



# Corporate Governance

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## Basic Management Structure

The THK Board of Directors consists of a total of 16 directors. While there are currently no external directors on the Board, in order to clearly define the managerial responsibilities of the members, each director serves for a period of one year. In addition, in order to separate the management oversight function from the day-to-day execution of the Company’s business, the executive directors are not involved in the conduct of business operations. A Management Meeting composed of the official directors has been established in order to ensure that the Board of Directors fulfils its responsibilities. The Management Meeting is responsible for making decisions on basic management-related matters from a strategic standpoint, and gathers the information required for the discussions that take place at the Board of Directors. It’s deliberations are informed by the views of lawyers, certified public accountants and other third parties if the

input of such individuals is required in addition to the internal resources of the Group. Based on the information so gathered, the issues are further explored by the Board of Directors, with the goal of informed policy implementation.

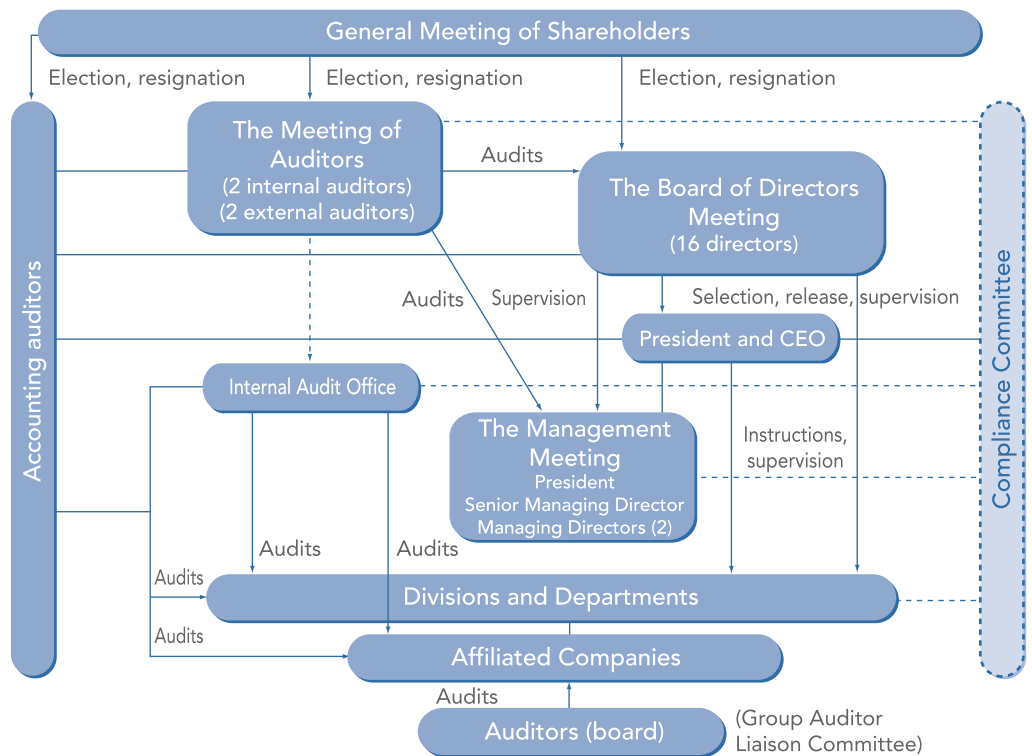
The Meeting of Auditors consists of four auditors (two of whom are external auditors). Acting in concert with the accounting auditors, the auditors receive reports on the progress made and the findings of the audits from the accounting auditors, and they gain a thorough understanding of the audit implementation process and the results yielded. The Company has also established an Internal Audit Office which, based on the internal audit regulations, conducts regular internal audits with a view to evaluating the faithfulness, soundness and reasonableness with which the Company’s operations are being executed and to assessing overall management efficiency. The job of the auditors is to identify matters that need to be audited to the personnel in the Internal Audit Office and implement appropriate auditing procedures together with the Office.

A liaison meeting is held regularly and attended by the auditors of THK’s entire group of companies in Japan including THK itself. These meetings serve as a forum where information regarding auditing practices is exchanged.



