

# TSUBAKI REPORT 2021

Integrated Report



## PROLOGUE

# We will advance the “art of moving” beyond expectations.

Based on our pride in being a professionals in the field of motion, the Tsubaki Group has continuously taken on the challenge of advancing the “art of moving” through technology and ideas. We will continue to pursue transformation and challenges with an eye on the future, unswayed by preconceived ideas. As well as meeting the expectations of society, we will also aim to create added value that surpasses expectations. The Tsubaki Spirit, our corporate philosophy, expresses our determination in this regard.

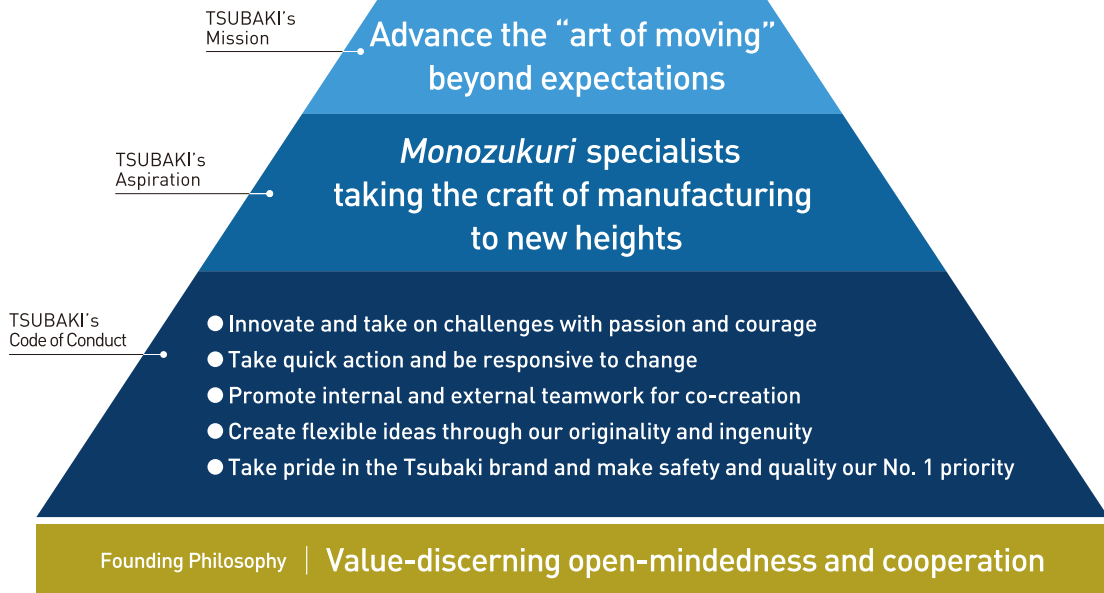
## Transitioning from Value Creation That Meets Expectations

Tsubaki will aim to provide innovative solutions that help



## Corporate Philosophy

# TSUBAKI SPIRIT



## to Value Creation That Surpasses Expectations

solve social issues by refining its motion technologies.



## Providing Added Value to Customers and Fulfilling Our Social Responsibility

Founded in 1917 to manufacture chains, Tsubakimoto Chain has since expanded its business to encompass motion control, mobility, and materials handling. Operating at 82 business sites in 26 countries and regions globally, the Company has developed products— from machinery parts to units, modules, and systems—that are indispensable in the field of motion.

We capitalize on our strengths in developing products that contribute to solving issues faced by our customers, such as energy conservation, productivity improvement, and labor saving, while advancing our material technology, processing technology, and application technology. We have also underpinned the development of society with leading global products, including industrial-use steel chains and timing chain systems for automobile engines, and a host of leading niche products.

In addition to increasing the value added to these products, the Group is working together intently to tackle a variety of issues and fulfill its social responsibility as a company.

For example, to cultivate human resources and pass on *monozukuri* technology and skills, we have enhanced our training programs, such as our original Techno School, and worked to advance *monozukuri* and human resource development through production reform activities. We have also amassed a record of achievement that has garnered praise from society. This includes our environmental activities, such as those to reduce CO<sub>2</sub> emissions, and the strengthening of our corporate governance system.

# Transitioning from Value Creation That Meets Expectations





## to Value Creation That Surpasses Expectations

### **Resolving Social Issues Faced by Customers and Beyond, and Increasing the Visualization and Efficiency of Management**

As a business-to-business (B2B) company, we believe it is important to pursue management with an eye on addressing customer issues and also on solving the issues faced by consumers and society.

Going forward, we will incorporate cutting-edge technologies, such as artificial intelligence (AI) and the Internet of Things (IoT), into our unique core technologies to accelerate the development of new products and technologies and the creation of next-generation businesses that contribute to the resolution of three social issues: “creating a people-friendly society,” “building a safe and secure infrastructure for living,” and “creating an Earth-friendly society.”

At the same time, we are using DX\* to transform our operations and corporate culture while aiming to establish a new business model by leveraging our expertise. We will also further enhance management quality from an environmental, social, and governance (ESG) perspective. Long-Term Vision 2030 and Mid-Term Management Plan 2025, launched in the fiscal year ending March 31, 2022, clarify the path we must follow. With an eye on the social issues of the future, Tsubaki will advance the “art of moving” beyond expectations

\* DX is an abbreviation for digital transformation, the concept that the spread of digital technology will change every aspect of people's lives for the better.

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### Editorial Policy

The TSUBAKI REPORT aims to present the Tsubaki Group's initiatives for sustainable growth and its medium- to long-term value creation processes in an easy-to-understand format for our shareholders by comprehensively compiling financial and non-financial information (corporate philosophy, business overview, management strategies, technological capabilities, corporate governance, the environment, social investment, and other areas). As more detailed information and figures can be viewed on the Tsubaki Group's website, please refer to it in conjunction with this report. <https://tsubakimoto.com/>

### Forward-Looking Statements

Although this report includes information based on estimates and forecasts made by the Tsubaki Group, it does not represent a promise that the Group will attain these estimates and forecasts. In addition, the accuracy of data from external sources, including statistics, is not guaranteed. As a general rule, figures less than one 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's "Environmental Reporting Guidelines 2012" and "Environmental Accounting Guidelines 2005," the Global Reporting Initiative (GRI)'s "Sustainability Reporting Standards," and the TCFD Consortium's "Guidance on Climate-related Financial Disclosures 2.0 (TCFD Guidance 2.0)."

- Reporting Period: April 1, 2020 to March 31, 2021 (includes some activities after the reporting period)
- Scope of Data Collection: Tsubakimoto Chain Co.: Kyotanabe Plant, Saitama Plant, Nagaokakyo Plant, Hyogo Plant, Okayama Plant, and the following subsidiaries and affiliates in Japan and overseas:  
Tsubakimoto Custom Chain Co., Tsubakimoto Sprocket Co., Tsubakimoto Bulk Systems Corporation, Tsubakimoto Mayfran Inc., Tsubakimoto Iron Casting Co., Tsubaki Yamakyu Chain Co., U.S. Tsubaki Holdings, Inc., Tsubakimoto Europe B.V.

## Medium- to Long-Term Growth Story

- 6 Message from the CEO
- 14 Overview of Long-Term Vision 2030 and Mid-Term Management Plan 2025
- 16 Interview with the COO
- 18 Interview with an Outside Director

# Driving the World... and the Future

## Message from the CEO

# Pursuing Innovative Value Creation That Solves Social Issues

The Tsubaki Group continues to take on the challenge of pursuing innovative value creation transcending its four business domains and organizational boundaries. In addition to creating value through our business activities, we are aiming to grow to become a corporate group that is valued by society by promoting environmental, social, and governance (ESG)-focused management that allows us to steadily fulfill our corporate social responsibilities.

**Yasushi Ohara**

Chairman and CEO, Representative Director





I would like to express our sorrow for those who have lost their lives as a result of the COVID-19 pandemic. I would also like to extend our sympathies to anyone who has contracted COVID-19 and to their families and other loved ones, and to pray for a quick end to the pandemic.

## Review of Mid-Term Management Plan 2020: Clarifying Points for Reflection on Falling Short of Our Numerical Targets

In the fiscal year ended March 31, 2021, the concluding year of Mid-Term Management Plan 2020 (MTP2020) we posted consolidated net sales of ¥193.3 billion, consolidated operating income of ¥8.8 billion, and an overseas sales ratio of 57%, all of which were well below the numerical targets we had set out in the plan.

Under MTP2020, we implemented a growth strategy of increasing our share in target markets in a number of ways. These included product development oriented to market needs and business expansion utilizing the collective strengths of the Group to realize our vision of becoming a leading global company.

As a result of these efforts, products such as our industrial-use steel chains and timing chain systems for automobile engines, which we have designated as our leading global products, and our Cam Clutches, motorized cylinders, and automatic sorting equipment, which we have positioned as leading niche products, increased their shares in their target markets.

Nevertheless, we ultimately fell short of our numerical

targets due to a slowdown in performance from the fiscal year ended March 31, 2020 onward. This fact signifies that we did not create value to an extent that would allow us to overcome the deterioration in the external environment. I also believe it demonstrates that we were not able to fully utilize the Group's collective strengths.

Trade friction between the United States and China, which intensified from fiscal 2019, the fiscal year ended March 31, 2020, and the spread of the COVID-19 pandemic from fiscal 2020, the fiscal year ended March 31, 2021, brought about dramatic changes in the external environment. I have no intention, however, of attributing the worsening of our business results solely to these two factors. Although Tsubaki's product development met customer and market needs, it did not reach a level sufficient for the Company to fulfill its social mission of delivering *monozukuri* that surpasses society's expectations. This shortcoming represents our most significant point for reflection on MTP2020.

### » MTP2020: Numerical Targets and Results for the Concluding Year (FY2020)

	MTP2020 Numerical Targets	MTP2020 Results for Concluding Year (FY2020)
Consolidated net sales	¥280.0 billion	<b>¥193.3 billion</b>
Consolidated operating income	¥28.0 billion	<b>¥8.8 billion</b>
Ratio of overseas sales	70%	<b>57%</b>

### » Market Shares of Tsubaki Products\*

	Results for FY2016 (Year preceding the first year of MTP2020)	Results for FY2020 (Final year of MTP2020)
Global market share for leading global products		
Industrial-use steel chains	13%	<b>16%</b>
Timing chain systems for automobile engines	35%	<b>37%</b>
Domestic market share for leading niche products		
Cam Clutches	90%	<b>95%</b>
Automatic sorting equipment	8%	<b>20%</b>

\* Market shares were calculated by the Company

## Formulation Process and Overview of Long-Term Vision 2030 and Mid-Term Management Plan 2025

### Becoming a Corporate Group That Helps Solve Social Issues of the Future for Our Customers

Reflecting on the aforementioned MTP2020, we spent approximately one year conducting discussions led by inside directors on the direction in which we wanted to go and the way we wanted to be. Specifically, we asked ourselves whether we wanted to adopt management with a focus on earnings without pursuing scale, or to follow a policy of expansion by strengthening our technological base through proactive investment aimed at introducing the cutting-edge technologies that we lack. Through this process, we determined Long-Term Vision 2030.

