and the Audit and Supervisory Committee Secretariat conduct an organizational audit by utilizing the internal control system to ensure the effectiveness of audits. Accordingly, THK does not appoint full-time Audit and Supervisory Committee Members.

<Reference>

The Company employs the Executive Officer System. The Executive Officers excluding those concurrently serving as Directors are as follows:

(As of December 31, 2019)

Position in the Company	Name	Duties
Managing Executive Officer	Takashi Okubo	Executive Vice Chairman of THK (CHINA) CO., LTD.
Managing Executive Officer	Masaki Sugita	Representative Director and President of THK Holdings of America, L.L.C. Representative Director and President of THK America, Inc.
Managing Executive Officer	Tetsuya Hayashida	Special Appointive Officer to President
Managing Executive Officer	Masato Sawada	General Manager of Automotive & Transportation Headquarters Director and Executive Vice Chairman of THK RHYTHM CO., LTD.
Managing Executive Officer	Takanobu Hoshino	General Manager of IMT Division, Industrial Machinery Headquarters Director and Executive Vice Chairman of THK INTECHS CO., LTD.
Managing Executive Officer	Akihiko Kambe	Senior General Manager of Production Division, Industrial Machinery Headquarters
Managing Executive Officer	Kaoru Hoshide	Senior General Manager of Engineering Division, Industrial Machinery Headquarters
Managing Executive Officer	Toshiki Matsuda	Representative Director and President of THK Europe B.V. Representative Director and President of THK GmbH Representative Director and President of THK France S.A.S. Representative Director and President of THK Manufacturing of Europe S.A.S. Representative Director and President of THK Manufacturing of Ireland Ltd.

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Position in the Company	Name	Duties
Executive Officer	Naoki Kinoshita	President of THK (CHINA) CO., LTD.
Executive Officer	Yukio Yamada	General Manager of Sales Division, Industrial Machinery Headquarters General Manager of International Sales Division, Sales Division, Industrial Machinery Headquarters
Executive Officer	Takehiro Nakanishi	Deputy Senior General Manager of Production Division, Industrial Machinery Headquarters General Manager of Production Engineering Department, Production Division, Industrial Machinery Headquarters General Manager of Global Procurement Department, Production Division, Industrial Machinery Headquarters
Executive Officer	Yasutoshi Hoshino	Deputy General Manager of Corporate Strategy Headquarters
Executive Officer	Kenji Nakane	General Manager of Finance & Accounting Department, Corporate Strategy Headquarters
Executive Officer	Akira Furihata	Representative Director and President of THK RHYTHM CO., LTD.
Executive Officer	Masaki Kimura	General Manager of The President's Office General Manager of Corporate Planning Department, Corporate Strategy Headquarters

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 entered into an agreement that limits the indemnity liability under Article 423, Paragraph 1 of the said Act.

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 on condition that the Outside Director fulfills due diligence and there is no gross negligence or no knowledge of it of the Outside Director with regard to the execution of duties that caused such liability.

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3. Compensation for Directors

Classification	Persons Receiving Payment (Persons)	Amount of Payment (Millions of Yen)
Directors (excluding Audit and Supervisory Committee Members) (Outside Directors)	8 (1)	494 (15)
Directors (Audit and Supervisory Committee Members) (Outside Directors)	3 (3)	51 (51)
Total (Outside Directors)	11 (4)	545 (66)

- Notes: 1. Pursuant to resolutions of the General Meeting of Shareholders, the maximum compensation for a Director (excluding Audit and Supervisory Committee Member) 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 2016).
2. Pursuant to resolutions of the General Meeting of Shareholders, the maximum compensation for a Director (Audit and Supervisory Committee Member) is ¥10 million a month (Resolution of the General Meeting of Shareholders in June 2016).
3. There were eight (8) Directors (excluding Directors who are Audit and Supervisory Committee Members) (of which one (1) was Outside Director) and three (3) Directors (Audit and Supervisory Committee Members) (of which three (3) were Outside Directors) at the end of the fiscal year under review.
4. The remuneration amounts in the table above include ¥110 million (¥110 million for Directors (excluding Directors who are Audit and Supervisory Committee Members)) 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 of 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 (Audit and Supervisory Committee Member) is an Outside Director of SUKIYA CO., LTD., an Outside Director of ZUIKO CO., LTD., and a visiting professor of Ritsumeikan University Graduate School. There is no interest relationship between the Company and SUKIYA CO., LTD., ZUIKO CO., LTD., or Ritsumeikan University Graduate School.

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- Director Tomitoshi Omura (Audit and Supervisory Committee Member) is the Managing Director of Omura Accounting Office. There is no interest relationship between the Company and Omura Accounting Office.
- Director Yoshiki Ueda (Audit and Supervisory Committee Member) is an Outside Director of SHINTOKOGIO, LTD., Representative Director & Vice-Chairman of Makino Milling Machine Co., Ltd., and Visiting Professor of National University Corporation Shizuoka University. The Company has business transactions with SHINTOKOGIO, LTD. involving purchase, etc. of its products, but the amount of such transactions accounts for less than 1% of the Company's and SHINTOKOGIO's sales revenue in the current consolidated fiscal year. The Company has business transactions with Makino Milling Machine Co., Ltd. involving sales, etc. of the Company's products, but the amount of such transactions accounts for less than 1% of the Company's and Makino Milling Machine's sales revenue in the current consolidated fiscal year. There is no interest relationship between the Company and National University Corporation Shizuoka University.

