

# Strong Drive Toward Sustainable Growth

In April 1999, the Tsubaki Group developed the Tsubaki Mission Statement which expressed the Group's commitment to being a global leader and to providing the best value to customers. Since that time, the Tsubaki Mission Statement has guided the Group in the implementation of its business activities.

We realized that if the Tsubaki Group is to continue growing sustainably it will be absolutely essential for us to develop products with notable social benefits that have been differentiated through technological strength. Moreover, these products must be made with the highest levels of efficiency and provided to customers around the world. Achieving this will require employees with significant skills, expertise, and motivation.

Going forward, these principles will remain core to the Tsubaki Group's operations as it works to become a corporate group viewed as necessary by its shareholders, customers, employees, business partners, local communities, and all of its other stakeholders.

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# Development of Eco-Products

Contributing to society and the economy through environmental preservation and energy saving—the Tsubaki Group takes this principle to heart in its product development efforts, and is constantly pursuing the differentiation of its products through technological innovation.

We strive to provide products with unrivaled levels of durability and energy efficiency so that these products may help customers realize substantial improvements in convenience as well as significant economic benefits. More importantly, we believe these products will help preserve the global environment. Based on this belief, we have declared that all newly developed products will be required to be environment-friendly.

Products that have been judged compliant with Tsubaki's unique eco-evaluation standards are defined as eco-products and are adorned with the Tsubaki Eco Link logo to communicate their benefits to society.

The Tsubaki Group is dedicated to realizing sustainable growth through the unrelenting development of such one-of-a-kind, society-benefiting products.



The Tsubaki Eco Link logo is used only on products that satisfy the standards for environmental friendliness set by the Tsubaki Group.



## New Eco-Products

### Tsubaki Cleanveyor® & Model TKZP Tsubaki Cableveyor®

Cableveyors are used for various applications in a wide range of industries as protection and guidance systems for the cables and hoses that serve in the moving parts of industrial machinery. Calling upon our accumulated technological expertise and a new sense of innovation, we successfully launched two revolutionary new Cableveyor products in 2013. One is the Tsubaki Cleanveyor cable system designed for use in clean rooms, with the other being the Model TKZP Tsubaki Cableveyor, which features an innovative new structure that is light and compact coupled with superior cost performance.

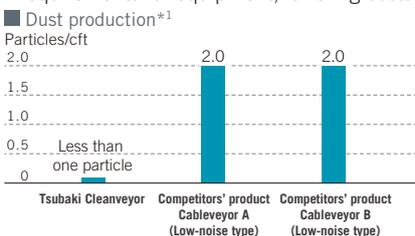
#### Tsubaki Cleanveyor®

This cable system—designed exclusively for use in clean rooms—can be made to incorporate movable cables and pneumatic hoses to meet specific customer requirements. Moreover, the system's ultra-low generation of dust and noise make it ideal for clean rooms.



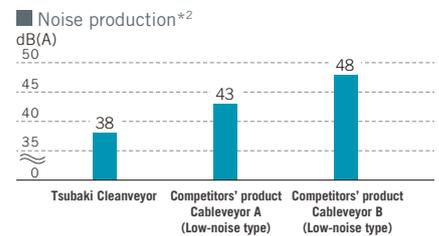
#### Eco & Eco Points

- Maintenance of a clean usage environment and simplification of anti-dust and noise precaution requirements for equipment, lowering costs



Dust production measuring standards  
Location: Inside of clean room (ISO Class 1 cleanliness)  
Installation conditions: Standard installation (floor installation possible)  
Operation speed: 120m/min  
No cable specification (only support members inserted into pods in Cleanveyor system)  
Dust production volume is defined as the number of particles over 0.1µm in size in an area of 1 cubic foot.

\*1 Graph data is the average from five measurements.

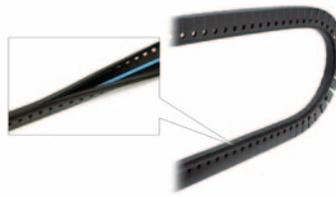


Noise production measuring standards  
Installation conditions: Standard installation (floor installation possible)  
Operation speed: 100m/min  
Distance of measuring equipment from Cleanveyor: 500mm  
No cable specification (only support members inserted into pods in Cleanveyor system)

\*2 Graph data is the average of the largest figures from five measurements.  
• Cableveyor and Cleanveyor are registered trademarks of Tsubakimoto Chain.