The Tsubaki Group possesses core technologies including winding transmission technology,<sup>\*1</sup> optimizing technology,<sup>\*2</sup> and mass production technology.<sup>\*3</sup> We also offer highly efficient, value-added products based on these core technologies. If we allow ourselves to be

satisfied with these achievements, however, we will not be able to overcome unforeseen changes in the external environmental.

Tsubaki will establish the technological domain of Linked Automation<sup>\*4</sup> by proactively introducing cutting-edge technologies that contribute to high functionality and high automation and combining them with its unique core technologies. By doing so, we will seek to achieve sustainable growth as a corporate group promoting innovative value creation that focuses on issues affecting society as a whole that go beyond customer needs.

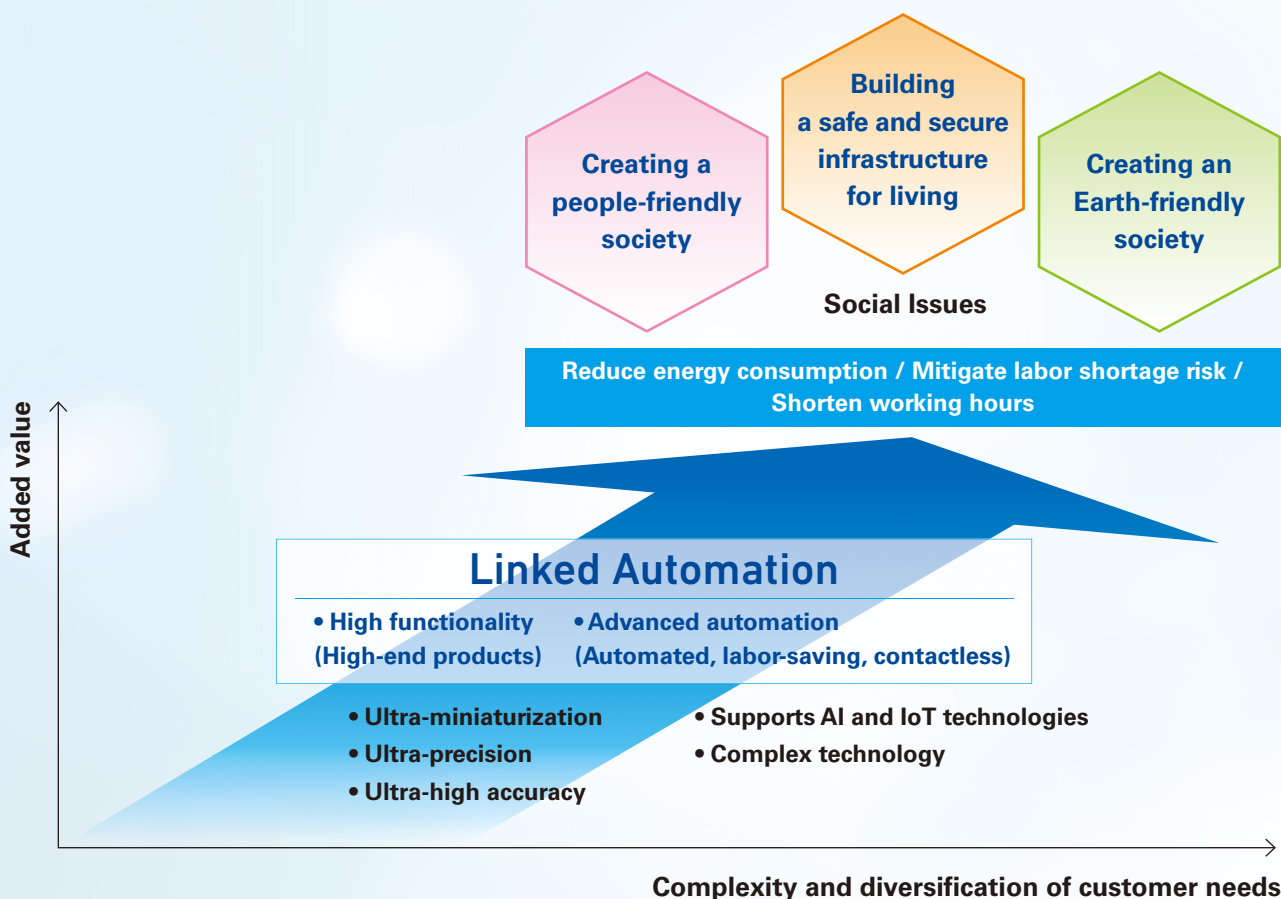
\*1 A technology that facilitates high efficiency driving using a winding mechanism, as exemplified by chains

\*2 A technology that creates new drive systems by combining various parts

\*3 A technology that simultaneously achieves mass production and a defect rate of zero

\*4 A technology domain that is highly functional and highly automated

#### » Social Issues to Be Addressed and the Development of Products to Solve Them



# Mid-Term Management Plan 2025: Our Four Basic Policies

Mid-Term Management Plan 2025 (MTP2025) is an action plan for realizing the direction we want to go (where we want to be) that we set forth in Long-Term Vision 2030. With an eye on the achievement of MTP2025 in the fiscal

year ending March 31, 2026, we created a five-year plan (FY2021 to FY2025) through backcasting. The plan comprises the following four basic policies.

## 1. Create next-generation businesses that enable sustainable growth

In MTP2025, we will take on the challenge of creating next-generation businesses that help solve the three social issues stipulated in Long-Term Vision 2030.

In order to make the creation of next-generation businesses a reality rather than just a plan, we must build firm mechanisms for business creation.

### » Examples of Next-Generation Business Creation That Addresses the Three Social Issues



#### Human Assist

**Enter automation and support equipment businesses for general consumers**

- Expand business into comprehensive welfare equipment
- Provide automation and labor-saving devices for welfare (healthcare), agriculture and forestry sectors, etc.



#### Maintenance

**Strengthen maintenance service structure for systems (things that move) to contribute to stable operation of customer facilities**

- Shift from “product sales” to “service sales”
- Improve customer satisfaction by providing comprehensive Group support



#### Agriculture Business

**Expand agriculture business using Linked Automation technology**

- Plant factories: Establish a leading niche in automated systems. Enter smart agriculture to improve workability and productivity
- Develop a cultivation mini-system with a view to Industry 6.0, and create a food and agriculture business



#### Life Science

**Participate in the field of regenerative medicine**

- Manufacture and sell equipment that automates cell culture processing



#### Energy Infrastructure

**Expand into carbon-neutral-related markets**

- Expand business in EV (electric vehicle) charging infrastructure market
- Expand renewable energy infrastructure business
- Propose V2X (Vehicle-to-everything) charging/discharging equipment and systems for linking with solar power generation and storage batteries



#### Mobility

**Transform from internal combustion engine parts to mobility parts**

- Supply drive components, transmission mechanisms and units for personal mobility
- Supply ultra-small precision actuators (Zip chain mechanisms) for automotive industry
- Supply 4-wheel drive clutches and EneDrive Chain for EVs



To begin with, we will establish at both headquarters and at business divisions a department dedicated to the search for new businesses, thereby promoting new business creation using a top-down as well as a bottom-up approach.

At the same time, we will strengthen the personnel and functions of our research and development and technological development departments in an effort to accelerate the development of new technologies and

products. In cooperation with external organizations, we will also embark on an open-innovation-style search for new businesses that combine our intellectual property (patent rights) with external cutting-edge technologies. We will quickly and efficiently advance the creation of next-generation businesses by supplementing these efforts with an acceleration of our collaborations with industry, government, and academia and an expansion of our investments in start-up companies.

## 2. Further establish market position and strengthen profitability of existing businesses

Proactive investment is crucial to creating new businesses. Accordingly, we must bolster the profitability of existing businesses to generate the funds for use in investments.

We will continue to reinforce the superiority in terms of performance and quality of our industrial-use steel

chains and timing chain systems for automobile engines, which are leading global products. At the same time, we will maintain and increase the technological superiority of our leading niche products while expanding sales by improving their price competitiveness.

## 3. Strengthen business foundation through manufacturing reform and enhanced human resource development

Steadily creating next-generation businesses and bolstering the profitability of existing businesses will require the continuous strengthening of our *monozukuri* and personnel foundations.

Tsubaki has thus far produced a multitude of positive results in productivity improvement by continuously promoting production reform activities. Beginning in the fiscal year ended March 31, 2021, we advanced the further automation of production sites and launched LinK2025,\*<sup>5</sup> a new reform activity that synchronizes information at every stage, from estimates through to

product shipment. Allowing human resources to concentrate on high-value-added operations through automation, LinK2025 is a reform that leverages digital transformation (DX) and simultaneously realizes such benefits as productivity improvement thanks to loss- and waste-free manufacturing, enhancement of quality and safety, and motivation of personnel.

\*<sup>5</sup> An abbreviation of Lean Manufacturing in Kyotanabe 2025. We launched this initiative in the fiscal year ended March 31, 2021 on the theme of "realizing people-friendly, loss-free factories" to take on the challenge of realizing a next-generation *monozukuri* factory at the Kyotanabe Plant. Beginning at the Kyotanabe Plant, we aim to expand this initiative horizontally to our major production sites.

## 4. Strengthen ESG initiatives

### 1. Environment

We have proactively promoted environment-friendly manufacturing and achieved results such as reducing our total CO<sub>2</sub> emissions by adopting long-term environmental targets. Nevertheless, amid the global acceleration in trends toward carbon neutrality, we must further strengthen our activities in this regard.

Although we had previously set a target of reducing total CO<sub>2</sub> emissions at our domestic business sites by 30% (compared with fiscal 2013) by the fiscal year ending March 31, 2031, we have brought forward the schedule

for achieving this target by five years to the fiscal year ending March 31, 2026. Our revised target for fiscal 2030 is 46%. We have also set a target of reducing total CO<sub>2</sub> emissions at our overseas business sites by 20% or more by the fiscal year ending March 31, 2026, compared with the fiscal year ended March 31, 2019.

We will formulate in-depth CO<sub>2</sub> emissions reduction plans for each of our production sites and exert every possible effort to achieve reduction targets while firmly implementing a PDCA (plan-do-check-act) cycle.

## » Actively Promote Reduction of Environmental Impact from a Mid- to Long-Term Perspective

Key performance indicators (KPIs)	Scope of coverage	Target	Year of achievement	FY2020 results
Total CO <sub>2</sub> emissions reduction (vs. FY2013)	Domestic	46%	FY2030	23.5%
Total CO <sub>2</sub> emissions reduction (vs. FY2018)	Overseas	30% or more	FY2030	9.0%
CDP climate change score	Global	A-	FY2023	B-
Waste recycling rate	Domestic	99% or more	FY2030	96.7%

### 2. Society

As outlined in Long-Term Vision 2030 and MTP2025, we aim to solve through our existing businesses as well as new businesses the three social issues of “creating a people-friendly society,” “building a safe and secure infrastructure for living,” and “creating an Earth-friendly society”. Promoting innovative product development to achieve this goal will allow us to make a greater contribution to the realization of a sustainable society.

