

# Management System of Tsubaki Group

The Tsubaki Group also aims to be the *Global Best* in its management practice.

## Board of Directors, Corporate Auditors, and Executive Officers



**Takashi Fukunaga**  
Chairman and  
Representative Director



**Tatsuhiko Mimoto**  
President and  
Representative Director



**Makoto Kanehira**  
Director and Senior Managing  
Executive Officer

Development and Technology /  
Management of Technology (MOT) /  
Tsubaki Techno School / Chief Engineer



**Tadashi Ichikawa**  
Director and Senior Managing  
Executive Officer

Chain Division / *Global Best* Development /  
Kyotanabe Plant



**Toru Fujiwara**  
Director and Managing Executive Officer

Automotive Parts Division /  
*Global Best* Development / Saitama Plant



**Nobuhiko Miki**  
Director and Managing Executive Officer

Corporate Social Responsibility Development /  
Internal Auditing Department



**Isamu Osa**  
Director and Managing Executive Officer

Management Planning / Osaka Office



**Tamio Miyamoto**  
Director and Executive Officer

Materials Handling Systems Division /  
Materials Handling Sales Operations /  
*Global Best* Development



**Hidetoshi Yajima**  
Outside Director

**Corporate Auditors  
(Standing)**

Tadachi Yokoyama  
Masahiro Takemura

**Corporate Auditors  
(Outside)**

Masaru Tokuda  
Takafumi Watanabe

**Senior Managing  
Executive Officer**

Yoshinobu Miyazaki

**Managing Executive  
Officers**

Hideo Miyazaki  
Tadasu Suzuki  
Masato Kondo

**Executive Officers**

Shigeya Tsubakimoto  
Yoshikazu Kitayama  
Jiro Baba  
Toshimitsu Sakai  
Toshio Takahashi  
Katsuhiko Mio

(As of June 28, 2007)

# Corporate Governance

In corporate governance, our philosophy is to continually improve our organization and operational methods in order to achieve the ideal posture: swift decision making, smooth implementation, and management characterized by objectivity, transparency, and flexibility.

## ■ Organization and Process for Decision Making and Strategy Formulation

### Small Decision-Making Body

The Board of Directors is responsible for fundamental decisions on management policy and strategy formulation. As of June 28, 2007, we have nine directors, of whom six are also executive officers. This small body enables us to respond quickly to changes in the business environment and to make appropriate decisions. We have appointed one outside director to give an external perspective and to heighten management transparency and objectivity.

## ■ Organization and Process for Implementation of Operations

### Large Operational Implementation Body

The Tsubaki Group introduced an executive officer system in June 2004. Executive officers are charged with the smooth implementation of the management strategy laid out by the Board of Directors. To that end, the executive officer system is larger than our decision-making body. As of June 28, 2007, we have 16 executive officers.

## ■ System and Process for Supervision

### Corporate Auditors and Board of Corporate Auditors

The Board of Corporate Auditors supervises management and the implementation of operations. Two of our four corporate auditors are outside auditors, to enhance management transparency and objectivity further.