#### Model TKZP Tsubaki Cableveyor®

The Model TKZP Tsubaki Cableveyor features a new structure in which cables and hoses can be set in place simply by folding the strip and fastening it closed. It bends in only one direction in a manner similar to conventional Cableveyor products, allowing for stable operation, and the link-free structure and short pitch also minimize the generation of dust and noise. This product is ideal for protecting and improving appearance of cables and hoses where carriers such as Cableveyors are not conventionally used. It can also be used to replace protective components in an effort to improve functionality.



#### Eco & Eco Points

- Reduction in weight of 65% in comparison to previous models of similar sizes
- Dust production during operations less than 1/5 of traditional levels, noise reduced to below 10dB(A)

\* For information on range of operations (uses), please refer to the Company's website.

### Labo Stocker Mini

Labo Stocker Mini features a small drug discovery library that is capable of storing up to 1 million items. Moreover, it is capable of managing various different types of containers, including vials, tubes, and plates. Customers may also expand the stocker's capacity for items at a later date, and the stocker itself features various other related options.

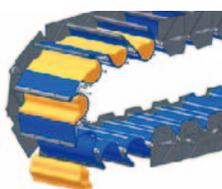


#### Eco & Eco Points

- Reduced size in comparison to previous Labo Stocker models, taking up 60% less space for the same capacity and enabling installation in small labs and standard buildings
- Smaller air conditioner lowers operating costs

### Tsubaki NAB Aprovator® R Series

The conveyor, Tsubaki NAB Aprovator, is ideal for handling abrasive and aggregated materials. It is even able to prevent declines in performance due to adhesion when transporting adhesive substances.



#### Eco & Eco Points

- Rubber sheet at bottom of bucket moves in conjunction with bucket motion to prevent adhesion of contents
- Low adhesion decreases energy loss, reduces cleaning frequency, and lessens environmental impact
- Buckets interchangeable with existing NAB Aprovator® models

# Improvement of Production and Managerial Efficiency

One of the Tsubaki Group's core strengths is its highly functional, high-quality manufacturing technologies. Utilizing these technologies, we are working to enhance the quality of our chains and other products through such means as making them smaller. The aim of these improvements is to provide benefits to customers and society including savings in energy and resources.

However, we also recognize the importance of boosting cost competitiveness in expanding our share of the global market. As such, we have pushed forward with an array of measures targeting improved productivity, including the installation of revolutionary production lines in Chain Operations and the implementation of manufacturing reform initiatives in Automotive Parts Operations. As a result, we have seen a substantial increase in production efficiency over the past 10 years.

These ongoing efforts have helped us realize an improved operating income margin and a significantly better D/E ratio (net). In this manner, we are working to reduce the amount of capital invested in our business together with our environmental footprint while simultaneously expanding operations, which we believe will lead to enhanced corporate value for the Tsubaki Group.



## Principal Efficiency Indexes

### Operating Income Per Employee

FYE 2003  
 ¥ 1.51 million → FYE 2013  
 ¥ 1.85 million

**23%**  
Up



### D/E Ratio (Net)

FYE 2003  
0.87 times → FYE 2013  
0.16 times

**Improved**  
**0.71** times



### ROE

FYE 2003  
2.5 % → FYE 2013  
7.7 %

**Up**  
**5.2**  
 percentage points



### CO<sub>2</sub> Emission Volume Per ¥1 Million of Ordinary Income\*

FYE 2004  
9.2 t → FYE 2013  
4.3 t

**Down**  
**53%**



### Energy Consumption Volume Per ¥1 Million of Ordinary Income

FYE 2004  
223 GJ → FYE 2013  
107 GJ

**Down**  
**52%**



\* Data collection for CO<sub>2</sub> emission and energy consumption volumes began in the fiscal year ended March 31, 2004. Accordingly, comparisons are between this year and the fiscal year ended March 31, 2013.

# Cultivation of Employee Skills, Expertise, and Motivation

As a manufacturing company, we can only hope to achieve sustainable growth if our employees maintain high levels of skills, expertise, and motivation.

