

Please note that the following is an unofficial English translation of Japanese original text of the Notice of Convocation of the 48th 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:

Taking this occasion, we would like to express our deep gratitude for your support.

It gives us great pleasure to inform you that the 48th 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), robotics, and other technologies.

In the industrial machinery business, the Company is promoting efficient sales activities by utilizing various IT tools to further broaden the demand for the Company’s products. On the production front, the Company is working to dramatically increase productivity by making efforts to further strengthen our production capacity through enhanced personnel and facilities, promoting incorporation of robots into the production process and automation of production lines, and visualizing global production through the full use of IoT.

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 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.

**[Translation for Reference and Convenience Purposes Only]**

## 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  
March 1, 2018

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 48th Ordinary General Meeting of Shareholders**

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

We are writing to inform you that the 48th 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 Friday, March 16, 2018.

**1. Date and Time:** Saturday, March 17, 2018, 13:30 (Reception desk: open at 12:30)  
(The date of this Ordinary General Meeting of Shareholders has been shifted from a date corresponding to the previous Ordinary General Meeting of Shareholders (held on June 17, 2017), following the change in the Company’s fiscal year-end from March 31 to December 31, starting from the 48th term.)

**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 48th Term (April 1, 2017 to December 31, 2017)
2. Report of financial statements for the 48th Term (April 1, 2017 to December 31, 2017)

#### **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 consolidated financial statements and the notes to the non-consolidated financial statements 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 Friday, March 16 (Japan Time), 2018.
- Exercising Voting Rights via the Internet  
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 Friday, March 16 (Japan Time), 2018.  
Please refer to “Procedure for Exercising Voting Rights via the Internet” 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.



An illustration of last year's exhibition

## Procedure for Exercising Voting Rights via the Internet

Deadline for exercising your voting right: 17:30, Friday, March 16, 2018

### 1. Access the voting website.

Please access the voting website and click on the “Next” button.

> Voting website:

<https://evote.tr.mufg.jp/>

- You may exercise your voting rights on the Internet by accessing the voting website with your PC, smartphone or mobile phone. (Access to the website for exercise of voting rights is disabled between 2:00 and 5:00 Japan local time, due to maintenance and inspection.)

### 2. Login to the website.

Enter the “login ID” and “temporary password” shown on the enclosed voting form and click “login.”

**>>> You are now logged in. Thereafter, follow the instructions given 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 Concerning Systems and Other Matters	
If you have any questions about the operation of your PC, smartphone or mobile phone for exercising your voting rights on the Internet, please contact:	Mitsubishi UFJ Trust & Banking Co., Ltd. Securities Agent Division (Help Desk) 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 (48th term), we would like to pay the following term-end dividend for the 48th 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 48th term, we would like to pay out ¥26 per share of common stock.

As a result, annual dividend for the 48th term, including the interim dividend of ¥36, will be ¥62 per share.

##### (1) Type of Property for Dividends

Money

##### (2) Allotment of Property for Dividends

¥26 per share of common stock for a total of ¥3,290,914,510

##### (3) Effective Date of Distribution of Surplus

Effective date to be March 19, 2018

#### 2. Matters Related to Other Surplus Appropriation

##### (1) Account item and amount of increase in surplus

General reserve ¥20,000,000,000

##### (2) Account item and amount of decrease in surplus

Profit surplus carried forward ¥20,000,000,000

[Translation for Reference and Convenience Purposes Only]

**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 (66)	Representative Director, President and CEO of the Company
2	Reappointment	Toshihiro Teramachi (59)	Director, Executive Vice President and CIO
3	Reappointment	Hiroshi Imano (64)	Director, Executive Vice President and CFO
4	Reappointment	Nobuyuki Maki (57)	Director and Senior Managing Executive Officer Senior General Manager of Automotive & Transportation Headquarters
5	Reappointment	Takashi Teramachi (39)	Director and Senior Managing Executive Officer Senior General Manager of Industrial Machinery Headquarters Representative Director and President of THK INTECHS CO., LTD.
6	Reappointment	Junji Shimomaki (64)	Director and Managing Executive Officer General Manager of Industrial Machinery Headquarters Senior General Manager of Sales Division, Industrial Machinery Headquarters
7	Reappointment	Junichi Sakai (70)	Director (In charge of Quality Assurance, Risk Management, and Production Engineering)
8	Reappointment Candidate for Outside Director Candidate for Independent Officer	Masaaki Kainosho (67)	Outside Director

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

[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
1	[Reappointment]  Akihiro Teramachi (April 5, 1951)  Service years as Director: 36 years  Attendance at the Board of Directors meetings: 100% (11 of 11 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)	3,497,810
	<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: 19 years and 9 months  Attendance at the Board of Directors meetings: 90% (10 of 11 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><b>Hiroshi Imano</b> (January 31, 1954)</p> <p>Service years as Director: 9 years and 9 months</p> <p>Attendance at the Board of Directors meetings: 100% (11 of 11 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>	2,900
	<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><b>Nobuyuki Maki</b> (May 12, 1960)</p> <p>Service years as Director: 2 years and 9 months</p> <p>Attendance at the Board of Directors meetings: 100% (11 of 11 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&amp;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 &amp; Transportation Business Unit</p> <p>Jun. 2016    Director and Senior Managing Executive Officer (current position) Senior General Manager of Automotive &amp; Transportation Headquarters (current position)</p>	2,900
	<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 &amp; 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>		

**[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
5	<p>[Reappointment]</p> <p><b>Takashi Teramachi</b> (November 17, 1978)</p> <p>Service years as Director: 3 years and 9 months</p> <p>Attendance at the Board of Directors meetings: 100% (11 of 11 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. (current position)</p> <p>Jun. 2016 Senior Managing Executive Officer (current position) Senior General Manager of Industrial Machinery Headquarters (current position)</p>	1,700
	<p>[Rationale for Appointment as a Candidate for Director]</p> <p>The rationale for the appointment of Takashi Teramachi as a candidate for Director is that we judged that he is capable of appropriately exercising supervision and management of the whole Group and the businesses that he is in charge of as the Group undertakes full-scale globalization and development of new business areas, as well as change in business style, to enhance its corporate value, based on his experience and achievements as a person responsible for supervising and controlling the industrial machinery business and as a person responsible for the Group's robotics and unit products fields as representative director and president of THK INTECHS CO., LTD.</p> <p>Note: There is no special interest relationship between Takashi Teramachi and the Company.</p>		
6	<p>[Reappointment]</p> <p><b>Junji Shimomaki</b> (October 6, 1953)</p> <p>Service years as Director: 1 year and 9 months</p> <p>Attendance at the Board of Directors meetings: 100% (11 of 11 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>	8,100
	<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>		

**[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
7	<p>[Reappointment]</p> <p><b>Junichi Sakai</b> (October 5, 1947)</p> <p>Service years as Director: 13 years and 9 months</p> <p>Attendance at the Board of Directors meetings: 100% (11 of 11 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>	3,850
<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>			

[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
8	<p>[Reappointment] [Outside Director]</p> <p><b>Masaaki Kainosho</b> (January 21, 1951)</p> <p>Service years as Outside Director: 5 years and 9 months</p> <p>Attendance at the Board of Directors meetings: 100% (11 of 11 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 at Otsuma Women's University Junior College Division (current position)</p> <p>Jun. 2012    Outside Director of the Company (current position)</p>	1,900
	<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"> <li>1. There is no special interest relationship between Masaaki Kainosho and the Company.</li> <li>2. Masaaki Kainosho is a candidate for Outside Director.</li> <li>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</li> <li>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.</li> </ol>		

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 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.