### Overview of Corporate Governance

Management format	Company with standing corporate auditors
Board of Directors chairperson	President
Number of directors	16
External directors appointed/not appointed	Not appointed
Number of auditors	4
External auditors appointed/not appointed	Appointed
Number of external auditors	2
Incentives granted to directors	None
Disclosure of director remuneration	Periodic securities reports
Internal audits	Establishment of Compliance Committee, Internal Audit Office



Organizational Chart of Corporate Governance

In another move, THK has established a Compliance Committee. This body ensures that the Company is duly observing all the various laws, rules and regulations which are applicable, and it creates corporate rules that reflect reality and a code of conduct that takes the conditions prevailing in society into account. In order to prove completely worthy of the trust that our shareholders, investors and other stakeholders have placed in us, the Committee serves as a linchpin in our ongoing efforts to bolster our internal systems and ensure that we are fully accountable to the above constituencies.

### Strategic Planning and Transparency

THK’s basic philosophy on corporate governance is maximization of shareholder profit. We consider our management philosophy to be the single most important element in guaranteeing the transparency of our business management. We also make periodic disclosure regarding our business planning, which consists of our Long-Term Management Target, Medium-Term Management Plan and the Annual Management Plan, and issue progress reports to stakeholders.

Our management philosophy and current Long-Term Management Target, as well as Medium-Term Management Plan, are as follows:

### Long-Term Management Target

To fully demonstrate the competitive abilities of this company and to further cement our position as the world’s top manufacturer in our field, we established the “Fiscal 2010 Vision” embodying a set of Long-Term Management Targets issued on the occasion of our 30th anniversary. The vision is intended to guide our evolution up until FY 2010 and to focus our thinking, with the ultimate goal of fulfilling our basic management philosophy, which is providing innovative products to the world and generating new trends to

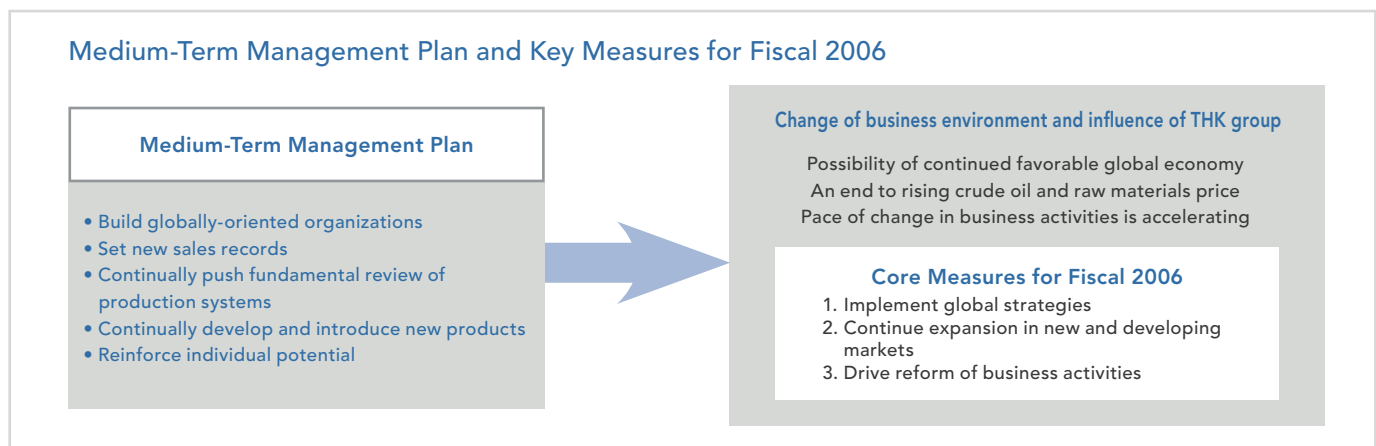
contribute to the creation of an affluent society. We intended to extend our business areas through “Full-Scale Globalization” and “Development of New Business Areas.”

### Medium-Term Management Plan

We have established a more specific Medium-Term Management Plan to help us achieve the Long-Term Management Target. Although our Long-Term Management Target is expressed as a fixed plan targeted for completion in FY 2010, the Medium-Term Management Plan is formulated for the forthcoming three-year period. This is a rolling plan reviewed each year in light of changes to the business environment and progress made to date. The Medium-Term Management Plan is used as a bridge between the Long-Term Management Target and the business strategies implemented by the individual divisions. The most significant feature is that the plan represents a connection between the Long-Term Management Target, set by the management in a top down fashion, with business strategies implemented by the individual divisions in a bottom-up fashion. Through this procedure the consistency and feasibility of our planning process is sustained at all times. THK announced its most recent Medium-Term Management Plan, in respect of the period FY 2006-08, in May 2006. The main features of the plan are shown in the diagram above.