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

Title	Name	Attendance at the Board of Directors meetings	Attendance at the Audit and Supervisory Committee	Presentations at Board of Directors and Board of Auditors Meetings
Outside Director	Masaaki Kainosho	92% (13 of 14 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 (Audit and Supervisory Committee Member)	Masakatsu Hioki	100% (14 of 14 meetings)	100% (13 of 13 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 Director (Audit and Supervisory Committee Member)	Tomitoshi Omura	100% (14 of 14 meetings)	100% (13 of 13 meetings)	Mr. Omura made comments based on his abundant experience and broad knowledge and insight as a certified public accountant highly adept in corporate accounting.
Outside Director (Audit and Supervisory Committee Member)	Yoshiki Ueda	92% (13 of 14 meetings)	100% (13 of 13 meetings)	Mr. Ueda made comments based on his abundant experience gained from his involvement in the field of machinery-related business in a global company, as well as broad knowledge and insight in corporate management.

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(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	115
2. Total sum of monies or money equivalent to be paid by the Company and its subsidiaries to the accounting auditor	116

Notes: 1. In line with the “Practical Guidelines on the Alliance with Accounting Auditors” announced by the Japan Audit & Supervisory Board Members Association, the Audit and Supervisory Committee 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, Paragraphs 1 and 3, 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 subsidiaries, 21 subsidiaries including THK America, Inc. were audited by certified public accountants or audit firms other than the Company’s Accounting Auditor, Grant Thornton Taiyo LLC.

4. Description of Non-Audit Activities

The Company entrusts the Accounting Auditor with preparation of a letter to the leading underwriting firm in the bond issuance, which are services other than those provided for in Article 2, Paragraph 1, of the Certified Public Accountants Act (non-auditing services), and pays the Accounting Auditor for such advisory services.

5. Policy for Determining Dismissal and Non-Reappointment of Accounting Auditors

The Audit and Supervisory Committee, if it considers it necessary, such as in the case where the performance of the accounting auditor’s duties is hindered, decides the details of the proposal for the dismissal or non-reappointment of the accounting auditor to be presented to the General Meeting of Shareholders.

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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 Audit and Supervisory Committee Members. In this case, the Audit and Supervisory Committee Member selected by the Audit and Supervisory Committee 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.

1. Structures for ensuring that Directors' and employees' execution of their respective duties at the Group complies with laws and regulations and the Articles of Incorporation

To ensure that the Group's executives and employees comply with laws and regulations and the Articles of Incorporation and perform their respective duties under sound social norms, the Company establishes the "THK's Basic Policy" and "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 the Group's executives and employees, the Representative Director and President ensures that all corporate activities are predicated on compliance with laws and regulations. A Compliance Committee and a Risk Management Committee, chaired by the Representative Director and President, are established to ensure that compliance and corporate ethics form the basis of all our corporate activities. A Compliance Subcommittee, consisting of representatives from all operations divisions, is established as a subordinate organization. The Compliance Committee and the Risk Management Committee, whose observers include Outside Directors and external experts, establish a group-wide compliance structure and risk management structure, identify problems, and provide instructions for improvement. The "THK Group Helpline" is established and operated as a means to enable executives and employees of domestic Group companies to directly provide information regarding any legally questionable acts on a confidential or anonymous basis to the internal department(s) in charge of the matter in question and external experts.

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

The Company records and preserves information on the Directors' execution of their duties in documents or electromagnetic media (hereinafter called "the documents, etc.") in accordance with the Document Management Regulations and the Security Control Regulations. The Directors may view the documents, etc. at any time. The Company establishes the Information Security Committee, chaired by the Representative Director and President, to implement proper use and management of information.

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

The departments of the Company 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, conducting education and training, and preparing and distributing manuals, while the Risk Management Division is established to monitor the status of cross-sectional risks and make company-wide responses. For any risk that has newly arisen, the Board of

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Directors shall promptly appoint a Director or Executive Officer who serves as the response manager. In addition, to ensure continuity of our business in the case of a large-scale earthquake, the Group formulates a business continuity plan (BCP) and familiarizes its executives and employees with the plan. The Company's Internal Audit Division conducts audit on the risk management system of each Group company. The Company establishes the Risk Management Committee, chaired by the Representative Director and President, to establish a group-wide risk management system based on the Risk Management Regulations adopted by the Board of Directors. The Risk Management Division periodically collects and identifies risks concerning the Group, and reports them to the Risk Management Committee after analyzing and assessing the probability of occurrence and impact of such risks.