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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.

[Translation for Reference and Convenience Purposes Only]

**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]</p> <p><b>Masakatsu Hioki</b> (July 30, 1950)</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: 1 year and 9 months</p> <p>Attendance at the Board of Directors meetings: 90% (10 of 11 meetings)</p> <p>Attendance at the Audit and Supervisory Committee meetings: 100% (12 of 12 meetings)</p>	<p>Apr. 1975    Joined Komatsu Ltd.</p> <p>Apr. 2004    Executive Officer of Komatsu Ltd.</p> <p>Apr. 2008    Senior Executive Officer of Komatsu Ltd.</p> <p>Jul. 2012    Advisor of Komatsu Ltd.</p> <p>Jun. 2014    Outside Director of the Company</p> <p>Nov. 2014    Outside Director of SUKIYA Co., Ltd. (current position)</p> <p>Apr. 2015    Visiting Professor at Ritsumeikan University Graduate School (current position)</p> <p>May 2016    Outside Director of ZUIKO CO., LTD. (current position)</p> <p>Jun. 2016    Outside Director (Audit and Supervisory Committee Member) of the Company (current position)</p>	700
<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. 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>			

**[Translation for Reference and Convenience Purposes Only]**

	<p>Notes:</p> <ol style="list-style-type: none"><li>1. There is no special interest relationship between Masakatsu Hioki and the Company.</li><li>2. Masakatsu Hioki is a candidate for Outside Director.</li><li>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.</li><li>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.</li></ol>
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[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]</p> <p><b>Tomitoshi Omura</b> (August 3, 1954)</p> <p>Service years as Outside Director: 1 year and 9 months</p> <p>Service years as Director who is an Audit and Supervisory Committee Member: 1 year and 9 months</p> <p>Attendance at the Board of Directors meetings: 100% (11 of 11 meetings)</p> <p>Attendance at the Audit and Supervisory Committee meetings: 100% (12 of 12 meetings)</p>	<p>Oct. 1976 Registered as Assistant CPA</p> <p>Oct. 1977 Joined Fuji Accounting Office</p> <p>Oct. 1980 Joined Asahi &amp; Co. (currently KPMG AZSA LLC.)</p> <p>Mar. 1982 Resigned as Certified Public Accountant</p> <p>Dec. 1989 Managing Director of Omura Accounting Office (current position)</p> <p>Jun. 2016 Outside Director (Audit and Supervisory Committee Member) of the Company (current position)</p>	500
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"> <li>1. There is no special interest relationship between Tomitoshi Omura and the Company.</li> <li>2. Tomitoshi Omura is a candidate for Outside Director.</li> <li>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.</li> <li>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.</li> </ol>		

**[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]</p> <p><b>Yoshiki Ueda</b> (March 10, 1953)</p> <p>Service years as Outside Director: 1 year and 9 months</p> <p>Service years as Director who is an Audit and Supervisory Committee Member: 1 year and 9 months</p> <p>Attendance at the Board of Directors meetings: 100% (11 of 11 meetings)</p> <p>Attendance at the Audit and Supervisory Committee meetings: 91% (11 of 12 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 &amp; 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. (current position)</p> <p>Dec. 2016 Visiting Professor of National University Corporation Shizuoka University (current position)</p>	<p align="center">500</p>
<p>3</p>	<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 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.</p> <p>Mr. Ueda concurrently serves as Outside Director of SHINTOKOGIO, LTD. and Corporate Advisor to 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 SINTOKOGIO'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.</p> <p>Notes:</p> <ol style="list-style-type: none"> <li>1. There is no special interest relationship between Yoshiki Ueda and the Company.</li> <li>2. Yoshiki Ueda is a candidate for Outside Director.</li> <li>3. Under the provisions of Article 427, Paragraph 1, of the Companies Act, the Company may</li> </ol>		

**[Translation for Reference and Convenience Purposes Only]**

	<p>enter into an agreement with Yoshiaki 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.</p> <p>4. The Company registered Yoshiaki 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.</p>
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[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 46th Ordinary General Meeting of Shareholders held on June 18, 2016, 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
<p>[Outside Director]</p> <p>Tetsuro Toriumi (August 3, 1950)</p>	<p>Apr. 1979 Registered at the Daini Tokyo Bar Association</p> <p>Apr. 1979 Joined Masuda &amp; Ejiri</p> <p>Jun. 1982 Joined Ray Connell law firm in Vancouver</p> <p>May 1983 Joined Bronson, Bronson &amp; McKinnon LLP in San Francisco</p> <p>Jan. 1985 Partner attorney of Masuda &amp; Ejiri</p> <p>Apr. 1993 Partner attorney of Asahi Law Offices</p> <p>Apr. 2007 Partner attorney of TMI Associates (current position)</p>	<p>—</p>
<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"> <li>1. There is no special interest relationship between Tetsuro Toriumi and the Company.</li> <li>2. Tetsuro Toriumi is a candidate for Outside Director.</li> <li>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.</li> <li>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.</li> </ol>		

**[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 April 1, 2017 to December 31, 2017)

Based on a resolution by the 47th Ordinary General Meeting of Shareholders held on June 17, 2017, the Company changed its fiscal year-end from the current date of March 31 to December 31.

Following the above change, the 48th fiscal year covers the nine months from April 1, 2017 to December 31, 2017. Accordingly, year-on-year changes pertaining to business performance are not presented in the business report for the consolidated fiscal year under review.

### **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 (48th term), while the economy in developed countries such as Europe and the United States of America continuously rallied, signs of a pickup were seen in the economy in emerging countries such as China, and the world economy continued its modest recovery. In Japan, while exports and capital investment were robust because of the rebounding world economy, the economy showed signs of an overall recovery trend and gradually rallied.

###### **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 new business fields such as automobile parts, seismic isolation and damping systems, medical equipment, aircraft, robot, and renewable energy, the THK Group is working on expanding sales of not only existing products but also new developed products. 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 and robot technologies in many ways.

In this fiscal year, while the overall business was strong because of sales to the electronics industry driven by the robust investments in the semiconductor industry and of expanding demand for general machinery and machine tools, the THK Group captured such demand and successfully increased sales with its strengthened operating structure on a global scale. As a result, sales revenue for the year amounted to ¥286,603 million.

[Translation for Reference and Convenience Purposes Only]

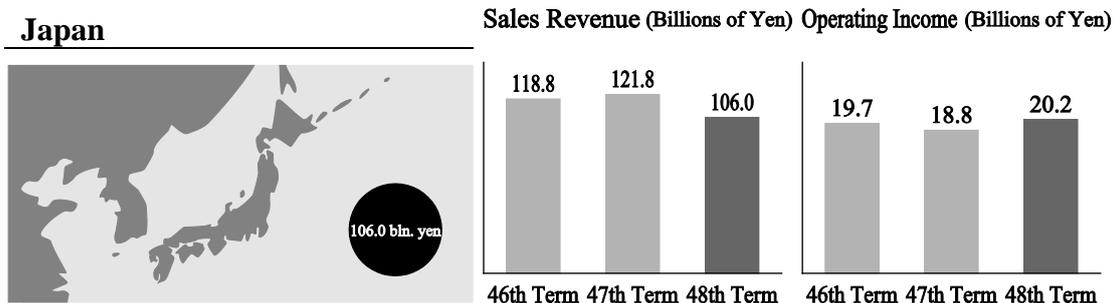
### Overall Summary of Income

On the cost front, while demand was increasing, the THK Group continued to implement various activities such as robotization and automation to improve its productivity. As a result of initiatives taken on the sales and cost fronts, operating income amounted to ¥29,279 million, and ratio to sales revenue stood at 10.2%. Total non-operating income was ¥2,830 million of which major components were ¥948 million of equity in earnings of affiliates and ¥465 million of interest received. Total non-operating expenses were ¥855 million of which major components were ¥360 million of interest expenses and ¥270 million of foreign exchange losses.