For our employees, we will make extensive use of DX (digital transformation) to further enhance previous workstyles. At the same time, we will promote the

creation of an efficient workplace environment that is also tailored to diversifying workstyles by continuously promoting diversity.

### 3. Governance

During the implementation period of MTP2020 we carried out a host of structural reforms for strengthening governance. Under MTP2025, we will enhance the effectiveness of these reforms and make particular efforts to strengthen our response to global risk management (please refer to the explanation provided on the next page for more details).

## » ESG Issues and Achievements

<b>E</b> <b>Reduce environmental impact</b>	<ul style="list-style-type: none"> <li>• Set medium- to long-term total CO<sub>2</sub> emissions reduction targets (domestic and overseas)</li> <li>• Began preparations for participating in the Task Force on Climate-related Financial Disclosures (TCFD)</li> </ul>
<b>S</b> <b>Respect human rights Promote diversity</b>	<ul style="list-style-type: none"> <li>• Promoted employment of people with disabilities</li> <li>• Appointed female executive officers and outside directors</li> <li>• Extended mandatory retirement age to 65 (previously 60)</li> </ul>
<b>G</b> <b>Separate business supervision and execution Strengthen transparency and independence</b>	<ul style="list-style-type: none"> <li>• Increased number of outside directors to three, and ratio of outside directors to 30% (June 2017)</li> <li>• Newly established heads of each business division</li> <li>• Separated strategy formulation and supervision (Board of Directors) from business execution (Executive Officers)</li> <li>• Introduced stock-based compensation plan for internal directors</li> </ul>
<b>G</b> <b>Strengthen risk management system</b>	<ul style="list-style-type: none"> <li>• Focused on preventing risks and minimizing losses under leadership of Group Risk Management Committee</li> </ul>

### Tsubaki's Governance System: Steadily Strengthening the System to Improve Its Effectiveness

During the implementation period of the MTP2020, we strengthened our governance system from a variety of perspectives in light of the dramatic changes in the external environment and the resultant increase in uncertainties.

For example, in the fiscal year ended March 31, 2020, we completely separated strategy formulation and supervision (Board of Directors) from business execution (Executive Officers). Removing directors from the management of our businesses has made it easier to advance discussions from the perspective of overall Group optimization, and invigorated deliberations at meetings of the Board of Directors and the Strategy Committee. The objective of this reform was to accelerate the drafting of accurate strategies that can also withstand dramatic changes in the external environment, and I feel that its effects are now beginning to emerge steadily. Unlike previous management plans, we drafted Long-Term Vision 2030 and MTP2025 through backcasting. I believe we were able to draft these plans in this way precisely as a result of this reform.

We increased the number of outside directors to three in the fiscal year ended March 31, 2018, and appointed a female outside director in the fiscal year ended March 31, 2020 (the percentage of directors who

are outside directors stood at 43% following the General Meeting of Shareholders on June 29, 2021). Although we increased the number of outside directors with the intention of utilizing a diverse range of external expertise in our management, the incisive points made and advice offered by outside directors at meetings of the Board of Directors are of an intensity that is beyond comparison with that at previous meetings. As a result, it is my opinion that outside directors are helping to steadily enhance the effectiveness of management in terms of objectivity and flexibility.

In MTP2025, we will further enhance the effectiveness of the systemic reforms that we implemented under MTP2020 while working to strengthen risk management that is tailored to global business expansion. We are increasing the number of personnel, including non-Japanese employees, at the department in charge of global risk within headquarters operations. Meanwhile, we will tighten the audit activities of the Internal Auditing Department, which is under the direct supervision of the president and COO, with a focus primarily on overseas subsidiaries. In tandem with these efforts, we will maintain and strengthen our information infrastructure and accelerate our understanding and analysis of the key performance indicators (KPIs) of overseas subsidiaries.

### Dialogue with Employees: The Significance of Increasing Opportunities for Direct Dialogue

Since taking up the mantle of president in 2015 (I am now serving as chairman), I have done my utmost to increase opportunities for direct dialogue with employees. To date, I have held at least one group meeting with almost every line manager, which has helped enhance our communication. I have recently taken to communicating my experiences and thoughts via the in-house newsletter, in response to which I have seen an increase in feedback from employees.

Employees underpin our value creation activities. To

evolve those activities into something more innovative, it is essential for management and employees to align their direction. We will not be able to attain such an alignment with a purely top-down approach. I am firmly convinced that paying careful attention to both top-down and bottom-up approaches will enable us to achieve value creation activities that surpass society's expectations and surmount challenging conditions in the external environment, where uncertainties are rising diamatically.



**Yasushi Ohara (left)**  
Chairman and CEO,  
Representative Director

**Kenji Kose (right)**  
President and COO,  
Representative Director

## Management Setup Going Forward

At the General Meeting of Shareholders and a meeting of the Board of Directors held on June 29, 2021, I became chairman and CEO, representative director and Kenji Kose became president and COO, representative director. Looking at our respective careers, I spent many years on assignment overseas and have experience in marketing and management planning, whereas President Kose, whose background is in manufacturing and technology, has expertise in *monozukuri*. In that sense, our appointments make for a well-balanced management setup.

As I have outlined, the Tsubaki Group faces a variety of unresolved issues. To overcome these issues and realize

sustainable growth, it is essential to clarify the roles of the CEO in management strategy planning and supervision and the COO in business execution, and to establish a management setup that makes full use of our expertise.

Going forward, we will strengthen our management foundations by unwaveringly strengthening our existing businesses and conducting *monozukuri* reforms through DX (digital transformation). Additionally, we will create next-generation businesses, thoroughly implement global risk management, and strengthen our ESG initiatives.

## To All Our Stakeholders

The Tsubaki Group will aim to become a corporate group that is further valued by society by creating innovative value that anticipates the social issues of the future faced by its customers.

Contributing to society and growing profits are not mutually exclusive. Profit is the ultimate KPI for gauging added value (innovation) as well as being the wellspring of value creation.

The Tsubaki Group will grow to become a corporate group that continuously increases both social value and economic value simultaneously.

I would like to ask our stakeholders for their ongoing support and understanding in our efforts.

**Yasushi Ohara**

Chairman and CEO, Representative Director

## Overview of Long-Term Vision 2030 and Mid-Term Management Plan 2025

The Tsubaki Group will strengthen its core technologies and seek out next-generation, new technologies through open innovation while developing its technological domains to encompass Linked Automation technology. These endeavors will allow us to aim to become a corporate group that can contribute to the sustainable growth and development of people, society, and the planet by expanding into next-generation businesses, alongside our existing business domains.

### Mid-Term Management Plan 2025

Stage 1 of the Action Plan for Realizing Long-Term Vision 2030

**Strengthen existing businesses and position Stage 1 as a period for planting seeds for new growth to realize the long-term vision**

#### Basic Policy

#### 1. Create next-generation businesses that will enable sustainable growth

- Enter new business fields that address social issues
- Create and develop new products and technologies to solve social issues

#### 2. Further establish market position and strengthen profitability of existing businesses

- Leading global products: Maintain and strengthen competitive advantage
- Leading niche products: Expand sales by improving price competitiveness

#### 3. Strengthen business foundation through manufacturing reform and enhanced human resource development

#### 4. Strengthen ESG initiatives

**E:** Reduce total CO<sub>2</sub> emissions

**S:** Enhance social value (Creating shared value) through products

**G:** Strengthen governance and business infrastructure

#### Major Numerical Targets

**Profitability** Net sales: **¥300.0 billion–320.0 billion**

Operating income ratio: **9%–11%**

**Capital efficiency** ROE: **8% or more**

**Shareholder returns** Dividend payout ratio: **Based on 30%**

**Reduction of CO<sub>2</sub> emissions** **Down 30% from FY2013** (Target: Domestic)

**Down 20% or more from FY2018** (Target: Overseas)

**Seeding period for new fields**

FY2021

FY2025  
(plan)



Target sales:  
**¥ 500.0**  
 billion

### New fields

Expansion of business domains through development of new technologies, M&A, alliances, etc.

### Innovative growth

Expansion of conventional business through innovative methods, including M&A.

### Organic growth

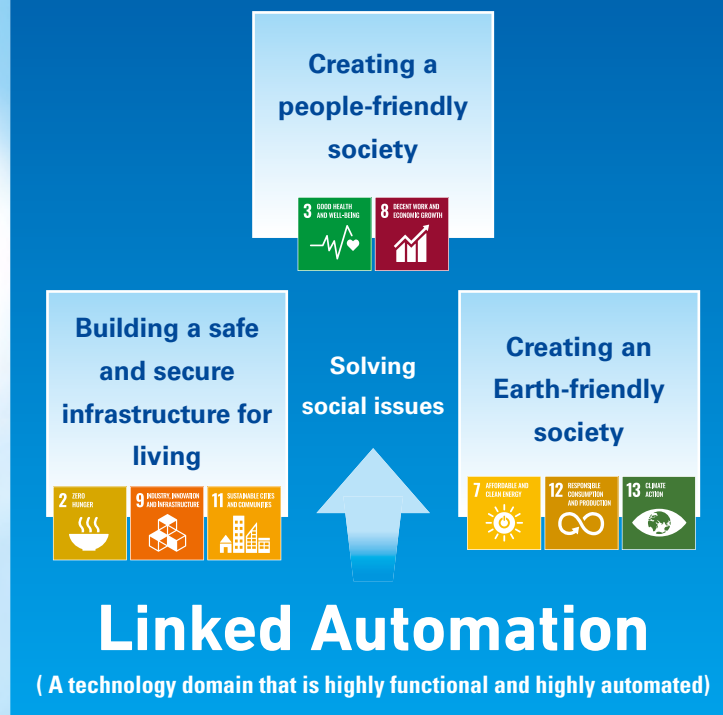
From existing initiatives

**FY2030**  
 (plan)

## Long-Term Vision 2030

Vision for FY2030 (Where We Want to Be)

We aim to become a corporate group that contributes to solving the following three social issues through Linked Automation technology.



### Solving social issues



#### Human Assist

Enter automation and support equipment businesses for general consumers



#### Maintenance

Strengthen maintenance service structure for systems (things that move) to contribute to stable operation of customer facilities



#### Agriculture Business

Expand agriculture business using Linked Automation technology



#### Life Science

Participate in the field of regenerative medicine



#### Energy Infrastructure

Expand into carbon-neutral-related markets



#### Mobility

Transform from internal combustion engine parts to mobility parts

## Interview with the COO



**Placing due importance on the essence of needs and on the Three Actualities Principle (actual place, actual thing, and actual fact), we will steadily overcome the challenges ahead of us one by one.**

### **Kenji Kose**

President and COO, Representative Director

#### **Career Summary**

April 1977	Joined Tsubakimoto Chain Co.
October 2008	General Manager, Small Size Conveyors and Devices, Chain Division
April 2010	General Manager, Module Business, Materials Handling Division
June 2013	Executive Officer, Chain Manufacturing Production Technologies, Chain Division
June 2015	Senior Executive Officer, Chain Manufacturing Division
June 2017	Director and Senior Executive Officer, Chain Manufacturing Division
June 2018	Director and Managing Executive Officer, Chain Operations
June 2019	Director
June 2021	President and COO, Representative Director

## Q1

### Based on your past experience, could you describe the points you will emphasize in management following your appointment as president?