4. Structures for ensuring that the duties of the Group's Directors are efficiently executed

The Company's Board of Directors defines a company-wide management objective and management plan to be shared among the Directors, Executive Officers and employees from a medium- to long-term perspective, and conducts progress management thereof by utilizing the "Global Business Strategy Meeting" attended by personnel responsible for business execution such as the Group's Directors and Executive Officers in monitoring the status of achievement of such objective and plan. In addition, by formulating and introducing the Executive Officer System as a system under the Articles of Incorporation, the Company seeks to improve the management supervisory function of the Board of Directors and to clarify the roles and responsibilities related to the implementation of operations. Furthermore, the Company seeks to accelerate the process of making decisions and implementation of operations, and determines an efficient structure for implementing operations, which includes determination of specific measures and allotment of authorities for each division 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 facilitating improvement as necessary. The Company also formulates the THK Group Basic Policy for Financial Management related to the Group's overall financial management and introduces an accounting system and a Group Finance system that are common to the Group companies with the aim of accelerating consolidated account closing work and streamlining fund management. In order to ensure that the duties of the Group's Directors are properly and efficiently executed, each Group company establishes internal regulations concerning division of duties and administrative authorities to clarify the authority and responsibility of each corporate officer.

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

The Company establishes a Risk Management Division as a department in charge of internal control of the Group, and creates a framework that incorporates a system to efficiently conduct activities such as discussions on internal control among the Group companies, information sharing, and communication of instructions and requests. The Directors of the Company and each president of the Group companies have the authority and responsibility to establish and operate an internal control system for each division. In addition, the Company's Internal Audit Division conducts internal audit of the Group, reports the audit results to the Board of Directors and each president of the

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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 the Group companies are established, maintained and administered as a framework for ensuring the reliability of financial reporting.

The Company periodically holds a “Global Business Strategy Meeting” attended by responsible personnel such as the Group’s Directors and Executive Officers; in the meeting, such personnel responsible report on the status of operations and important matters. In addition, the Company establishes “Regulations for the Management of Affiliates” that oblige the Group companies to periodically report important information, such as their operating results and financial conditions, to the Company.

6. Structures pertaining to an employee being appointed upon request from the Audit and Supervisory Committee to assist the Committee, and matters related to ensuring the independence of said employee from the Directors (excluding those who are Audit and Supervisory Committee Members) and the effectiveness of instructions issued to said employee

The Company establishes an Audit and Supervisory Committee Secretariat and assigns a dedicated employee to assist the performance of duties and smooth execution of duties by the Audit and Supervisory Committee.

The Company defines that the employee assigned to the Audit and Supervisory Committee Secretariat shall exclusively perform operations related to the Audit and Supervisory Committee, shall not be subject to instructions and orders from Directors who are not Audit and Supervisory Committee Members, and shall follow instructions and orders from the Audit and Supervisory Committee. Decisions on matters pertaining to personnel change and other personnel affairs shall be made with the consent of the Audit and Supervisory Committee to ensure the independence from execution divisions and the effectiveness of instructions from the Audit and Supervisory Committee to the dedicated employee.

7. Structures for Directors, etc. and employees of the Group, or persons who have received a report from such individuals, to report to the Company’s Audit and Supervisory Committee

The Group’s Directors (excluding those who are Audit and Supervisory Committee Members), Executive Officers, and employees respond promptly and adequately in the event that the Audit and Supervisory Committee requests a report on the businesses of the Company or conducts an investigation of operations and property.

The Group’s Directors (excluding those who are Audit and Supervisory Committee Members), Executive Officers, and employees report immediately to the Audit and Supervisory Committee if facts that may cause significant damage to the Group, such as a violation of laws and regulations, are discovered. As a means of reporting, the Audit and Supervisory Committee is established as a contact point for internal reporting in the THK Group Helpline, which is available for use by executives and employees of the domestic Group companies.

[Translation for Reference and Convenience Purposes Only]

The Internal Audit Division reports the results of internal audit and the status of other activities conducted for the Group upon request from the Audit and Supervisory Committee.

The Risk Management Division reports the details of internal reports received via the THK Group Helpline and the details of reports related to compliance for the Group to the Audit and Supervisory Committee upon request. In order to ensure that the Basic Policy functions effectively, the Internal Audit Division and the Risk Management Division periodically report to the Board of Directors regarding the development and performance of matters specified in the Basic Policy.

8. Structures for ensuring that a person reporting to the Audit and Supervisory Committee is protected from being unfavorably treated on the grounds that he/she has made such a report

The Company prohibits the Directors (excluding those who are Audit and Supervisory Committee Members), Executive Officers, and employees from unfavorably treating a person directly reporting to the Audit and Supervisory Committee on the grounds that he/she has made such a report.

9. Matters relating to policy concerning procedures for advance payment or reimbursement of expenses incurred in the execution of duties of a Director who is an Audit and Supervisory Committee Member, and treatment of other expenses or debts incurred in the execution of such duties

If a Director who is an Audit and Supervisory Committee Member claims against the Company for reimbursement of any expense incurred in the execution of his/her duties, the Company shall promptly reimburse him/her for such expense or debt, unless such expense or debt is deemed unnecessary for the execution of duties of said Director who is an Audit and Supervisory Committee Member. In addition, the Company sets aside a budget for a certain amount every year for expenses that may be incurred in the execution of duties by the Directors who are Audit and Supervisory Committee Members.