As a result, THK recorded ¥31,254 million of ordinary income.

As announced on October 23, 2017, THK transferred all of its holdings of shares of THK RHYTHM CO., LTD., a consolidated subsidiary, to TRA Holdings, CO., LTD. Because of this share transfer, a write-down of investments in a subsidiary became deductible and gain on sale of investments in an affiliate was adjusted on consolidation for tax purposes. The effect on the consolidated statement of income was to decrease income taxes—current by ¥3,100 million. As a result, net income attributable to owners of the parent for the year was ¥25,729 million.

### Segment Breakdown

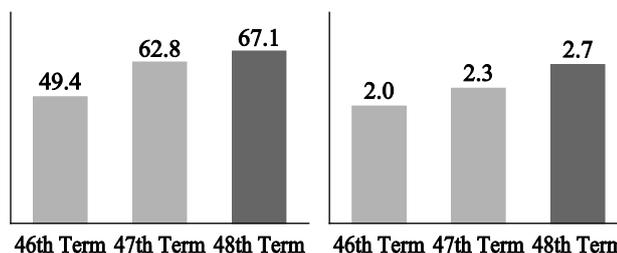


In Japan, while there were signs of overall recovery with strong exports and capital investment underpinned by the recovery of the world economy, the economy gradually rallied. In addition to sales to the electronics industry, demand for general machinery and machine tools expanded. Accordingly, due to overall robust demand, the THK Group recorded ¥106,072 million in sales revenue and ¥20,248 million in operating income (segment income).

## The Americas



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

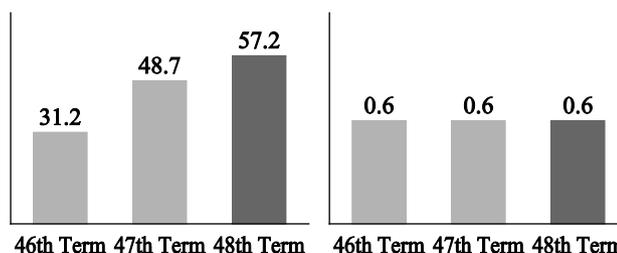


In the Americas, while the economy continued its recovery trend by dint of robust consumer spending and capital investment, the production and sales sections worked in unison to expand and deepen transactions with existing customers and to cultivate new business fields such as automobile, medical equipment, aircraft, and energy-related business. Accordingly, due to robust demand for electronics and machine tools, the THK Group recorded ¥67,130 million in sales revenue and ¥2,738 million in operating income (segment income).

## Europe



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

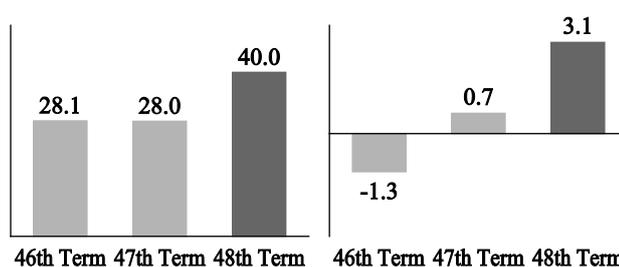


In Europe, while the economy continued its modest recovery trend mainly in consumer spending, the production and sales sections proactively worked in unison to expand transactions with existing customers and to cultivate new business fields such as automobile, medical equipment, aircraft and robot. Accordingly, due to robust demand for general machinery and machine tools, the THK Group recorded ¥57,247 million in sales revenue and ¥627 million in operating income (segment income).

## China

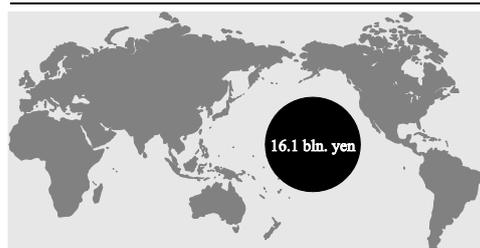


Sales Revenue (Billions of Yen) Operating Income (Billions of Yen)

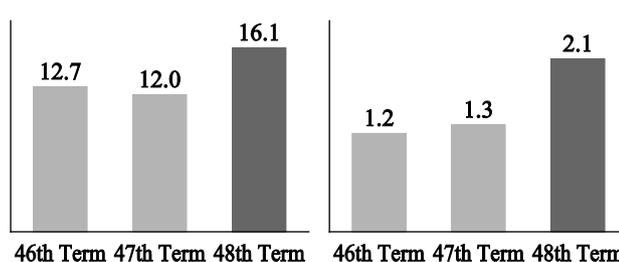


In China, in addition to the increasing demand boosted by smartphone and automobile-related investments, demand for THK Group's products was widely expanded because of the factory automation progress brought by the shortage in labor and the hike in personnel expenses. In such a situation, by utilizing the sales and production system that the THK Group has aggressively enhanced, the THK Group captured such demand and recorded ¥40,024 million in sales revenue and ¥3,126 million in operating income (segment income).

## 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 expanding its sales channels in the ASEAN countries. In addition, the increasing demand in China had a positive impact in some areas. As a result, sales revenue and operating income (segment income) were ¥16,128 million and ¥2,171 million, respectively.

## Overall Summary of Research and Development

The THK Group is actively engaged in R&D activities, conducted primarily at the new Head Office to which we relocated in October 2017 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

**[Translation for Reference and Convenience Purposes Only]**

optimal locations covering the Americas, Europe, and Asia to enable development of products that more accurately meet diverse needs of global customers.

In the industrial machinery business, THK launched the super-long block type for Caged Roller Guide Model SRN with reduced block height of Model SRG into the market. Following this move, THK will promote its widespread use in machine tools which are required to handle higher loads. As for ball screws, THK developed the Caged High-load Ball Screw Model HBN-V. We will realize DN value of 160,000 through further evolution of the circulation structure to develop a market for injection molding machines and press machines which are being increasingly driven by electric power. In addition, we developed Canvas Seal Model CC, which is a contact type with high dust-control performance and grease retention performance, and Thin Film Seal Model TT, which is low-heat generating while being a contact type, as ball screw options. As for ball screw spline, we developed Model BNS-V, which realizes low inertia with a compact nut outer diameter. As for actuators, THK added a type with short ball screw lead to the Model KSF lineup and the large Model PC100/120 to the lineup for the press series, and commenced sales of the drive system Model DSP of Model PC on a stand-alone basis. In addition, in response to the growing need for electrically powered systems in machinery equipment, THK launched the grip type Economy Series Model EG into the market. In the robotics field, THK expanded SEED Solutions, which is a product line of elements and components for next-generation robots, with an eye to contributing to total cost reduction for customers, and launched SEED Noid platform robot that combines such components. Furthermore, in order to contribute to the launch of the service robot industry, we sponsored robot-related events such as RoboCup 2017 and World Robot Summit (WRS) this fiscal year.