More and more companies are having trouble passing technical skills and expertise on to new employees. The Tsubaki Group, however, has established the Tsubaki Techno School, and is otherwise taking steps to foster young technicians. We are also actively working to improve employee motivation. As a new initiative toward this goal, in the fiscal year ended March 31, 2013, we held the first annual Tsubaki Technical Skills Olympics, an event in which Group employees put their technical skills to the test against one another. In addition, we provided many opportunities for employees to refine their skills and share techniques. These opportunities were designed to promote exchanges that exceed the boundaries between different operating sites and factories while also improving motivation at manufacturing sites.

The Tsubaki Group believes that its people are invaluable assets, and this belief inspires us to come together in the pursuit of improved corporate value.

For more information, please refer to Human Resources Management (pages 34 and 35).



## Companywide Initiatives to Improve Skills and Expertise

### Tsubaki Technical Skills Olympics

#### Improving manufacturing expertise and passing this on to the next generation

On October 28, 2012, we kicked off the first annual Tsubaki Technical Skills Olympics. This fierce competition took place at the Kyotanabe Plant and two other sites over the course of three days. Moreover, the event served as an opportunity for employees to improve their technical expertise and for techniques to be shared between operating sites, thereby strengthening our foundation as a manufacturing company.

The Tsubaki Technical Skills Olympics consisted of a total of seven events designed to test employees skills in areas shared between the Company's four main businesses. Individual events included engine lathe operation, welding, injection molding, measuring, handwritten blueprint construction, and forklift driving competitions. Also, a workflow improvement competition was held as a team event. Having topped the competition at preliminary tournaments, a total of 51 elite employees assembled for the event from Group companies throughout Japan, eager to put to the test the skills they have perfected through daily practice at their respective worksites. In addition to these competitors, this event was supported by the efforts of the countless employees that helped with preliminary tournaments, attended the competition to cheer on their coworkers, or otherwise participated in this exciting event.

The Tsubaki Technical Skills Olympics proved to be a prime opportunity for technicians to further hone their skills. For this reason, we have chosen to hold this tournament each year to inspire employees to work toward participating and winning this event. Further, we hope to develop this tournament into a global event in the future so that overseas Group companies may participate as well.



Competitions held as part of the Tsubaki Technical Skills Olympics

### Tsubaki Technical Forum and Tsubaki Group KAIZEN Tournament

#### Learning from one another to improve quality and technological capabilities

We are conducting Groupwide initiatives to share foundation, product, and production technologies and improve quality throughout all areas of operation.

In November 2012, we held the 19th annual Tsubaki Technical Forum. This forum was broadcast to four operating sites, enabling a total of 320 employees from domestic Group companies to participate in the event. The forum consisted of presentations on six themes pertaining to product and technology development as well as production technologies, and a panel discussion was held on the subject of Tsubaki's core technologies.

In addition, we held the 14th annual Tsubaki Group KAIZEN Tournament in March 2013. A total of eight teams from domestic and overseas Group companies participated in this event. The tournament also featured presentations on activities by quality circles as well as on workflow improvement activities and *dantotsu* activities, helping facilitate Companywide awareness on such matters, an important step toward reducing repeat complaints from outside of the Company to zero.



Tsubaki Technical Forum

# Globalization and Production in Optimal Locations

In recent years, the Tsubaki Group has been accelerating its globalization efforts. Under Medium-Term Management Plan 2012, we established sales and manufacturing subsidiaries in China and the Indian Ocean Rim region. In addition, we actively strengthened our network of overseas bases through M&A activities and other means. As a result of these efforts, the percentage of net sales generated overseas was 43.6% in the fiscal year ended March 31, 2013, and overseas production accounted for 24.0% of total production. Not only have there been significant changes in the ratios of overseas sales and production when compared to 10 years ago, roughly 40% of the Group's total staff is now employed by overseas subsidiaries as well.

Presently a major theme for our globalization is transitioning away from a Japan-centric approach. In other words, we must shift from our previous focus of globalization based out of Japan to conduct manufacturing with a market-oriented approach that is responsive to the differing needs of each region in which we operate. At the same time, we will work to expand our share in the volume zones of emerging markets, while continuing to develop operations in the high-end areas of markets, where Tsubaki is particularly strong.