If a Director who is an Audit and Supervisory Committee Member independently requests the use of external experts in executing his/her duties, the Company shall bear such expenses unless such duties are unnecessary for the execution of duties of said Director who is an Audit and Supervisory Committee Member.

10. Structures for ensuring that audit by the Audit and Supervisory Committee is conducted effectively

The Company establishes a system that enables the Audit and Supervisory Committee to periodically exchange opinions and seek close coordination with the Representative Director and President, the Directors (excluding those who are Audit and Supervisory Committee Members), Executive Officers, and the Accounting Auditors. In addition, the Company establishes a system that enables the Audit and Supervisory Committee to hold periodic meetings with the auditors of subsidiaries and seek close cooperation with them.

[Translation for Reference and Convenience Purposes Only]

[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 executives and employees comply with applicable laws, regulations and the Articles of Incorporation and perform their duties under sound social norms. Furthermore, the Company has established a Compliance Committee (which held four meetings) and a Risk Management Committee (which held one meeting), chaired by the Representative Director and President, as well as a Compliance Subcommittee as a subordinate organization of the Compliance Committee, to establish a group-wide compliance structure and risk management structure, identify problems, and make improvements. In addition, the Company has established and operates the "THK Group Helpline," which is available for use by executives and employees of THK Group companies in Japan.

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

The Company records and appropriately preserves information on Directors' execution of their duties, such as minutes of the Board of Directors meeting, in documents or electromagnetic media in accordance with the Document Management Regulations and the Security Control Regulations.

The Company has established the Information Security Committee (which held four meetings), chaired by the Representative Director and President, in an effort to build up, penetrate and firmly establish the information security system to implement proper use and management of information.

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

To address the operational risks, the Company has formulated rules and guidelines and prepared manuals (Emergency Response Manual, Security Control Regulations, Information Systems Management Regulations, etc.), and has established the Risk Management Division to monitor the status of risks across the board and conduct company-wide measures. In cases when an unpredicted situation occurs, such as a disaster or an accident, the Risk Management Division has quickly collected information, notified related sections and provided instructions. In addition, the Company has formulated a business continuity plan (BCP) and has established a BCP Promotion Conference as a subordinate organization of the Risk Management Committee to review the BCP as appropriate, while formulating Risk Management Regulations and promoting the establishment of a group-wide risk management structure at the Risk Management Committee.

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

The Company's Board of Directors (held 14 meetings) defines management objectives with fiscal 2022 as the final year, and establishes a Global Business Strategy Meeting

[Translation for Reference and Convenience Purposes Only]

attended by responsible personnel such as the Group's Directors and Executive Officers to manage their progress and monitor the status of achievement of such objectives. In addition, the Company introduces an Executive Officer System as stipulated under the Articles of Incorporation and determines an efficient structure for implementing operations in order to achieve the objectives.

The Company also formulates the THK Group Basic Policy for Financial Management related to the Group's overall financial management and introduces an accounting system, a consolidated performance management system, and a Group Finance system (cash management system) that are common to the Group companies with the aim of accelerating consolidated account closing work and streamlining fund management.

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

The Company designates the Risk Management Division as a department in charge of internal control of the Group, and facilitates its improvement and operation, collecting information related to the internal controls, conducting related discussion efficiently, sharing information and communicating its instructions and requests. The Company's Internal Audit Division 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.

The Company has received reports on the status of business operation of the entire Group and other important matters at Global Business Strategy Meetings and Executive Officers' meetings (held a total of 12 times), attended by the Directors and Executive Officers of the Group. The Company also formulated its "Regulations for the Management of Affiliates," thereby collecting important information of the Group companies such as sales performance and the financial position of the Group companies.

6. A structure for cases where the Audit and Supervisory Committee orders an employee to be appointed as its assistant, and matters related to ensuring the independence of the employee from Directors (excluding Directors who are Audit and Supervisory Committee Members) and the effectiveness of the Audit and Supervisory Committee's instructions to the employee

The Company has established the Audit and Supervisory Committee Secretariat to assist the duties of the Audit and Supervisory Committee and support the smooth execution of their duties, and appointed a dedicated employee for this purpose. The employee assigned to the Audit and Supervisory Committee Secretariat exclusively performs tasks related to the Audit and Supervisory Committee, and decisions on personnel matters including personnel transfer related to such employee will require the consent of the Audit and Supervisory Committee.

[Translation for Reference and Convenience Purposes Only]

7. A structure for an employee or Director, etc. of the Group, or a person who has received a report from one of the aforementioned individuals, to report to the Audit and Supervisory Committee

The Company has stipulated in the THK Group Helpline Regulations that it can report on the status and content of reporting from the THK Group Helpline, which is available for use by executives and employees of the domestic Group companies, to the Audit and Supervisory Committee. The content of internal reports received through the THK Group Helpline is reported to the Compliance Committee meeting, which the Representative Director and President as well as Directors who are Audit and Supervisory Committee Members of the Company attend. When the Audit and Supervisory Committee requests a report, the Company reports on the results of internal audit and the status of other activities, the content of internal reports received through the THK Group Helpline and the content of reports on compliance. In addition, the Company periodically reports on the status of development and operation of matters stipulated in the Basic Policy for Internal Control at the Board of Directors meeting.