After joining the Company, I spent around 20 years in manufacturing and technology and 15 years in product planning. I then helped expand the Module Business and presided over production reform activities at the Kyotanabe Plant as general manager of Chain Division.

There are two major insights that I have gained from my past experience, on which I will continue to place due importance in the future. One is the Three Actualities Principle. A variety of unforeseen circumstances arise at sites where companies are engaged in value creation activities. However, responding by thinking only about the superficial aspects of such circumstances while sitting at a desk will solve nothing. Unless we analyze and deal with the innermost aspects of the actual places, actual things, and actual facts in order to get to the bottom of why the unforeseen

circumstances arose, we will not achieve growth. The Three Actualities Principle is important not only on the *monozukuri* front lines but also on the front lines of all areas of the business, including technological development, planning, and sales. My mission is to create these strong front lines, which I am certain will serve as the wellspring of our growth going forward.

The other major insight is in regard to the essential meaning of a market-oriented approach. It may well be possible to operate a business to a reasonable degree by catering to what customers want. It is my belief, however, that true value creation is not possible unless we go beyond what customers want, in order to get an understanding where they want to be and what issues they face. In other words, we must get to the core of customer desires.

## Q2

### As COO, how do you plan to advance reforms and what priority issues will you set?

I believe that the greatest issues for the Tsubaki Group are the Three Actualities Principle and the pursuit of customer desires, as exemplified by strengthening and accelerating value creation that comes to grips with their essence.

Without exception, customers will face social issues. Taking these social issues as a starting point, we will reform our development and manufacturing processes. Doing so will allow us to maximize added value and generate the resources (economic value) that are essential for creating added value—resources that we will use as a wellspring to create social value. Through this process, a virtuous cycle for sustainable growth will emerge.

The Tsubaki Groups has many challenges to address. However, tackling these with social issues as our starting point will compel us to overcome barriers resulting from vertically aligned

business divisions and to change our traditional approach of rigidly adhering to our own technological foundations. Naturally, our development and manufacturing front lines will also evolve in turn.

Ultimately, my priority is to thoroughly pursue the essence of matters. I believe it is my responsibility and my most important task to reinvent the product development, *monozukuri*, and marketing front lines so that they contribute to the resolution of social issues, which is the fundamental point.

As Chairman and CEO Ohara has already given a detailed description of our strategies, I will refrain from repeating them. As COO, I pledge to our stakeholders that I will devote myself to creating the mechanisms for facilitating innovative value creation.

## Interview with an Outside Director



### Shuji Abe

Outside Director  
Chairman, Nomination and  
Remuneration Committee

#### Career Summary

June 1997	Director, Yanmar Diesel Co., Ltd. (now Yanmar Holdings Co., Ltd.)
June 1999	Managing Director, Yanmar Diesel Co., Ltd.
June 2001	Senior Managing Director, Yanmar Diesel Co., Ltd.
June 2005	Executive Vice President, Yanmar Co., Ltd. (now Yanmar Holdings Co., Ltd.)
June 2007	President, Yanmar Agricultural Equipment Co., Ltd. (now Yanmar Agribusiness Co., Ltd.)
June 2013	Outside Director, Tsubakimoto Chain Co. (incumbent)

## Aiming to Foster Disruptive Innovation

### How do you rate Long-Term Vision 2030 and Mid-Term Management Plan 2025?

I believe these plans strike a good balance between the spirit to take on challenges on the one hand and solidity on the other. For companies to grow continuously, setting targets at a level high enough that they have to stretch to achieve them is essential. The question is how to ensure solidity until those high targets are reached. In this regard, firmly establishing drivers of growth is particularly important.

Long-Term Vision 2030 and Mid-Term Management Plan 2025 clearly define that the Tsubaki Group will use Linked Automation technology as a driver of growth over the medium to long term. Additionally, the plans specify that the Group will carry out its strategies by dividing a set period into two halves. It will sow the seeds (planting) of new businesses in the opening five years of this period and see them sprout and come into bloom in the latter five years. After dispassionately reexamining its core technologies, the Group is making steady progress in verifying which external cutting-edge technologies it should integrate. I also give high praise to the Group for clarifying the direction it wants to take—guided by its corporate philosophy—in addressing social issues for achieving the Sustainable Development Goals (SDGs).

### How do you feel about the effectiveness of Tsubakimoto Chain's Board of Directors?

Since separating strategy formulation and supervision from business execution in the fiscal year ended March 31, 2020, meetings of the Board of Directors have clearly been invigorated, with constructive comments from directors from the perspective of Companywide and Group optimization becoming more prominent.

Going forward, the careful selection of agenda items will be vital. Discussions will be necessary to verify that the implementation measures that the Company is deploying are consistent with the growth track outlined in Long-Term Vision 2030 and Mid-Term Management Plan 2025.

### What are your expectations of the newly launched management team of Chairman and CEO Ohara and President and COO Kose? Also, what are your thoughts on issues for the Tsubaki Group going forward?

Going forward, the Tsubaki Group must build on its solid *monozukuri* foundations to offer *kotozukuri* (the creation of added value) in the form of solutions provision. In that sense, I have high hopes that the new management duo will utilize their respective expertise in markets and in manufacturing and technology to the greatest extent possible while strengthening the management setup in which Chairman and CEO Ohara has responsibility for strategy formulation and supervision and President and COO Kose is responsible for business execution. In addition, I hope that they will both flexibly and proactively incorporate external expertise, including through interactions with the business community.

The Group has strengthened its vertical management structure. An issue for the Company going forward will be to further strengthen its cross-divisional, horizontal business functions (such as marketing, global expansion of production, and services) with a Companywide perspective. Particularly in terms of marketing and production, I believe that promoting collaboration across business lines will be indispensable for fostering disruptive innovation.

## Value Creation Scheme

- 20 Value Creation Process
- 22 Engagement with Stakeholders
- 24 Risks and Opportunities Arising from Changes in the External Environment and ESG Issues Being Addressed
- 26 Strategy for Investing Financial Capital

**Driving the World...  
and the Future**

## Value Creation Process

The Tsubaki Group accelerates innovation by proactively strengthening its existing core technologies and introducing next-generation technologies through open innovation. We accurately identify rapidly changing social needs with the aim of creating new value in the field of motion. Expanding our business scale and domains through technological innovation and actively promoting ESG activities will enable us to help solve social issues and increase management visualization, thereby helping us grow into a company that is even more valued by society.

**Key Issues to Address**

- Climate change
- Food shortages
- Changes in the industrial structure
- Natural disasters

**Tsubaki Group**

**Corporate Philosophy** **TSUBAKI SPIRIT**

**We will advance the “art of moving” beyond expectations.**

**Mid-Term Management Plan 2025**

Priority Foundations to Be Strengthened	Basic Strategies
<p><b>Technological Foundation</b></p> <p><b>Next-generation, new technologies</b> Integration of technologies through open innovation</p> <p><b>Existing core technologies</b></p>	<p><b>Create next-generation businesses</b></p>  <p><b>Strengthen the profitability of existing businesses</b></p> 
<p><b>Production and Human Foundations</b></p> <p><b>Strengthening of foundations centered on DX (digital transformation) reforms</b></p>	<p><b>Strengthen our business foundations</b></p> 
<p><b>Financial Capital</b></p> <p><b>Selection and concentrated investment</b></p>	<p><b>Strengthen ESG initiatives</b></p> 

## Where We Want to Be: Long-Term Vision 2030

We aim to become a corporate group that contributes to solving social issues through **Linked Automation technology**.

### FY2025 Numerical Targets (Output)

#### Net sales

**¥300 billion–  
¥320 billion**

#### Operating income ratio

**9%–11%**

#### ROE

**8% or more**

#### Dividend payout ratio

**Based on 30%**

#### Reduction of CO<sub>2</sub> emissions

**Down 30%  
from FY2013**  
(Target: Domestic)

**Down 20% or more  
from FY2018**  
(Target: Overseas)

- Enter new business fields that address social issues
- Create and develop new products and technologies to solve social issues

- Leading global products: Maintain and strengthen competitive advantage
- Leading niche products: Expand sales by improving price competitiveness

- Reform manufacturing and enhance human resource development
- Proactively invest in new businesses

- **E:** Reduce total CO<sub>2</sub> emissions
- **S:** Enhance social value (creating shared value) through products
- **G:** Enhance business foundation by strengthening governance and minimizing business risks

