

Corporate Social Responsibility

The Tsubaki Group will fulfill its social responsibilities as a corporate citizen by complying with laws, regulations, and ethical behavior standards; actively disclosing information; supporting environmental conservation; and contributing to local communities.



Quick, Transparent, Reliable Management

The Tsubaki Group aims to construct systems for conducting effective management capable of quickly responding to a rapidly changing operating environment. In constructing these systems, the Group will also ensure that its management practices are highly transparent to establish an unshakable reputation of reliability with its shareholders.

We are enhancing our management system to further establish a reputation of reliability with shareholders and to contribute to society.

Fundamental Corporate Governance Policy

Tsubakimoto Chain has established the basic management policy of striving to create value for its customers and to contribute to society. In order to realize the ideals contained within this policy, the Company believes that strengthening corporate governance should be one of its top management priorities. To this end, it is working to ensure the transparency of management and fulfill its responsibility of offering explanations to its stakeholders by practicing timely and appropriate information disclosure.

Corporate Governance System

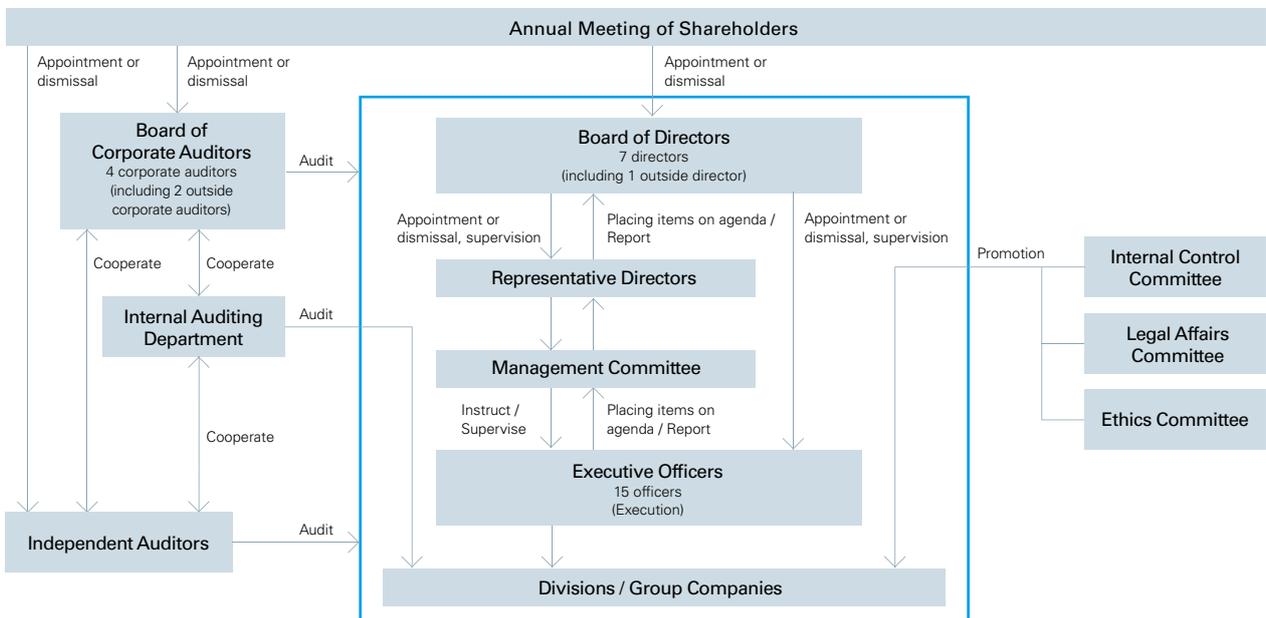
Tsubakimoto Chain has introduced an executive officer system with the goal of enhancing competitiveness and boosting the efficiency and transparency of management while also maintaining a high degree of legal compliance. At the same time, the Company aims to expedite the decision-making process of the Board of Directors and strengthen operational execution and monitoring functions.

To strengthen the transparency of management and ensure proper monitoring, Tsubakimoto Chain's seven directors include one outside director, while two of the Company's four corporate auditors are outside corporate auditors.

The Board of Directors meets regularly on a monthly basis, and holds special meetings as needed. At these meetings, the directors discuss and make decisions related to issues stipulated by laws and other matters that are important to the management of Tsubakimoto Chain and other Group companies. The directors also use these meetings as an opportunity to monitor each other's operational execution and to report on their own.

The Management Committee, which follows the Board of Directors in terms of managerial importance, meets twice a month. At these meetings, members of the committee discuss issues outlined by regulations and other matters that are important to the management of Tsubakimoto Chain and other Group companies with the attending corporate auditors and subsequently make related decisions.

Corporate Governance System





Internal Control

The Tsubaki Group has formulated basic policies on internal control and internal control regulations, and the Group is implementing internal control activities in three areas: (1) internal control activities stipulated by the Company Act, (2) internal control activities stipulated by the Financial Instruments and Exchange Act, and (3) internal control activities voluntarily carried out by the Tsubaki Group. Through these activities, we are achieving compliance with laws, regulations, and corporate ethics while also steadily implementing risk management. These activities also ensure the reliability of our financial reporting and promote increased operational efficiency.

Strengthening Corporate Ethics

For the Tsubaki Group, corporate ethics entails not only compliance with laws and regulations but also respect for social norms.