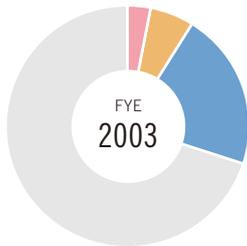
In this manner, the Tsubaki Group will pursue a truly global approach to strengthen its ability to grow sustainably.



## Accelerated Globalization of Sales and Production Activities

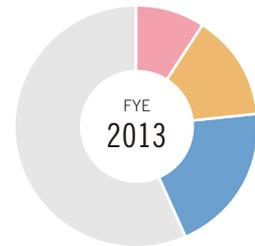
### Percentage of Overseas Sales

■ Europe ■ Asia / Oceania ■ North America / Other



FYE 2003  
33.8%

**UP**  
**9.8**  
percentage points



FYE 2013  
43.6%

### Percentage of Overseas Production

■ Europe ■ Asia / Oceania ■ North America / Other



FYE 2003  
15.8%

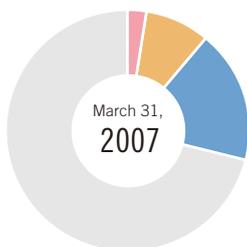
**UP**  
**8.2**  
percentage points



FYE 2013  
24.0%

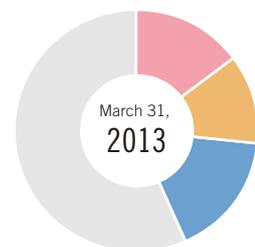
### Percentage of Overseas Employees\*

■ Europe ■ Asia / Oceania ■ North America / Other



FYE 2007  
29.1%

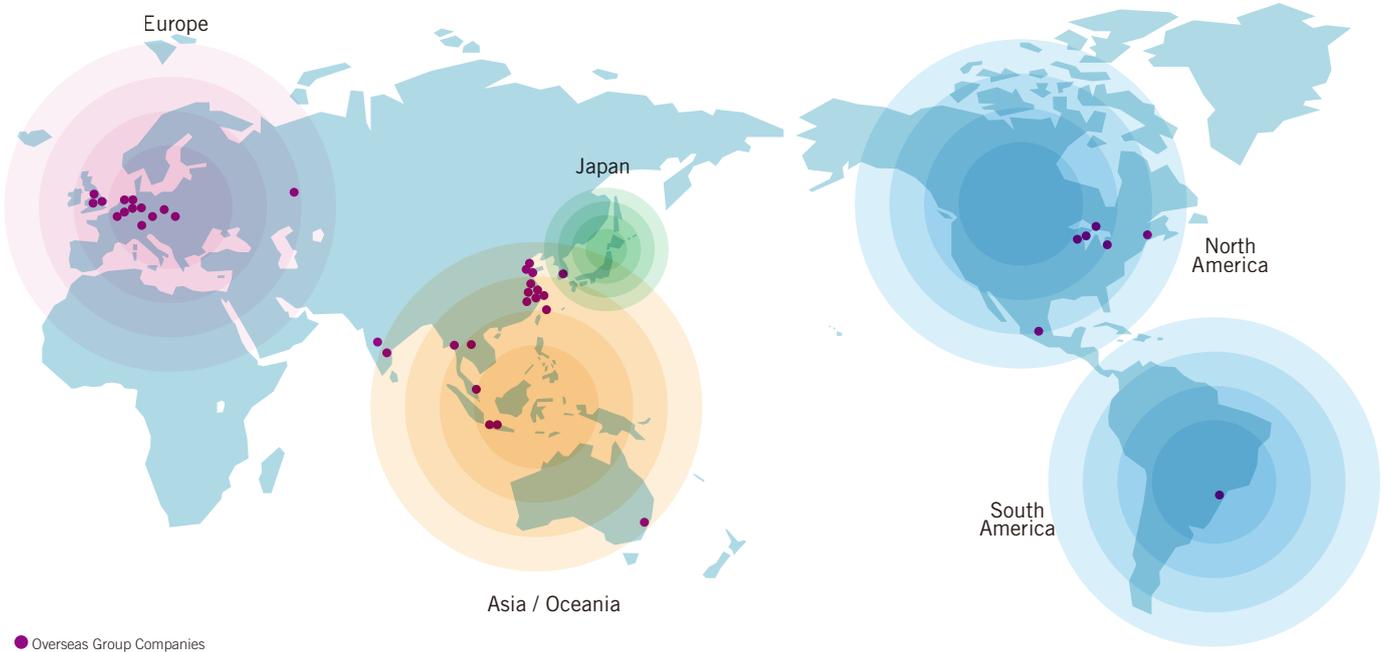
**UP**  
**14.2**  
percentage points



FYE 2013  
43.3%

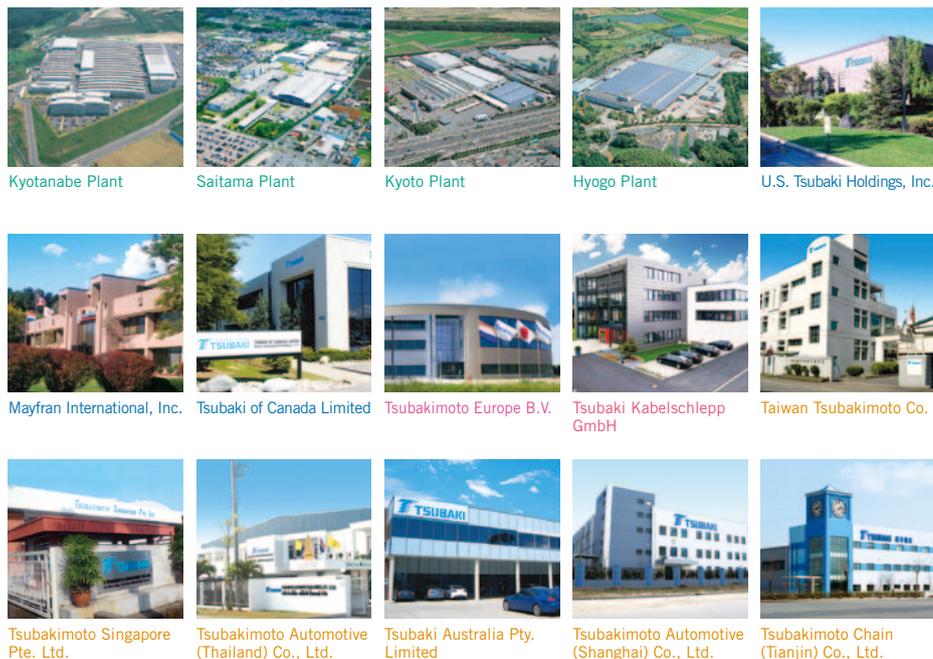
\* For percentage of overseas employees, data collection commenced in the fiscal year ended March 31, 2007, which is used as the base year.

## Tsubaki's Global Network



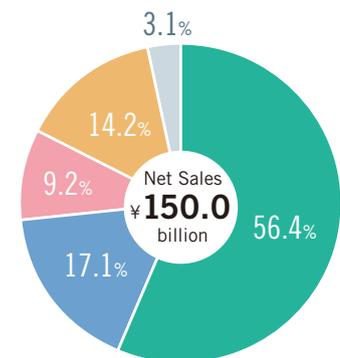
### Major Operating Bases by Region

● Japan (18 companies) ● North America / South America (12 companies) ● Europe (17 companies) ● Asia / Oceania (29 companies)



### Distribution of Net Sales by Region

(FYE 2013, Consolidated)



■ Japan  
■ North America  
■ Europe  
■ Asia / Oceania  
■ Other Regions

# Statements from Stakeholders

## From a Customer

**Tsubaki Linisort® helped improve operational efficiency.** We chose Tsubaki Linisort® because it was easy to use, highly efficient, exceptionally precise, and helped reduce consumption of materials and disposal items. While we faced many obstacles in introducing this system, we were successful in the end thanks to Tsubaki's all-out support.

These obstacles included the short timeframe imposed on the installation of only three months after the order was placed, an incredibly difficult schedule considering that we operate 24 hours a day, 365 days a year, and that there was no precedent for the installation of such a system at our company. Another obstacle was the fact that the installation effort needed to be coordinated with other companies.

