

Corporate Governance and Internal Controls

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

Basic Stance on Corporate Governance

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

The basic management and administrative structures are the Board of Directors and the Board of Auditors. THK has also established the Executive Council, comprising the president, executive vice presidents and an outside director for a total of four members, to ensure that decisions by the Board of Directors are made in a strategic, timely and appropriate manner.

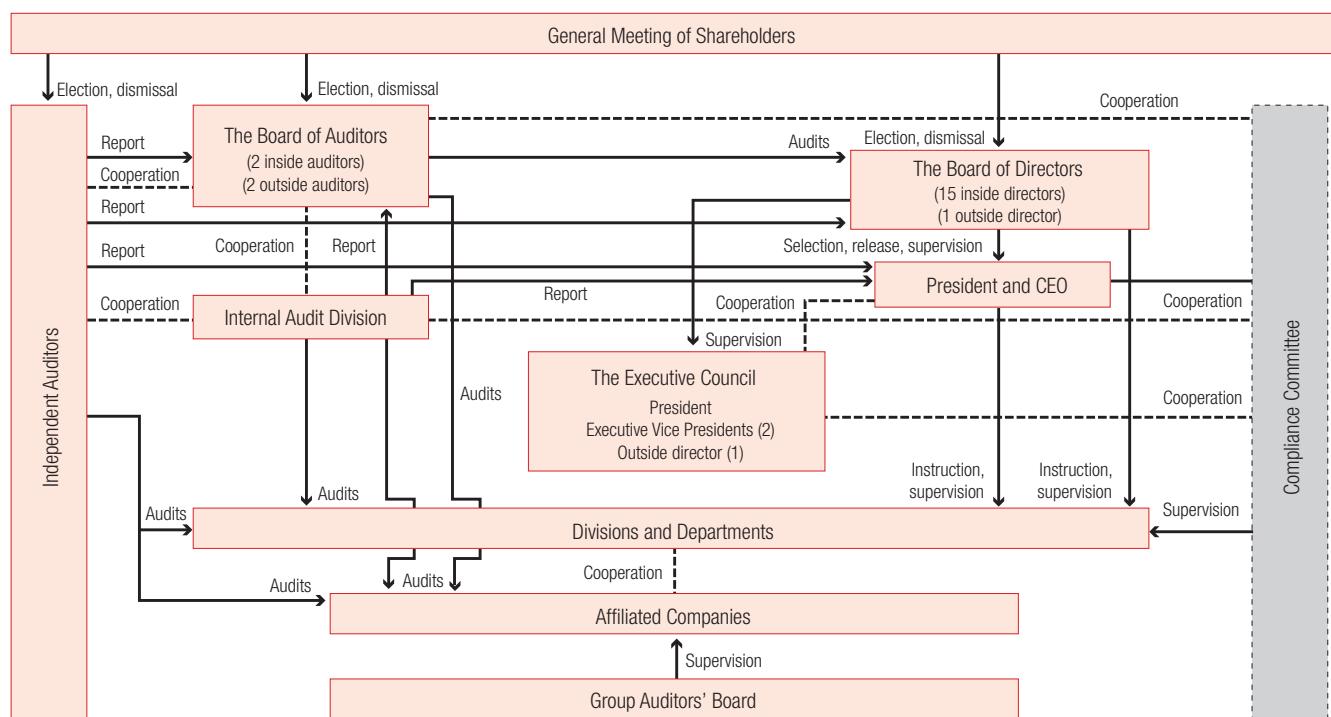
The Executive Council determines the basic direction to be taken with respect to management from a strategic perspective, gathers from relevant internal departments the information required by the Board of Directors to engage in informed discussion and debate and seeks the opinion of lawyers, accountants or other third-party professionals as required. Based on these endeavors, appropriate deliberations are undertaken with steps taken to organize information and points at issue. Based on these deliberations and endeavors, the Board of Directors,

which includes an independent outside director from June 2012, then further discusses matters of material importance and makes the final decision on behalf of the Company. The Board of Auditors comprises four members, two of whom are outside auditors. THK is working to strengthen management oversight by reinforcing the role played by the Board of Auditors.

Implementation of Corporate Governance Measures

To achieve a clear separation between the management oversight and operational execution functions, THK has introduced an independent outside director as a member of its Board of Directors together with senior executive directors, who do not hold any line management position. These initiatives are aimed at strengthening the management oversight function. Moreover, the Company promotes mutual monitoring between directors who concurrently serve as employees in various capacities including sales, production and development as well as management audits conducted by auditors including outside auditors.

In cooperation with the independent auditors, the members of the Board of Auditors work to assess the status and results of financial



accounting audits, based on periodic reports from the independent auditors concerning the process and content of such audits.

THK has also established the Internal Audit Division. Based on internal audit regulations, this section conducts regular internal audits to evaluate whether operational execution is done on a faithful, definitive and rational basis and to assess overall management efficiency. Auditors instruct members of the Internal Audit Division regarding matters of vital importance with respect to the conduct of audit operations and at the same time collaborate with the Internal Audit Division in carrying out audit procedures. A liaison committee consisting of auditors working for the parent company and THK Group companies based in Japan also meets regularly to exchange information on auditing practices.

Active Disclosure of Corporate Information

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

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



Construction and Reinforcement of a System of Internal Controls

Concentrating on comprehensive compliance, THK is implementing initiatives to reinforce internal controls as a part of efforts to strengthen its management platform.

In 2008, THK introduced an internal control regulation regarding financial reporting. The entire THK Group including its subsidiaries and affiliates is thus endeavoring to engage in ongoing efforts to facilitate a corporate structure that ensures the reliability of its financial reporting based on Japan's Financial Instruments and Exchange Law. At the same time, the Internal Control Audit Department was established within the Internal Audit Division to evaluate the operational status and performance of internal control systems. Based on evaluations that are conducted annually, initiatives are implemented within the Internal Control

Department, set up as a secretariat within the Risk Management Division, to further improve operations and performance.

In-house evaluations undertaken during fiscal 2012 on the Group's internal control systems did not detect any flaws or serious outstanding issues that required disclosure.

The conclusions from these evaluations were submitted in a statutory filing on internal control to the Prime Minister of Japan (the Kanto Local Finance Bureau) in June 2013 and then disclosed.

Framework for the Promotion of Compliance

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

The Company has established the THK Help Line to prevent executive officers and employees from committing violations and to help ensure that swift corrective measures can be taken in the event of any serious compliance-related problems. Reports can be made by telephone or e-mail. Contact can also be made with external legal counsel. In fiscal 2012, eight inquiries were fielded through the THK Help Line. Each was attended to in an appropriate manner in collaboration with the relevant department.

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

Thorough Risk Management

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