

TSUBAKI **CORPORATE** **REPORT 2011**

TSUBAKI Corporate Report 2011

Innovation in Motion

Providing the World with the Best Value through Unrelenting Innovation



In 1917, Tsubakimoto Chain Co. began its operations as a manufacturer of chains, later expanding its operations to include materials handling systems, automotive parts, and power transmission units and components. It has since evolved to become a general manufacturer of equipment in the field of motion control, such as industrial machinery and parts as well as materials handling systems comprising of these. Today, it conducts these operations in Japan as well as abroad, in such regions as North America, Europe, Asia, and Oceania.

The Tsubaki Group possesses a number of products that boast the top share of the market, successes that have been achieved by leveraging the Group's three strengths. These strengths are the Tsubaki Group's development capabilities, which allow it to develop products that are superior in terms of characteristics such as durability and energy consumption; the customizability of these products, which can be arranged to match the needs of specific customers; and the Group's production technologies, which have been fine-tuned to feature unrivaled levels of efficiency and quality.

The Tsubaki Group aims to supply its customers with products that are unmatched in terms of value in order to contribute to improving the productivity of customers' operations while reducing their environmental impact. To this end, we continue to pursue technological innovation in accordance with the strong sense of pride and conviction that we hold as a manufacturing company.



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Notes on the Production of this Report

In fiscal 2010, ended March 31, 2010, the Company compiled its various printed information transmission tools, including its annual report and environmental and CSR reports, into a single corporate report. By consolidating these reports into one and providing our customers, shareholders, investors, members of the community, and all other stakeholders with the same information, in terms of both volume and content, we hope to secure the impartiality of information disclosure as well as improve the transparency of management.

Starting in fiscal 2011, the corporate report will be treated as an abbreviated version of all of the information transmission tools utilized by the Company, including the information posted on its web site. In addition, we will leverage the unique characteristics of this web site to develop this report into a tool capable of offering more timely disclosure of detailed information. Through these efforts, the Company is working to improve efforts to communicate with its stakeholders.

Forward-Looking Statements

In certain cases, the information in this report is based on estimates and forecasts made by the Tsubaki Group. The accuracy of numerical data, including statistics, is not guaranteed. As a general rule, figures less than a unit have been rounded down to the nearest whole number. Also, unless otherwise specifically stated all numerical values relating to Company performance and its financial position have been calculated on a consolidated basis.

Data Regarding Environmental and Social Initiatives

This report was prepared with reference to the Ministry of the Environment of Japan's Environmental Reporting Guidelines 2007, the Ministry of the Environment of Japan's Environmental Accounting Guidelines, and the Global Reporting Initiative (GRI) Sustainability Reporting Guidelines, Third Edition (G3).

Reporting Period: April 2010 to March 2011 (includes some activities after the reporting period)

Scope of Data Collection: Tsubakimoto Chain Kyotanabe Plant, Saitama Plant, and major Tsubakimoto Chain subsidiaries and affiliates (Tsubaki Emerson, Tsubakimoto Custom Chain, Tsubakimoto Sprocket, Tsubakimoto Bulk Systems, Tsubakimoto Mayfran, Tsubakimoto Iron Casting, and Tsubaki Yamakyu Chain)

Tsubaki Mission Statement

Our Mission

—Excellence in Manufacturing for Customers around the World

We will provide the best value to customers around the world by capitalizing on our technical strengths in power transmission products and materials handling systems.

Our Vision

We aim to be a leading company in the global markets for our products.

Company Overview

The Tsubaki Group utilizes its superior technological capabilities to develop differentiated products that can assist customers in reducing energy consumption, raising productivity, and enhancing their business operation through other means. The Group continues to deliver these products into the hands of customers through its global production and supply networks.

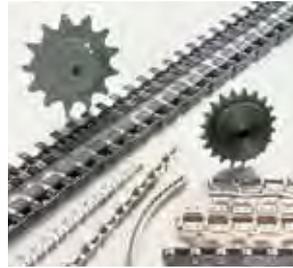


Chain Operations

- Drive chains
- Small-pitch conveyor chains
- Top chains
- Sprockets
- Support and guidance systems for cables and hoses
- Timing belts and pulleys



Drive chains



Small-pitch conveyor chains



Large-pitch conveyor chains



Plastic top chains



Cableveyors



Timing belts

World-Leading Technological Capabilities

Automotive Parts Operations

- Products for automotive engines
- Timing chain drive systems
 - Timing chains (roller chains, silent chains)
 - Tensioners
 - Guides / Levers
 - Sprockets
- Power drive chains



Timing chain drive systems



Roller chains



Silent chains



Timing chain drive system parts



Tensioners



Power drive chains

Power Transmission Units and Components Operations

- Reducers / Variable speed drives
- Linear actuators
- Locking devices
- Shaft couplings
- Clutches
- Overload protectors



Reducer lineup



Precision planetary gear reducers



Power cylinders



Power locks



Couplings



Cam clutches

The Tsubaki brand is based on superior technological capabilities pertaining to the development and customization of products.

Leveraging its expertise in a variety of fields, such as motion control in drive systems as well as conveyance systems, the Tsubaki Group is a major player on the global stage.

Materials Handling Systems Operations

- Systems for the distribution industry
- Systems for the pharmaceutical industry
- Systems for newspaper printing factories
- Other conveyance, sorting, and storage systems
- Modular conveyors
- Bulk handling systems
- Metalworking chip handling / coolant processing systems



Automatic sorting equipment / Linisort



AGV roll paper feeding system



Conveyance system for automobile painting lines



Zip Chain Lifter



Flow conveyors



Coolant and scrap processing systems



Tsubaki Group Overview

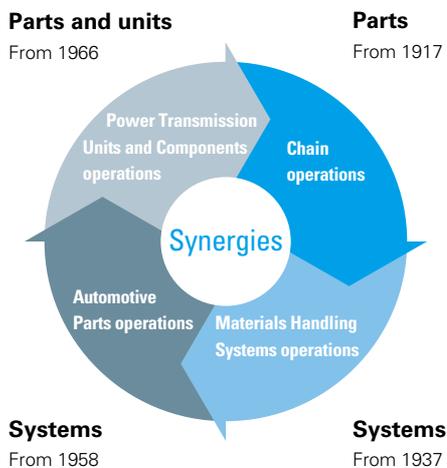
1 Business Overview

In its Chain operations, the Tsubaki Group offers a wide variety of industrial-use drive and conveyor chains, including the drive chains used in drive systems and the conveyor chains that are a central component of production lines. It provides these products to various industries, such as the industrial machinery, machine tool, shipbuilding, steel, and liquid crystal display (LCD) / semiconductor industries. Meanwhile, the Group's Automotive Parts operations supply the timing chain drive systems that help support high-performance automobile engines to automobile manufacturers around the world. The Tsubaki Group is one of the top suppliers of these systems. Further, its Power Transmission Units and Components operations offer a diverse lineup of products, including a number of parts and units such as reducers, power cylinders, and cam clutches. The range of products offered in the Group's Materials Handling Systems operations is also diverse, including a wide variety of production and distribution systems such as high-speed automatic sorting systems and conveyance systems for automobile production lines.

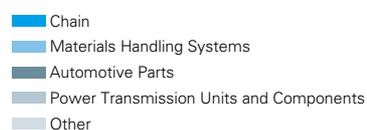
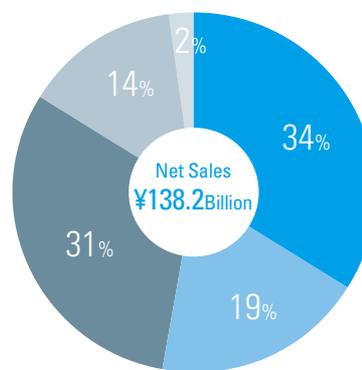
Parts, Units, and Systems

The Tsubaki Group aims to provide customers with the highest quality of products to match their conveyance needs. This includes providing such indispensable conveyance products as parts, units, and systems.

Tsubaki's Operational Fields and Business Model



Distribution of Sales (Fiscal 2011, Consolidated)



2 Market Share

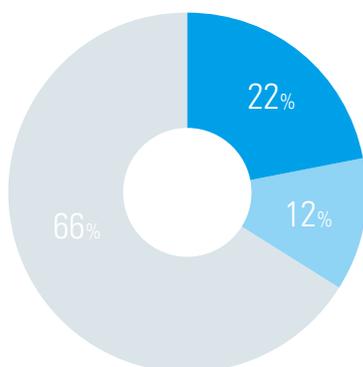
Tsubaki's superior technologies in the areas of product development, quality, and production have helped it establish a strong market in a number of product categories. These numeric achievements are particularly impressive for its industrial-use steel chains, which boast an overwhelming No.1 market share, both in Japan and overseas, far removed from the No.2 manufacturer. Tsubaki's automobile engine timing chain drive systems also have maintained the No.1 share of the global market, which is dominated almost exclusively by Tsubaki and its leading competitor. Aside from these two products, the Tsubaki Group has also created a number of other products that, backed by Tsubaki's technological superiority, have captured a strong market share. These include the cam clutches and power cylinders handled by its Power Transmission Units and Components operations, which hold 80% and 70% shares in the Japanese market, respectively, as well as its Materials Handling Systems operations' conveyance systems for automobile painting lines and paper feeding systems for the newspaper industry, which hold 35% and 80% shares in the Japanese market, respectively.

Top Value Products Created by Differentiated Technologies

The Tsubaki Group's technological superiority and the top-value products created through that superiority have been highly evaluated by customers both in Japan and overseas.

Global Market Shares*

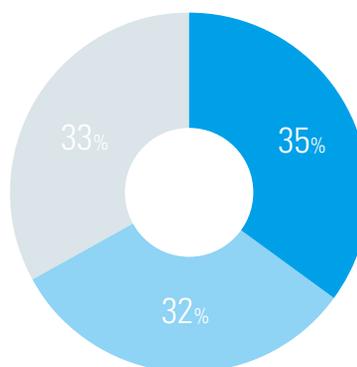
Industrial-use steel chains



■ Tsubaki's share
■ Company A (U.K.)
■ Other

* Source: Tsubakimoto Chain Co.