## OUTCOME



**Creating a people-  
friendly society**



**Building a safe and  
secure infrastructure  
for living**

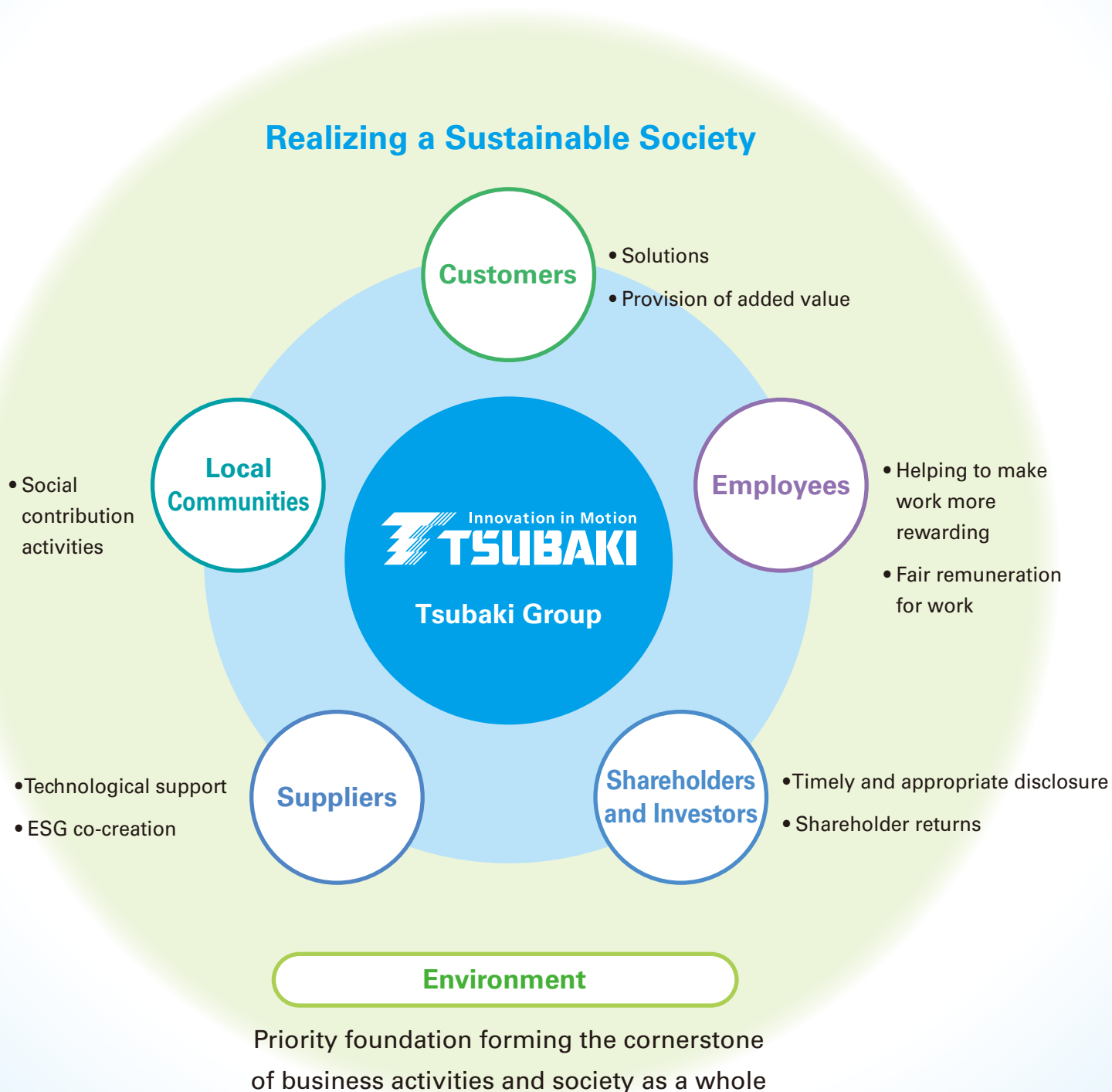


**Creating an  
Earth-friendly society**



## Engagement with Stakeholders

The Tsubaki Group's value creation activities are only possible with the trust of all its stakeholders, including customers, employees, shareholders, investors, suppliers, and local communities. We will return the fruits of our business activities to stakeholders while proactively promoting the realization of a sustainable society by co-creating a variety of value through two-way communication.





Target	Major Tsubaki Initiatives	Initiative Details
 <p><b>Customers</b></p>	<ul style="list-style-type: none"> <li>• Development and provision of high-added-value products, including Eco Products (SDG-oriented products)</li> <li>• Provision of solutions directly connected to issues facing customers</li> </ul>	<p>P34 P50</p>
 <p><b>Employees</b></p>	<ul style="list-style-type: none"> <li>• Cultivation of employees and enhancement of their motivation, passing on of technologies and skills</li> <li>• Thorough implementation of safety management and promotion of health and productivity management</li> <li>• Thorough respect for human rights</li> <li>• Promotion of diversity (workstyle reforms)</li> </ul>	<p>P52— P54</p>
 <p><b>Shareholders and Investors</b></p>	<ul style="list-style-type: none"> <li>• Implementation of shareholder returns based on a standard dividend payout ratio of 30%</li> <li>• Disclosure of information in a timely and appropriate manner</li> <li>• Provision of forums for two-way communication</li> </ul>	<p>P26 P58— P60</p>
 <p><b>Suppliers</b></p>	<ul style="list-style-type: none"> <li>• Implementation of sustainability training</li> <li>• Conducting of surveys on progress of environmental compliance and implementation of site visits</li> <li>• Building of relationships of trust and improvement of productivity, promotion of learning from one another in relation to environmental conservation</li> </ul>	<p>P51</p>
 <p><b>Local Communities</b></p>	<ul style="list-style-type: none"> <li>• Collaboration with local communities and promotion of social contribution activities</li> <li>• Implementation of activities supporting the development of the next generation, such as hands-on <i>monozukuri</i> workshops and environmental education</li> </ul>	<p>P56</p>
 <p><b>Environment</b></p>	<ul style="list-style-type: none"> <li>• Proactive development of activities to address climate change and reduce total CO<sub>2</sub> emissions</li> <li>• Acceleration of resource recycling and activities in harmony with nature</li> <li>• Promotion of the development and sale of SDG-oriented products (Eco Products)</li> </ul>	<p>P48— P50</p>

## Risks and Opportunities Arising from Changes in the External Environment

Amid a rapidly changing external environment and increasing uncertainties, the Tsubaki Group is promoting a range of initiatives to minimize derived risks and accurately and quickly understand growth opportunities.

Key Changes in the External Environment	Tsubaki's Understanding of Risks and Opportunities
<div style="background-color: #76b82a; color: white; padding: 10px; text-align: center;"> <p><b>E</b></p> <p><b>Environmental</b></p> </div> <div style="background-color: #d9ead3; padding: 10px;"> <p style="text-align: center;"><b>Climate change</b></p> <p style="text-align: center;"><b>Other environmental destruction</b></p> </div>	<ul style="list-style-type: none"> <li>• Global environmental issues are an urgent priority for the whole world and constitute a major risk. In addition to threatening the existence of the Group's businesses, these issues could also bring about higher costs in a number of ways. Through initiatives aimed at global environmental conservation, we will contribute to mitigating these issues while tackling them as a means to fulfill our social responsibility.</li> <li>• SDG-oriented products (Eco Products) that contribute to energy saving and reducing CO<sub>2</sub> emissions are the source of Tsubaki's competitiveness. We will aim to simultaneously contribute to society and increase economic value by accelerating the development of these value-added products.</li> </ul>
<div style="background-color: #009682; color: white; padding: 10px; text-align: center;"> <p><b>S</b></p> <p><b>Social</b></p> </div> <div style="background-color: #d9ead3; padding: 10px;"> <p style="text-align: center;"><b>Declining birthrate and aging population/Labor shortages</b></p> <p style="text-align: center;"><b>Diversifying workstyles</b></p> <p style="text-align: center;"><b>Human rights and gender issues</b></p> <p style="text-align: center;"><b>Increasing awareness of safety and security</b></p> </div>	<ul style="list-style-type: none"> <li>• Labor shortages pose a major risk to the continuity of Tsubaki's businesses. Our policy is to convert this risk into a growth opportunity. We will do so by respecting human rights, addressing gender issues, and creating safe, secure, and comfortable working environments to attract and secure necessary human resources, thereby overcoming labor shortages and strengthening our foundation for sustainable growth.</li> <li>• Tsubaki specializes in products for labor saving and automation. The increase in awareness of labor shortages, health, safety, and security constitutes a major growth opportunity that will lead to an increase in demand for such products.</li> </ul>
<div style="background-color: #4f81bd; color: white; padding: 10px; text-align: center;"> <p><b>G</b></p> <p><b>Governance</b></p> </div> <div style="background-color: #d9ead3; padding: 10px;"> <p style="text-align: center;"><b>Rapidly changing external environment and increasing uncertainties</b></p> <p style="text-align: center;"><b>Stricter corporate governance and compliance rules</b></p> </div>	<ul style="list-style-type: none"> <li>• As the business environment changes dramatically and uncertainties increase, Tsubaki must put in place a structure for swift strategy planning and business execution and implement strict risk management if it is to achieve sustainable growth. Also, given that compliance misconduct seriously impacts a company's business continuity potential and viability, the Company believes that promoting initiatives to eliminate misconduct and mitigate risks is of the utmost importance.</li> <li>• Tsubaki recognizes that increasing management visibility will help it win public trust and that leveraging external knowledge in its management will become the driving force that strengthens its growth potential.</li> </ul>

## and ESG Issues Being Addressed

### Tsubaki's Initiatives and Issues

- Set reduction targets for total CO<sub>2</sub> emissions as an environmental medium- to long-term target (FY2025 reduction targets: 30% vs. FY2013 in Japan and 20% or more vs. FY2018 overseas)
- Promoting a switch to energy-saving production methods, an expansion of energy-saving equipment such as solar power generation, and the purchase of renewable energies
- In addition to reducing CO<sub>2</sub> emissions, advancing the reduction and reuse of waste, water consumed, and hazardous substances as well as the greening of factories
- Expanding the aforementioned initiatives to overseas subsidiaries
- Promoting compliance with SBT\*<sup>1</sup> and the TCFD,\*<sup>2</sup> in addition to the CDP,\*<sup>3</sup> with which we already comply
- Providing support for the progress of the development and sale of products that have higher added value through environmental performance, and examining the establishment of KPIs that help quantify environmental contribution with the aim of accelerating the development and sale of such products

- Promoting a variety of enlightenment activities to raise employee awareness
- Increasing the ratio of female employees and encouraging their appointment to management positions as part of efforts to promote diversity
- Putting in place an environment where seniors can take an active role as core human resources by extending the mandatory retirement age to 65
- Encouraging the taking of paid leave and accommodating diverse workstyles such as remote working and staggered working hours as part of workstyle reforms. Going forward, Tsubaki will work to promote an increase in operational efficiency by making full use of DX (digital transformation)
- Strengthening the passing on of technologies and skills by leveraging the Techno School, Tsubaki's original program, and expanding human resource cultivation programs based on the Companywide educational system to all job categories. Implementing the global trainee system and carrying out overseas foreign language training for new employees with the aim of realizing the early development of globally minded human resources
- Promoting the development and sales expansion of SDG-oriented products (Eco Products) that contribute to labor saving, automation, and the establishment of safe and secure infrastructure for living, and monitoring their progress using KPIs

- Separated strategy formulation and supervision (Board of Directors) from business execution (executive officers) and reduced the number of directors to a select few individuals
- Established the Nomination and Remuneration Committee, which is chaired by an outside director
- Clarified the responsibility of directors for improving corporate value and promoted performance incentives including the introduction of a stock-based compensation plan for internal directors
- Percentage of outside directors stood at 43% as of June 20, 2021
- Continuously strengthening initiatives designed to prevent risks from materializing and to minimize losses in event of manifestation
- Continuously carrying out employee awareness activities in order to ensure thorough compliance with laws and regulations. Also set up internal and external (manned by a legal adviser) Corporate Ethics Hotlines
- Enhancing the effectiveness of the governance system and strengthening the global risk management system

\*1 Science-based targets (SBT) are greenhouse gas emission reduction targets consistent with the 2°C target (1.5°C target) requirements of the Paris Agreement.

\*2 The Task Force on Climate-related Financial Disclosures (TCFD) recommends that companies analyze the impact of climate change on their financial status in terms of both risks and business opportunities and disclose climate-related information about their strategies and risk management plans.

\*3 The CDP (Carbon Disclosure Project) runs the global information disclosure system for investors, companies, cities, and regions to manage their environmental impacts.

## Strategy for Investing Financial Capital

In addition to increasing net sales, Mid-Term Management Plan 2025 will strengthen initiatives for improving profitability (operating income ratio) and capital efficiency (ROE).

