

## The Management System of the Tsubaki Group

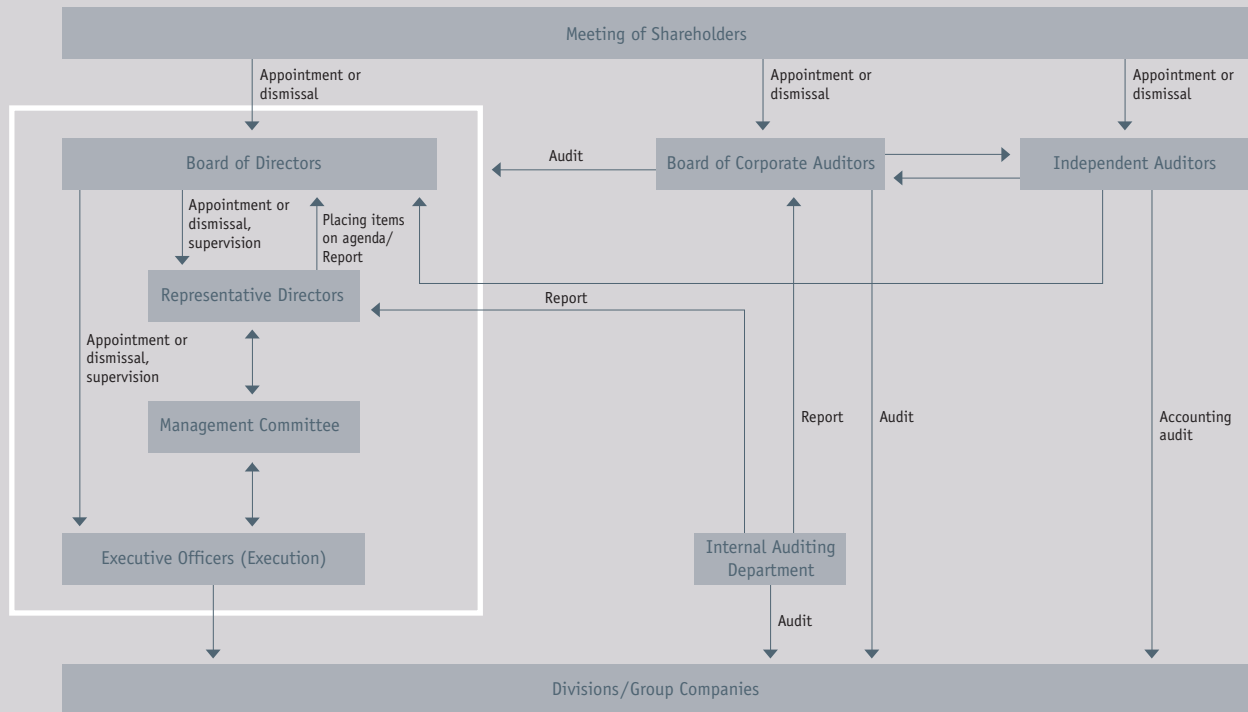
Our efforts to become the *Global Best* are not limited to such operational considerations as product quality, technology, and market share. We also aim to be a world-class company with respect to management, including corporate governance, compliance, and corporate social responsibility. In other words, our overriding goal is to be a company that pursues excellence in everything.

### A Small Decision-Making Body and a Large Operational Implementation Body

The Tsubaki Group's management system is principally based on directors, corporate auditors, and executive officers. We have a small number of directors, enabling us to make strategic decisions rapidly. As of June 29, 2006, we have nine directors, of whom six are also executive officers. Further, we have appointed one outside director to heighten management transparency and objectivity.

We use an executive officer system that comprises 17 executive officers, including six directors with joint responsibilities. Because the executive officer system is larger than our body for making decisions on management strategy—the Board of Directors—it facilitates precise, rapid, and smooth implementation of operations. Our Board of Corporate Auditors supervises management and the implementation of operations. Among four corporate auditors, we have appointed two outside corporate auditors with a view to enhancing management transparency further.

### Corporate Governance System



### Communicating with Capital Markets to Enhance Management Transparency and Flexibility and Secure Growth

We enhance our management transparency and flexibility by rapidly and equitably disclosing information to capital markets—shareholders, potential investors, and analysts. Meanwhile, we gather, and incorporate, opinions on our management from a wide range of sources. For analysts and investors, our president gives twice-yearly presentations of financial results and management strategies, which heads of operational divisions attend. In addition, to deepen capital markets' understanding of the Group, Tsubakimoto Chain conducts tours of its plants as appropriate. Also, we quickly reflect feedback from capital markets on management. Further, from the fiscal year under review, we began overseas IR meetings. We believe that such initiatives not only add to management transparency and flexibility but also contribute significantly to our growth potential over the medium-to-long term.

### Measures to Reinforce Compliance

The Tsubaki Group has taken a range of positive steps to strengthen compliance. We established a mission statement in April 1999 and a code of ethics in November 2002. Also, we distribute a code of ethics handbook to all our employees. Moreover, to enable employees to report, or seek consolation with regard to, actions running counter to the code of ethics, we established an ethics helpline in November 2002. Since then, we have continued efforts to strengthen personnel and organizations related to compliance. In April 2004, we launched the Compliance Center headed by an executive managing director to ensure strict compliance in operations. Following the inclusion of the newly established Internal Auditing Department and the Environmental Management Department, the Compliance Center was renamed the Corporate Social Responsibility Advancement Center in April 2006.



### Our Unique Social Contributions

In order to maximize corporate value, companies must heighten growth potential while enhancing sustainability and stability. Given that society and the environment underpin sustained and stable corporate growth, companies are obliged to contribute in these areas. Mindful of this duty, we have acquired ISO 14001 accreditations. However, we believe that our most efficient and effective social contributions are those that capitalize on our operations' differentiated technology and quality.

To take one mainstay product as an example, using our long-life, lube-free Lambda Chain reduces CO<sub>2</sub> emissions by almost 90% compared with conventional products. Our SpeedMech environment-friendly electro-mechanical cylinders achieve high-frequency operation, up to 15 times per minute, and longevity, 1 million repetitions. Such products enabled by our technology are our unique contribution to society.

For further details about our initiatives in energy saving, environmental protection, environmental management, and volunteer activities as well as our environmental targets and achievements, please see Tsubakimoto Chain's Environmental and Social Report, scheduled for publication in October 2006.



\* Please see the Company's Japanese web site for the 2005 version of the report.