8. A structure for ensuring that a person reporting to the Audit and Supervisory Committee is protected from being unfavorably treated on the grounds that he/she has made such a report

The Company has stipulated in the THK Group Helpline Regulations that executives and employees of the Company shall not be treated in a disadvantageous way on the grounds of making such report.

9. Matters related to our policy concerning procedures for advance payment or reimbursement of expenses incurred in the execution of a duty of a Director who is an Audit and Supervisory Committee Member and treatment of other expenses or debts incurred in the execution of such duty

The Company allocates a budget to pay for expenses incurred by the execution of duties by Directors who are Audit and Supervisory Committee Members and quickly process such expenses and obligations when Directors who are Audit and Supervisory Committee Members requested the Company to pay for such expenses. If a Director who is an Audit and Supervisory Committee Member independently requests the use of external experts in executing his/her duties, the Company shall bear such expenses unless such duties are unnecessary for the execution of duties of said Director who is an Audit and Supervisory Committee Member.

10. Structures for ensuring that audits by the Audit and Supervisory Committee are effectively conducted

The Company holds meetings where the Audit and Supervisory Committee exchanges opinions with Representative Director and President, principal Directors (excluding Directors who are Audit and Supervisory Committee Members), and Executive Officers. In addition, the Company established a three-way audit liaison meeting (held four times) between the Audit and Supervisory Committee, Accounting Auditor and Internal Audit Division, as well as Outside Directors (excluding Directors who are Audit and Supervisory Committee Members). In addition, the Company established a system to ensure that audits by the Audit and Supervisory Committee are carried out effectively by holding four meetings of the Board of Auditors of the Group to promote

[Translation for Reference and Convenience Purposes Only]

close cooperation between the Audit and Supervisory Committee and Auditors of the Company's subsidiaries.

<Reference>

Outline of the Corporate Governance Framework

Based on its management philosophy, the THK Group is striving to improve its corporate value over the medium to long term by working to enhance corporate governance from the viewpoint of maximizing corporate value.

The outline of THK's corporate governance framework is as follows:

Selection of a company structure with an Audit and Supervisory Committee

- Directors (three (3) Outside Directors) who are members of the Audit and Supervisory Committee, which is responsible for the auditing and supervisory functions, exercise voting rights at the Board of Directors meetings.
- The Audit and Supervisory Committee implement audit and supervision on the status of execution of duties of Directors and Executive Officers, etc., through the Internal Control System.

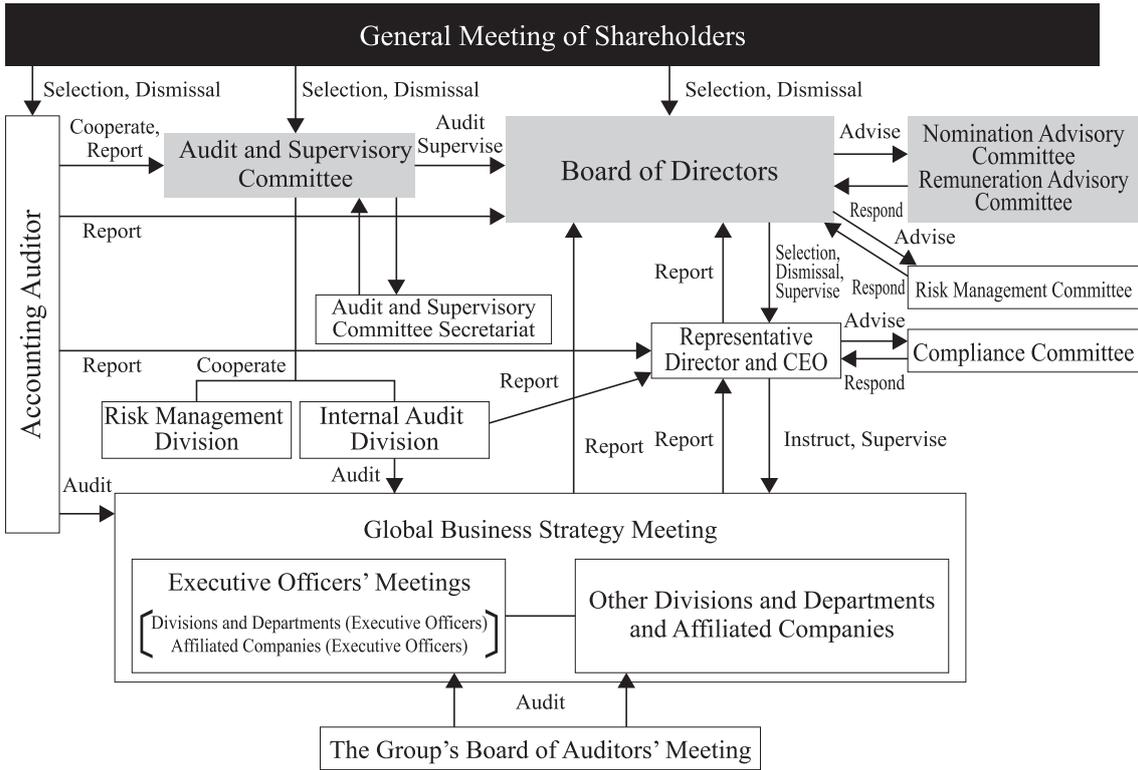
Establishment of the Nomination Advisory Committee and the Remuneration Advisory Committee