In 2002, the Tsubaki Group established the Corporate Work Ethics / Guidelines for Ethical Conduct. These are Group-wide guidelines to ensure that all officers and employees comply with laws and regulations and act in a fair and sincere manner. At overseas bases, these guidelines are revised in accordance with local laws, regulations, and social systems. In fiscal 2006, the Company designated February to be "Strengthening Corporate Ethics Month," a tradition that has been observed each subsequent fiscal year. In these ways, the Group is working to enhance its compliance promotion systems.

Further, the Company is actively taking steps to enhance risk management, including strengthening personal information protection and other information security measures and establishing a business continuity plan (BCP).

Board of Directors, Corporate Auditors, and Executive Officers

As of June 29, 2011



Isamu Osa
President and Representative Director



Tadashi Ichikawa
Representative Director and Senior Managing Executive Officer
Chain & Power Transmission Operations / Global-Best Development / Kyoto Plant / Hyogo Plant / President, Tsubaki Emerson Co.



Toru Fujiwara
Director and Senior Managing Executive Officer
Automotive Parts Division / Global-Best Development / Saitama Plant



Yohei Kataoka
Director and Senior Managing Executive Officer
Materials Handling Division Operations / Materials Handling Division / Global-Best Development



Tadasu Suzuki
Director and Managing Executive Officer
Chain Manufacturing Division, Chain & Power Transmission Operations / Kyotanabe Plant



Tetsuya Yamamoto
Director and Executive Officer
Management Planning / Corporate Planning Department



Hidetoshi Yajima
Outside Director

Corporate Auditors (Standing)
Masahiro Takemura
Jiro Miyamoto

Corporate Auditors (Outside)
Masaru Tokuda
Takafumi Watanabe

Senior Managing Executive Officers

Yoshinobu Miyazaki
Toshio Takahashi

Managing Executive Officer
Masato Kondo

Executive Officers

Hideaki Haruna
Masaya Ushida
Toshimitsu Sakai
Shigeya Tsubakimoto

Nobuaki Haga
Hiromasa Kawaguchi
Masahiko Yamamoto

Frequent, High-Quality Communications

We will work to build relationships of trust with society in accordance with a fundamental policy of contributing to the development of society and the economy through manufacturing activities that satisfy customers.

We strive to fulfill our responsibility of offering explanations to our shareholders, investors, and other stakeholders, to practice sincere and transparent management, and to engage in reciprocal communication.

Disclosure Policy

In addition to practicing sincere and transparent management, Tsubakimoto Chain endeavors to conduct timely, impartial, accurate, and continuous disclosure of information through proactive investor relations (IR) activities.

Fundamental Disclosure Policy

One of the values defined in the Tsubaki Group's mission statement is "We will gain the trust and meet the expectations of society through compliance with laws and corporate ethics, and through active information disclosure." Acting in accordance with this value, we aim to provide our shareholders, investors, and other stakeholders with timely, impartial, accurate, and continuous disclosure of information.

Communication with Shareholders and Other Investors

In order to facilitate communication with our shareholders and other investors, the Company holds presentations for industrial investors and securities analysts twice a year following the publication of its financial statements. The materials used in these presentations are then uploaded to Tsubaki's IR web site. Further, the Company promptly uploads information that is needed to make investment decisions, such as press releases, financial statements, and the abovementioned presentation materials, onto its IR web site, and takes steps to ensure that this information is provided fairly to all of its shareholders and other investors. Moreover, this information is available in both English and Japanese, and starting in fiscal 2010 the Company began offering such information in Chinese as well. Through these efforts, we are bolstering the amount of information that is made available to investors.



Nikkei IR Fair 2010, held in September 2010

Moreover, as a venue for communications activities for individual investors, we also participate in IR fairs for individual investors. At the Nikkei

IR Fair 2010, which was held in September 2010, we had an exhibit that introduced the Group's business activities and management policies. In addition to product displays and a mini-presentation held at our booth, Company officers made a presentation at the main venue and worked to foster a greater understanding of the Tsubaki Group.

General Meeting of Shareholders

Tsubaki views the General Meeting of Shareholders as an opportunity for it to engage reciprocal communication with its shareholders. Therefore, we arrange this meeting in a way that makes it easy and convenient for shareholders to attend, and manage it in a manner that encourages shareholders to voice their opinions.

The Company held its 102nd General Meeting of Shareholders on June 29, 2011. At this year's meeting, we included an explanation of the Medium-Term Management Plan 2012—a three-year plan that started in fiscal 2011—and explained the plan's progress during its first year. Also, in the Q&A portion of the meeting, we responded to a number of inquiries on a wide range of subjects, including the effects of the March 11 Great East Japan Earthquake and the current status of the operating environment. In these ways, we worked to deepen the understanding of the Company's business activities.

In addition, after the conclusion of the 102nd General Meeting of Shareholders, as a venue for direct communication among shareholders and the Company's officers, we held a shareholders' panel discussion, set up a display that introduced the Group's products at the meeting site, and took steps to foster an enhanced understanding of the Company's products and technologies.



Shareholders' newsletter



General Meeting of Shareholders



We maintain a strong relationship with all of our shareholders while conducting social contribution activities as a member of regional societies.

Communication with Regional Societies

As a member of regional societies, the Tsubaki Group is an earnest participant in local community activities. We humbly support regionally sponsored events through means such as setting up booths, offering the use of our parking lots, opening up grounds and tennis courts for the use of people from the local community, and providing support for fire prevention initiatives, such as through participation in private fire-brigade training events.