Automobile timing chain drive systems



■ Tsubaki's share
■ Company B (U.S.)
■ Other



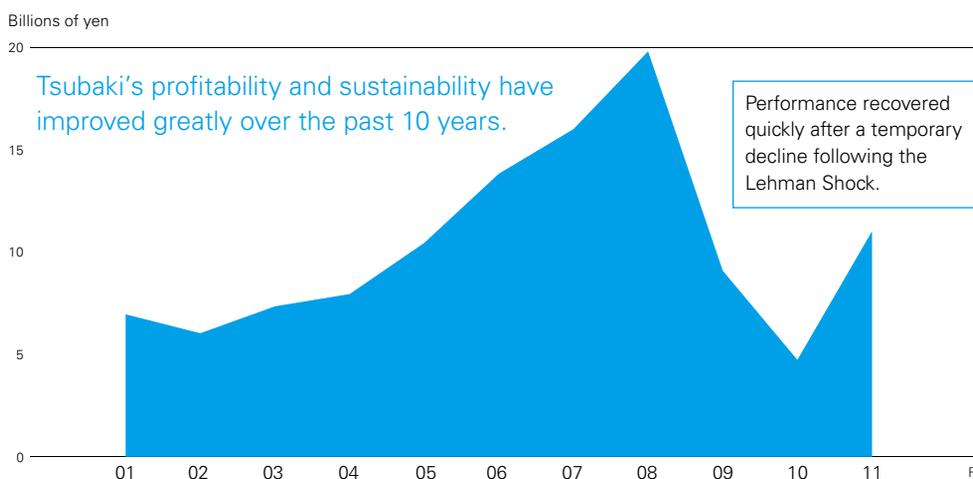
3 Growth Rates and Drivers

The Tsubaki Group's business performance was previously highly dependent upon the economic climate in Japan. However, this changed significantly after fiscal 2001. In fiscal 2011, amidst the trends of sluggish private-sector capital investment and declining automobile production, the Tsubaki Group's net sales were 1.2 times those achieved in fiscal 2001 and operating income was 1.6 times. This growth can be attributed to three key factors. The first of these is the Group's unceasing efforts to strengthen its financial constitution, resulting in substantial improvements in the debt–equity (D/E) ratio, which was 0.37 times in fiscal 2011, compared with 1.18 times in fiscal 2001. The second would be the Group's aggressive global expansion efforts, which are described on the next page. Last would be the strong reputation Tsubaki's products have earned for being superior in terms of characteristics such as durability and energy conservation, which is partially due to the increased concern for energy consumption worldwide.

Strong Growth Realized through Solutions Provision

Tsubaki is leveraging its technological prowess to realize sustainable growth by providing solutions to the various issues faced by customers.

Consolidated Operating Income





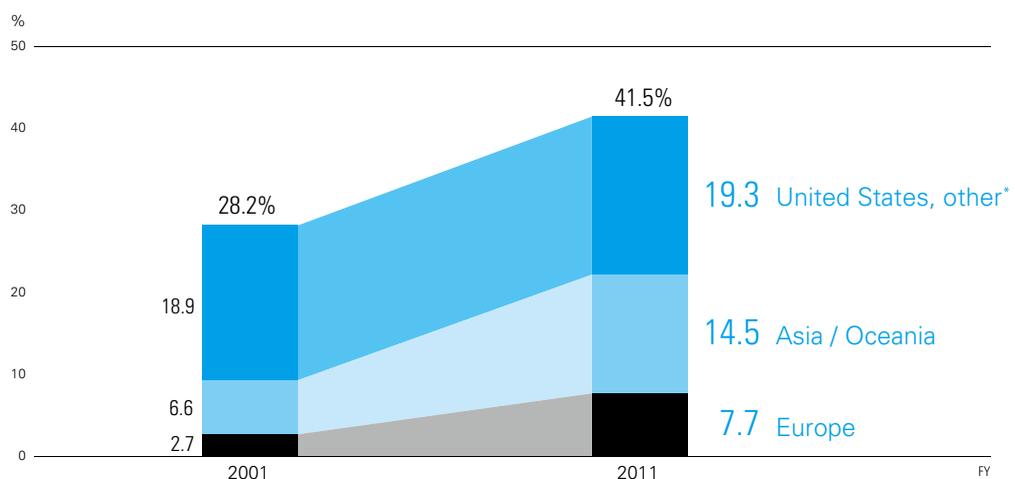
4 Growth Strategies (Global Expansion)

Promoting globalization by providing issue-resolving solutions backed by the Tsubaki Group's technological superiority and strong product lineup to customers around the world is the central pillar of the Group's growth strategies. Over the years, the percent of total consolidated net sales accounted for by overseas sales has increased significantly from 28.2% in fiscal 2001 to 41.5% in fiscal 2011. The Tsubaki brand has always had a strong presence in the U.S. market. However, in recent years it has also been rapidly gaining ground in markets in Asia and Oceania, particularly China, which is currently a major driving force in the global economy. In fiscal 2011, the percentage of total consolidated net sales attributable to Asia and Oceania rose to 14.5%, bringing these markets to the same level as the United States in terms of importance.

Rising Presence of the Tsubaki Brand across the Globe

Tsubaki's technological superiority has earned the Group a strong reputation in Japan as well as in other areas around the world, including the United States, Europe, Asia, and Oceania.

Distribution of Overseas Sales by Region



* Other: Canada, Central and South America, Africa, Near and Middle East

Power Transmission RS Roller Chain G7-EX Series

Wear on roller chains is primarily the result of abrasion between the pins and bushing of chains. In order to reduce this abrasion, the Tsubaki Group developed a new seamless "solid bushing." These solid bushings and the special "lube dimple (LD)" processing they undergo enable the roller chain to hold lubricant oil longer, realizing wear life that is several times longer than that of products offered by other companies and twice as long as Tsubaki's previous products. In addition, the G7-EX Series features transmission capacity (measured in kW) 33% better than that of previous models. This enhanced performance is achieved by greatly reducing disparities in quality.

Automobile Engine Timing Chain Drive System Zerotech Series

Tsubaki's timing chain drive systems feature both reduced friction and lower weight. By further strengthening these characteristics, the Tsubaki Group succeeded in developing the Zerotech Series, which realizes significantly increased environmental efficiency. By employing new technologies that help make link plates more compact and improve the precision of pins and bushings, the Zerotech Series is able to produce reductions of 20–30% in friction loss, 10–25% in weight, and 30–55% in stretching due to wear.

Wear life

Twice as long

Friction loss

20–30% reduction



RS Roller Chain
G7-EX Series



LD solid bushing



Zerotech Series



Cross section model of an engine utilizing a Zerotech Series system

Labo Stocker 80 Drug Development Support Machine

Labo Stocker is an automated storage system designed to support the drug development industry that can store SBS-conformant microtubes, 384 sample storage tubes, plates, and other containers at storage temperatures as low as -20°C . Since its release, we have accumulated a great deal of operational expertise as it has a strong track record and currently holds the top share in the Japanese market. Leveraging this expertise, we have developed the new and improved Labo Stocker 80, which is capable of maintaining storage environments of -80°C , allowing it to meet the strong demand for storing microorganisms, pathogens, and other samples that require exceptionally low storage temperatures. Currently available, the Labo Stocker 80 realizes fast and accurate transportation of samples in ultra-low-temperature storage environments by utilizing Tsubaki's unique transportation and picking units.

Back Stop Cam Clutch BS-HS Series

Tsubaki Emerson Co.'s back stop cam clutches, used to prevent conveyors from rotating in the reverse direction, possess a dominant share in the Japanese market. The BS-HS Series is the newest addition to this lineup of back stop cam clutches. Utilizing a new all-cam type camcage and bearing supported design, the BS-HS Series features maximum rotation speeds that are 3.5 times faster than previous models and maximum torque that is 2 times higher. The special heat-resistant grease that comes packed into the cam clutch lowers wear when the cam overruns and helps simplify maintenance processes.

Storage environment cooling ability

Approximately 4 times higher

Torque

Twice as high



Labo Stocker 80



Back Stop Cam Clutch BS-HS Series

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. In these pursuits, Tsubaki aims to create products that feature reduced environmental burden and enhanced economic efficiency, which are representative of Tsubaki's Eco & Eco (Ecology and Economy) approach. Products that meet certain eco-evaluation standards are defined as eco-products and adorned with Tsubaki's unique "Tsubaki Eco Link" mark.

→ Please refer to page 34 for more details.



Optimally Positioned Production and Supply Systems

Today, the timely operation of business on a global scale is essential. For this reason, the Tsubaki Group has established a wide-ranging global network to offer timely support for customers' business activities.

Major Operating Bases By Region

Japan (19 companies)



Kyotanabe Plant



Saitama Plant



Kyoto Plant



Hyogo Plant

North America / South America (8 companies)



U.S. Tsubaki Holdings, Inc. (UST)



UST Holyoke Plant



UST Chicopee Plant



Tsubaki of Canada Limited

Europe (11 companies)



Tsubakimoto Europe B.V.



KabelSchlepp GmbH

Asia / Oceania (22 companies)



Taiwan Tsubakimoto Co.



Tsubakimoto Singapore Pte. Ltd.



Tsubakimoto Automotive (Thailand) Co., Ltd.



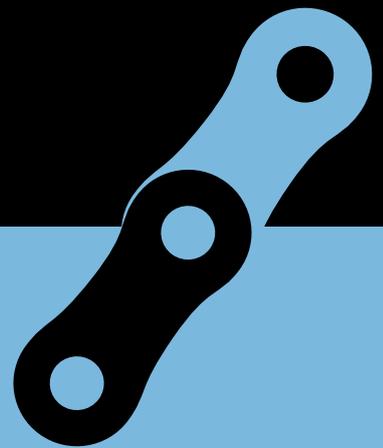
Tsubaki Australia Pty. Limited



Tsubakimoto Automotive (Shanghai) Co., Ltd.

Performance and Strategies

The Tsubaki Group is accelerating the innovation of its business in order to construct a solid operating foundation capable of ensuring growth even in a rapidly changing operating environment.





Building a Better Tomorrow through Decisive Action

Our future will depend on our ability to act quickly.

The Tsubaki Group will not become complacent in light of its past triumphs. We will continue to accelerate the speed of our business innovation to develop the Company into a sustainable company capable of surviving even in a rapidly changing operating environment.

Performance in Fiscal 2011

KEY POINTS

- Consolidated operating income recovered to ¥10.0 billion and the operating income margin was 8%.
- Globalization was accelerated, focusing on Automotive Parts operations.
- Profitability recovered rapidly due to higher revenues, improved cost structures, and innovation of production systems.

Q. First, would you please give us an overview of Tsubaki's consolidated performance in fiscal 2011?

A. In fiscal 2011, ended March 31, 2011, with net sales rising 23% year on year and a stunning 92% increase in net income, performance recovered significantly in comparison to fiscal 2009 and 2010, which both suffered lower performance due to the impact of the Lehman Shock. Moreover, we were able to successfully achieve higher revenues and income in all four of our business segments: Chain operations, Power Transmission Units and Components operations, Automotive Parts operations, and Materials Handling Systems operations.

On a geographical basis, while sales in Japan only increased 10%, overseas sales were up an impressive 48%, driving the percentage of net sales attributable to overseas sales up to nearly 42%. One of the factors behind this increase was the acquisition and subsequent consolidation of Germany's Kabel-Schlepp GmbH. However, this increase can also be seen as a

result of the smooth progression of the globalization of our business, particularly with regard to Automotive Parts operations. This is exemplified by the strong sales growth seen in regions other than Europe, such as Asia and Oceania.