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, and strived to expand sales. In North America, THK succeeded in internalizing hot aluminum forging technology. The THK Group is seeking differentiation in the development of methods from its competitors based mainly on cold and hot forging technologies, as well as precision pressing technology.

In addition to the linkage and suspension (L&S) business, the THK Group has developed and started production of linear motion-related products for transportation equipment, to meet needs for electrically powered systems and autonomous driving technology.

**[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 expanded sales of semi-custom order products of the LM Guide Actuator, which has been targeted at Japanese customers from 2017. In addition, we offered a service that allows customers to easily use functions such as model type selection and product life cycle calculation by means of an “automatic optimal product selection tool,” an online exclusive service. In overseas markets, we further expanded the areas supporting Omni THK, an e-commerce website operated mainly in the ASEAN region, to establish a system that enables customers to easily select and order products—anytime, anywhere—face-to-face or non-face-to-face. Through these, we worked to enhance our global and efficient sales structure.

In terms of production, the Group continued to promote incorporation of robots into the production process and automation of the production line in each region, as well as efforts to visualize global production by employing IoT technology. In addition, the THK Group further strengthened its production structure primarily by increasing the production capacity of THK MANUFACTURING OF CHINA (CHANGZHOU) CO., LTD. in China, where demand is expected to grow over the medium to long term, and by starting investment aimed at increasing production at the Yamagata Plant and THK MANUFACTURING OF VIETNAM 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. We will effectively utilize internal reserves to conduct R&D activities and undertake capital investment in production facilities and information systems to respond to globalization, in order to meet the expectations of our shareholders. Under this policy, taking comprehensively into consideration the management environment, etc., surrounding the Company, we intend to pay a term-end dividend of ¥26 per share, which, along with the interim dividend of ¥36 per share, results in an annual dividend of ¥62 per share.

**[Translation for Reference and Convenience Purposes Only]**

**2. Status of Capital Investments**

Total capital investments in the consolidated fiscal year under review amounted to ¥17,009 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)
	Yamaguchi Plant	1,710
	Yamagata Plant	1,281
	THK RHYTHM CO., LTD.	682
Overseas Operational Bases	THK RHYTHM AUTOMOTIVE CANADA LIMITED	1,578
	THK RHYTHM AUTOMOTIVE CZECH a.s.	1,478
	THK RHYTHM AUTOMOTIVE GmbH	1,338
	THK MANUFACTURING OF CHINA (LIAONING) CO., LTD.	883
	DALIAN THK CO., LTD.	783

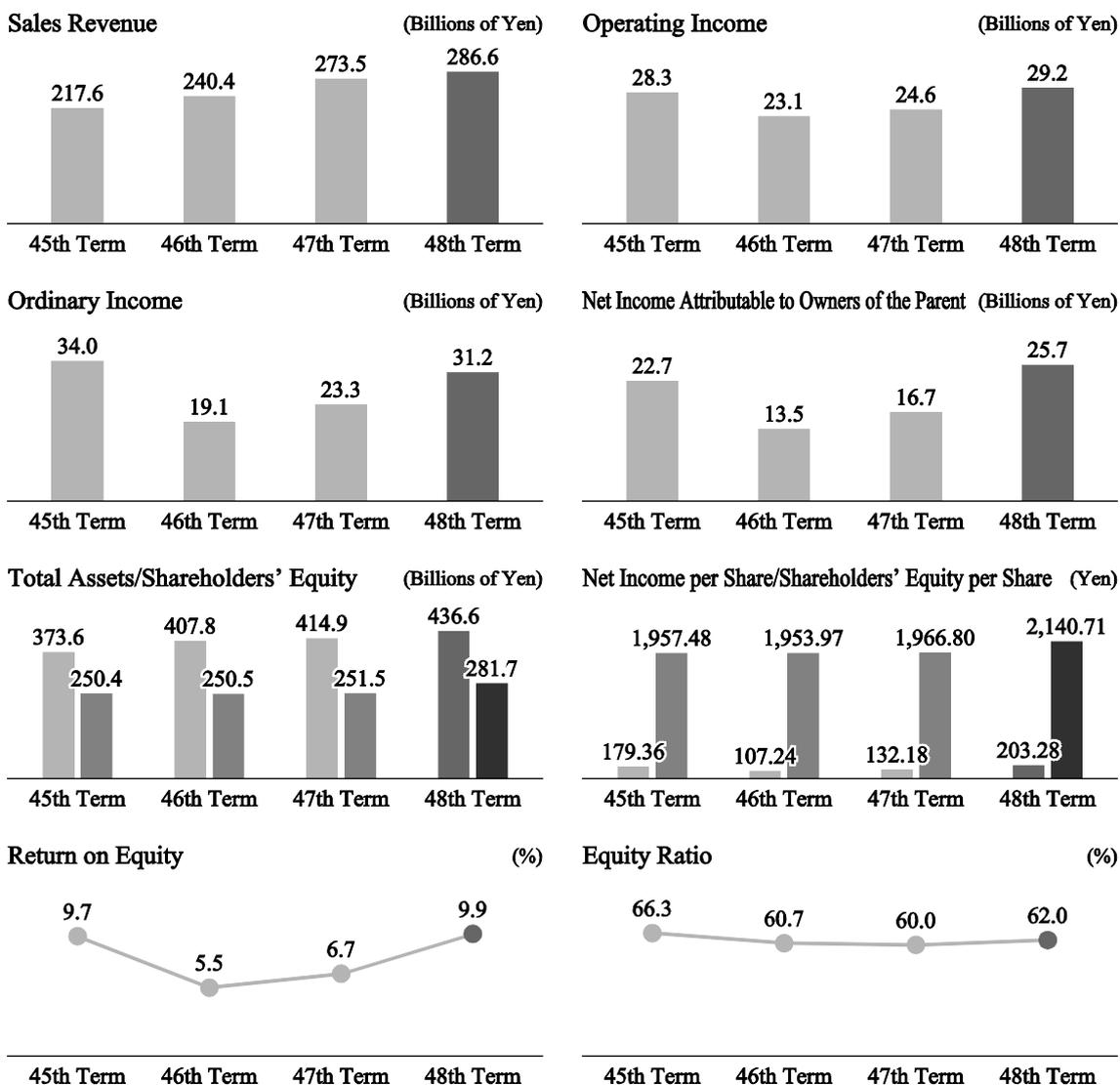
**3. Status of Funding**

For effective funding of operating capital, the Group has specified credit lines totaling ¥15,000 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	45th Term (Term Ended March 2015)	46th Term (Term Ended March 2016)	47th Term (Term Ended March 2017)	48th Term (Term Ended December 2017; Current Consolidated Fiscal Year)
Sales Revenue	217,678	240,478	273,577	286,603
Operating Income	28,388	23,169	24,653	29,279
Ordinary Income	34,031	19,140	23,398	31,254
Net Income Attributable to Owners of the Parent	22,705	13,575	16,731	25,729
Total Assets	373,610	407,808	414,931	436,664
Shareholders' Equity	250,498	250,540	251,540	281,754
Net Income per Share (Yen)	179.36	107.24	132.18	203.28
Shareholders' Equity per Share (Yen)	1,957.48	1,953.97	1,966.80	2,140.71
Return on Equity (%)	9.7	5.5	6.7	9.9
Equity Ratio (%)	66.3	60.7	60.0	62.0

Notes: 1. Net income per share is calculated based on the average number of outstanding shares of the term. Shareholders' equity per share is calculated based on the number of outstanding shares at the term end. In calculating net income per share and shareholders' equity 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 (Current Consolidated Fiscal Year) covers the nine months from April 1, 2017 to December 31, 2017.