In fiscal 2011, we participated in a number of events sponsored by local municipalities, such as the Kyotanabe City Business Fair (Kyotanabe Plant) and the Nagaoka City Environment Fair (Nagoya Plant), and worked to foster a deeper understanding of the Group among local people.

In addition, Group employees periodically conducted local cleanup activities as well as actively volunteered to participate in cleanup activities sponsored by local communities.

Supporting Youth Development Activities

As a manufacturer, we want to communicate to children the fun and exciting challenges of manufacturing. In accordance with that objective, at all domestic plants, including those operated by Group companies, we give factory tours, offer internships, and actively support work-experience educational initiatives for junior high school students sponsored by local municipalities.

As one facet of these efforts, we sponsor parents-and-children plant tours at the Kyotanabe Plant, an event for elementary school students to participate in during summer vacation that has become a fixture in the local community.



Introduction of various chains of all sizes (Parents-and-children plant tours at the Kyotanabe Plant)

The goal of this event, which we have held on two days during August every year since 2008, is to utilize Tsubaki chains to communicate the fun and depth of manufacturing to children. This event includes a number of

other original programs, such as a chain assembly competition. This year the number of applicants was over seven times greater than the 80 that were received over the two-day period in the previous year.



Work-experience program for junior high school students: Try-Do-Week (Hyogo Plant)

Further, in response to employee requests, we held special tours for the families of employees. Over 100 members of employees' families, ranging from ages 1 to 70, participated in these tours, which spanned a three-day period.

Social Contribution Activities

We continue to conduct social contribution activities based on the policy of contributing to the development of society and the economy through manufacturing activities that satisfy customers.

As one of these activities, employees from a subsidiary in Thailand that manufactures timing chains for automobile engines participate in a mangrove reforestation project every year. This year, employees from this subsidiary have also begun participating in a project to support under populated areas. As part of this project, waste materials produced during the manufacturing process, as well as used garments collected from employees, were sold and the proceeds were used to purchase a 2,000-liter water tank for an elementary school located in a mountain village. Such



Elementary school faculty and donated water tank (Thailand)

activities are conducted based on employee proposals, and we intend to continue these activities in the future.

Human Resources that Support Quality

The most fundamental factor behind the continued growth of the Tsubaki Group is its uncompromising standards for quality, which help set it apart from the competition. We believe that this quality is supported by the human resources that the Group utilizes, whether they are internal, as in our employees, or external, as in those that work with our associates.

Aiming to provide customers with the best value that they seek, we are implementing comprehensive quality improvement measures.

Quality Assurance System and Quality Management

The Tsubaki Group has instituted a Companywide quality policy of “zero quality defects,” and we are implementing a variety of activities to achieve that goal.

To provide products, technologies, and services that are safe and offer superior quality, the Companywide Quality Committee meets once a month, with the president serving as the chief quality assurance officer. This committee has overall responsibility for quality on a Groupwide basis. We are working to ensure that various departments have a common awareness of quality issues and to foster the resolution of those issues. In addition, at each Group worksite, we have built quality management systems based on the ISO 19001 standard. Through the effective operation and continual improvement of these systems, we are working to provide higher-quality products, thereby increasing customer satisfaction.

Implementation of *Dantotsu* Activities throughout the Group

We are implementing *dantotsu* activities—the Group’s unique brand of production innovation activities—at all Group manufacturing companies around the world in pursuit of thoroughly installing quality in and improving the productivity of our operations. In fiscal 2011, these activities were applied to over 80 different production lines. This has not only served to improve quality but has also helped facilitate education, training, and the transmission of technical knowledge. In fiscal 2012, we will adjust these activities to match the characteristics of each individual business, and expand the scope of their implementation to include divisions that are not directly



Dantotsu Activities at Tsubaki of Canada Limited

related to manufacturing. For example, in automotive parts operations we will implement *dantotsu* activities at our cooperating companies’ (suppliers) operating bases and work to offer support in their

efforts to run smooth business operations. In order to further this initiative, we will hold a *Dantotsu* Activity Manufacturing Case Study Exhibition, which will be a prime opportunity for members of the Group and its associates to deepen their understanding of production innovation activities.

Development with Cooperating Companies

Partnerships with cooperating companies (suppliers) are the foundation of high-quality manufacturing at the Tsubaki Group. Working together with cooperating companies in Japan and overseas, we implement procurement activities in accordance with our basic procurement policies. In this way, we strive to procure high-quality parts, materials, and equipment in a wide range of fields in an inexpensive and timely manner. Through fair and equitable transactions, we endeavor to foster mutual development from a long-term viewpoint.

Tsubaki Basic Procurement Policy

1. Fair and Equitable Dealings
2. Developing Relationships of Mutual Trust
3. Promotion of Developmental Procurement
4. Legal Compliance (Safeguarding of Confidential Information)
5. Prioritizing the Environment (Green Procurement)

Organization Built on Strong Alliances

The Tsubaki Group considers its cooperating companies and other associates as partners, and has always strove to prosper together with them throughout its long history, during both the good times and the bad. In Japan, a total of 168 cooperating companies have joined the Tsubaki Alliance, and we are constantly working to strengthen our partnership with



Dantotsu Activities at a cooperating company

these companies by engaging in reciprocal communication and regularly holding meetings and other forums, including gatherings at New Year’s.