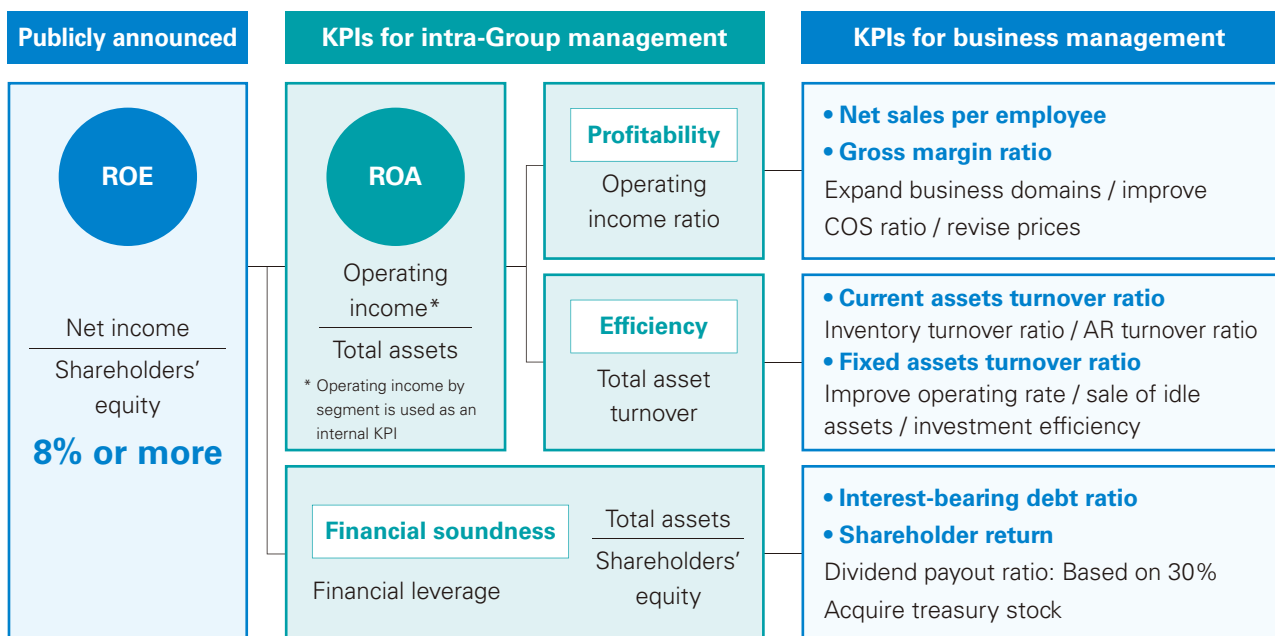
In our scheme for improving profitability and capital efficiency, we will thoroughly manage each business using indicators tailored to their respective characteristics. These indicators include net sales per employee, gross margin ratio, current assets turnover ratio, and fixed assets turnover ratio.

In terms of capital allocation, meanwhile, we have

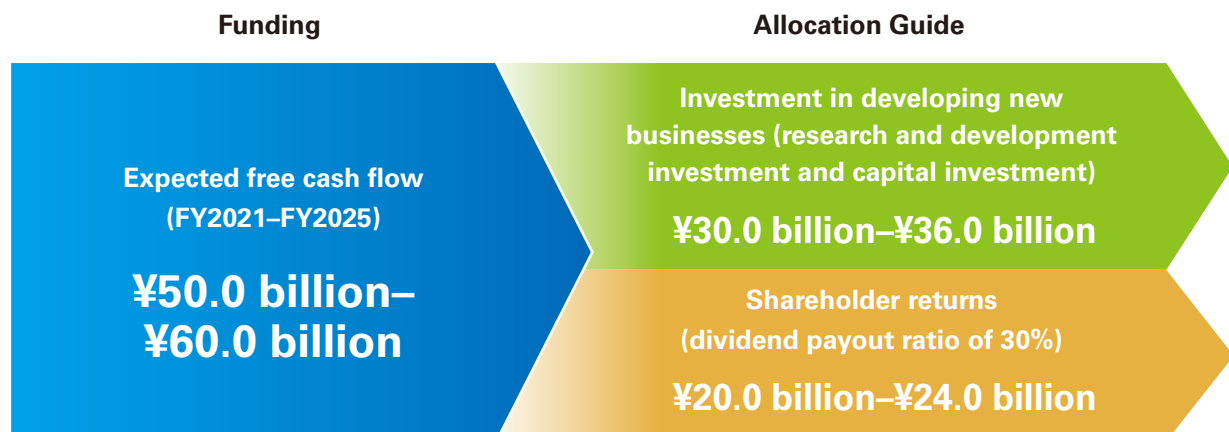
earmarked ¥30.0 billion to ¥36.0 billion of the sum of ¥50.0 billion to ¥60.0 billion (cumulative total) of the free cash flow that we expect to generate over the five years of Mid-Term Management Plan 2025 for upfront investment in developing new businesses while we will devote the remaining ¥20.0 billion to ¥24.0 billion to shareholder returns based on a standard dividend payout ratio of 30%.

As we have yet to decide on strategic investments, such as M&As, these have not been included in the ¥30.0 billion to ¥36.0 billion allocated for developing new businesses and are under a separate framework.

### Mid-Term Management Plan 2025—Scheme of Initiatives for Increasing ROE



### Capital Allocation during Mid-Term Management Plan 2025



## Business Strategy

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(Chain Operations and  
Motion Control Operations)
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**Driving the World...  
and the Future**

# Power Transmission Operations (Chain Operations)



**Yasushi Nagai**  
Managing Executive Officer  
Power Transmission Operations

## Key Points of Our Growth Strategy

- Expand global production system leveraging the small and smart plant concept (Chain)
- Broaden our lineup of products with a competitive edge and promote their global rollout (Motion Control)
- Take on the challenge of entering into new business domains and expand the maintenance business (common to Chain and Motion Control)

### Overview of Mid-Term Management Plan 2020 (MTP2020) (FY2017 to FY2020)

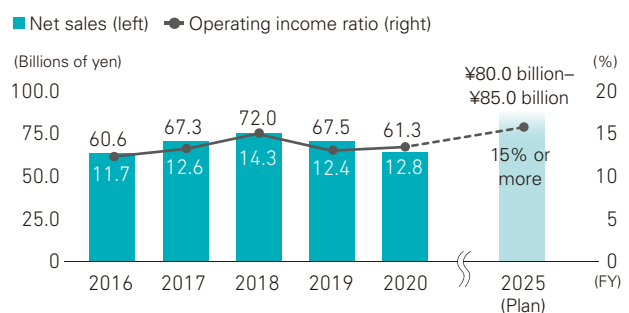
#### Chain Operations

- Net sales fluctuated greatly over the four years of MTP2020, increasing significantly during the first half of the plan but decreasing in the second half due to the impact of the global economic downturn.
- Chain Operations proactively introduced a range of new products with enhanced environmental performance and strength. For small-size roller chains, Chain Operations promoted global optimized production by unifying the specifications of parts. At the same time, Chain Operations improved productivity significantly by continuously promoting production reform activities.
- As a result of these efforts, the operating income ratio rose from 11.7% in the fiscal year ended March 31, 2017 to 14.3% in the fiscal year ended March 31, 2019 and has remained at a high level exceeding 12% since the fiscal year ended March 31, 2020, despite the decline in net sales.

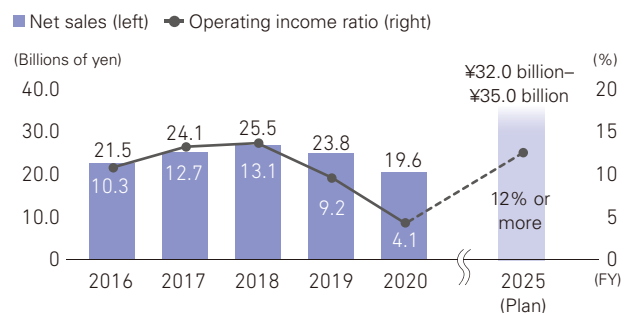
#### Motion Control Operations

- With an eye on sustainable growth over the medium to long term, Motion Control Operations revised its product portfolio, including by removing certain low-margin products from its lineup. Motion Control Operations also focused its management resources on the development of (1) leading niche products such as clutches and electric cylinders and (2) high-value-added composite units
- Net sales declined from the fiscal year ended March 31, 2020 to the fiscal year ended March 31, 2021 due to the removal of the low-margin products and the impact of the global economic downturn. In addition to the decline in net sales, the operating income ratio in the final year of MTP2020 (FY2020) slumped to 4.1% due to costs associated with structural reforms and the burden of investments aimed at developing new products and improving productivity over the medium to long term.

### Chain Operations



### Motion Control Operations



### Major Growth Strategies in Mid-Term Management Plan 2025 (MTP2025)

#### Chain Operations

##### 1. Enhance Global Production Sites through DX (Digital Transformation) Reforms

With a long history of enhancing its production system in Japan and the United States, Chain Operations has established a solid position in both markets. We established a manufacturing subsidiary in China in 2012, that began contributing to business profit from the fiscal year ended March 31, 2019, by steadily capturing demand for high-end products in China and neighboring regions in Asia.

Measures in response to the European market represent an unresolved issue for Chain Operations.

# and Motion Control Operations)

## SWOT Analysis (Representative Strengths/Weaknesses/Opportunities for Growth/Threats)

<p><b>S Strengths</b></p> <p>Chain: Overwhelming superiority in terms of performance and quality and broad product lineup          Motion Control: Competitive edge and composite technologies for clutches and electric cylinders</p>	<p><b>W Weaknesses</b></p> <p>Chains: Competitiveness in the European market          Motion Control: Competitiveness of reducers and product development capabilities</p>
<p><b>O Opportunities for Growth</b></p> <ul style="list-style-type: none"> <li>Improved productivity, environment-friendliness, labor savings, etc.</li> <li>Rise in demand for higher performance in motion domain in general</li> </ul>	<p><b>T Threats</b></p> <ul style="list-style-type: none"> <li>Global economic stagnation</li> </ul>

Despite seeking to establish a European production site through mergers and acquisitions (M&As) over the past few years, the scarcity of good investment opportunities has led us to conclude that it would require too much time to raise such a site to Tsubaki's level of quality. Accordingly, we are examining a plan using a new approach.

The Kyotanabe Plant has started production reform activities (LinK2025). These activities maintain and improve the quality of products and operations without human intervention by optimizing human involvement in everything from design and manufacturing to indirect operations by means of automation, with the aim of reducing the burden on people and creating loss- and waste-free *monozukuri*. We will seek to launch small and smart plants by applying this reform at new production sites in Europe and elsewhere to realize high-quality *monozukuri* that is not dependent on individuals. By establishing an optimal supply system, we will enhance our competitiveness and further expand our market share.

### 2. Expand New Domains by Accelerating the Development of New Futuristic Products

Throughout our history, we have contributed to society by creating an array of new products, such as chains, that help realize energy savings and a clean environment for our customers' manufacturing lines and products (equipment). While continuing to pursue such initiatives for increasing added value, we will also take on the challenge of entering into completely new domains. For example, we will strive to create next-generation chains that offset the heaviness, tendency to stretch, noisiness, and other weaknesses of metal chains, by changing materials and manufacturing processes. These next-generation products will include ultra-small chains

for precision medical devices and chains that realize an ultra-light weight.