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

Millions of Yen				
Item	45th Term (Term Ended March 2015)	46th Term (Term Ended March 2016)	47th Term (Term Ended March 2017)	48th Term (Term Ended December 2017; Current Fiscal Year)
Sales Revenue	132,786	126,127	133,189	123,403
Operating Income	21,899	17,925	15,998	18,656
Ordinary Income	27,378	16,068	16,241	20,756
Net income	17,585	11,855	12,165	28,215

Note: Following the change in the fiscal year-end, the 48th Term (Current Fiscal Year) covers the nine months from April 1, 2017 to December 31, 2017.

**(3) Description of Main Business Operations** (As of December 31, 2017)

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 with advanced countries and FA is expected to continue to progress, we foresee a great increase in demand for our products in 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, there exists a huge demand for these products in fields close to consumer goods, such as automobiles, seismic isolation and damping systems, medical equipment, aircraft, robotics and renewable energy.

In order to capture such demand, we will work to further expand our business areas via "Change in Business Style" by thoroughly applying AI and robot technologies in all aspects, while promoting "Full-Scale Globalization" and "Development of New Business Areas."

Along with these initiatives, we will press ahead with improving profitability and strengthening our financial position to raise our corporate value.

[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 135,391 thousand	78.57 (50.00)	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

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. On October 5, 2017, THK established TRA Holdings, CO., LTD. to be in charge of management of the transportation equipment business.
- B. THK CAPITAL UNLIMITED COMPANY conducted a capital increase in August 2017, bringing its capital stock amount to USD 250,000 thousand.
- C. THK (CHINA) CO., LTD. conducted a capital increase in June 2017, bringing its capital stock amount to CNY 2,168,045 thousand.
- D. On November 14, 2017, THK transferred all of its holdings of shares of THK RHYTHM CO., LTD. to TRA Holdings, CO., LTD.

[Translation for Reference and Convenience Purposes Only]

(6) Major Offices and Plants (As of December 31, 2017)

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, 2017)

1. Employees of the Group

Business Segment	Number of Employees	Change from the Previous Consolidated Fiscal Year-End
Japan	5,125	+ 265
Americas	2,067	+ 161
Europe	2,155	+ 375
China	3,367	+ 835
Other	650	- 10
Total	13,364	+ 1,626

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
3,581 employees	+ 152	40.1	17.5

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, 2017)

(Millions of Yen)

Lender	Amount of Borrowing
Mizuho Bank, Ltd.	15,599
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	7,899
Sumitomo Mitsui Banking Corporation	2,766
Mitsubishi UFJ Trust and Banking Corporation	1,600
Mizuho Trust & Banking Co., Ltd.	500
Sumitomo Mitsui Trust Bank, Limited	400
THE YAMAGUCHI BANK, Ltd.	350
Resona Bank, Limited.	300
The Yamanashi Chuo Bank, Ltd.	250

[Translation for Reference and Convenience Purposes Only]

**2. Current Status of the Company**

**(1) Stocks** (As of December 31, 2017)

1. Total authorized shares:	465,877,700
2. Total outstanding shares (incl. 7,284,268 of treasury shares)	133,856,903
3. Number of shareholders:	17,994
4. Major shareholders (Top 10):	

Shareholder	Number of Shares Held (Thousand Shares)	Shareholding Ratio (%)
Japan Trustee Services Bank, Ltd., Trust Account	11,003	8.69
The Master Trust Bank of Japan, Ltd., Trust Account	8,025	6.34
JP MORGAN CHASE BANK 385632	4,347	3.43
Akihiro Teramachi	3,497	2.76
FTC Co., Ltd.	2,774	2.19
GOVERNMENT OF NORWAY	2,709	2.14
Japan Trustee Services Bank, Ltd., Trust Account 5	2,377	1.87
NORTHERN TRUST CO. (AVFC) RE SSD00	2,343	1.85
CHASE MANHATTAN BANK GTS CLIENTS ACCOUNT ESCROW	2,098	1.65
STATE STREET BANK WEST CLIENT – TREATY 505234	2,008	1.58

Notes: 1. The treasury shares held by the Company, which is 7,284,268 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, 2017)

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

[Translation for Reference and Convenience Purposes Only]

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 at 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 at 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. Corporate Advisor to 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

**[Translation for Reference and Convenience Purposes Only]**

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.

[Translation for Reference and Convenience Purposes Only]

<Reference>

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

(As of December 31, 2017)

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
Executive Officer	Naoki Kinoshita	President of THK (CHINA) CO., LTD.
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.
Executive Officer	Yukio Yamada	General Manager of Sales Division, Industrial Machinery Headquarters General Manager of International Sales Division, Sales Division, Industrial Machinery Headquarters

**[Translation for Reference and Convenience Purposes Only]**

Position in the Company	Name	Duties
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	Junichi Kuwabara	General Manager of ACE Division, Industrial Machinery 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.

## 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.

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.

## 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)	420 (9)
Directors (Audit and Supervisory Committee Members) (Outside directors)	3 (3)	38 (38)
Total (Outside officers)	11 (4)	458 (48)

**[Translation for Reference and Convenience Purposes Only]**

- 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 ¥150 million (¥150 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 at 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 at Ritsumeikan University Graduate School. There is no interest relationship between the Company and SUKIYA CO., LTD., ZUIKO CO., LTD., or Ritsumeikan University Graduate School.
  - 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., Corporate Advisor to Makino Milling Machine Co., Ltd., and a visiting professor at 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.

[Translation for Reference and Convenience Purposes Only]

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	100% (11 of 11 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	90% (10 of 11 meetings)	100% (12 of 12 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% (11 of 11 meetings)	100% (12 of 12 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	100% (11 of 11 meetings)	91% (11 of 12 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.

**[Translation for Reference and Convenience Purposes Only]**

**(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	93
2. Total sum of monies or money equivalent to be paid by the Company and its subsidiaries to the accounting auditor	94

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, 20 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 “advisory services in relation to the adoption of International Financial Reporting Standards (IFRS),” 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

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of the proposal for the dismissal or non-reappointment of the accounting auditor to be presented to the General Meeting of Shareholders.

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.

This policy was determined by resolution of the meetings of the Board of Directors held on June 18, 2016 and March 18, 2017, based on the Company's transition to a company with an Audit and Supervisory Committee and the review of audit activities.

##### **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. In addition, "Directions for THK Group Employees," a booklet containing the "THK's Basic Policy" and "THK Group Charter of Behavior," is distributed to all executives and employees of the Group companies with the intent to instill corporate ethics and compliance with laws and regulations. Furthermore, a Compliance Committee, chaired by the Representative Director and President, and a Compliance Subcommittee, consisting of representatives from all operations divisions, are established to ensure that compliance and corporate ethics form the basis of all our corporate activities. The Compliance Committee, whose members include external experts, establishes a company-wide compliance structure, identifies problems, and provides instructions for improvement. The "THK Helpline" is established and operated as a means to enable our executives and employees to directly provide information regarding any legally questionable act on a confidential or anonymous basis to external experts and the internal department(s) in charge of the matter in question.