We are developing diverse personnel systems geared toward encouraging our employees to find their jobs rewarding and to take on the challenge of creating value.

Supporting Employees

The Tsubaki Group promotes diversity and supports the efforts of all of its employees, regardless of age, gender, or nationality. We hire employees of various nationalities for positions throughout the Group. We were also a forerunner in such areas as offering both men and women the same salary and hiring senior citizens. At the same, we are developing measures to help employees balance their work and private lives. Additionally, the Company continues to promote the employment of people with disabilities, including offering internships on a yearly basis.

Tsubaki aims to be a company in which all employees can use their talents to the fullest. Therefore, we place great importance on effective communication. We are developing training programs and personnel programs to ensure that employees are fairly evaluated. Also, we are promoting strong corporate ethics and establishing a workplace environment that encourages respect for human rights and does not condone discrimination.

Personnel System Prioritizing Efforts and Results

The concept of “innovation and challenge” is the driving force behind our employees’ actions. To encourage employees to act accordingly, we strive to ensure that our personnel systems are just, transparent, and accepted by all employees.

The Company is working to develop personnel systems that are easily understood. We have eliminated the seniority-based aspects of our system. Further, we utilize clear, objective standards including a job-based qualification and wage system, results-linked bonuses with an enhanced company performance component, and an absolute assessment framework. To ensure that employees are properly evaluated, we require supervisors to meet one-on-one with their subordinates when setting goals and making evaluations, which serves to improve employees’ acceptance of their evaluations, and promote discussing improvement and skill-development measures with employees. Further, we have introduced flextime and discretionary labor systems to raise the level of freedom and increase Tsubaki’s responsiveness to the various lifestyles and value systems of employees.

Enhancing the Specialized Skills of Employees

A company cannot grow unless its employees grow. For this reason, Tsubakimoto Chain’s human resources development policy is to create an environment in which people succeed on their own merits and to enhance the specialized skills of employees. To that end, the Company has developed in-house training centers, including the Tsubaki Techno School, and the Processing Dojo, which helps employees refine their technical manufacturing skills. We have also created a framework for the advancement of self-education and acquisition of qualifications, such as through distance learning.

We are implementing systematic human resources development from a long-term perspective, such as a system for dispatching employees to overseas Group companies for training. These training opportunities help us to develop employees that can be active globally. We also have a system for sending engineers to marketing divisions for fixed periods of time.

Communication with Employees

At Tsubakimoto Chain, we believe that valuing communication with employees will help invigorate the entire company. Accordingly, the Company holds forums for employees twice a year at which it briefs them on the operating environment and on the status of Tsubaki’s business. We also ensure effective communication with labor unions by holding monthly meetings with the unions and arranging a round table discussion between members of top management and representatives from the labor unions twice a year. These forums serve as a venue for discussion on issues that need to be addressed by the Company and problems experienced by employees, thus encouraging management and employees to work together. Further, in 2010 we held *Kurumaza Meetings* at several worksites in which the employees of these worksites were able to speak directly with the Company’s senior management.



Kurumaza Meetings at which employees were able to speak directly with the president

ment and employees to work together. Further, in 2010 we held *Kurumaza Meetings* at several worksites in which the employees of these worksites were able to speak directly with the Company’s senior management.



We are creating safe and secure workplace environments in which all employees can exercise their full potential.

Creating Safe, Comfortable Workplace Environments

As one of its key management policies, the Tsubaki Group has established the goal of being a manufacturer that prioritizes safety above all else. Therefore, the Group is taking steps to prevent occupational hazards and maintain the mental and physical health of its employees in order to create safe, comfortable workplace environments in which all employees are happy to work.

In February 2009, we established the Tsubaki Group Safety Committee, and formulated a three-year action plan. Accordingly, we are implementing initiatives to improve the overall level of safety throughout the Group, centered on strengthening risk assessment activities and safety education enhancement activities.

Philosophy
 The Tsubaki Group has established the philosophy of “focus on humanity” and aims to continue developing as a sound corporate group at which its employees can work safely and healthily while enjoying enriched lifestyles on a daily basis. Accordingly, it is working to create safe, comfortable workplace environments and promoting good health maintenance among its employees.

Tsubaki Group Objectives
 Aiming to Establish Worksites that are Safe, Pleasant, and Dynamic
 Accidents: Zero
 Findings ratio: Equal to or less than national average

Major Initiatives in Fiscal 2011

In fiscal 2011, the Group focused on preemptively addressing risks. This entailed further instilling risk assessment activities into all Group companies and identifying potential risks present in the Group facilities and operational practices, after which we took steps to prevent or totally eliminate these risks.



Danger-response training

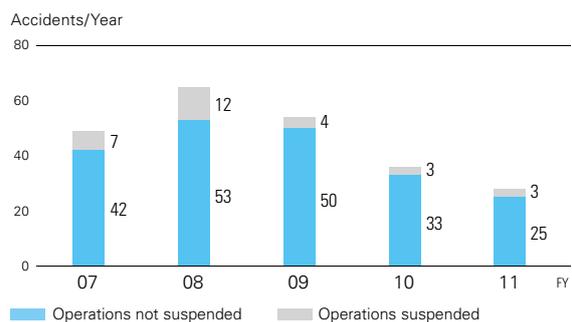
In addition, we also worked to enhance training programs for newly hired employees. We will continue to implement the experience-based training programs introduced in fiscal 2010, while also conducting post assign-

ment follow-up training and raising employees’ sensitivity to danger through the implementation of danger-response training programs that help them identify and predict problems at their workplace.

