

## Corporate Governance



### Basic Stance on Corporate Governance

Based on its management philosophy of “providing innovative products to the world and generating new trends to contribute to the creation of an affluent society,” THK’s basic stance toward corporate governance is to improve corporate value over the medium to long term. From the perspective of “corporate value maximization,” this entails raising management transparency to all stakeholders including shareholders while at the same time conducting appropriate and efficient management.

### Transition to a Company with an Audit and Supervisory Committee

Following the 46th General Meeting of Shareholders, which was held on June 18, 2016, in addition to transitioning from a company with an audit and supervisory board to a company with an audit and supervisory committee, THK set up a non-mandatory Nomination Advisory Committee and a Remuneration Advisory Committee to act as advisory bodies to the Board of Directors. An executive officer system had been introduced with effect from June 21, 2014.

Following the transition to a company with an audit and supervisory committee, the directors who make up the Audit and Supervisory Committee, which is responsible for the auditing and supervisory functions, will be able to exercise voting rights at Board of Directors’ meetings. With this ability and the setting up of the non-mandatory Nomination Advisory Committee and Remuneration Advisory Committee, the Company is now better placed to increase transparency and objectivity in relation to management, strengthen the oversight function of the Board of Directors, and enhance the speed and efficiency of decision making and business execution relating to management.

### Corporate Governance Framework

Comprising a total of eight directors, including one outside director (excluding directors who are Audit and Supervisory Committee members) and three outside directors who are Audit and Supervisory Committee members, THK’s Board of Directors make decisions on important matters of management in general, and carry out the oversight of directors and executive officers in the execution of their duties. In addition, the number of outside directors, whose independence meets the evaluation criteria stipulated by the Tokyo Stock Exchange and THK, has been increased from the previous two to four. Increasing the number of outside directors that possess specialist professional knowledge and qualifications relating to corporate accounting or management in general will further enhance management neutrality, legality, and validity while improving the management oversight function.

Comprising three outside directors who are Audit and Supervisory Committee members, the Audit and Supervisory Committee utilizes the internal control system and audits as well as supervises directors and executive officers with regard to the current status of the execution of their duties. The effectiveness of the audits is also enhanced by collaboration between the Audit and Supervisory Committee and independent auditors. In addition, an Audit and Supervisory Committee secretariat comprising three full-time staff members has been established to support the Audit and Supervisory Committee members and the Audit and Supervisory Committee. The Audit and Supervisory Committee secretariat follows the instructions of the Audit and Supervisory Committee, carries out adjustments to each department, conveys instructions to the Risk Management Division that is responsible for the maintenance and operation of internal controls and the Internal Audit Division.

Both the non-mandatory Nomination Advisory Committee and Remuneration Advisory Committee are comprised of four directors including two outside directors, with outside directors to make up half or more of the members as stipulated under the rules. Both committees review and deliberate director candidates and remuneration proposals as advisory bodies to the Board of Directors and propose the content and outcomes of those deliberations to the Board of Directors. The Board of Directors conducts its own deliberations of the content before deciding on a resolution.

Following the introduction of the executive officer system, in addition to the Board of Directors working to improve the management oversight function and the clarification of roles and responsibilities relating to business execution, THK worked to accelerate decision making and operational execution. Through the Board of Executive Officers, which is attended by directors and executive officers, and the putting into practice of the Global Management Strategy Meeting, which is attended by members of the Board of Executive Officers in addition to those responsible at each division and department as well as affiliate companies, ways were devised to share information throughout the Group and improve corporate governance by collaboration between the management team, such as the directors and executive officers. To clarify the roles and responsibilities of executive officers relating to business execution, an executive officer’s term in office is deemed to be one year.