The improved performance in fiscal 2011 is not only the result of favorable elements of the operating environment, such as the recovery of economic conditions. It is also proof of the success of the initiatives to strengthen our operating foundation that we have been implementing since the Lehman Shock. These initiatives, such as cost structure improvements and production innovation activities (*dantotsu* activities) that we have conducted in Automotive Parts operations and are currently introducing into other areas of operation, have helped fuel the rapid recovery of Tsubaki's profitability.

Consolidated Performance Highlights in Fiscal 2011

	Results	Change
Net sales	¥138.2 billion	+ 22.6%
Operating income	¥11.0 billion	+132.6%
Net income	¥6.0 billion	+ 91.9%

	Results	Change
Operating income margin	8.0%	+3.8% points
Equity ratio	45.3%	+1.0% points
D/E ratio (Times)	0.37 times	- 0.11 points

Recognition of Issues

KEY POINTS

- Accelerated innovation is necessary to respond to changes in the operating environment.
- Basic policies call for strengthening of our foundation as a manufacturer, evolution toward becoming a solutions provider, and advancement of globalization.
- The progress of key initiatives varies greatly between segments.

Q. While Tsubaki has yet to recover to the levels seen before the Lehman Shock, it was successful in achieving net sales 1.2 times higher than those achieved in fiscal 2001, 10 years ago, and operating income 1.6 times higher. I believe that your business globalization efforts are one of the main factors behind this. Are you satisfied with this type of growth in terms of stability?

A. I believe that we still have a number of issues we must address in order to ensure that the Company continues to grow in a sustainable manner. While the Tsubaki Group has changed significantly, the operating environment has changed to an even greater extent. For example, the economies in developed countries have become more mature, and there is notable deflation in a number of these countries. Conversely, the presence of China and other emerging nations in the global economy has been growing.

Further, concern for the global environment is rapidly increasing on a global scale. In business activities geared toward countries with mature markets, it is of the utmost importance that we revise cost structures to reflect changes in product prices. At the same time, we must increase the high-added-value nature of our operations by providing solutions made possible through the development of customer-satisfying products that respond to such needs as those for environmental preservation and energy conservation. It is also important that we develop sales systems to help us address the robust demand in emerging nations, which have been recording particularly high levels of growth. Another urgent issue is the global optimization of production systems.

Many of the Tsubaki Group's products hold strong market shares, and the Group itself has continued to grow rapidly. This was made possible by our rigorous dedication to manufacturing, which has inspired us to develop and customize products to meet rising demand, to refine our technological

capabilities, and to provide high-quality products at prices that customers can afford. Further, over the years we have continued to advance the globalization of our operations, improving our marketing capabilities based on our strong foundation of manufacturing.

However, the speed at which such elements of our operations have been improving has begun to vary between different segments. For example, Automotive Parts operations have grown very smoothly in tandem with the globalization of domestic automobile manufacturers, while the speed of advancement in Chain operations has been somewhat slower. However, there still remain some tasks to be addressed in Automotive Parts operations, including the exploration of markets in China and other emerging nations, and the development of overseas production systems, which should come before the full-fledged expansion of overseas operations.

Medium-Term Management Plan 2012, which was the first plan formulated since I was appointed as president, has defined the period from fiscal 2011 to fiscal 2013 as "three years of strengthening management foundation in response to the dramatically changing operating environment." In particular, we will focus on addressing the issues I have discussed thus far. It is essential that we avoid becoming complacent with the successes we have achieved. We must quickly address the issues I have mentioned, for if we do not the Tsubaki Group will be unable to maintain its strength and will fall into a state of weakness within the next 5—10 years.

Medium-Term Management Plan 2012

Basic Management Policies	Targets for Fiscal 2013
1. Hone the "global best" management strategy	Net sales ¥150.0 billion
2. Strengthen foundation as a manufacturer	Operating income ¥13.5 billion
3. Become a solutions provider	Operating income margin 9.0%

Results in the First Year of Medium-Term Management Plan 2012

KEY POINTS

- **Great successes were achieved by innovating production through *dantotsu* activities and developing of new eco-products.**
- **Acceleration of development of global production systems and organizational reforms to expedite management decision-making processes were conducted.**
- **Grounds were laid for increasing the number of overseas sales offices and expanding into new business areas.**

Q. Fiscal 2011 was the first year of Medium-Term Management Plan 2012. What type of results were you able to produce? Also, please explain some key points with regard to the items outlined in this plan.

A. With regard to efforts to enhance our manufacturing capabilities, we have begun to implement the *dantotsu* activities that we introduced into Automotive Parts operations in fiscal 2009 at manufacturing companies throughout the Company regardless of segment. The production innovation activities conducted at Tsubaki are nothing special, and include such basic tasks as eliminating the production of defective products and preventing the halting of production lines due to parts falling from the line or other disruptions. However, these simple tasks have resulted in steady improvements in yield rates and productivity of over 10%.

In fiscal 2011, our greatest success in our quest to strengthen our product lineup was the successful launch of the Zerotech Series, a new addition to our lineup of timing chain drive systems, an important product category in Automotive Parts operations. Products in the Zerotech Series have already achieved a strong reputation for such ground-breaking features as the ability to reduce friction loss by 20–30%, when compared to previous offerings, and limit stretching due to wear. We have already received orders for eight different products in this series from four world-leading automobile manufacturers.

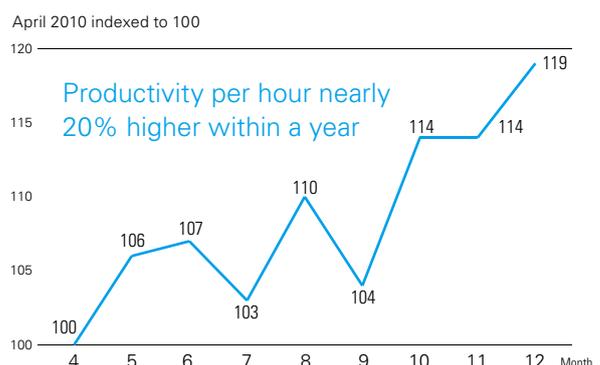
In working to hone the “global best” management strategy, we established a new automotive parts production base in Korea, which was constructed in June 2011 and is scheduled to begin operation in November 2011. After our production bases in Japan, North America, Europe, Thailand, and China, this will be our sixth production base. Further, we split U.S. subsidiary U.S. Tsubaki, Inc. (UST) into separate companies that will handle its individual business segments. Through this split, we hope to establish a system through which the development and advancement of business strategies in the United States can be conducted quickly and precisely. (Please refer to “Topics” on page 19 for more details.)

Additionally, we founded a sales company in India in June 2010 and another in Germany in October 2010, with the aim of increasing our share of the global market in Chain operations and Power Transmission Units and Components operations. The sales company in Germany not only sells chain and power transmission units and components products but also serves as a strategic base for Automotive Parts operations. Utilizing this base, we are stepping up our approach toward German automobile manufacturers, efforts that have already generated results in the form of newly acquired orders. (Please refer to “Topics” on page 19 for more details.)

Further, we developed the Module Business Unit as one facet of our initiatives to explore new business areas. The Company has traditionally centered its business on the two areas of parts as well as units and systems. However, we are now venturing into the field of modules, which are positioned between the two, with the hopes of creating a third source of revenues.

Successes of *Dantotsu* Activities

Process of opening holes in link plates with a press



Initiatives in the Second Year of Medium-Term Management Plan 2012

KEY POINTS

- Capturing demand in “volume zone” will be pursued.
- Sales of environmentally friendly, economically sound, differentiated products will be promoted.
- Online sales tools will be provided and new business areas will be explored.

Q. While your initiatives have begun to produce results, I believe that there are still some issues left for Tsubaki to address. In fiscal 2012, what areas in particular do you plan to address?

A. Going forward, we will aggressively lay the foundations that we will use to advance into the Chinese market, which represents the “volume zone” of the global market. In Chain operations, we are steadily undertaking the construction of conveyor chains production bases. I believe that we will be able to unveil a more detailed plan regarding this sometime during this fiscal year. In Materials Handling Systems operations, we anticipate a rise in demand for automatic sorting systems in China, and plan to establish an engineering subsidiary to address this demand. Meanwhile in Automotive Parts operations, we are accelerating our efforts to address the needs of foreign automobile manufacturers that are increasingly producing automobiles in China. At the same time, we are approaching Chinese automobile manufacturers, which are endeavoring to develop their own automobile engines with the hopes of raising the standard of living in China. For this reason, we have already established a specialized project team in China that is currently undertaking the development of low-cost timing chain drive systems. This team has already formulated plans on how to drastically reduce the cost of such systems through careful selection of the materials and parts used.

We also aim to bolster our lineup of environmentally friendly products. Tsubaki has always been strong in terms of providing environmentally friendly products that features such characteristics as low energy consumption, long wear life, and low noise pollution. However, in order to expand sales of these products, it is important that we effectively communicate their significant environmental and economic benefits to customers. To this end, we have designated such products that are superior from an Eco & Eco (Ecology and Economy) standpoint as eco-products. We are aggressively promoting the operational benefits of these products. In fiscal 2012, we plan to introduce 13 eco-products into the market, which we believe will also help boost sales. (Please refer to page 31 for more details.)

As part of our efforts toward becoming a solutions provider, we have been steadily developing online sales tools for the Power Transmission Products segment (chains and power transmission units and components). Through these efforts, we hope to support the sales activities of our agents and retailers by providing them with helpful Internet-based services, such as those that enable customers to choose specifications and receive quotes online. In addition, these solutions allow our engineers to establish a firm understanding of the needs of end-users by gaining information directly through network connections. Accordingly, we anticipate that these initiatives will fuel the further advancement of our solutions provision efforts.

Further, in order to boost sales of the FlexLink System, a 3-D conveyor with an aluminum frame, we established Tsubaki FlexLink Co., a joint-venture with FlexLink of Sweden, which is the developer of this product. Going forward, the Company's Module Business Unit and Tsubaki FlexLink will continue to explore new business opportunities in the field of modules by conducting flexible sales activities based on the characteristics of their respective products. (Please refer to “Topics” on page 19 for more details.)



Future Forecasts and Policies for Raising Corporate Value

KEY POINTS

- **Regardless of the unclear operating environment, positive occurrences, such as increased market shares, will occur.**
- **Efforts will be focused on achieving operating income margin and other targets for fiscal 2013.**
- **Improving sustainability will directly raise corporate value.**

Q. Amidst the rising sense of uncertainty following factors such as the Great East Japan Earthquake of March 2011, what are your forecasts for fiscal 2012? Also, what do you feel is necessary to meet the current targets for fiscal 2013, the final year of Medium-Term Management Plan 2012, and raise corporate value?