- Each committee, functioning as an advisory body to the Board of Directors, examines and deliberates on nomination of Director candidates and remuneration plan for Directors, and the content of deliberation is deliberated and resolved at the Board of Directors.

Introduction of the Executive Officer System

- To clarify the roles and responsibilities of business execution and expedite business execution

[Translation for Reference and Convenience Purposes Only]



(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 Headquarters 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 Headquarters and the Risk Management Division are to respond to it. In so doing, staff at the Corporate Strategy Headquarters and the Risk Management Division 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 the management philosophy common throughout the Group of “providing innovative products to the world and staying abreast of new trends to contribute to the creation of an affluent society,” the Group will enhance transparency of its management for all stakeholders, including our shareholders, from the viewpoint of “maximizing corporate value” in conducting appropriate and efficient management. By doing so, the Group will take initiatives with the aim of enhancing the THK Group’s medium- to long-term corporate value by continuously growing through appropriate cooperation with stakeholders.

The Company’s basic policy regarding takeover defense measures calls for not introducing such measures. When a party attempts a large-scale acquisition of the Company’s stocks and the Company’s stocks are targeted for a tender offer, the Company will clearly explain the stance of its Board of Directors and counterproposal, if any. At the same time, the Company will not take any measures to unreasonably interfere with shareholders’ right to relinquish the stocks upon accepting the tender offer.

In addition, when such large-scale acquisition is deemed to be an act taken by an inappropriate party, the Company will form a Countermeasure Headquarters to carefully examine the purpose of acquisition by the acquirer and the details of the proposal, among other things, in light of the common interest of shareholders and other considerations, with the intention of determining and implementing concrete action.

[Translation for Reference and Convenience Purposes Only]

Consolidated Balance Sheet

(As of December 31, 2019)

(Millions of Yen)

Assets		Liabilities	
Current Assets	271,764	Current Liabilities	77,298
Cash and deposits	149,091	Notes and accounts payable	17,842
Notes and accounts receivable	49,413	Electronically recorded obligations—operating	16,181
Electronically recorded monetary claims—operating	14,400	Current portion of long-term bonds	20,000
Merchandise and finished goods	20,108	Current portion of long-term loans payable	2,185
Work in process	9,156	Lease obligations	244
Raw materials and supplies	18,855	Accrued corporate tax, etc.	709
Short-term loans receivable	2	Reserve for bonuses	3,306
Accrued receivables	5,759	Other	16,828
Other	5,056	Long-Term Liabilities	88,381
Allowance for bad debts	(79)	Bonds payable	40,000
		Long-term loans payable	33,110
		Lease obligations	784
		Deferred tax liabilities	5,554
		Reserve for officers' retirement benefits	104
		Product warranty allowance	6
		Net defined benefit liability	7,438
		Other	1,381
Fixed Assets	188,144	Total Liabilities	165,679
Tangible fixed assets	143,200	Net Assets	
Buildings and structures	38,329	Shareholders' Equity	283,557
Machinery and transportation equipment	70,153	Capital stock	34,606
Land	13,758	Capital surplus	40,413
Construction in progress	15,774	Profit surplus	222,542
Other	5,183	Treasury stock	(14,004)
Intangible fixed assets	24,946	Accumulated Other Comprehensive Income	(202)
Goodwill	9,022	Net unrealized gain on available-for-sale securities	1,881
Other	15,923	Foreign exchange conversion loss adjustment account	(586)
Investments and other assets	19,997	Remeasurements of defined benefit plans	(1,497)
Investment securities	10,669	Non-Controlling Interests	10,873
Net defined benefit asset	1,869	Total Net Assets	294,229
Deferred tax assets	3,061		
Insurance reserve	1,206		
Other	3,252		
Allowance for bad debts	(61)		
Total Assets	459,909	Total Liabilities and Net Assets	459,909

[Translation for Reference and Convenience Purposes Only]

Consolidated Statement of Income
(From January 1, 2019, to December 31, 2019)

(Millions of Yen)