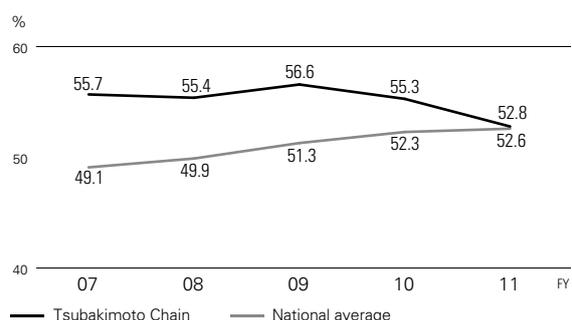
In supporting the health of employees, we conducted annual physical exams, specialty health exams, and health check-ups for people working long hours. Further, we have employed full-time employees that provide consultations and mental health education at worksites to help prevent and rapidly treat mental health issues.

We are also working to prevent occupational disasters and illness by taking steps to improve employee awareness on these matters. These steps include incorporating occupational safety and health in the training curriculum for various different levels of employees, introducing actual disaster case studies, and implementing danger-prediction and training mental health-related training.

Number of Work-Related Accidents at the Tsubaki Group



Findings Ratio (Tsubakimoto Chain)



Social Contribution through Environmentally Friendly Manufacturing

The Tsubaki Group is working to conserve the environment and reduce the environmental impact of its operations by improving the efficiency of production activities and developing products that effectively lower energy consumption.

Environmental Management

Environmental Philosophy

The Tsubaki Group believes that environmental conservation is a critical challenge facing humanity. **We will remain mindful of the environment in all our operations and contribute to the world through our workmanship.**

Fundamental Environmental Policy

- We will acknowledge the environmental impact of our operations, products, and services. In the interests of environmental conservation, we will use our creativity to exhibit industry leadership in reducing our environmental load.
- We will create a management system for environmental conservation and will promote pollution control and continual improvement.
- We will strictly comply with environmental laws, rules, and regulations and will seek to develop good relationships with our stakeholders.
- Through environmental training and in-house public relations, we will work to enhance awareness of environmental conservation among all Tsubaki Group employees.

Long-Term Objectives

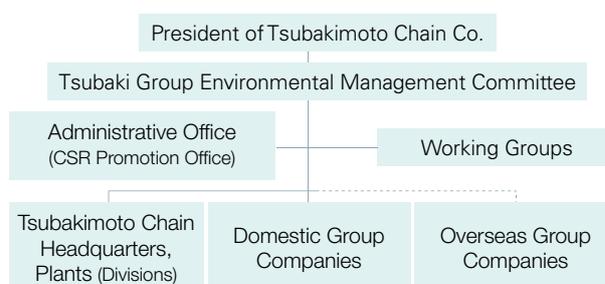
Reduce CO2 emissions by 15% by fiscal 2021

* Benchmark year: Fiscal 2006

Environmental Structure

The Tsubaki Group promotes environmental management primarily through the Environmental Management Committee, which is overseen by the president. This committee is chaired by the officer in charge of Tsubakimoto Chain Co.'s Corporate Social Responsibility Development Office, and includes plant managers, division managers, and representatives from Group companies. The committee deals with the Group's environmental challenges from a medium-to-long-term perspective.

Organization of Environmental Management System (organization chart)



Environmental Objectives and Results

Item	Fiscal 2011 Environmental Objectives	Fiscal 2011 Results	Evaluation
Reduction of CO2 emissions	Achieve 10% year-on-year reduction in CO2 emissions intensity	5.3% decrease in intensity. Total emissions up 16%.	✗
Reduction in emissions of industrial waste, etc.	Achieve recycling rate*1 of 98% or more (fiscal year-end)	Annual average recycling rate was 97.9%. Total increased 23%.	○
Reduction in use of chemical substances	Reduce use of chemical substances in manufacturing processes	Emissions into atmosphere increased 23%, transfers increased 8%.	✗
Expansion of sales of eco-products	Build foundation for expanded sales of eco-products	Developed basic eco-product sales strategy, began Eco & Eco activities*2.	○
Progress in green procurement	Utilize green procurement guidelines	Conducted activities in accordance with harmful chemical substance reduction manual.	△
Globalization of environmental management	Develop common objectives for overseas companies	Formulated objectives for CO2 emissions, created specific measures, tracked results.	○

*1. Recycling rate: The ratio of the total weight of reused, material-recycled, and thermal-recycled waste to the total amount of waste.