A. In fiscal 2012, we are anticipating year-on-year increases of 1.3% for net sales and 1.7% for net income. While the residual effects of the Great East Japan Earthquake will cause slight decreases in net income during the first half of the fiscal year, we expect that net income will increase 19.3% year on year during the second half of the fiscal year. Although the current economic climate is riddled with uncertainty, it is not completely without hope for the Tsubaki Group in its quest to achieve sustainability. In Automotive Parts operations, our share of business with major automobile manufacturers around the world has been increasing. In Chain and Power Transmission Units and Components operations, we are currently seeing robust demand stemming from efforts to restart thermal power plants and other recovery efforts. Also, new businesses in growth fields, such as smartphones and lithium-ion batteries, have begun to produce results. I believe that these factors represent hope for the future sustainability of Tsubaki's operations.

However, for the time being we have no plan to revise the targets set out in Medium-Term Management Plan 2012. We aim to develop a strong foundation of profitability that is resilient to changes in the operating environment. To this end, we

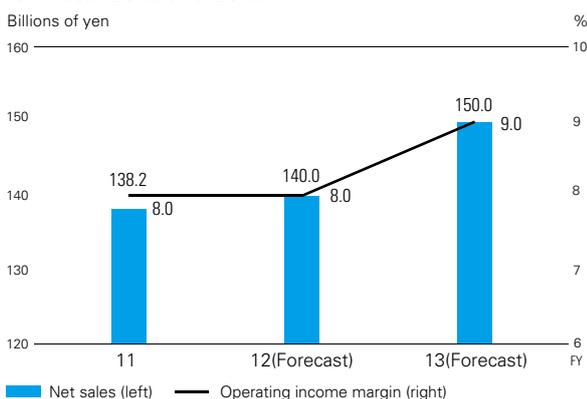
have decided to leave the current medium-term management plan unchanged for the three-year period, rather than revise it every year as had been done with other three-year plans. This will allow us to take a medium- to long-term perspective in steadily implementing strategies geared toward boosting profitability. Even if the economy were to plunge into an unpredicted state of depression, or some other crisis to occur, making it impossible for the Company to meet its targets for net sales, we would still endeavor to meet our goal of returning the operating income margin to 9.0%. I believe that improving sustainability in this manner will also help raise corporate value.

In regard to dividend payments, the Company has the basic policy of maintaining stable dividend payments of ¥6 per share, while also adjusting these payments to reflect consolidated performance. Looking ahead, we will continue the steady advancement of the strategies outlined in Medium-Term Management Plan 2012, and raise the level of net sales and income. At the same time, we will build a strong foundation of profitability that is resilient to changes in the economy. In these ways, we will grow Tsubaki into a company that can continue to increase dividend payments into the future.

In closing, I would like to ask our shareholders and other investors for their continued support.

August 2011

Performance in Fiscal 2011 and Forecasts for Fiscal 2012 and 2013



Isamu Osa
President and Representative Director

Reorganization of U.S. Subsidiary

Tsubaki's U.S. subsidiary, U.S. Tsubaki, Inc. (UST), is the Company's largest overseas subsidiary that possesses manufacturing facilities. Previously, this subsidiary suffered from confusion-related reporting due to the presence of two lines for reporting, one to the president of UST, responsible for chain, power transmission units and components, automotive parts, and materials handling systems in the Americas; and one to the Chief Business Officer (CBO) in Japan, who is responsible for the global development of these businesses. This confusion limited the subsidiary's ability to respond flexibly to changes in demand in the markets in which it operated.

In order to address this issue, in November 2010, the Company split UST into three different companies: a holding company to house headquarter functions, including the management of materials handling systems operations; a company specializing in

power transmission products; and a company specializing in automotive parts products. The split has enabled the three companies to quickly implement production and marketing initiatives from a global standpoint based on the characteristics of their specific businesses. Further, following the split, the CBO and representatives from the operating companies have been holding discussions regarding production technologies, market trends, and other such issues on a daily basis. These efforts have already generated notable results, including a substantial increase in the Company's share of sales in the United States in its Chain and Power Transmission Units and Components operations.



U.S. TSUBAKI HOLDINGS, INC.

Establishment of Fourth European Sales Office in Germany

Advancing into emerging markets and capturing a greater share of the European market are issues of great importance for the Tsubaki Group. In Europe, Germany is of particular importance as it is home to a number of world-leading machinery and heavy industrial equipment manufacturers. It is also a region in which there is significant latent demand in the form of companies to which Tsubaki can supply its chain and power transmission products as well as companies with which it can conduct OEM operations. To bolster its ability to take advantage of this demand, Tsubaki established Tsubaki Deutschland GmbH (TDEG), located in the suburbs of Munich, as a wholly owned subsidiary of Holland-based subsidiary Tsubakimoto Europe B.V. The newly established TDEG began operations in October 2010. This

company will help us capture demand from possible customers for OEM operations in Germany while also strengthening our sales network in this area. At the same time, TDEG will work together with KabelSchlepp GmbH, which was acquired in April 2010 and subsequently consolidated, to increase orders from the machine tool and mining industries.

Further, technological and sales representatives from Automotive Parts operations are stationed at TDEG, making it an important strategic base for approaching major German automobile manufacturers. Utilizing this base, in February 2011 we were able to capture our first order from Volkswagen AG, demonstrating the smooth start of these sales activities.



Sales Meeting in Germany

Establish Joint-Venture Company to Explore New Business Areas

The Tsubaki Group has traditionally centered its business on the two areas of parts and units as well as systems. However, it is now venturing into the field of modules, which are positioned between the two, in order to create a third source of revenues. As the first step of this new venture, Tsubaki established its new Module Business Unit, and began selling the Zip Chain Lifter, an ultra-high-speed elevator, and the Direflex Modular Unit, a conveyor unit—both developed by Tsubaki—as well as the FlexLink System, a 3-D conveyor developed by FlexLink of Sweden. However, while the Zip Chain Lifter and the Direflex Modular Unit are both engineering products that our technicians design to customer specification, the FlexLink System is a product that is customized through the

use of computers. As such, the sales approaches used to sell these products vary greatly. For this reason, Tsubaki established Tsubaki FlexLink Co., a joint venture with FlexLink of Sweden that began operations in June 2011, to specialize in sales of the FlexLink System. The establishment of this joint-venture company has enabled Tsubaki to develop a two organization system, consisting of Tsubaki FlexLink and the Module Business Unit, for pursuing new opportunities in the field of modules.



FlexLink System

Chain and Power Transmission Units and Components Operations

Major Challenges

- Improving cost competitiveness to withstand the effects of deflation in Japan
- Increasing orders from local automobile manufacturers in China and other emerging nations
- Expanding share in European markets and bolstering product lineup



Tadashi Ichikawa
Chain and Power Transmission Operations

Business Characteristics

Tsubaki has conducted chain operations since its founding. Leveraging the strengths of its superior products, which beat out the competition in terms of quality, and solid sales network, the Company has captured the No.1 share of the Japanese market. It also holds an impressive share in North America of over 20%. Meanwhile, Tsubaki's Power Transmission Units and Components operations, which are conducted by subsidiary Tsubaki Emerson Co, have earned a strong reputation for their OEM operations by utilizing their highly differentiated products, such as cam clutches and power cylinders. Of particular interest in these operations is Chinese subsidiary Tsubaki Everbest Gear (Tianjin) Co., Ltd. (TEGT), which has recently been growing at an astonishing rate.

Initiatives to Overcome Challenges

In Japan, Tsubaki has a strong share of the market for high-end products and has developed operating structures that allow it to avoid price competition. We are reducing manufacturing costs through *dantotsu* and other activities, and bolstering our product lineup. In fiscal 2012, we will introduce four chain products and two power transmission products that are eco-products with superior Eco & Eco (Ecology and Economy) characteristics. We will communicate the appeal of these products' environmental and economic benefits to customers.

In North America, we greatly expanded our share for the RS roller chain G7-EX Series. This was a result of our pursuit of higher performance and quality, which boosted the cost competitiveness and technological differentiation of these products.

In the previous fiscal year, we released our GT4 WINNER line of high-performance roller chains. This chain lineup meets the European BS and DIN standards and is a new addition to the RS roller chain series, consisting of such strong performers as the G7-EX Series, which is compliant with U.S. and Japanese standards. We will work to expand our share in Europe by utilizing this new lineup and the support and guidance systems for cables and hoses (cableveyors) handled by KabelSchlepp GmbH, a company that was acquired in April 2010 and subsequently consolidated.

In China, Tsubaki will construct new product bases with a focus on those for conveyor chains, which are in high demand.

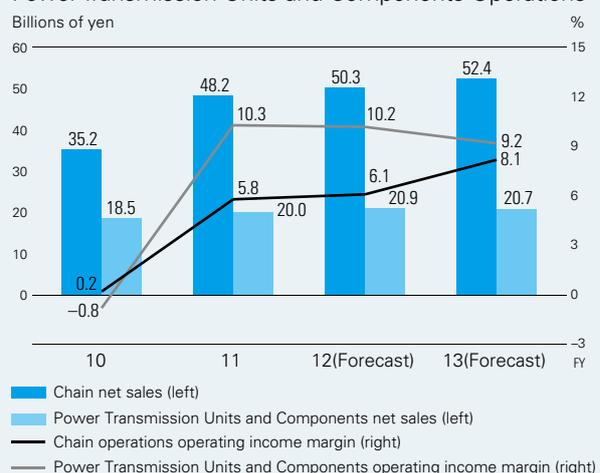
These bases will help Tsubaki capture the robust demand in China and further the optimization of global manufacturing systems.

Performance and Forecasts

In fiscal 2011, net sales in Chain operations were up 26% year on year and operating income was about 9 times higher. This was due to the effect of the consolidation of KabelSchlepp GmbH on sales in Europe as well as the expansion of our share of sales from retail agents in the United States. In Power Transmission Units and Components operations, net sales increased 30% and operating income was approximately 16 times higher. In Japan, sales of products for the machine tools, LCD/semiconductor, and shipbuilding industries were strong.

In fiscal 2012, we are projecting year-on-year increases in net sales of 4% and operating income of 10% in Chain operations, and in Power Transmission Units and Components operations we expect net sales to be 4% higher and operating income to increase 3%. In fiscal 2013, the final year of Medium-Term Management Plan 2012, we are targeting net sales of ¥52.4 billion and an operating income margin of 8.1% in Chain operations, and net sales of ¥20.7 billion and an operating income margin of 9.2% in Power Transmission Units and Components operations.

Results and Forecasts for Chain and Power Transmission Units and Components Operations



Automotive Parts Operations

Major Challenges

- Raising share of deliveries to the world's top 5 automobile manufacturers
- Strengthening connections with local automobile manufacturers in China and other emerging nations
- Accelerating production expansion at overseas production bases



Toru Fujiwara
Automotive Parts Division

Business Characteristics

Tsubaki's timing chain drive systems, a flagship product of the Company, hold an impressive share of over 70% in the Japan market and 35% in the global market, making Tsubaki the leading supplier of these products. These and other Tsubaki products are born out of Tsubaki's technological superiority, which is the key factor behind their exceptional quietness and durability as well as their light weight. These characteristics have earned them a strong reputation among global automobile manufacturers, who are in constant pursuit of high-performance engines that are remarkable in terms of environmental friendliness and other characteristics. This strong reputation is reflected in Tsubaki's dominating market share.