Accounting Item	Amount	
Sales Revenue		277,900
Cost of Sales		210,423
Gross Profit		67,477
Selling, general, and administrative expenses		50,211
Operating Income		17,265
Non-Operating Income		
Interest received	907	
Dividends received	102	
Rent income	374	
Equity in earnings of affiliates	103	
Miscellaneous income	1,775	3,263
Non-Operating Expenses		
Interest expenses	294	
Foreign exchange losses	183	
Loss from a disaster	181	
Miscellaneous loss	930	1,589
Ordinary Income		18,940
Extraordinary Income		
Gain on sale of fixed assets	34	34
Extraordinary Loss		
Loss on disposition and sale of fixed assets	365	
Impairment loss	2,137	2,502
Net Income before Income Taxes		16,471
Income taxes—current	5,176	
Income taxes—deferred	1,475	6,652
Net Income		9,819
Net income attributable to non-controlling interests		217
Net Income Attributable to Owners of the Parent		9,602

[Translation for Reference and Convenience Purposes Only]

Consolidated Statement of Changes in Shareholders' Equity

(From January 1, 2019, to December 31, 2019)

(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 January 1, 2019	34,606	40,420	220,787	(14,002)	281,811	1,102	2,755	(2,063)	1,794	11,113	294,719
Changes in the consolidated fiscal year											
Dividends from surplus			(7,847)		(7,847)						(7,847)
Net income attributable to owners of the parent			9,602		9,602						9,602
Acquisition of treasury stock				(1)	(1)						(1)
Change in the parent's ownership interest due to transaction with non-controlling interests		(6)			(6)						(6)
Changes in the item other than shareholders' equity during the consolidated fiscal year (net amount)						779	(3,342)	566	(1,996)	(239)	(2,236)
Total change in the consolidated fiscal year	—	(6)	1,754	(1)	1,746	779	(3,342)	566	(1,996)	(239)	(489)
Balance as of December 31, 2019	34,606	40,413	222,542	(14,004)	283,557	1,881	(586)	(1,497)	(202)	10,873	294,229

[Translation for Reference and Convenience Purposes Only]

Balance Sheet
(As of December 31, 2019)

(Millions of Yen)

Assets		Liabilities	
Current Assets	146,069	Current Liabilities	53,198
Cash and deposits	69,521	Accounts payable	4,590
Notes receivable	5,066	Electronically recorded obligations—operating	11,047
Electronically recorded monetary claims—operating	13,550	Short-term loans payable	3,049
Accounts receivable	20,036	Current portion of long-term bonds	20,000
Merchandise and finished Goods	8,369	Current portion of long-term loans payable	2,185
Work in process	3,881	Lease obligations	61
Raw materials and supplies	6,363	Accrued payables	7,013
Prepaid expenses	638	Accrued expenses	2,654
Short-term loans	11,520	Advances	46
Accrued receivables	5,483	Deposits received	172
Other	1,640	Reserve for bonuses	2,350
Allowance for bad debts	(3)	Other	25
		Long-Term Liabilities	75,564
		Bonds payable	40,000
Fixed Assets	227,779	Long-term loans payable	33,110
Tangible fixed assets	54,155	Lease obligations	71
Buildings	15,215	Reserve for employees' retirement benefits	1,615
Structures	962	Other	768
Machinery and equipment	26,810		
Automobiles and transportation equipment	50	Total Liabilities	128,763
Tools and supplies	1,332		
Land	6,889	Net Assets	
Lease properties	105	Shareholders' Equity	243,243
Construction in progress	2,789	Capital stock	34,606
		Capital surplus	47,471
Intangible fixed assets	1,189	Capital reserve	47,471
Software	988	Other capital surplus	0
Other	201	Profit surplus	175,163
		Legal retained earnings	1,958
Investments and other assets	172,434	Other profit surplus	173,205
Investment securities	5,121	Special depreciation reserve	0
Affiliates' stocks	110,280	Reserve for advanced depreciation of land	15
Investment in affiliated companies	52,860	Dividend reserve	3,000
Long-term loans	1,500	General reserve	162,000
Insurance reserve	1,091	Profit surplus carried forward	8,189
		Treasury stock	(13,998)
Deferred tax assets	726	Valuation/Conversion Difference	1,842
Other	888	Net unrealized gain on available-for-sale securities	1,842
Allowance for bad debts	(36)	Total Net Assets	245,086
Total Assets	373,849	Total Liabilities and Net Assets	373,849

[Translation for Reference and Convenience Purposes Only]

Statement of Income

(From January 1, 2019, to December 31, 2019)

(Millions of Yen)

Accounting Item	Amount	
Sales Revenue		136,189
Cost of Sales		97,536
Gross Profit		38,652
Selling, general, and administrative expenses		26,719
Operating Income		11,933
Non-Operating Income		
Interest received	150	
Dividends received	2,800	
Rent income	590	
Loyalty income	569	
Miscellaneous income	827	4,938
Non-Operating Expenses		
Interest expenses	133	
Interest on corporate bonds	177	
Bond issuance cost	113	
Arrangement fees	167	
Foreign exchange losses	186	
Rent expenses	182	
Miscellaneous loss	164	1,125
Ordinary Income		15,746
Extraordinary Income		
Gain on sale of fixed assets	1	1
Extraordinary Loss		
Loss on disposition and sale of fixed assets	63	
Loss on valuation of stocks of subsidiaries and associates	4,519	4,582
Net Income before Income Taxes		11,165
Income taxes—current	2,859	
Income taxes—deferred	747	3,606
Net Income		7,559