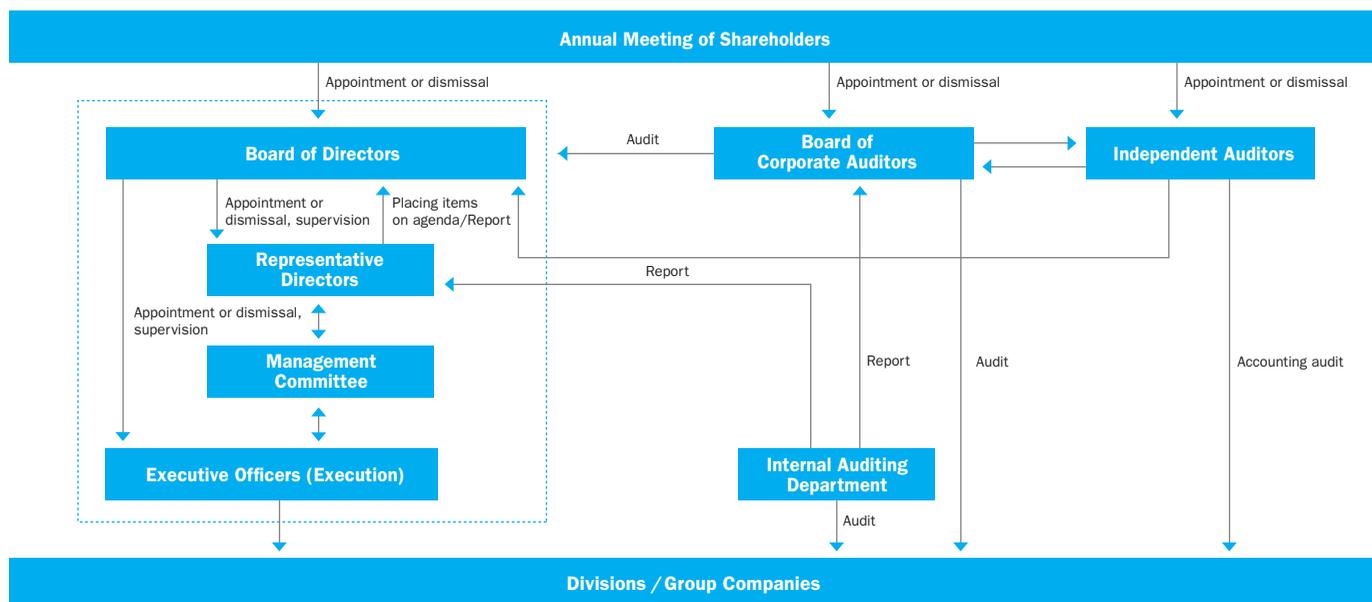
## ■ Initiatives to Maintain Management Objectivity and Improve Transparency

### Management That Prioritizes the Needs of Shareholders

The Tsubaki Group is proactively developing its investor relations activities. For analysts and investors, the president gives twice-yearly presentations on financial results and management strategies. These presentations are attended by the chief operating officers of the main operating divisions: Chains, Automotive Parts, Power Transmission Units and Components, and Materials Handling Systems. In addition, we arrange factory tours and small meetings as necessary.

At the June 2007 annual meeting of shareholders, we introduced certain changes to achieve better communication with shareholders. After the meeting, there is now a presentation on medium-term management strategy and a reception to provide shareholders with an opportunity to speak directly to executives. From fiscal 2007, we published a Japanese-language version, in addition to an English version, of our annual report, and since fiscal 2006 we have held overseas IR meetings. These initiatives form part of our efforts to close the gap between domestic and overseas disclosure of information.

## Corporate Governance System



# Compliance and Corporate Social Responsibility (CSR)

Compliance with the law is an essential factor to achieve sustainable growth, but more is required. We must have a broader concept of management that is concerned with our obligations to society, in other words CSR. Accordingly, we will emphasize our relationship with all stakeholders, including capital markets, customers, society, and employees, and respond with cross-sectional initiatives. To those ends, we established the CSR Advancement Center in April 2006, integrating the functions of internal inspection, environmental management, legal, public relations, and investor relations. The center is working to promote the following cross-sectional and comprehensive initiatives.

## ■ Compliance Initiatives

### Devoting Our Efforts to Prevent Compliance Violations

In December 2002, we established our *Corporate Work Ethics/Guidelines for Ethical Conduct*. In conjunction with these guiding principles, we set up an ethics helpline, whereby employees are able to bypass their immediate superiors to report on or seek advice about ethical issues. But ethical conduct does not end with setting rules; the degree to which the rules penetrate the Company and the awareness of employees is a key issue. From 2006, we designated each February as “Strengthening Corporate Ethics Month.” During this month, we work to ensure that all domestic Group company employees are fully aware of our guiding principles.