Initiatives to Overcome Challenges

Tsubaki's share of deliveries to the world's top five automobile manufacturers steadily increases with each year, and the Company has received a number of large-scale orders from major manufacturers in the United States and South Korea. However, the Tsubaki Group continues to be faced by some challenges in these operations, including the need to steadily develop systems to respond to principal customers' production operations in emerging nations and the need to approach German automobile manufacturers, which the Group has yet to capture a significant share with. Accordingly, we have been aggressively implementing initiatives to overcome these challenges, and the results of these initiatives have already become notable. For example, in February 2011 we managed to acquire our first order from a particular major German automobile manufacturer. Going forward, we plan to utilize the new Zerotech Series, which boasts significant reductions in friction loss, to further expand our share of deliveries to the world's top five automobile manufacturers.

Further, we aim to increase the amount of orders received from local Chinese automobile manufacturers, which are expected to show impressive growth. To this end, the Company is working to develop low-cost products for use in inexpensive automobiles, and has succeeded in reducing the costs of certain products by revising the parts used in these products. Further, June 2011 marked the completion of the construction of a new production base in South Korea. Added

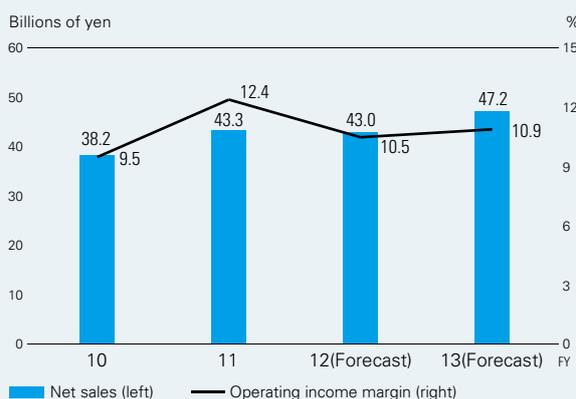
to Japan, the United States, Europe, Thailand, and China, this will be the sixth region to house a Tsubaki production base. Utilizing this more complete global production network, we will optimize our production systems on a global scale going forward and will accelerate the expansion of production capacities at overseas production bases for purposes such as mitigating risks.

Performance and Forecasts

In fiscal 2011, performance in Automotive Parts operations recovered substantially with net sales increasing 13% year on year and operating income up 47%. While automobile production in Japan declined during the second half of the fiscal year due to the end of government grants for the purchase of environmentally friendly automobiles, sales of products overseas, particularly in Asia, grew significantly.

In fiscal 2012, we are anticipating year-on-year decreases of 1% in net sales and 16% in operating income. These decreases will primarily be attributable to the slump in domestic automobile production experienced during the first quarter of fiscal 2012 as a result of the Great East Japan Earthquake. However, we anticipate that performance will see rapid recovery in the second half of fiscal 2012 stemming from the renewal of automobile production and the continuation of strong sales overseas. In fiscal 2013, the final year of Medium-Term Management Plan 2012, we are targeting net sales of ¥47.2 billion and an operating income margin of 10.9%.

Results and Forecasts for Automotive Parts Operations



Materials Handling Systems Operations

Major Challenges

- Developing environmentally friendly products (energy-saving products, compact products, etc.)
- Promoting standardization to substantially reduce costs
- Expanding overseas, particularly in China, and exploring new business areas



Yohei Kataoka
Materials Handling Division

Business Characteristics

The scale of sales in Tsubaki's Materials Handling Systems operations is not particularly large when compared to the rest of the industry. However, these operations have been highly evaluated for their solutions, such as high-speed automatic sorting systems, paper feeding systems for the newspaper industry, and production line conveyance systems for the automobile industry, which have gained a strong following from certain industries. This following has earned these operations a solid position in the market. In the past, Materials Handling Systems operations faced difficulty in improving profitability, even in light of increased net sales; however, these operations have recently been switched to a business model that focuses on acquiring orders that produce sufficient profit.

Initiatives to Overcome Challenges

The development and subsequent introduction of differentiated products that take advantage of the unique characteristics of these operations is of the utmost importance to the survival of the business. Accordingly, we are currently advancing the development of products that help customers reduce energy and space usage, and intend to launch three eco-products in fiscal 2012. In addition, we are drastically revising cost structures, starting from the design phase, and promoting standardization in order to better respond to the price-based needs of our customers. Further, within the year we plan to establish an engineering subsidiary in Shanghai, China, with the aim of bolstering our ability to capture the robust demand in China related to improving social infrastructure and capital investment.

Another challenge faced by the Company's Materials Handling Systems operations is the need to expand into new business areas. One specific area in which the Company is pursuing expansion is the field of slightly miniaturized conveyance modules, which is an extension of the Company's current systems operations. In the module field, we have developed a strong lineup of unique products, such as the Zip Chain Lifter, which features two chains that interlock in a zip-like fashion and can lift objects quickly and precisely, and the Direflex Modular Unit, a compact conveyor unit that is capable of

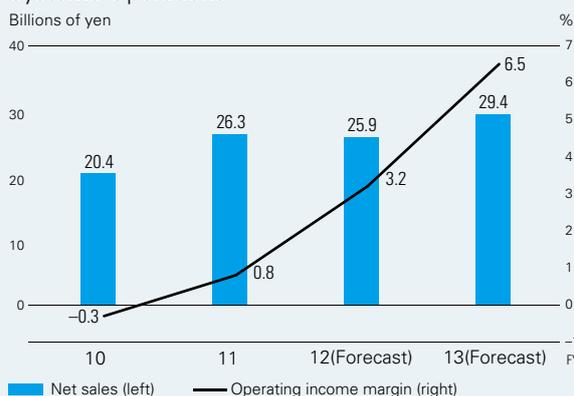
smoothly paying out and rotating objects. To handle these products, the new Module Business Unit was developed in fiscal 2011. Going forward, we will work to strengthen this new business in fiscal 2012 and on into the future.

Performance and Forecasts

In fiscal 2011, net sales increased 29% year on year and the segment was able to move into the black on the operating level due to the higher net sales. While the operating income margin was fairly low at 0.8%, this was primarily due to the fact that a previously acquired unprofitable order was recorded in the first quarter of the fiscal year. On a quarterly basis, the operating income margin in the fourth quarter of the fiscal year had recovered to the 5% level.

In fiscal 2012, we are anticipating a 2% year-on-year decrease in net sales, but we believe the operating margin will show improvement, reaching 3.2%. In fiscal 2013, the final year of Medium-Term Management Plan 2012, we are targeting net sales of ¥29.4 billion and an operating income margin of 6.5%.

Results and Forecasts for Materials Handling Systems Operations



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

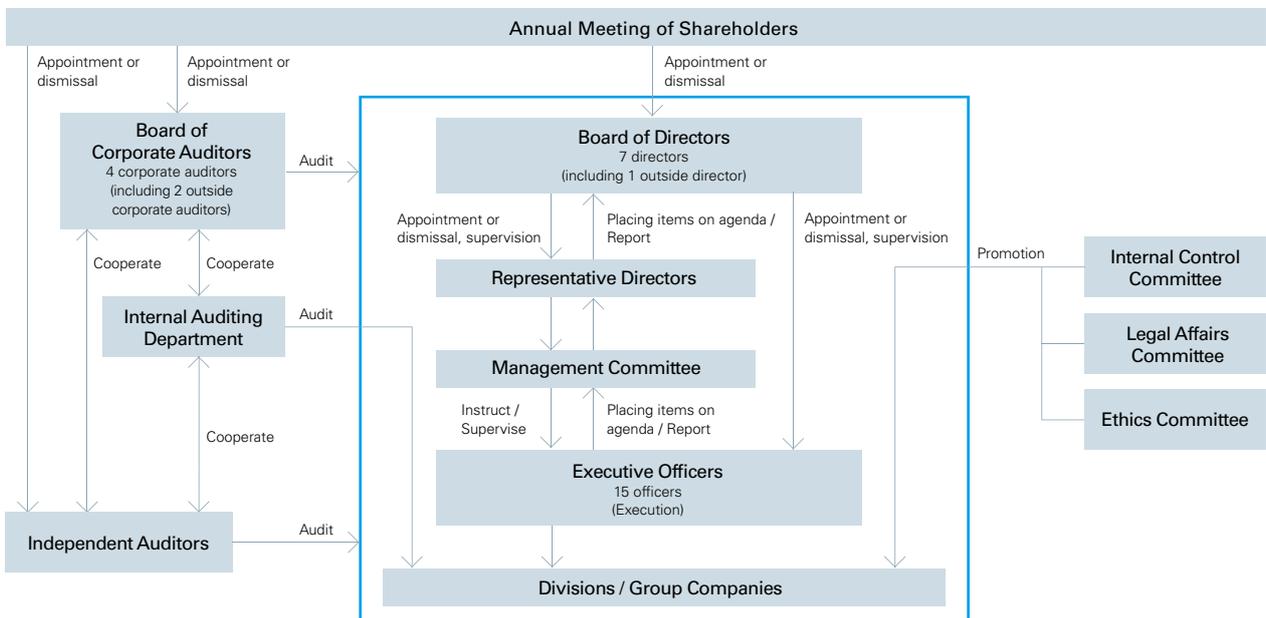
Tsubakimoto Chain has introduced an executive officer system with the goal of enhancing competitiveness and boosting the efficiency and transparency of management while also maintaining a high degree of legal compliance. At the same time, the Company aims to expedite the decision-making process of the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

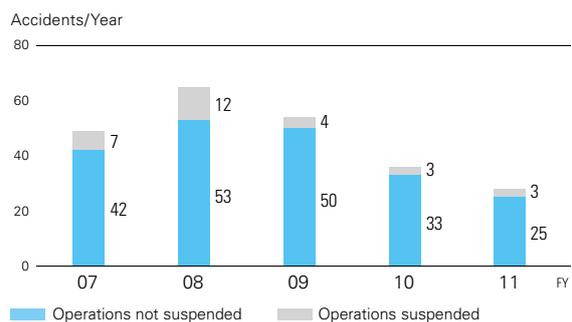
In addition, we also worked to enhance training programs for newly hired employees. We will continue to implement the experience-based training programs introduced in fiscal 2010, while also conducting post assign-

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.