*2. Eco & Eco = Ecology and Economy



Environmental Conservation Initiatives

Flow of Energy and Materials

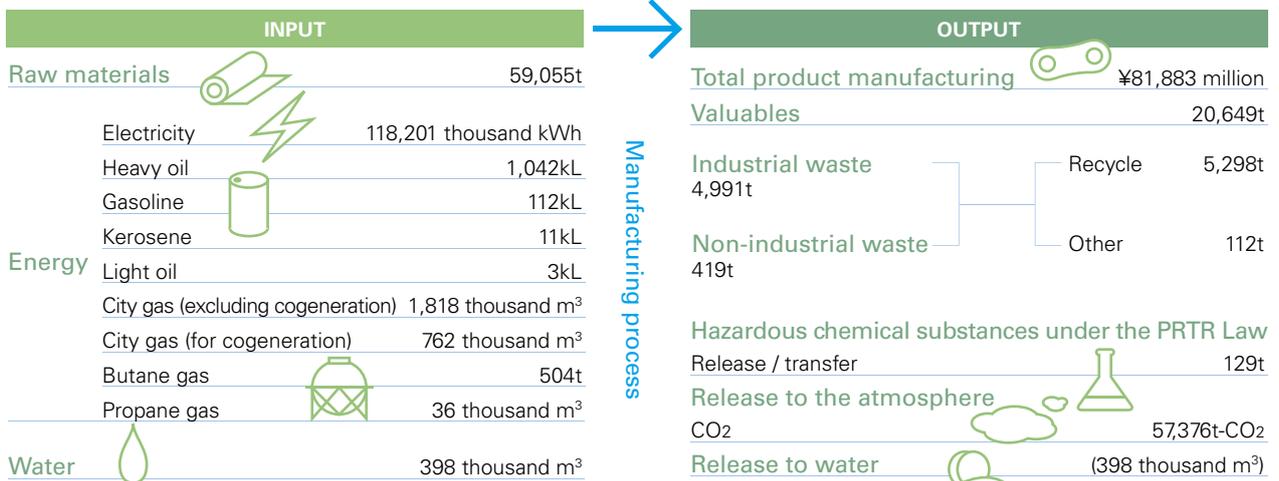
To reduce the burden placed on the environment by its operating activities, the Tsubaki Group is collecting and tracking data about the environmental impact of its product manufacturing processes.

In fiscal 2011, energy usage increased following a rise in product manufacturing in response to the recovery from the

economic recession caused by the Lehman shock as well as the higher air conditioning usage experienced during the unusually hot summer.

 Please refer to the link below for more information:

Trends in Major Environmental Performance Indicators (Japanese Only)
http://www.tsubakimoto.jp/environment/act_02.html



Scope of application: Tsubakimoto Chain Co. (Kyotanabe Plant, Saitama Plant), Tsubaki Emerson Co., Tsubakimoto Custom Chain Co., Tsubakimoto Sprocket Co., Tsubakimoto Bulk Systems Corp., Tsubakimoto Mayfran Inc., Tsubakimoto Iron Casting Co., Ltd., Tsubaki Yamakyu Chain Co.
 Period of application: April 1, 2010 to March 31, 2011

Appropriate Handling of Chemical Substances

Initiatives Targeting Reductions in Harmful Chemical Substances

To comply with Europe's RoHS directive^{*1}, ELV directive^{*2}, REACH regulations^{*3}, and other domestic and overseas laws and regulations that stipulate limits on harmful chemical substances, we have designated products that contain harmful chemical substances and set content limits. Together with our partners, we are aggressively implementing studies and reduction initiatives.

Laws / Regulations	Products for which the Company's response has been completed
RoHS directive	General-use drive chains, locking devices, shaft couplings, reducers, etc.
ELV directive	All components for automotive engine timing chain drive systems
REACH regulations	The Company has no products covered by these regulations.

*1 RoHS directive: EU directive for the restriction of the use of certain hazardous substances in electrical and electronic equipment
 *2 ELV directive: EU directive aimed at reducing waste and environmental burden resulting from vehicle disposal
 *3 REACH regulations: EU regulations for the registration, evaluation, authorization, and restriction of chemicals

Reduction of PRTR Hazardous Chemical Substances

In fiscal 2011, the number of required PRTR Law compliance forms to be filed increased by one from the previous fiscal year. Accordingly, the Tsubaki Group filed PRTR Law compliance forms for seven regulated substances emitted by five companies and seven plants.

In fiscal 2011, emissions into the atmosphere were up 23% year on year and transfers increased 8% due to the rise in production activities. We continue working to reduce the amounts of these substances used and emitted at these worksites.

 Please refer to the link below for more information:

Data on PRTR Law Target Chemical Substances (Japanese Only)
http://www.tsubakimoto.jp/environment/act_04.html



Prevention of Global Warming

Reduction of CO₂ Emissions

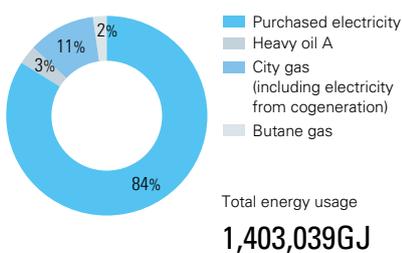
The Tsubaki Group had formulated a five-year plan for reducing CO₂ emissions intensity in fiscal 2011 by 5% from the benchmark year of fiscal 2006. However, since then, production activities have been heavily impacted by fluctuations in the economic climate, and the Company was unable to achieve this goal as a result. In fiscal 2011, while production increased in tandem with the recovery of the economy, we worked to lower CO₂ emissions by applying heat-insulating paint to factories, switching to air pressure devices that use invertors, and installing energy-saving lighting. Through these efforts, we were able to reduce CO₂ emissions intensity by 5.3% year on year. In fiscal 2012, there is some cause for concern, such as the electricity shortages associated with the accidents at the Fukushima Daiichi and Fukushima Daini Nuclear Power Stations stemming from the March 11 Great

East Japan Earthquake. Regardless though, in the future we will continue to implement energy-saving measures and productivity improvement measures as we strive to reduce CO₂ emissions.