##### **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. The directors may view the documents, etc. at any time.

##### **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

**[Translation for Reference and Convenience Purposes Only]**

and training, and preparing and distributing manuals, while the Risk Management Division shall monitor the status of cross-sectional risks and company-wide responses. For any risk that has newly arisen, the Board of 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.

**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 objective to be shared among, and thereby be instilled in, the directors and employees, and defines a consolidated Mid-term Management Plan covering three fiscal years based on this objective. By introducing an executive officer system, 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. In addition, 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 Group introduces an accounting 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 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 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.

**[Translation for Reference and Convenience Purposes Only]**

6. Structures for reporting to the parent company regarding matters concerning the execution of duties by the subsidiaries' directors, etc.

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 subsidiaries to periodically report important information, such as their operating results and financial conditions, to the Company.

7. 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.

8. 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.

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 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.

**[Translation for Reference and Convenience Purposes Only]**

9. 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.

10. 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 (limited to those related to the execution of duties of the Audit and Supervisory Committee), 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.

11. 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.

**[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 officers and employees comply with applicable laws, regulations and the Articles of Incorporation and perform their duties under sound social norms. Also, during the current consolidated fiscal year, the Company held three meetings of the Compliance Committee, which is chaired by the Representative Director and President, to

**[Translation for Reference and Convenience Purposes Only]**

understand the status of operation of the compliance system and strive to further improve the system. In addition, the Company has established and operates the “THK Helpline,” which is available for use by officers 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.

During the consolidated fiscal year under review, the Company held the Information Security Committee meeting, chaired by the Representative Director and President, three times in total, 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 established rules and guidelines and prepared manuals. The Risk Management Office of the Company has been monitoring the status of risks across the board conducting companywide risk monitoring and measures. In cases when an unpredicted situation occurs, such as a disaster or an accident, the Risk Management Office has quickly collected information, notified related sections and provided instructions. In addition, the Company has formulated a business continuity plan (BCP), under which an adequate level of emergency supplies has been secured and regular training has been conducted.

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

During the current consolidated fiscal year, the Company held 11 meetings of the Board of Directors to decide important items and monitor the status of business execution. The Company is working to adopt a consolidated performance management system, in order to grasp the Group’s performance promptly and efficiently. In addition, the Company has built and is operating a system that centrally manages funds for each major currency, in order to improve fund management and increase funding efficiency.

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

The Risk Management Office of the Company has been facilitating the improvement and operation of the internal controls within the Group, collecting information related to the internal controls, conducting related discussion efficiently, sharing information and communicating its instructions and requests. The Company’s Internal Audit Office 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.

**[Translation for Reference and Convenience Purposes Only]**

6. A structure for reporting to the parent company regarding matters concerning the execution of the duties of our subsidiaries' directors, etc.

During the current consolidated fiscal year, the Company held a total of nine Global Management Strategy meetings and Executive Officers' meetings, attended by the Directors and Executive Officers of the Group, to receive reports on the status of business operation of the entire Group and other important matters. The Company also formulated its "Group Companies Management Rules," thereby collecting important information of the group companies such as sales performance and the financial position of the group companies.

7. 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.

8. 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 Helpline Regulations that it can report on the status and content of reporting from the THK Helpline, which is available for use by officers and employees of the domestic Group companies, to the Audit and Supervisory Committee. The content of internal reports received through the THK 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 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 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.

9. 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 Helpline Regulations that officers and employees of the Company shall not be treated in a disadvantageous way on the grounds of making such report.

**[Translation for Reference and Convenience Purposes Only]**

10. 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 (limited to those related to the execution of duties of the Audit and Supervisory Committee), 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.

11. 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 held a three-way audit liaison meeting 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) three times in total during the consolidated fiscal year under review. In addition, the Company established a system to ensure that audits by the Audit and Supervisory Committee are carried out effectively by holding a total of three meetings of the Board of Auditors of the Group to promote close cooperation between the Audit and Supervisory Committee and Auditors of the Company's subsidiaries.

[Translation for Reference and Convenience Purposes Only]

<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:

Transition to a company with an Audit and Supervisory Committee

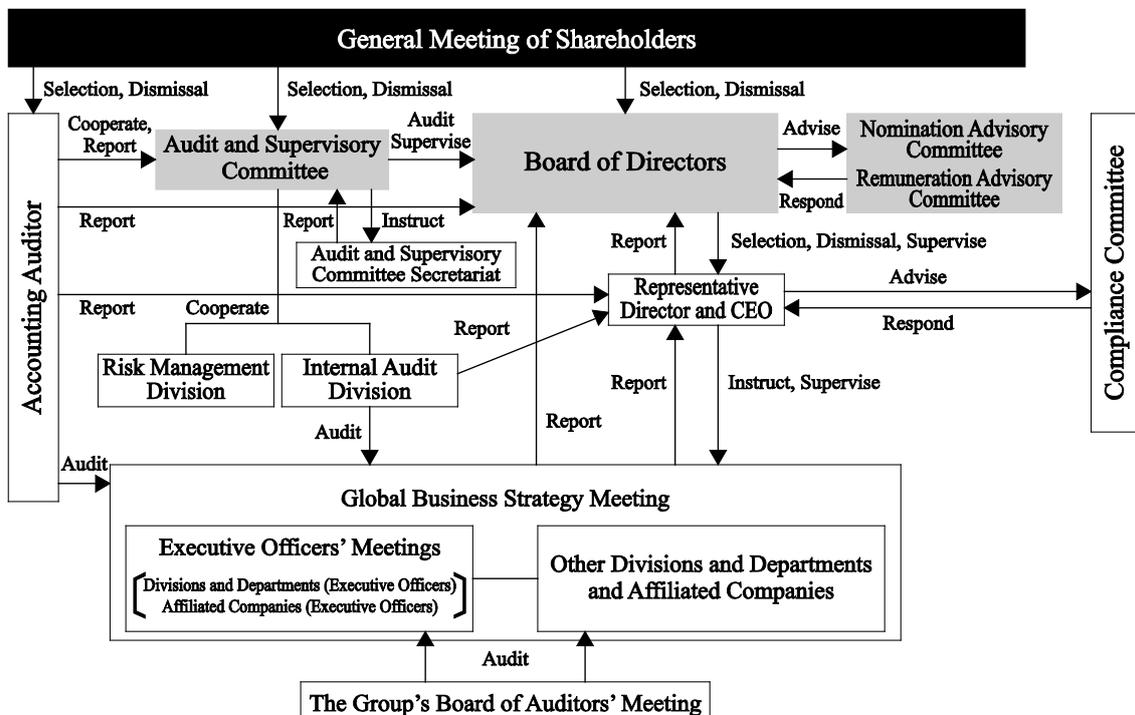
- Directors (three (3) Outside Directors) who are members of the Audit and Supervisory Committee, which is responsible for the auditing and supervisory functions, exercise voting rights at the Board of Directors meetings.
- The Audit and Supervisory Committee implement audit and supervision on the status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



**(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 Office are to respond to it. In so doing, staff at the Corporate Strategy Headquarters and the Risk Management Office 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 its management philosophy of “providing innovative products to the world and staying abreast of new trends to contribute to the creation of an affluent society,” the Company has formulated the “THK Basic Policy” consisting of three policies: 1) Creation of Value and Contribution to the Society, 2) Customer-Oriented Mind-Set and 3) Legal Compliance. The Basic Policy serves as the fundamental ethics that supersede all internal regulations and codes of conduct.