### Our Basic Stance on Profit Retention

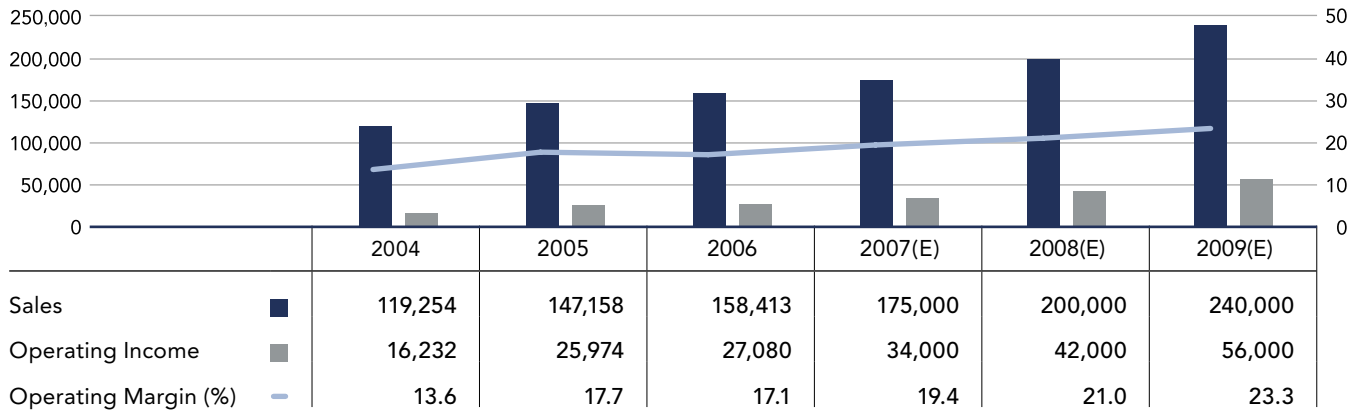
THK’s fundamental stance on retained earnings is to share profit with our shareholders while at the same time reinvesting in our business activities in line with our Long-Term Management Target. Our intention is to maintain a stable distribution of dividends taking into account our need for long-term capital investment and to strive to maximize our shareholders’ equity, while proactively sharing profits.



Years ended March 31

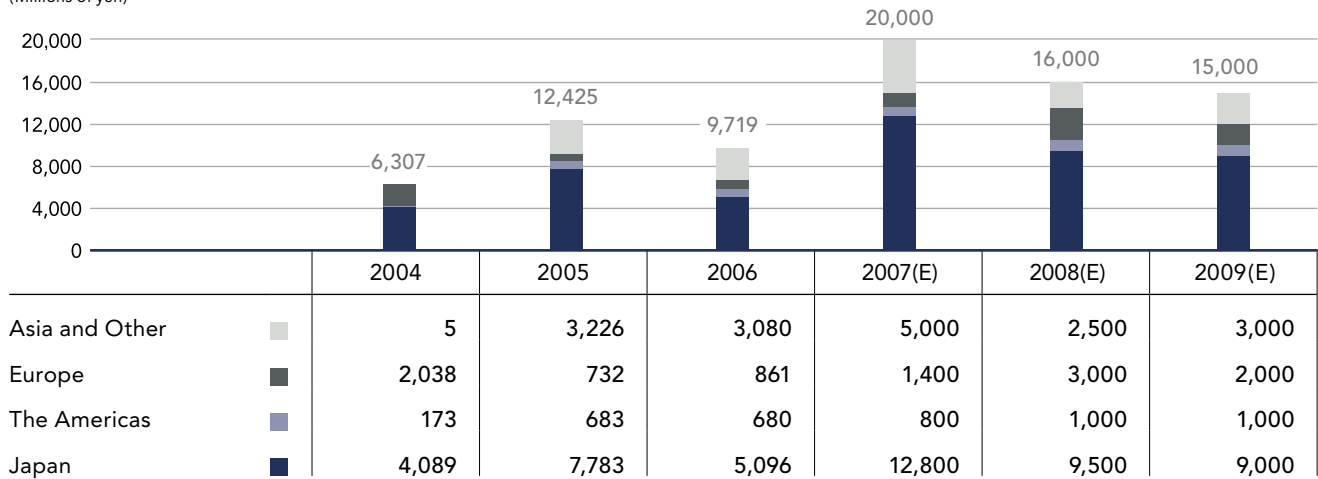
### Forecasts

(Millions of yen)



### Capital Expenditure

(Millions of yen)



### Employees

(Individuals)

