

Corporate Governance

Tsubakimoto Chain's fundamental management policy is to "create value for customers and contribute to society." The establishment of a system and framework for implementing that policy and initiatives targeting the achievement of its goals are among our most important management issues. Moreover, through information disclosure, the strengthening of accountability, and the strict observance of laws and regulations, we will work to enhance management transparency and risk management and will build a system that is trusted by shareholders and all other stakeholders.

Bolstering Corporate Governance to Achieve Growth and Expansion

On June 29, 2004, we instituted management reforms, centered on the introduction of the corporate executive officer system. As we took steps to switch to a course of growth and expansion, we responded to the dramatic changes in the operating environment with the introduction of the corporate executive officer system to separate management decision making and supervision from operational execution, to speed up management processes, and to further increase efficiency. With the introduction of this system, the number of directors has been reduced from 13 to 9, and we eliminated the use of the executive managing director and managing director titles. To clarify responsibility and authority in operational decision making, we elected 16 executive officers and established the titles of senior managing executive officer, managing executive officer, and executive officer. This original Tsubakimoto Chain system combines our existing corporate governance framework with the corporate executive officer system.

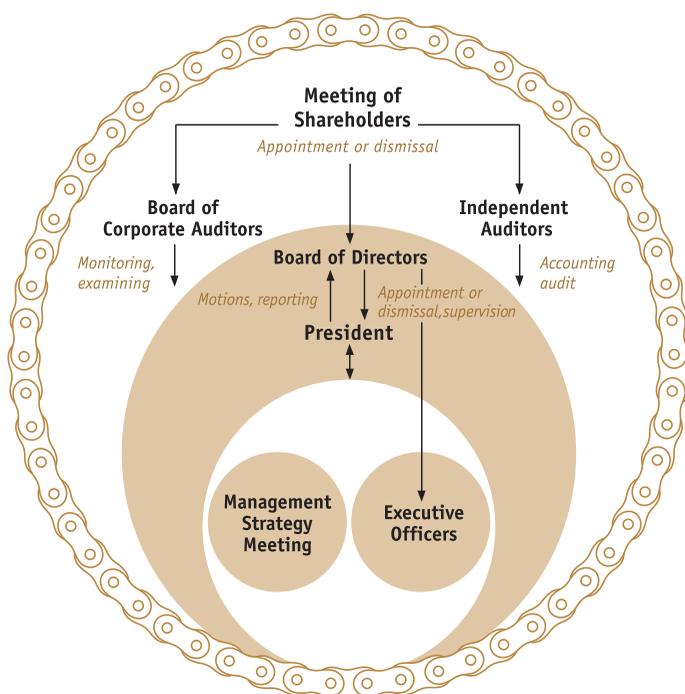
Accompanying the introduction of these management system reforms, we elected one outside director, who will serve to activate management by providing access to specialized knowledge not available within the Company and a third-party viewpoint.

Fundamental Corporate Governance Policies

"CREATE VALUE FOR CUSTOMERS AND CONTRIBUTE TO SOCIETY"

At the same time, we elected two outside corporate auditors, and by strengthening the monitoring function through a third party we will further enhance management transparency.

CORPORATE GOVERNANCE SYSTEM



With the revision of the Japanese Commercial Code, from April 2003 companies can choose to use the company with committees system of corporate governance, but we have chosen to further enhance our existing system by bolstering the monitoring function of the board of corporate auditors.

Ensuring Strict Compliance with Laws and Regulations by All Group Employees

Tsubakimoto Chain has formulated ethics principles that call for strict compliance with laws and regulations and the establishment of the Tsubaki brand. These principles have been communicated to all Group employees as a code of ethical practices. To fulfill our responsibility as a corporate citizen, we are working to thoroughly implement risk management. And, as one facet of our efforts to strengthen corporate governance, we established an internal auditing division in the Compliance Center, which was established in April 2004. On a strong foundation of corporate ethics, we will strive to ensure proper operational execution and the sound preservation of corporate assets.