Under this Policy, the Company engages in business operations in order to create values beneficial to society by utilizing various management resources. In other words, the Company aims to expand corporate value through creative product development and exclusive production technology as a creative and developmental corporation while conducting fair and safe business operations; building strong relationships with customers, shareholders and local communities; and fulfilling its responsibility as a member of society through environmental conservation and prompt, proper and just information disclosure. The Company believes that it cannot raise its corporate value and the common interests of shareholders without fulfilling its social responsibility. At the same time, the Company aims to gain customers’ trust by thinking from their perspective, always treating them with integrity, and offering the best products and services. The Company believes that such efforts help us earn the trust of shareholders and other stakeholders, resulting in an appropriate gain of profits. Earning trust thereby earning profits is the way to achieve the sustainability of the Company. We direct

**[Translation for Reference and Convenience Purposes Only]**

profits earned in this way to new investments and the creation of new products and services, thereby, we believe, earning further trust from customers.

The Company has so far earned the trust of customers and of various kinds of stakeholders, including shareholders, through offering creative ingenious technologies and customer-oriented products and services based on the aforementioned beliefs.

Accordingly, the Company is fully convinced that it can achieve the common interests of shareholders, that is, to enhance corporate value and further growth, only by further refining its originality and offering even higher-quality and customer-oriented products and services.

From such perspectives, the Company's growth and rise in corporate value cannot be achieved without the support of shareholders that share the same beliefs—the same ideas that have supported the past growth of the Company and improvement of the Company's corporate value—regardless of the size of their stakes. If shareholders with such perspectives increase, that will help further improve the Company's corporate value and leverage its growth. Accordingly, the Company intends to strive to gain their lasting support and understanding.

With regard to specific measures to address any party that might emerge to attempt a large-scale acquisition of the Company's stocks solely for their own profit, ignoring the sacrifice of other shareholders, not considering the growth of the Company's corporate value and conflicting with the basic beliefs described above, the Company will continue careful consideration. When a clear plan and specifics to address such events is ready, we will present it to the shareholders and ask their opinion.

[Translation for Reference and Convenience Purposes Only]

**Consolidated Balance Sheet**

(As of December 31, 2017)

(Millions of Yen)

Assets		Liabilities	
<b>Current Assets</b>	<b>270,975</b>	<b>Current Liabilities</b>	<b>93,196</b>
Cash and deposits	129,920	Notes and accounts payable	22,330
Notes and accounts receivable	71,543	Electronically recorded obligations—operating	23,923
Electronically recorded monetary claims—operating	15,514	Current portion of bonds	20,000
Merchandise and finished goods	14,357	Current portion of long-term loans payable	2,185
Work in process	10,104	Lease obligations	126
Raw materials and supplies	19,340	Accrued corporate tax, etc.	1,673
Deferred tax assets	2,337	Reserve for bonuses	2,971
Short-term loans receivable	3	Other	19,986
Accrued receivables	2,696	<b>Long-Term Liabilities</b>	<b>61,713</b>
Other	5,374	Bonds payable	20,000
Allowance for bad debts	(218)	Long-term loans payable	27,480
		Lease obligations	114
		Deferred tax liabilities	5,134
		Reserve for officers' retirement benefits	108
		Product warranty allowance	118
		Net defined benefit liability	7,389
		Other	1,368
<b>Fixed Assets</b>	<b>165,689</b>	<b>Total Liabilities</b>	<b>154,910</b>
<b>Tangible fixed assets</b>	<b>115,934</b>	<b>Net Assets</b>	
Buildings and structures	31,252	<b>Shareholders' Equity</b>	<b>255,675</b>
Machinery and transportation equipment	56,513	<b>Capital stock</b>	<b>34,606</b>
Land	13,955	<b>Capital surplus</b>	<b>40,440</b>
Construction in progress	10,452	<b>Profit surplus</b>	<b>194,626</b>
Other	3,759	<b>Treasury stock</b>	<b>(13,998)</b>
<b>Intangible fixed assets</b>	<b>32,395</b>	<b>Accumulated Other</b>	<b>15,272</b>
Goodwill	11,449	<b>Comprehensive Income</b>	
Other	20,945	<b>Net unrealized gain on available-for-sale securities</b>	<b>2,847</b>
<b>Investments and other assets</b>	<b>17,359</b>	<b>Foreign exchange conversion loss adjustment account</b>	<b>13,459</b>
Investment securities	11,377	<b>Remeasurements of defined benefit plans</b>	<b>(1,033)</b>
Net defined benefit asset	2,295	<b>Non-Controlling Interests</b>	<b>10,806</b>
Deferred tax assets	754	<b>Total Net Assets</b>	<b>281,754</b>
Insurance reserve	938		
Other	2,068		
Allowance for bad debts	(75)		
<b>Total Assets</b>	<b>436,664</b>	<b>Total Liabilities and Net Assets</b>	<b>436,664</b>

[Translation for Reference and Convenience Purposes Only]

**Consolidated Statement of Income**  
(From April 1, 2017, to December 31, 2017)

(Millions of Yen)

Accounting Item	Amount	
<b>Sales Revenue</b>		<b>286,603</b>
<b>Cost of Sales</b>		<b>214,490</b>
<b>Gross Profit</b>		<b>72,112</b>
Selling, general, and administrative expenses		42,833
<b>Operating Income</b>		<b>29,279</b>
<b>Non-Operating Income</b>		
Interest received	465	
Dividends received	85	
Rent income	317	
Equity in earnings of affiliates	948	
Miscellaneous income	1,014	2,830
<b>Non-Operating Expenses</b>		
Interest expenses	360	
Foreign exchange losses	270	
Miscellaneous loss	224	855
<b>Ordinary Income</b>		<b>31,254</b>
<b>Extraordinary Income</b>		
Gain on sale of fixed assets	20	20
<b>Extraordinary Loss</b>		
Loss on disposition and sale of fixed assets	143	
Impairment loss	54	
Head office relocation cost	41	240
<b>Net Income before Income Taxes</b>		<b>31,034</b>
Income taxes—current	5,091	
Income taxes—deferred	(195)	4,895
<b>Net Income</b>		<b>26,139</b>
Net income attributable to non-controlling interests		409
<b>Net Income Attributable to Owners of the Parent</b>		<b>25,729</b>

[Translation for Reference and Convenience Purposes Only]

**Consolidated Statement of Changes in Shareholders' Equity**

(From April 1, 2017, to December 31, 2017)

(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 April 1, 2017	34,606	44,584	176,617	(13,991)	241,817	1,585	6,793	(1,256)	7,122	2,600	251,540
Changes in the consolidated fiscal year											
Dividends from surplus			(7,721)		(7,721)						(7,721)
Net income attributable to owners of the parent			25,729		25,729						25,729
Acquisition of treasury stock				(6)	(6)						(6)
Change in the parent's ownership interest due to transaction with non-controlling interests		(4,143)			(4,143)						(4,143)
Changes in the item other than shareholders' equity during the consolidated fiscal year (net amount)						1,261	6,666	222	8,149	8,206	16,355
Total change in the consolidated fiscal year	-	(4,143)	18,008	(6)	13,857	1,261	6,666	222	8,149	8,206	30,213
Balance as of December 31, 2017	34,606	40,440	194,626	(13,998)	255,675	2,847	13,459	(1,033)	15,272	10,806	281,754