### Implementing Internal Control to Enhance Management Transparency

From November 2006, we began internal control activities for all Group companies, both domestic and overseas. Our starting point is the following principle from the Tsubaki Mission Statement: “We will conduct our business in an open, transparent manner and work for the benefit of our shareholders.” Through the strict application of the internal control system, we will enhance management soundness and transparency.

### Sharing of Management Issues

“Our management aims at sustainable growth, and CSR is indispensable for achieving that goal.” If these management issues are shared not just by our executives but by all employees, then we can avoid the occurrence of misconduct and other violations. With this in mind, the Company holds presentations on the business situation twice a year for all employees. The presentations allow all employees to share information not only on business results and financial figures but on management issues as well.

### Continuing Implementation of Risk Management

In September 2003, we established our *Risk Management Basic Strategy*. Under the Legal Affairs Committee, we continually examine risk factors and implement risk management measures. In April 2005, we established our *Policy for Protecting Personal Information* and *Regulations for Handling of Personal Information*. In December 2005, we revised our *Regulations for Electronic Information Security*. We are thus fully engaged in strengthening our approach to the protection of personal information as well as information security. In conjunction with these efforts, we conduct regular in-house training sessions to ensure that all employees are fully aware of these rules and guidelines.



### ■ Environmental Management Activities

We have established the Tsubaki Group Environmental Management Committee, which reports directly to the president. The administrative office for the committee is the Environmental Compliance Department, and this department acts as the center for our positive approach to environmental management. Major initiatives pursued to date are set out below.

1. Thirteen domestic Tsubaki Group facilities and five overseas facilities have received ISO 14001 certification and operate in compliance with the standard.
2. We are switching the boiler fuel used in our Automotive Parts Operations at the Saitama Plant from heavy fuel oil to city gas. At the same time, the Kyotanabe Plant has greatly reduced CO<sub>2</sub> emissions through the introduction of a cogeneration system and water-storage and ice-storage thermal power systems.
3. With regard to the reduction of hazardous chemicals used in the manufacture of our products, the Chain Division has completed compliance for products subject to RoHS directives and the Automotive Parts Division has completed compliance for products subject to ELV directives.
4. We have implemented various initiatives to develop more environment-friendly products. Such products include the new G7 RS Roller Chain, which is introduced in the Special Feature section of this report (see page 13); the bearing roller conveyer chain, whose CO<sub>2</sub> emissions are 23% lower than previous products; and recyclable plastic chains, the first industrial machinery components in Japan to be registered as EcoLeaf environmental label products. Through the development and sale of these products, we aim to both improve our business results and contribute to environmental protection.
5. At our Kyotanabe Plant, we convert the leftovers from canteen meals into compost, which is then used in a “kitchen garden corner” set up by volunteers on the plant premises. This is an activity that helps environmental protection and contributes to the welfare of employees.

### Reductions in CO<sub>2</sub> Emissions and Waste Materials

Item	FY 2005	FY 2006	FY 2007
CO <sub>2</sub> emissions	60,727 tons	59,317 tons	58,261 tons
Total amount of waste materials	4,782 tons	5,840 tons	6,685 tons
Amount of waste materials per ¥1 million sales	0.0452 tons	0.0489 tons	0.0539 tons
Recycling ratio	– %	76%	90%

### ■ Other CSR Activities

The Tsubaki Group is developing various activities to deepen its relationships of trust with shareholders and investors as well as with customers, suppliers, and local communities.

For example, Tsubaki engineers from the Kyotanabe Plant are dispatched to a local high school to teach students the techniques of using a lathe. This instruction deepens the interest of the younger generation in Japan’s manufacturing culture. Also, during the summer holiday period, we hold an open day at the Kyotanabe Plant for primary school children and their parents living in Kyotanabe City. This event is an opportunity to develop stronger ties with the community around the Kyotanabe Plant. Tsubaki employees engage energetically in these activities to make them a success.



Linking with local communities  
Kyotanabe Plant’s Open Day for Parents and Children