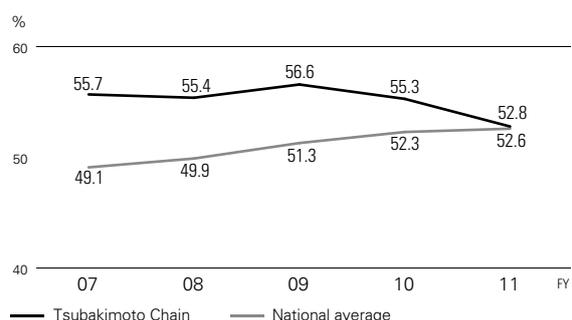
In supporting the health of employees, we conducted annual physical exams, specialty health exams, and health check-ups for people working long hours. Further, we have employed full-time employees that provide consultations and mental health education at worksites to help prevent and rapidly treat mental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

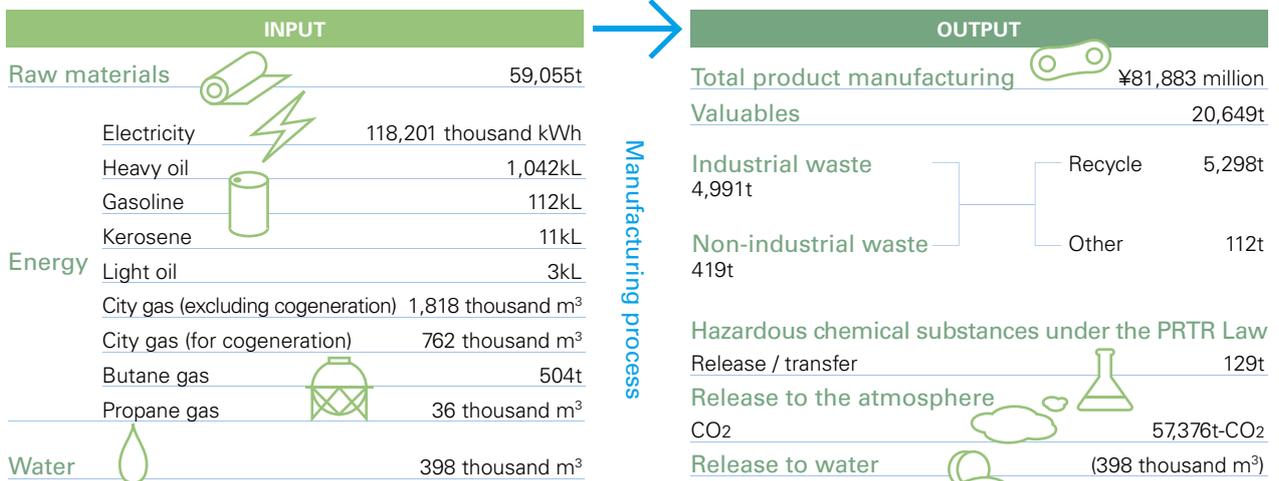
To reduce the burden placed on the environment by its operating activities, the Tsubaki Group is collecting and tracking data about the environmental impact of its product manufacturing processes.

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

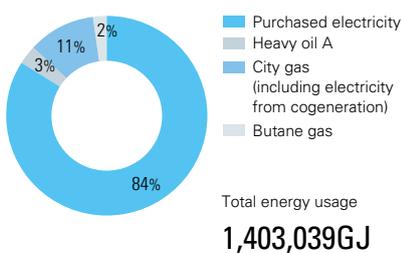
The Tsubaki Group had formulated a five-year plan for reducing CO₂ emissions intensity in fiscal 2011 by 5% from the benchmark year of fiscal 2006. However, since then, production activities have been heavily impacted by fluctuations in the economic climate, and the Company was unable to achieve this 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.

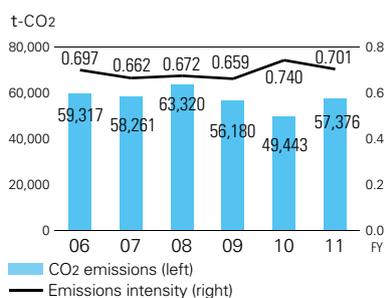
Effective Utilization of Resources

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%.

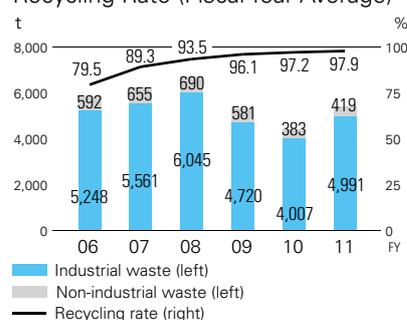
Breakdown of Energy Usage



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

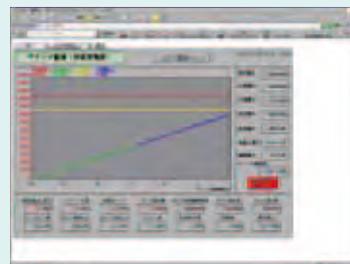
-  30% reduction in electricity consumption due to miniaturized design and light weight lowering energy used during conveyance
-  50% reduction in drive unit weight lowers materials usage
-  Easy disassembly facilitated by using bolts in place of conventional welding

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)

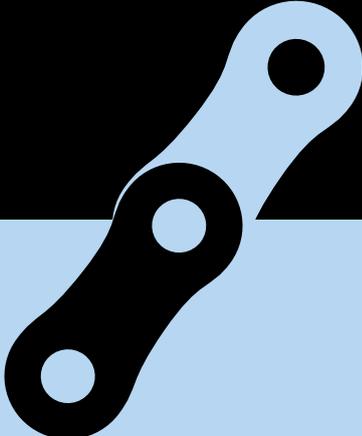
			Thousands of yen	
			Fiscal 2011	
Classification	Details of major initiatives		Amount invested	Costs
(1) Business area costs			192,678	519,408
Breakdown	(1) - 1 Pollution prevention costs	Introduction, operation, and management of air pollution prevention facilities and wastewater treatment facilities	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

Financial Data



Operating Environment and Financial Highlights

Numerical Overview of the Past 5 Years

	2007	2008	2009	2010	2011	Percent Change
Statistics Relating to Operating Environment^{*1}						
1. Japan nominal GDP-related statistics (Billions of yen)^{*2}						
Nominal GDP	510,938	515,804	492,066	474,032	475,737	0.4%
Private-sector corporate capital investment	79,826	80,918	76,321	63,668	65,963	3.6%
2. Automotive sales in the world (Thousands of cars)^{*3}						
United States	16,510	15,831	11,848	10,766	12,082	12.2%
Japan	5,619	5,320	4,701	4,880	4,601	-5.7%
China	7,570	9,247	9,457	15,559	18,421	18.4%
South Korea	3,820	4,095	3,541	3,787	4,370	15.4%
Europe	13,313	13,298	11,873	12,562	11,508	-8.4%
Total of the world's five largest regions	46,831	47,791	41,420	47,555	50,982	7.2%
Tsubaki Group Data (Consolidated)						
1. For the year (Millions of yen)						
Orders received	153,772	170,276	134,727	112,628	138,431	22.9%
Net sales	155,746	167,202	141,517	112,759	138,243	22.6%
Operating income	16,008	19,805	9,095	4,737	11,022	132.6%
Net income	8,541	10,371	6,188	3,175	6,093	91.9%
Capital expenditures	10,893	10,225	10,041	3,988	5,807	45.6%
Depreciation and amortization	5,948	7,301	7,344	7,390	7,544	2.1%
R&D costs	3,595	3,681	3,847	3,543	4,144	17.0%
Net cash provided by operating activities	10,107	20,873	7,263	14,508	16,293	—
Net cash (used in) provided by investing activities	-5,879	-11,481	-9,723	-5,020	-8,281	—
Net cash (used in) provided by financing activities	-647	-5,582	-3,540	-373	-10,578	—
2. At year-end (Millions of yen)						
Total assets	212,739	202,316	178,455	182,641	184,206	0.9%
Interest-bearing debt	42,313	39,314	37,600	38,910	31,240	-19.7%
Shareholders' equity	81,033	81,605	78,422	80,847	83,413	3.2%
3. Indexes						
Operating income margin (%)	10.3	11.8	6.4	4.2	8.0	—
Equity ratio (%)	38.1	40.3	43.9	44.3	45.3	—
ROE (%)	10.8	12.8	7.7	4.0	7.4	—
D/E ratio (Times)	0.52	0.48	0.48	0.48	0.37	—
Net income per share (Yen)	45.55	55.70	33.26	17.07	32.76	91.9%

*1 Data as of May 27, 2011

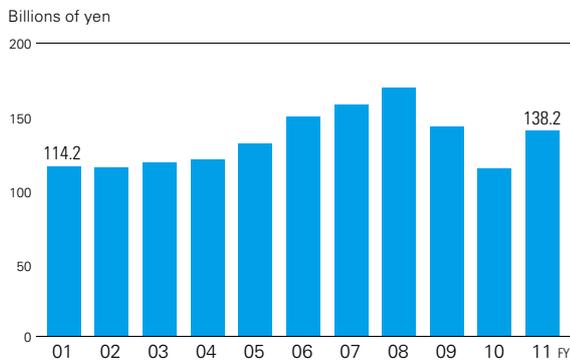
*2 Source: Cabinet Office

*3 Source: Bloomberg L.P.

Financial Results Over the Past 10 Years

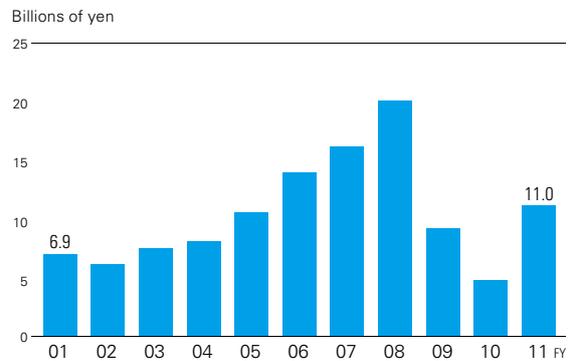
Net Sales

1.2 times higher than 10 years ago



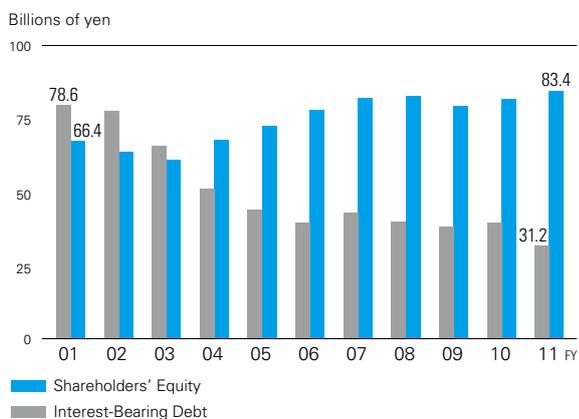
Operating Income

1.6 times higher than 10 years ago



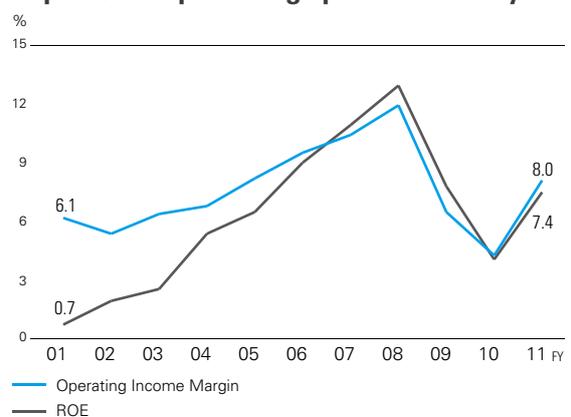
Shareholders' Equity & Interest-Bearing Debt