[Translation for Reference and Convenience Purposes Only]

**Balance Sheet**  
(As of December 31, 2017)

(Millions of Yen)

Assets		Liabilities	
<b>Current Assets</b>	<b>134,694</b>	<b>Current Liabilities</b>	<b>66,922</b>
Cash and deposits	54,052	Accounts payable	8,315
Notes receivable	11,069	Electronically recorded obligations—operating	17,300
Electronically recorded monetary claims—operating	14,773	Short-term loans payable	5,237
Accounts receivable	28,889	Current portion of bonds	20,000
Merchandise and finished goods	6,177	Current portion of long-term loans payable	2,185
Work in process	4,321	Lease obligations	94
Raw materials and supplies	5,882	Accrued payables	6,900
Prepaid expenses	639	Accrued expenses	3,401
Deferred tax assets	969	Accrued corporate tax, etc.	412
Short-term loans	5,139	Advances	71
Accrued receivables	1,986	Deposits received	986
Other	797	Reserve for bonuses	2,000
Allowance for bad debts	(4)	Other	16
		<b>Long-Term Liabilities</b>	<b>50,594</b>
		Bonds payable	20,000
		Long-term loans payable	27,480
		Lease obligations	69
<b>Fixed Assets</b>	<b>210,350</b>	Reserve for employees' retirement benefits	1,836
<b>Tangible fixed assets</b>	<b>38,558</b>	Deferred tax liabilities	434
Buildings	9,128	Other	773
Structures	249		
Machinery and equipment	18,678	<b>Total Liabilities</b>	<b>117,516</b>
Automobiles and transportation equipment	28		
Tools and supplies	967	<b>Net Assets</b>	
Land	6,889	<b>Shareholders' Equity</b>	<b>224,741</b>
Lease properties	136	<b>Capital stock</b>	<b>34,606</b>
Construction in progress	2,479	<b>Capital surplus</b>	<b>47,471</b>
		Capital reserve	47,471
		Other capital surplus	0
<b>Intangible fixed assets</b>	<b>1,411</b>	<b>Profit surplus</b>	<b>156,656</b>
Software	1,159	Legal retained earnings	1,958
Other	251	Other profit surplus	154,697
		Special depreciation reserve	12
<b>Investments and other assets</b>	<b>170,381</b>	Reserve for advanced depreciation of land	15
Investment securities	5,964	Dividend reserve	3,000
Affiliates' stocks	110,100	General reserve	125,000
Investment in affiliated companies	51,228	Profit surplus carried forward	26,669
Long-term loans	1,105	<b>Treasury stock</b>	<b>(13,992)</b>
Insurance reserve	834	<b>Valuation/Conversion Difference</b>	<b>2,787</b>
Other	1,184	<b>Net unrealized gain on available-for-sale securities</b>	<b>2,787</b>
Allowance for bad debts	(36)		
		<b>Total Net Assets</b>	<b>227,529</b>
<b>Total Assets</b>	<b>345,045</b>	<b>Total Liabilities and Net Assets</b>	<b>345,045</b>

[Translation for Reference and Convenience Purposes Only]

**Statement of Income**

(From April 1, 2017, to December 31, 2017)

(Millions of Yen)

Accounting Item	Amount	
<b>Sales Revenue</b>		<b>123,403</b>
<b>Cost of Sales</b>		<b>84,520</b>
<b>Gross Profit</b>		<b>38,883</b>
Selling, general, and administrative expenses		20,226
<b>Operating Income</b>		<b>18,656</b>
<b>Non-Operating Income</b>		
Interest received	187	
Dividends received	826	
Foreign exchange gains	251	
Rent income	407	
Loyalty income	539	
Miscellaneous income	375	2,588
<b>Non-Operating Expenses</b>		
Interest expenses	49	
Interest on corporate bonds	219	
Miscellaneous loss	219	488
<b>Ordinary Income</b>		<b>20,756</b>
<b>Extraordinary Income</b>		
Gain on sale of fixed assets	1	
Gain on sale of investments in an affiliate	9,899	9,901
<b>Extraordinary Loss</b>		
Loss on disposition and sale of fixed assets	52	
Head office relocation cost	41	94
<b>Net Income before Income Taxes</b>		<b>30,563</b>
Income taxes—current	2,271	
Income taxes—deferred	75	2,347
<b>Net Income</b>		<b>28,215</b>

[Translation for Reference and Convenience Purposes Only]

**Statement of Changes in Shareholders' Equity**

(From April 1, 2017, to December 31, 2017)

(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 April 1, 2017	34,606	47,471	0	47,471	1,958	68	15	3,000	118,000	13,118	136,161
Change in the fiscal year											
Dividends from surplus										(7,721)	(7,721)
Reimbursement from the special depreciation reserves						(55)				55	
Provision of general reserve									7,000	(7,000)	
Net income										28,215	28,215
Acquisition of treasury stock											
Changes in items other than shareholders' equity during the fiscal year (net amount)											
Total changes in the fiscal year	-	-	-	-	-	(55)	-	-	7,000	13,550	20,494
Balance as of December 31, 2017	34,606	47,471	0	47,471	1,958	12	15	3,000	125,000	26,669	156,656

	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 April 1, 2017	(13,985)	204,253	1,555	1,555	205,809
Changes in the fiscal year					
Dividends from surplus		(7,721)			(7,721)
Reimbursement from the special depreciation reserves					
Provision of general reserve					
Net income		28,215			28,215
Acquisition of treasury stock	(6)	(6)			(6)
Changes in items other than shareholders' equity during the fiscal year (net amount)			1,231	1,231	1,231
Total changes in the fiscal year	(6)	20,488	1,231	1,231	21,719
Balance as of December 31, 2017	(13,992)	224,741	2,787	2,787	227,529

[Translation for Reference and Convenience Purposes Only]

**Accounting Audit Report on the Consolidated Financial Statements**

**AUDIT REPORT BY INDEPENDENT AUDITOR**

February 14, 2018

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

Grant Thornton Taiyo LLC

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

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 April 1, 2017, to December 31, 2017.

**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.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**[Translation for Reference and Convenience Purposes Only]**

**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.

**Emphasis of Matter**

As described in “Significant Subsequent Events,” the Company issued the Eleventh and Twelfth Series of THK CO., LTD. Unsecured Straight Bonds on February 7, 2018.

The above matter does not affect the auditor’s opinion.

**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 14, 2018

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

Grant Thornton Taiyo LLC

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

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 48th fiscal year from April 1, 2017, to December 31, 2017.

**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 the overall presentation of the financial statements and the related supplementary schedules.

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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.

**Emphasis of Matter**

As described in “Significant Subsequent Events,” the Company issued the Eleventh and Twelfth Series of THK CO., LTD. Unsecured Straight Bonds on February 7, 2018.

The above matter does not affect the auditor’s opinion.

**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 48th fiscal year starting from April 1, 2017, and ended on December 31, 2017. 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 Office 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 14, 2018

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.