### Motion Control Operations

#### 1. Expand and Roll out Competitive Products Globally

We will further strengthen our range of products in which Tsubaki has a competitive edge, such as clutches, electric cylinders, composite units that employ zip-chain technology, and DC brushless motors. In addition, we will promote our global expansion by developing unique products with new functions that customers require.

#### 2. Enter into New Businesses Combining Cutting-Edge Technologies

The Tsubaki Group specializes in remote monitoring units for manufacturing lines and other settings. Combining these units with various motion control products and image recognition, autonomous control, and other technologies enables the realization of further labor saving and automation. We will proactively take on the challenge of entering into such new business domains.

### Strategies Common to Chain and Motion Control Operations

#### Eliminate Divisional Silos to Embrace Co-Creation

Both chain and motion control products are mechanical elements used in driving and conveying. Ridding ourselves of the silo mentality that thinks in terms of the Chain Operations and the Motion Control Operations, we will deploy the comprehensive strengths of Power Transmission Operations to strengthen our product development from the perspective of customers and society. We will also build solid relationships of trust with customers, by strengthening and expanding digital marketing and maintenance services that are highly attuned to market needs.

# Mobility Operations



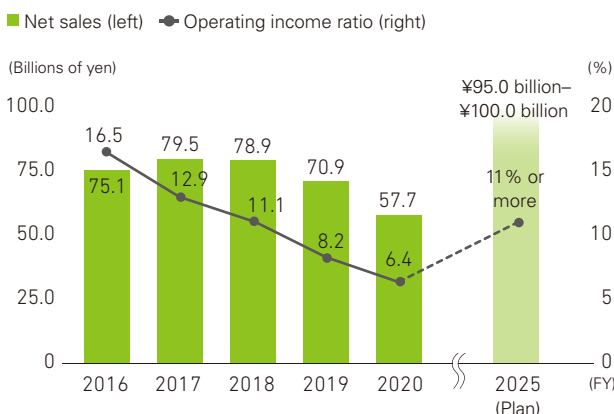
**Masaki Miyaji**  
Senior Executive Officer  
Mobility Operations

## Key Points of Our Growth Strategy

- Accelerate product development in order to broaden business areas from a focus on automobiles to mobility in general
- For the environment-friendly vehicle market, expand lineup of highly functional parts that are used in a wide range of vehicles, spanning internal combustion engine vehicles to electric vehicles (EVs)
- Achieve stable supply and strengthen profitability of timing chain systems for automobile engines

### Overview of Mid-Term Management Plan 2020 (MTP2020) (FY2017 to FY2020)

- Intensifying trade friction between the U.S. and China and the spread of the COVID-19 pandemic had a direct impact on the automobile market, the primary destination for our products. A fall in gasoline prices in the U.S. prompted a recovery in demand for large vehicles, leading to a challenging business environment for Mobility Operations, which has strengths in environment-friendly vehicles.
- Despite maintaining its No. 1 share of the global market for timing chain systems for automobile engines, the segment's net sales decreased. In addition, the operating income ratio declined as the impact of trade friction and COVID-19 were compounded by factors including an increase in the burden of depreciation and amortization associated with the enhancement of global production sites.
- Entering the final year of MTP2020 (FY2020), the automobile market was on a recovery path, particularly in China. As a result, net sales for Mobility Operations rebounded sharply after bottoming out in the first quarter of the fiscal year ended March 31, 2021 and the operating income ratio recovered to double-digits to stand at 11.8% in the fourth quarter of the same fiscal year.



### Major Growth Strategies in Mid-Term Management Plan 2025 (MTP2025)

#### 1. Expand Business Areas to Mobility in General

Without restricting itself to automobiles in the motion domain, Mobility Operations has already begun product development and commercialization initiatives in a wide range of mobility fields, such as highly functional chains and clutches for electric bicycles (e-Bikes).

#### 2. Develop and Offer Highly Functional Parts for Environment-Friendly Vehicles

Technological innovation in automobiles for achieving carbon neutrality is diversifying to cater for hybrid and plug-in hybrid vehicles, batteries and fuel cells, and hydrogen engines. Whatever the direction of technological innovation, Tsubaki will continue to expand its lineup of high-value-added in-vehicle parts used in an extensive range of environment-friendly vehicles. In particular, we will strengthen our development of new products in the clutch domain, in which we specialize, and our proposal activities targeting automobile manufacturers and major automobile parts manufacturers.

#### 3. Strengthen the Profitability of Timing Chain Systems


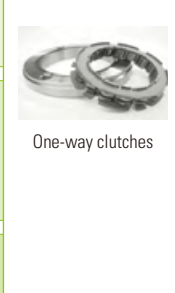



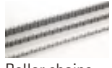
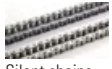


We leveraged our superiority in terms of environmental performance, quality, and other factors to achieve a steady increase in orders for timing chain systems for new engines during the period of MTP2020. We have almost completed our development of products that comply with new environmental regulations for automobiles in Europe, China, and other countries and regions, and are putting in place a system for mass production. In addition, we will use earnings from timing



**SWOT Analysis (Representative Strengths/Weaknesses/Opportunities for Growth/Threats)**

<p><b>S Strengths</b></p> <ul style="list-style-type: none"> <li>• Competitive edge in terms of environmental performance and quality</li> <li>• Proposal capabilities for new technologies and global supply capabilities</li> </ul>	<p><b>W Weaknesses</b></p> <ul style="list-style-type: none"> <li>• High dependence on products for internal combustion engines</li> </ul>
<p><b>O Opportunities for Growth</b></p> <ul style="list-style-type: none"> <li>• Further increase in the functionality and performance of automobiles and motorcycles</li> <li>• Technological innovations for environment-friendly vehicles (opportunity for equipping such vehicles with our products)</li> </ul>	<p><b>T Threats</b></p> <ul style="list-style-type: none"> <li>• Fluctuations in automobile production volumes arising from global material procurement problems and other issues</li> <li>• Higher than anticipated acceleration of the shift to electric vehicles (EVs)</li> </ul>

**Direction of Environment-Friendly Technological Innovation for Automobiles and Tsubaki's Corresponding Products**

<b>BEV (battery electric vehicle) (In-wheel motor drive, etc.)</b>			
<b>BEV and FCV (fuel cell vehicle)</b>			
<b>HV (hybrid vehicle) and PHV (plug-in hybrid vehicle)</b>	    		
<b>Hydrogen engine vehicles and e-fuel (e-gasoline/e-Diesel)</b>			

chain systems to develop products for the growing mobility market while addressing customer needs, such as for lower cost and higher functionality.

**4. Improve Cost Competitiveness and Supply Capabilities (Promote Automation and Globally Optimized Production)**

Our cost structure improved significantly thanks to a variety of initiatives aimed at raising productivity that we have pursued continuously, such as digitizing process management. Going forward, we will reduce our ratio of fixed costs by further progressing automation. We are also utilizing our production system spanning eight countries and 14 plants around the world to embark on the rebuilding of the system from the perspective of

overall optimization. In addition, we have established an environment-friendly plant. We will continue to further strengthen our cost competitiveness and supply capabilities by implementing productivity improvement activities and globally optimized production.



Tensioner plant implementing thorough automation and environmental compliance (Saitama Plant)

# Materials Handling Operations



**Masafumi Okamoto**

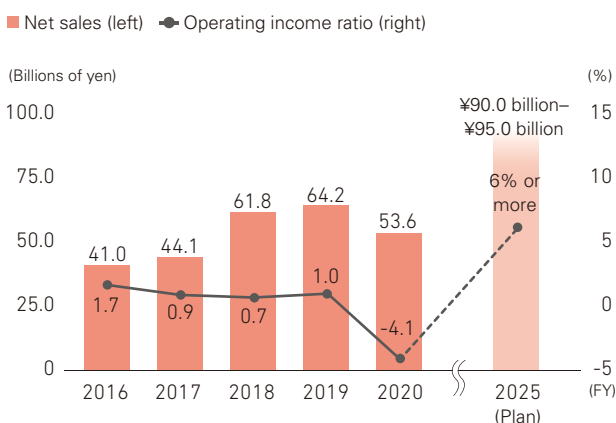
Senior Executive Officer  
Materials Handling Operations

## Key Points of Our Growth Strategy

- Proactively promote the system integration business
- Achieve stable business growth and improve profitability while understanding changes in customer needs and contributing to the creation of new businesses and products by expanding the maintenance business
- Take on the challenge of advancing into new business domains, and bolster solutions provision capabilities

### Overview of Mid-Term Management Plan 2020 (MTP2020) (FY2017 to FY2020)

- Materials Handling Operations expanded its share of the Japanese market for automated sorting equipment, one of its strengths, and performed strongly in the maintenance business and in sales of environment-friendly bulk handling systems equipment. Reflecting the impact of M&As, the segment recorded average annual sales growth of 6.9% over the four years of MTP2020.
- Results for operating income contrasted with the steady growth in sales. In particular, the performance of our U.S. subsidiary deteriorated significantly in the fiscal year ended March 31, 2021 due to the lengthening of works periods arising from the spread of the COVID-19 pandemic. Excluding this temporary factor, the operating income ratio for Materials Handling Operations changed from 0.9% in the fiscal year ended March 31, 2018 to -4.1% in the fiscal year ended March 31, 2021.
- Tsubaki is a leading player in the field of automatic ultra-low temperature storage units, such as those for compounds used in pharmaceutical development as well as DNA and cells used in medical research. In the fiscal year ended March 31, 2021, Materials Handling Operations developed equipment for automated polymerase chain reaction (PCR) testing that applied and developed existing technology. This development further expanded the segment's social contribution.



### Major Growth Strategies in Mid-Term Management Plan 2025 (MTP2025)

#### 1. Expand the System Integration Business

Tsubaki's greatest strength lies in its development of original products that are grounded in technological innovation. Leveraging this strength, we have built up a firm position in a variety of fields, including those for high-speed automated sorting equipment and automated storage systems for life sciences. Moving forward, we will promote system integration based on these products with high market shares.

For example, we will build new distribution systems by combining Tsubaki's high-speed automated sorting equipment with the products of other companies, thereby strengthening our proposal-based sales activities. Meanwhile, for equipment for automated PCR testing, we will take on the challenge of developing a large-scale system that handles all the testing processes, rather than limiting ourselves to equipment for automating the preliminary processes.