[Translation for Reference and Convenience Purposes Only]

Statement of Changes in Shareholders' Equity

(From January 1, 2019, to December 31, 2019)

(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 January 1, 2019	34,606	47,471	0	47,471	1,958	3	15	3,000	145,000	25,474	175,452
Change in the fiscal year											
Dividends from surplus										(7,847)	(7,847)
Reimbursement from the special depreciation reserves						(2)				2	
Provision of general reserve									17,000	(17,000)	
Net income										7,559	7,559
Acquisition of treasury stock											
Changes in items other than shareholders' equity during the fiscal year (net amount)											
Total changes in the fiscal year	-	-	-	-	-	(2)	-	-	17,000	(17,285)	(288)
Balance as of December 31, 2019	34,606	47,471	0	47,471	1,958	0	15	3,000	162,000	8,189	175,163

	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 January 1, 2019	(13,997)	243,533	1,083	1,083	244,616
Changes in the fiscal year					
Dividends from surplus		(7,847)			(7,847)
Reimbursement from the special depreciation reserves					
Provision of general reserve					
Net income		7,559			7,559
Acquisition of treasury stock	(1)	(1)			(1)
Changes in items other than shareholders' equity during the fiscal year (net amount)			759	759	759
Total changes in the fiscal year	(1)	(289)	759	759	469
Balance as of December 31, 2019	(13,998)	243,243	1,842	1,842	245,086

[Translation for Reference and Convenience Purposes Only]

Accounting Audit Report on the Consolidated Financial Statements

AUDIT REPORT BY INDEPENDENT AUDITOR

February 13, 2020

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

Grant Thornton Taiyo LLC

Designated Executive Employee	Certified Public Accountant	Keita Tajiri (Seal)
Designated Executive Employee	Certified Public Accountant	Makio Wada (Seal)
Designated Executive Employee	Certified Public Accountant	Motoki Ishikawa (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 January 1, 2019, to December 31, 2019.

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

February 13, 2020

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

Grant Thornton Taiyo LLC

Designated Executive Employee	Certified Public Accountant	Keita Tajiri (Seal)
Designated Executive Employee	Certified Public Accountant	Makio Wada (Seal)
Designated Executive Employee	Certified Public Accountant	Motoki Ishikawa (Seal)

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 50th fiscal year from January 1, 2019, to December 31, 2019.

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

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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 Audit and Supervisory Committee

AUDIT REPORT

We, the Audit and Supervisory Committee (the “Committee”), audited the execution of duties of the Directors during the Company’s 50th fiscal year starting from January 1, 2019, and ended on December 31, 2019. The auditing method and details of audits are as described below.

1. Auditing Method and Content of Audits Performed

Regarding the content of the resolution of the Board of Directors relating to matters stipulated in Article 399-13, Paragraph 1, No. 1-B and C of the Companies Act of Japan and the system developed pursuant to such resolution (internal control system), the Committee received reports from Directors, Executive Officers, and employees concerning the status of the establishment and operation of such system, sought explanation as necessary, and expressed opinions. In addition, we carried out audits according to the following method:

- 1) The Committee, working in coordination with the Company’s Internal Audit Division and departments in charge of internal control in accordance with the Audit and Supervisory Committee’s Auditing Standards specified by the Committee and following the auditing policy and allocation of tasks, attended important meetings, received reports from Directors, Executive Officers, and employees concerning matters relating to the execution of their duties, sought explanation as necessary, inspected important decision-making documents, etc., and investigated the status of operations and assets at the Company’s Head Office and principal offices. As for subsidiaries of the Company, the Committee communicated and exchanged information with directors and audit and supervisory board members, etc. of subsidiaries, and received reports on business from subsidiaries as necessary. In addition, the Committee held its meetings on a monthly basis and deliberated on matters for resolution and sought to share information. Furthermore, the Committee held a meeting separately from the Committee meeting once a month to complement the Committee meeting, and conducted information sharing, exchange of opinions, and deliberations on various matters, as well as seeking to collect information. The Committee also delivered opinions to the Directors on the results of its audit activities as necessary.
- 2) For the basic policy of the Enforcement Regulations of the Companies Act, Article 118, No.3-A, 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.
- 3) 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

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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 are of the opinion that the Company’s basic policy regarding persons who control decision making on the Company’s financial and business policies, as described in the Business Report, is appropriate.

(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.

February 13, 2020

The Audit and Supervisory Committee of THK CO., LTD.
Audit and Supervisory Committee Member Masakatsu Hioki
Audit and Supervisory Committee Member Tomitoshi Omura
Audit and Supervisory Committee Member Yoshiki Ueda

Note: Audit and Supervisory Committee Members Masakatsu Hioki, Tomitoshi Omura, and Yoshiki Ueda are Outside Directors provided for in Article 2, No. 15, and Article 331, Paragraph 6, of the Companies Act of Japan.