Shareholders' equity up 1.3 times and interest-bearing debt down 0.6 times from 10 years ago



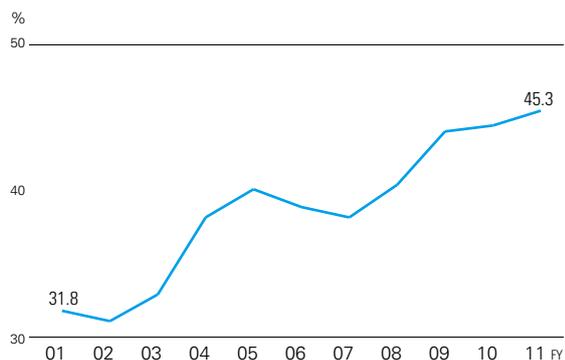
Operating Income Margin & ROE

Operating income margin improved 1.9 percentage points and return on equity (ROE) improved 6.7 percentage points from 10 years ago



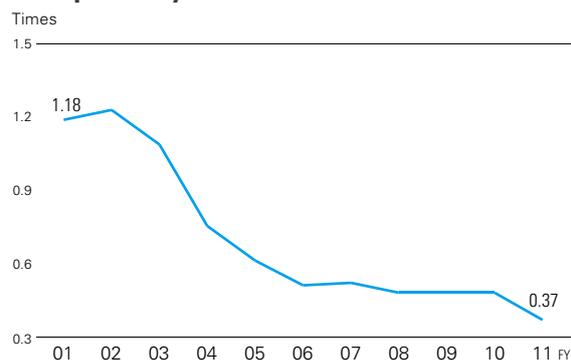
Equity Ratio

Up 13.5 percentage points from 10 years ago



D/E Ratio

Improved from 1.18 times to 0.37 times over past 10 years



KEY POINTS

- Achieved significant increases in sales and income
- Greatly improved profit margins due to the effects of production innovation activities
- Strengthened financial base by reducing interest-bearing debt

Analysis of Management Performance

Operating Environment

Generally favorable operating environment throughout the fiscal year

In fiscal 2011, the Japanese economy showed favorable conditions throughout most of the first half of the fiscal year supported by increased exports and private-sector capital investment. However, in the second half of the fiscal year the cancellation of government grants for purchasing environmentally friendly automobiles and home electronics coupled with the persistence of the strong yen brought the recovery trend to a halt. Also, the Great East Japan Earthquake, which occurred on March 11, 2011, added a further sense of uncertainty to the future of the Japanese economy. Overseas, meanwhile, China and other emerging countries continued to see high levels of economic growth, while the United States and Europe showed a gentle yet steady trend toward recovery.

Net Sales

Higher sales for all segments

In fiscal 2011, consolidated net sales increased significantly, rising 22.6% above the levels experienced in fiscal 2010. Likewise, all segments also recorded higher sales, with sales in Chain operations increasing 26.4% year on year, sales in Power Transmission Units and Components operations rising 30.1%, sales in Automotive Parts operations increasing 13.3%, and sales in Materials Handling Systems operations up 28.9%. Both Chain operations and Power Transmission Units and Components operations benefited from the recovery of private-sector capital investment and the strong performance of industries related to liquid crystal displays (LCDs), semiconductors, and machine tools, which con-

tributed to net sales. In Chain operations, consolidated subsidiary KabelSchlepp GmbH (referred to as KS hereinafter), acquired in April 2010, contributed approximately ¥4,460 million to net sales. In Automotive Parts operations, the increased sales were largely attributable to effects of the government grants for purchasing environmentally friendly vehicles offered during the first half of the fiscal year, and the fact that the Company's superior technological capabilities were highly evaluated by several major overseas automobile manufacturers, helping the Company increase its market share. Sales in Materials Handling Systems operations were supported by sales from large-scale orders for conveyance systems for the steel and automotive industries as well as a ¥2,010 million sales contribution attributable to the consolidation of KS.

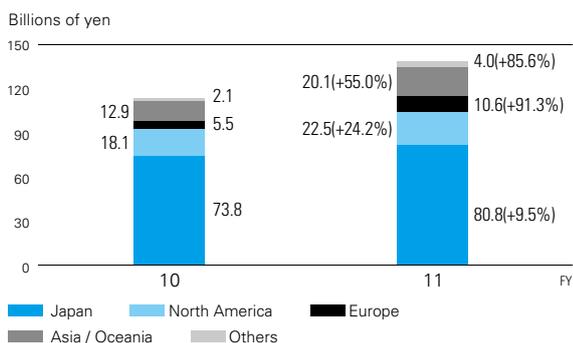
Smooth progression into emerging countries and other overseas markets

On a geographic basis, net sales of products for Japan only increased 9.5% year on year. Meanwhile, sales of products for overseas increased an impressive 47.5%. Sales of products for the United States were strong, growing 24.2%. In Chain operations, we increased the percentages of major retailers carrying our products in the United States. In Materials Handling Systems operations, we captured large-scale orders for conveyance systems for automobile painting lines. Sales of products for Europe were up 91.3%, primarily due to the acquisition of KS. Sales of products for Asia and Oceania were up 55.0%. This was largely due to the continued expansion of Automotive Parts operations in Asia and the recording of large-scale material handling systems orders from pharmaceutical companies in China. Sales of products for other regions rose an impressive 85.6%.

As a result of the above, the ratio of overseas sales to total net sales rose significantly, to 41.5%, compared with 34.5% in fiscal 2010.

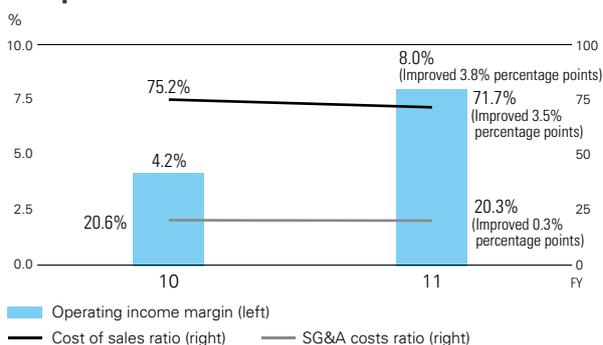
Sales by geographic region

Substantial increase in the percentage of overseas sales



Profit margins

Rapid improvement due to higher sales and production innovation activities



Operating Income and Net Income

Higher sales and cost reduction efforts contribute to substantial improvement in profit margins

In fiscal 2011, consolidated operating income was 2.3 times higher than in fiscal 2010, a staggering increase.

The cost of sales ratio showed notable improvement, declining from 75.2% to 71.7%. This was largely due to the above-mentioned increases in net sales combined with effects of the *dantotsu* activities and other successful production innovation activities implemented by the Group. Additionally, the ratio of net sales to SG&A expenses improved from 20.6% in fiscal 2010 to 20.3% in fiscal 2011. This improvement can be attributed to the effects of the various rationalization measures implemented with the goal of boosting managerial efficiency.

Net other income, the difference between total other income and total other expenses, was ¥89 million, a decrease from ¥252 million in fiscal 2010. This was mainly due to the absence of the temporary grants received in fiscal 2010, which totaled ¥543 million. Grants received in fiscal 2011 were much lower. Additionally, we continued our efforts to lighten the burden of financing by reducing interest-bearing debt. These efforts will be discussed in detail later in this section.

Further, in fiscal 2011 the Company recorded an extraordinary loss of ¥673 million, compared with ¥92 million in fiscal 2010. Major losses included loss associated with the Great East Japan Earthquake of ¥240 million and loss associated with the adoption of the Accounting Standard for Asset Retirement Obligations of ¥204 million. As a result of the above, net income in fiscal 2011 increased 91.9% year on year.

Financial Condition

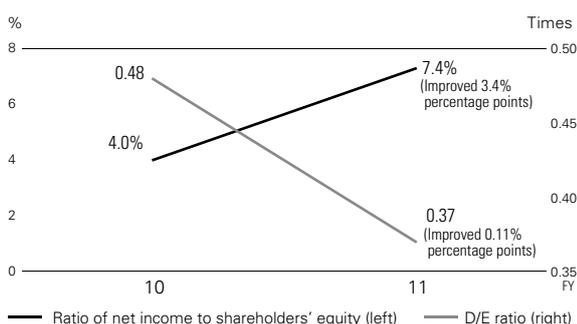
Further strengthening of financial bases and steady generation of free cash flows

Total assets increased ¥1,564 million year on year. This was primarily due to a ¥1,834 million increase in trade notes and accounts receivable attributable to higher net sales and a ¥1,271 million increase in fixed assets following the consolidation of KS. These factors offset a ¥1,256 million decrease in investments in securities.

In regard to liabilities, trade notes and accounts payable in-

Return on equity (ROE) and financial base

Strong improvement trend



creased ¥2,564 million from the previous fiscal year-end as a result of higher net sales, and deferred tax liabilities increased ¥2,017 million due to the rise in income. Conversely, interest-bearing debt was down ¥7,670 million, decreasing greatly following the redemption of corporate bonds. Total net assets rose ¥3,039 million from the previous fiscal year end. Further, the equity ratio was 45.3%, compared with 44.3% in fiscal 2010, and the debt-equity ratio (D/E) ratio was 0.37 times, compared with 0.48 times in fiscal 2010. In this way, both ratios showed improvement.

In fiscal 2011, net cash provided by operating activities increased ¥1,785 million, to ¥16,293 million, primarily due to substantially higher income. Net cash used in investing activities rose ¥3,260 million, to ¥8,281 million. While purchase of property, plant and equipment decreased ¥236 million, this was outweighed by increases in payment for investment in affiliate companies attributable to the acquisition of KS, as well as other factors. Net cash used in financing activities in fiscal 2011 was ¥10,578 million, compared with ¥373 million in the previous fiscal year. This is largely due to the redemption of corporate bonds and other efforts to reduce interest-bearing debt, as mentioned in the section on liabilities above.

Dividends

Increased dividend payments

The Company issues dividend payments based on the policy of stably maintaining annual dividend payments of ¥6 per share whenever possible while also adjusting dividend payments in accordance with the Group's consolidated operating results. In fiscal 2011, the Company managed to further strengthen its financial base, which included achieving substantial increases in free cash flows. In consideration of this fact, we have decided to raise dividend payments ¥1 per share, making for annual dividend payments of ¥7 per share in fiscal 2011.