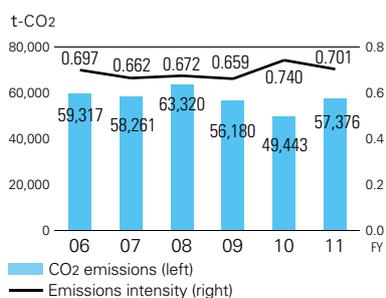
Effective Utilization of Resources

The Tsubaki Group is aggressively implementing measures to recycle waste. In addition to thorough waste sorting, we are advancing a range of other measures. These include removing water from hydrous sludge to reduce the weight of waste and recycling press oil and other waste oil as well as packaging materials. In fiscal 2011, the Company's waste output, including industrial waste and non-industrial waste, was 5,410 tons, an increase of 23% year on year, largely due to the rise in production activities associated with the recovery of economic conditions. However, the average annual recycling rate rose 0.8 percentage point, to 98%.

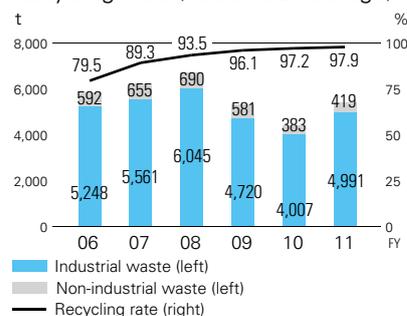
Breakdown of Energy Usage



CO₂ Emissions



Waste Emissions / Recycling Rate (Fiscal Year Average)



Environmental *Dantotsu* Activities

Following the success of the *dantotsu* activities implemented at Tsubakimoto Chain's Saitama Plant in pursuit of achieving "zero quality defects," the Company decided to reinvent these activities for environmental conservation purposes. To this end, Tsubaki has assembled an elite team that is now responsible for implementing environmental *dantotsu* activities.

Initiatives in fiscal 2011 included working to lower CO₂ emissions through means such as applying heat-insulating paint to factories and attaching insulating covers to heat treatment furnaces, as well as efforts to reduce waste production.



Insulating covers attached to a large-scale retort furnace



Energy consumption evaluation

Tsubaki's Eco-Products Contribute to Customers' Ecology- and Economy-Related Efforts

The Tsubaki Group is advancing the development of environmentally friendly products. These so called eco-products help customers reduce energy consumption and improve the economic aspects of their operations.

Tsubaki's Eco-Products

As a manufacturer of industrial machinery, equipment, and parts, the Tsubaki Group is actively working to develop products that are more environmentally friendly to help its customers realize reduced environmental burden (Ecology) and enhanced economic efficiency (Economy), which are representative of Tsubaki's Eco & Eco (Ecology and Economy) approach. Tsubaki's products are tested for compliance with the Company's unique eco-evaluation standards that evaluate features such as a product's ability to reduce material usage or CO2 emissions, before they are defined as eco-products. Through such efforts, Tsubaki is raising the environmental friendliness of its operations.

Tsubaki has announced that, starting from 2011, it will require all newly development products to be environmentally friendly. After being approved for compliance with Tsubaki's unique eco-evaluation standards, eco-products are

adorned with the Tsubaki Eco Link mark. Further, the progress of these efforts is being communicated both inside and outside of the Company.

In fiscal 2012, we plan to launch 13 new eco-products.



Eco-Product Catalog



Tsubaki Eco Link

The Tsubaki Eco Link mark symbolizes both the link between customers and Tsubaki and the link between ecology and economy created by Tsubaki's eco-products. Its design is inspired by the link plates of Tsubaki's mainstay chains.

Tsubaki's Eco-Products

Power Transmission RS Roller Chain G7-EX Series



Eco & Eco Points

- Doubled wear life resulting in 49% reduction in CO2 emissions
- 33% increase in drive performance realizing size reductions and generating 37% decrease in CO2 emissions
- Reduction in costs through smaller chains
- Reduction in maintenance frequency due to longer wear life

Automobile Engine Timing Chain Drive System Zerotech Series



Eco & Eco Point

- Reductions in weight, stretching due to wear, and friction loss help lower engines' fuel consumption and size while lengthening lifespan

Zerotech

The name "Zerotech" is symbolic of our quest to reduce mass, stretching due to wear, friction loss, and noise production of automobile engine timing chain drive systems to zero.

High-Speed Lift Table Zip Chain Lifter



Eco & Eco Points

- Up to 53% reduction in energy consumption as a result of direct elevation using zip chains
- Improved productivity due to elevation speeds 3 to 10 times faster than hydraulic lifts
- Reduction in replacement costs stemming from lifespan 5 to 20 times longer than hydraulic lifts

* Based on LCA Inventory Analysis



Environmental Friendliness Factors

The Tsubaki Group classifies the environmental friendliness factors that are under its control into seven categories. These factors are used in the formation of a framework for product development and design.