Overcoming these obstacles, we were able to start operating

our Tsubaki Linisort system in April 2012. The strong support of Tsubaki enabled us to introduce this system with minimal exposure to the difficulties we had imagined, and we began seeing benefits just three days after its installation. Moreover, Linisort has proven incredibly easy to operate. Certain parts of the system's operation are conducted by employees with disabilities, thereby allowing us to improve employment conditions for such individuals.

I would like to extend my deepest appreciation to all those at Tsubakimoto Chain who helped us install our Tsubaki Linisort system.

**Shinobu Yotsumoto**

Manager of Processing Section and  
ISO Promotion Logistics Department  
A-Coop Kagoshima Co., Ltd.



## From the Community

**Tsubakimoto Chain is an essential part of Kyotanabe City.** Tsubakimoto Chain's plant tours for parents and their children during summer vacation are incredibly well-known among the citizens of Kyotanabe City. In fact, they are so popular that we receive inquiries before the start of summer vacation. To many it must seem quite the challenge to portray manufacturing in a fun and appealing manner to children. Nonetheless, Tsubaki has managed to create a program that takes into mind the needs of elementary schools, winning much acclaim from participants. City officials that assist with these tours also experience the joy of these events, particularly when they see the children's eyes light up with excitement. Also, the warm reception we receive at

Tsubaki's Kyotanabe Plant speaks volumes of the Company's friendly corporate culture.

In addition, the plant's fields are made open to the public, with other areas opened up in April for cherry blossom viewing, and Tsubaki proactively participates in local projects and events. In the future, I hope that the Company continues to play a leadership role in advancing local industry so that Kyotanabe City may come to be equated with Tsubakimoto Chain.

**Kenji Sakamoto**

Chief of Industry Promotion Section,  
Economic Development Department  
Kyotanabe City, Kyoto Prefecture



## From a Business Partner

**Tsubaki's dantotsu activities helped us develop human resources in addition to improving productivity.**

In 2010, Tsubakimoto Chain began introducing its *dantotsu* activities to business partners. These activities are steeped in Tsubaki's devotion to reduce in-process defects to zero, making them different from conventional improvement activities. As such, it was difficult to bring all employees to a common understanding with regard to these activities. Nonetheless, I feel that I grew significantly when advancing these activities in my first position as leader. Other members of the *dantotsu* activity team began proposing their own improvement suggestions as we pushed forward with reforms. Moreover, pursuing the challenging goals of the *dantotsu* activities helped workers realize a level of

awareness and perceptiveness that they had not formerly possessed. For these reasons, I feel that Tsubaki's *dantotsu* activities also helped us develop our human resources, the principle area in which we had been facing issues.

Since we began implementing *dantotsu* activities, Tsubakimoto Chain has constantly provided us with courteous guidance in a number of areas, something for which we are most appreciative. I look forward to continuing our relationship with Tsubaki into the future.

**Tomonori Shishido**

Manufacturing Group  
I&P Co., Ltd.



## From an Employee

**I was able to study technologies in Germany through the Company's overseas trainee system.**

I worked as a trainee at a German subsidiary for one year starting in 2010. Compared to the exceptionally cautious nature of operations in Japan, business in Germany was conducted rationally and decisions were made quickly.

In addition to the overseas trainee system, the Company also provides a comprehensive range of training programs including on-the-job training for new employees, rank-based training, and programs offered through the Tsubaki Techno School. I have found the Tsubaki Techno School to be particularly advantageous. The large volume of assignments provided through the school's programs mean that studying while working is no easy task. Regardless, the school is a spectacular way to systematically

learn about material engineering and other foundation and advanced technologies.

Presently, I am busy advancing a project for replacing large-scale Cableveyors in a harbor's facility. My partner in this project is Peter Otten (photograph right), who was dispatched to Japan from a German subsidiary in April 2013. This was our first time to receive such an order, which we were able to capture through advertising that called upon our track record in Germany and our detailed technical data. In the future, I hope to further refine my technical skills while also helping the Company develop products more quickly.



**Satoshi Oomori (left)**

Supervision of Cableveyor Technology Section  
Cableveyor Division, Chain Manufacturing Division  
Tsubakimoto Chain Co.