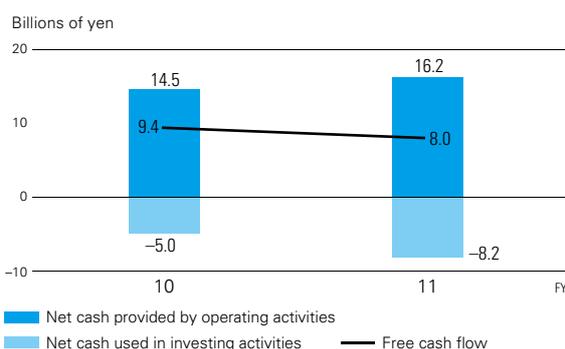


Please refer to the links below for more information:

Financial Statements
<http://tsubakimoto.com/ir/financial/>
 Yuho Securities Reports (Japanese Only)
www.tsubakimoto.jp/ir/financial/yuho.html

Free cash flow

Solid cash flows of over ¥8,000 million created



Tsubaki Group Companies

As of March 31, 2011

	Paid-in Capital	Equity Owned by Tsubakimoto Chain Co.	Principal Business
JAPAN			
TSUBAKI EMERSON CO.*1	¥460 million	70.6%	Manufacture and sales of reducers, variable speed drives, actuators, clutches, and their related products
TSUBAKIMOTO CUSTOM CHAIN CO.*1	¥125 million	99.6%	Manufacture of small-pitch conveyor chains and specialty chains
TSUBAKIMOTO SPROCKET CO.*1	¥126 million	100.0%	Manufacture of sprockets and couplings
TSUBAKI YAMAKYU CHAIN CO.*1	¥126 million	51.0%	Manufacture and sales of various types of plastic chains and automated equipment
TSUBAKIMOTO IRON CASTING CO., LTD.*1	¥50 million	100.0%	Casting, processing, and sales of iron and steel products
TSUBAKIMOTO BULK SYSTEMS CORP.*1	¥150 million	100.0%	Manufacture and sales of bulk materials handling systems
TSUBAKIMOTO MAYFRAN INC.*1	¥90 million	50.0%	Design, manufacture, and sales of conveyors for chips and scraps
TSUBAKIMOTO MACHINERY CO.*1	¥139 million	68.2%	Domestic sales of Tsubaki Group products
TSUBAKIMOTO NISHINIHON CO., LTD.*1	¥90 million	50.0%	Domestic sales of Tsubaki Group products
HOKKAIDO TSUBAKIMOTO CHAIN CO., LTD.*1	¥30 million	100.0%	Domestic sales of Tsubaki Group products
TSUBAKI SUPPORT CENTER CO.*1	¥80 million	100.0%	Building maintenance service and insurance agency, etc.
NORTH AMERICA / SOUTH AMERICA			
U.S. TSUBAKI HOLDINGS, INC.*1,2,3	US\$33,500,000	100.0%	Import sales and local production of materials handling systems Management of subsidiaries and affiliates
U.S. TSUBAKI POWER TRANSMISSION, LLC*1	US\$2,000	100.0%	Import sales and local production of chains and power transmission products
U.S. TSUBAKI AUTOMOTIVE, LLC*1	US\$2,000	100.0%	Import sales and local production of automotive parts
TSUBAKI BRASIL EQUIPAMENTOS INDUSTRIAIS LTDA.*1	R\$382,000	100.0%	Import sales of chain and power transmission products
TSUBAKI OF CANADA LIMITED*1	CAN\$6,295,000	100.0%	Import sales and local production of chains and power transmission products
KABELSCHLEPP AMERICA HOLDINGS, INC.*1	US\$100	100.0%	Management of subsidiaries and affiliates
KABELSCHLEPP AMERICA, LLC*1	—	100.0%	Import sales of chains
KABELTRAX LLC*1	—	100.0%	Import sales and local production of chains
EUROPE			
TSUBAKIMOTO EUROPE B.V.*1	EUR2,722,000	100.0%	Import sales and local production of chains, power transmission products, and automotive parts
TSUBAKIMOTO UK LTD.*1	STG£550,000	100.0%	Import sales and local production of chains, power transmission products, and automotive parts
TSUBAKI DEUTSCHLAND GMBH*1	EUR100,000	100.0%	Import sales of chains, power transmission products, and automotive parts
KABELSCHLEPP GMBH*1	EUR2,600,000	100.0%	Import sales and local production of chains and materials handling systems
KABELSCHLEPP GMBH-HÜNSBORN*1	EUR51,000	100.0%	Import sales and local production of chains and materials handling systems
KABELTRAX EUROPE GMBH*1	EUR25,000	100.0%	Import sales and local production of chains
KABELSCHLEPP ITALIA S.R.L.*1	EUR350,000	90.0%	Import sales of chains and materials handling systems
METOOL PRODUCTS LIMITED*1	STG£203,000	100.0%	Import sales of chains
KABELSCHLEPP FRANCE S.A.R.L.*1	EUR165,000	100.0%	Import sales of chains and materials handling systems
KABELSCHLEPP PROJEKT-GMBH*1	EUR100,000	100.0%	Management of subsidiaries and affiliates
KABELSCHLEPP SYSTEMTECHNIK SPOL. S.R.O.*1	EUR49,000	100.0%	Import sales and local production of materials handling systems
ASIA AND OCEANIA			
TAIWAN TSUBAKIMOTO CO.*1	NT\$70,000,000	100.0%	Import sales and local production of chains, power transmission products, and automotive parts
KABELSCHLEPP SINGAPORE PRIVATE LIMITED*1	S\$88,000	100.0%	Import sales of chains
KABELSCHLEPP INDIA PRIVATE LIMITED*1	INR8,897,000	100.0%	Import sales of chains
KABELSCHLEPP KOREA, INC.*1	WON250,000,000	100.0%	Import sales of chains
KABELSCHLEPP CHINA CO., LTD.*1	RMB1,877,000	100.0%	Import sales and local production of materials handling systems
TSUBAKIMOTO SINGAPORE PTE.LTD.*1	¥271 million	100.0%	Import sales and local production of chains, power transmission products, and materials handling systems
TSUBAKIMOTO (THAILAND) CO.,LTD.*1	THB4,000,000	95.1%	Import sales of chains and power transmission products
TSUBAKI INDIA POWER TRANSMISSION PRIVATE LIMITED*1	INR20,000,000	100.0%	Import sales of chains and power transmission products
TSUBAKI AUSTRALIA PTY.LIMITED*1	A\$300,000	100.0%	Import sales of chains and power transmission products
TSUBAKIMOTO AUTOMOTIVE (THAILAND) CO.,LTD.*1	THB102,000,000	100.0%	Import sales and local production of automotive parts
TSUBAKIMOTO AUTOMOTIVE (SHANGHAI) CO., LTD.*1	RMB20,692,000,000	100.0%	Import sales and local production of automotive parts
TSUBAKI EVERBEST GEAR (TIANJIN) CO., LTD.*1	RMB87,496,000	59.4%	Import sales and local production of reducers, variable speed drives, actuators, clutches, and their related products
KOREA CONVEYOR IND. CO., LTD.	WON1,200 million	49.0%	Import sales and local production of materials handling systems
TIANJIN TSUBAKIMOTO CONVEYOR SYSTEMS CO., LTD.	RMB8,314,000	47.0%	Import sales and local production of bulk materials handling systems

*1 Consolidated subsidiary

*2 Specified subsidiary

*3 On September 10, 2010, consolidated subsidiary U.S. Tsubaki, Inc., changed its name to U.S. TSUBAKI HOLDINGS, INC.

Corporate Data and Stock Information

As of March 31, 2011

Corporate Data

Company Name	TSUBAKIMOTO CHAIN CO.	Number of Consolidated Subsidiaries	42
Date of Foundation	December, 1917	Number of Unconsolidated Subsidiaries	7
Date of Incorporation	January 31, 1941	Number of Affiliates	10
Paid-in Capital	¥17,076 million	(Included Number of Equity-Method Affiliates 2)	
Headquarters	3-3-3, Nakanoshima, Kita-ku, Osaka 530-0005, Japan Telephone +81-6-6441-0011	Number of Employees* (consolidated)	5,891
Fiscal Year-End	March 31		

* including contracted and temporary staff

Stock Information

Shareholder Register	The Chuo Mitsui Trust and Banking Company, Limited
Stock Listings	Tokyo and Osaka

Common Stock

Authorized:	299,000,000 shares
Issued:	191,406,969 shares
Number of Shareholders	13,117

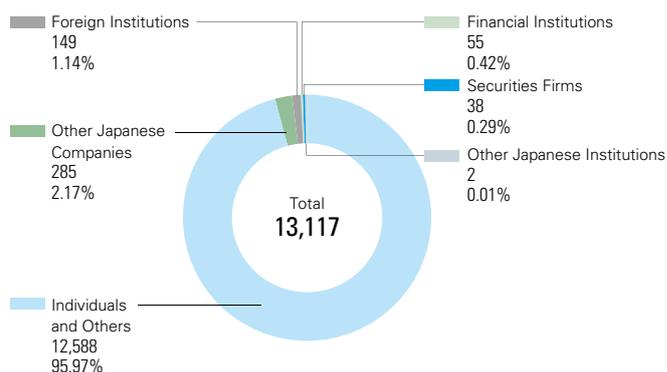
Major Shareholders

Name	Number of Shares Held (Thousands)	Percentage of Total Shares Issued
Taiyo Life Insurance Company	18,398	9.89
Nippon Life Insurance Company	12,159	6.54
Japan Trustee Services Bank, Ltd. (Trust account 9)	11,934	6.42
Japan Trustee Services Bank, Ltd. (Trust account)	10,960	5.89
The Master Trust Bank of Japan, Ltd. (Trust account)	10,308	5.54
Toyota Motor Corporation	7,722	4.15
Sumitomo Mitsui Banking Corporation	7,034	3.78
Kyoeikai Employee Stock Ownership Association	5,698	3.06
Tsubakimoto Kogyo Co., Ltd.	5,194	2.79
The Chuo Mitsui Trust and Banking Company, Limited	4,245	2.28

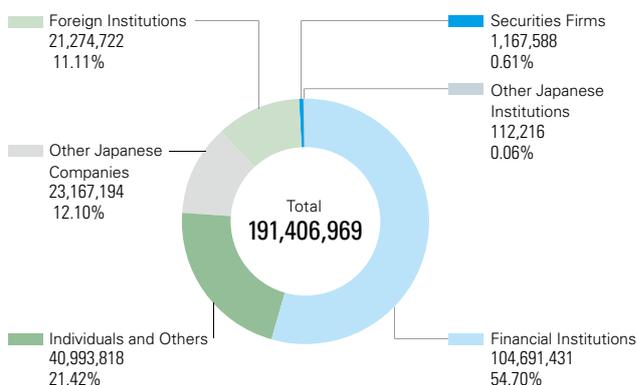
- Numbers less than 1,000 have been rounded.
- The Company owns treasury stock of 5,397,143 shares; however, these shares are not included in the above list of major shareholders.
- Percentage of total shares issued has been calculated excluding the treasury stock of 5,397,143 shares.

Shareholder Composition

Number of Shareholders



Number of Shares Held



Treasury stock of 5,397,143 shares is included in "Individuals and Others."

TSUBAKIMOTO CHAIN CO.

tsubakimoto.com

Published in September 2011