-  Resource conservation, reduction of waste generated
-  Energy saving, reduced CO2 emissions
-  Clean workplaces and usage environments
-  Consideration for the surrounding environment
-  Ease of disposal
-  Reuse
-  Consideration for harmful substances



Please refer to the link below for more information:

Environmental Friendliness Factors (Detail)(Japanese Only)
http://www.tsubakimoto.jp/environment/eco_01.html

 Ecology points  Economy points

Power Cylinders

Power Cylinder Eco Series



Eco & Eco Points

-  Reduced electricity consumption (1/3 of electricity used by hydraulic cylinders, 1/10 of electricity used by pneumatic cylinders)
-  Does not use harmful chemical substances
-  Customers' products that incorporate Power Cylinder Eco Series products can be sold as environmentally friendly products

High-Speed Automatic Sorting Equipment

Environmentally Conscious Type Linisort



Eco & Eco Points

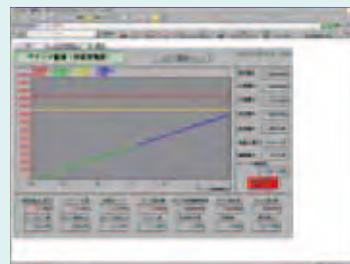
-  30% reduction in electricity consumption due to miniaturized design and light weight lowering energy used during conveyance
-  50% reduction in drive unit weight lowers materials usage
-  Easy disassembly facilitated by using bolts in place of conventional welding

Implementing Continual Electricity and Energy Consumption Reduction Measures in Accordance with Electricity Usage Regulations

The Tsubaki Group is implementing comprehensive electricity consumption reduction measures in order to address the electricity shortages projected for summer 2011. However, the implementation of these measures will not be temporary. Rather, we are targeting continual reductions in electricity consumption and subsequently CO2 emissions.

For example, a number of measures are being implemented at our Saitama Plant to meet the government-mandated target of reducing electricity consumption by 15% year on year. These include altering workdays and other efforts to shift operations to times with less demand for electricity, accelerating investment for energy-saving purposes, and strengthening management of air conditioning at offices and other facilities. As a permanent initiative geared toward improving the productivity of production lines, lowering their electricity usage, and subsequent reducing costs, we are endeavoring to shorten the time used for heat treatment.

Further, we are utilizing Monitor Maker Kantaro, one of Tsubaki's own products, to track the electricity used by different worksites in real time and develop an alert system that displays various signals based on levels of electricity usage. This has enabled us to achieve electricity usage reductions averaging over 20% during peak usage hours.



Electricity monitoring display tracking the electricity usage of various factories and offices in real time



Electricity usage monitoring signal tower that displays three different signals based on electricity usage levels

Environmental Accounting

Use of Environmental Accounting System

In fiscal 2011, the Tsubaki Group implemented a range of environmental conservation investments, including anti-earthquake reinforcements and heat-insulating paint for factories, automatic air pressure device control systems, and LED lighting, as well as investment in equipment noise countermeasures. These investments totaled ¥190 million, an increase of 10% year on year. In fiscal 2011, the Company recorded an increase in depreciation and amortization associated with the installation of wastewater facilities in the previous fiscal year, and as a result on a total basis this spending was up ¥50 million.

Through its environmental accounting system, the Tsubaki Group will analyze the costs and benefits of these activities, and utilize the results in future environmental conservation activities and information disclosure initiatives.

Scope: Nine domestic plants (Tsubakimoto Chain Kyotanabe Plant, Saitama Plant, Tsubaki Emerson, Tsubakimoto Custom Chain, Tsubakimoto Sprocket, Tsubakimoto Bulk Systems, Tsubakimoto Mayfran, Tsubakimoto Iron Casting, Tsubaki Yamakyu Chain)
 Period: April 1, 2010 to March 31, 2011
 Guidelines: Environmental Accounting Guidelines 2005



Saitama Plant after application of heat-insulating paint



Photovoltaic panels installed at Tsubakimoto Custom Chain



LED lighting installed at Tsubaki Emerson's Okayama Plant



Please refer to the link below for more information:

Economic Benefits of Environmental Conservation Initiatives (Japanese Only)
http://www.tsubakimoto.jp/environment/act_05.html

Environmental Conservation Costs (business activity classification)

			Thousands of yen	
			Fiscal 2011	
Classification	Details of major initiatives		Amount invested	Costs
(1) Business area costs			192,678	519,408
Breakdown	(1) - 1 Pollution prevention costs	Introduction, operation, and management of air pollution prevention facilities and wastewater treatment facilities	146,566	246,950
	(1) - 2 Global environmental conservation costs	Introduction, operation, and management of electricity control systems	20,939	127,609
	(1) - 3 Resource recycling costs	Waste processing / recycling expenses, improvement of industrial waste storage facilities	25,173	144,849
(2) Upstream / downstream costs	Outsourcing analysis costs, such as substances with environmental impact		0	71
(3) Administration costs	Establishment and operation of EMS, worksite greening and maintenance, installation of air and water measurement equipment		0	173,135
(4) R&D costs*	R&D of environmentally friendly products (reduction of environmental burden during product use)		-	-
(5) Social activity costs	Regional environmental conservation initiatives		0	950
(6) Environmental remediation costs	Groundwater purification measures, etc.		0	0
Total			192,678	693,563

* The Company is reconsidering the method of gathering data used to calculate R&D costs due to a reevaluation of environmentally friendly standards for products.

Environmental Conservation Effects

Environmental conservation benefit categories	Environmental performance indicators (Unit)	Fiscal 2010	Fiscal 2011	Difference between base period and period under review (environmental conservation benefits)
Environmental conservation benefit related to resources input into business activities	Water (thousand m ³)	382	398	Increase of 16 thousand m ³
Environmental conservation benefit related to waste or environmental impact originating from business activities	CO ₂ emissions (t-CO ₂)	49,443	57,376	Increase of 7,933 t-CO ₂