#### 2. Accelerate the Expansion of the Maintenance Business

The fiscal year ended March 31, 2021, saw maintenance-related net sales reach a record-high level. Expanding the maintenance business will have a beneficial effect on the stable growth and improvement in profitability of Materials Handling Operations, which experiences significant fluctuations in net sales. Firstly, gaining an understanding of latent customer needs on the front lines where equipment is being used will help us develop new businesses. Additionally, we will also contribute to the expansion of net sales in the Chain and Motion Control

## SWOT Analysis (Representative Strengths/Weaknesses/Opportunities for Growth/Threats)

<p><b>S</b></p> <p><b>Strengths</b></p> <ul style="list-style-type: none"> <li>• Original product development capabilities grounded in technological development</li> <li>• Solutions provision capabilities for customers</li> </ul>	<p><b>W</b></p> <p><b>Weaknesses</b></p> <ul style="list-style-type: none"> <li>• Profitability of overseas subsidiaries</li> </ul>
<p><b>O</b></p> <p><b>Opportunities for Growth</b></p> <ul style="list-style-type: none"> <li>• Increase in labor-saving, automation, and noncontact needs</li> <li>• Increase in social awareness of safety, security, and health</li> <li>• Growth in maintenance needs in Tsubaki's business domains</li> </ul>	<p><b>T</b></p> <p><b>Threats</b></p> <ul style="list-style-type: none"> <li>• Decline in the competitiveness of core products</li> </ul>

operations by capturing replacement demand for chains and motion control products.

### 3. Take On the Challenge of Advancing into New Business Domains and Bolster Solutions Provisions Capabilities

Leveraging our original product development capabilities, we aim to further expand our customer base and advance the “art of moving” beyond expectations. To give an example, the life science business has the potential to expand into the new domain of regenerative medicine and other bioscience fields. Meanwhile, in the logistics domain, we will bolster our solutions provision capabilities to improve processes for logistics as a whole.

### 4. Strengthen Global Management and Create Synergies

Materials Handling Operations has expanded its global network through M&As and other means. Two tasks

we face going forward will be implementing rigorous global management and creating synergies among Group companies.

With a focus on three domains—automobiles, construction, and maintenance—we have rebuilt the organizational system of our U.S. subsidiary, the performance of which was the cause of our operating loss in the fiscal year ended March 31, 2021, and substantially strengthened its corporate governance.

In terms of creating synergies among Group companies, we will take on the challenge of implementing such measures as expanding the life science business—which has a solid track record in Japan—overseas and spreading the business model of our U.S. subsidiary, which is leading the way in system integration, to our operations in other countries.



LiniSort S-C (combines robots to raise the level of automation)



Equipment for automated PCR testing

## Value Creation at Tsubaki: Case Studies

### Delivering the World's Most Advanced Distribution System (for Mail-Order Shopping Distribution) Featuring 330 Small AGVs

One of our distribution systems has been adopted by Orbis Inc. as a new form of distribution solution. Increasing the efficiency of shipping cosmetics and other products that have a large number of items per order had become an issue for Orbis. In response, we proposed a distribution system using our small automatic guided vehicles (AGVs).\* One AGV is assigned per order, and the system automates everything from the pickup of products through to their shipment. Under this system, 330 small AGVs use AI technology to move and circulate along optimal routes to perform pickups and shipments.



Small AGVs in operation at a distribution center

Adopting this system realized highly efficient operations at Orbis's distribution center, enabling a 30% increase in its shipping capacity, a 27% reduction in personnel, an 18% cut in shipping costs, and a 40% reduction in power consumption.

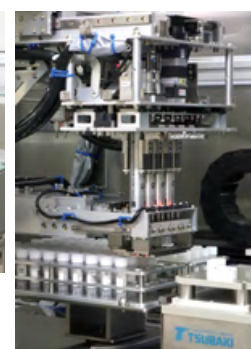
\* Small AGVs use robots manufactured by Zhejiang Libiao Robot of China. This system uses robots customized for its operation.

### Contributing to the Automation of COVID-19 PCR Testing

We have developed and delivered inactivated saliva dispensing equipment for use in the saliva-based COVID-19 PCR testing kit offered by Rakuten Group, Inc. Reducing the risk of infection of, and human error by, testing personnel and increasing the number of tests they process had become an issue for testing organizations. The equipment we developed fully automates the preliminary processing, from reading a sample's ID to dispensing it, which used to be done manually by testing personnel. The equipment has enabled the preliminary processing of 205 samples per hour.



Automated mini laboratory



Inactivated saliva dispensing equipment

We are also working in partnership with the Kitasato Institute and Toyobo Co., Ltd. to commercialize a system for fully automating the mass testing of COVID-19 samples using a pooling method. Using the automated mini laboratory developed by Tsubaki, this testing system can operate unattended and at night to test the samples of 13,000 people per day.

### Launching the Industry's First Bi-Directional Charging System (eLINK DC) Compatible with DC Power Supply Systems

We have launched eLINK DC as the latest model in our lineup of eLINK products that connect electric vehicle (EV) batteries to power grids. As previous eLINK products used equipment such as solar power generators to convert direct current (DC) to alternating current (AC), there was a significant loss of power during conversion, which became a problem. eLINK DC interconnects DC equipment such as solar power generators with EV batteries directly and carries out a batch conversion to AC at the end of the process. By reducing the number of power conversions and minimizing power loss during conversion, eLINK DC helps save energy and reduce CO<sub>2</sub> emissions.



eLINK DC

In addition, as this product enables highly accurate power charge and discharge control through instruction from an energy management system (EMS), it also contributes to the achievement of carbon neutrality by helping reduce demand during peak hours.

## Business Overview

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(Consolidated)
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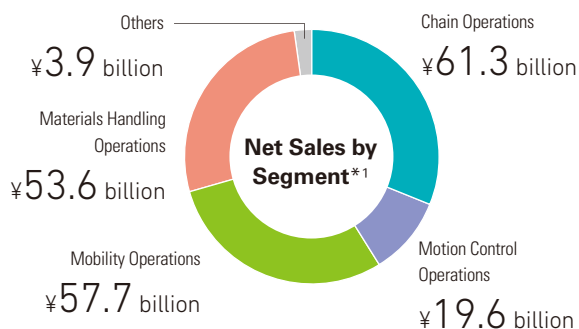
**Driving the World...  
and the Future**

## Tsubaki's Business Domains

The Tsubaki Group's four core businesses are chains, motion control, mobility, and materials handling. With the aim of offering solutions that help solve social issues, we advance motion technologies from machinery parts to automated systems.

FY2020 Net Sales (Consolidated)

¥193.3 billion

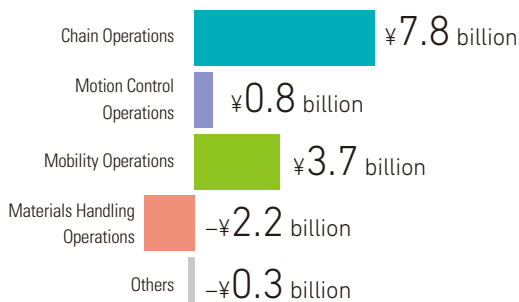


\*1 Net sales includes intersegment sales and transfers

FY2020 Operating Income (Consolidated)

¥8.8 billion

Operating Income by Segment



### Chain Operations

#### Underpinning All Forms of Motion

Wherever materials are being moved, there are chains. Chain Operations offers a lineup of approximately 20,000 types of chain, including drive chains, conveyor chains, and plastic chains. This business delivers optimal chains of the highest quality that help raise productivity, save energy, and improve the environment for a host of industries, including the machine tool, automobile, steel, LCD/semiconductor, and food industries. Our No.1 share of the global market for steel chains is testament to our credibility.

16% Industrial-Use Steel Chains  
No. 1 share\*2 of the global market



### Mobility Operations

(formerly Automotive Parts Operations)

#### Also Catering to Next-Generation Mobility

Mobility Operations enjoys the No. 1 share of the global market for timing chain systems that contribute to high-performing, lightweight, and eco-friendly automotive engines. With a production system encompassing eight countries, this business has earned plaudits from the world's automobile manufacturers for its quality and technological adaptability. Mobility Operations is also expanding the scope of its activities to include next-generation mobility, offering a lineup of such products as EneDrive Chains that are compatible with electric vehicles (EVs), next-generation eco-friendly cars, and Cam Clutches.

37% Timing Chain Systems  
No. 1 share\*2 of the global market





## Motion Control Operations

(formerly Power Transmission Units and Components Operations)

### Realizing Optimal Motion and Control through an Extensive Product Lineup

In the field of motion and control, Motion Control Operations offers an extensive product lineup, including reducers, linear actuators, clutches, and controllers. Making use of Tsubaki's unique composite technologies, these products precisely control the complex movements of industrial machinery. This business accurately meets motion needs in a wide range of industries, such as automobiles, LCD/semiconductors, food, medical equipment, and machine tools.

**76%** Power Cylinders (motorized cylinders)  
**No. 1 share\*2 of the Japanese market**



## Materials Handling Operations

### Accurately Managing the Movement of Materials and Information

Materials Handling Operations products accurately and smoothly manage the flow of materials and information by means of conveying, sorting, and storing. In addition to automated sorting equipment for the distribution industry and automated storage systems for the life sciences field, this business offers solutions that help improve the productivity of its customers and reduce their environmental impact, such as through manufacturing lines for the automobile, food, and other industries, and conveyors for biomass power plants and the machine tool industry.

**70%** Tilt-Tray Sorter  
**No. 1 share\*2 of the Japanese market**

## New Businesses

### Taking On the Challenge of Creating New Added Value

We have developed products for new domains, such as the agriculture business, power conditioning systems (V2X bi-directional EV charging systems),\*3 and monitoring systems, based on the core technologies (winding transmission technology, optimizing technology, and mass production technology) we have amassed over the course of our history.

Moving forward, we will refine our core technologies and accelerate our efforts to take on challenges in new business domains by making full use of next-generation technologies. With a focus on Linked Automation, we aim to contribute to the resolution of new social issues through high functionality and advanced automation (automation, labor saving, contactless).

\*3 A bi-directional charging system that connects electric vehicles and plug-in electric vehicles (EVs and PHEVs) with the power grid to enable the mutual supply of power.



**Systems for plant factories**























**V2X bi-directional EV charging systems**



**Monitoring systems**

\*2 Source: Tsubakimoto Chain Co.

# Supporting Society through Our Products

	General Industrial Applications	Vehicles	Resources / Materials
Chain Operations Motion Control Operations	 <p>Machine part manufacturing equipment RS roller chains, Zip chain actuators, gear reducers, other</p>	 <p>Automotive power sliding doors Cable carriers</p>	 <p>Offshore oilfield platforms Cable carriers</p>
	 <p>Lines manufacturing medical rubber gloves Large-size conveyor chains</p>	 <p>Automobile assembly plants Four-axis Zip Chain Lifter</p>	 <p>Conveyor equipment for coal mines Mining chains</p>
	 <p>Machine tools ATC chains</p>  <p>Robots Cable carriers</p>	 <p>Nursing care vehicles Gear reducers, chains, couplings, cable carriers</p>	 <p>Iron ore unloaders Unloader chains</p>
Materials Handling Operations	 <p>Transporting machine tool swarf Chip conveyors</p>	 <p>Part conveyor equipment for vehicle service plants Autoran Vanguard</p>	 <p>Coil stockyards Coil Robo</p>
	 <p>Press plants Scrap conveyors</p>	 <p>Vehicle painting lines New traverser systems</p>	 <p>Cement plants Bucket elevators</p>
		 <p>Timing chain systems for automobile engines</p>  <p>Power Drive Chains for four-wheel drive units</p>	 <p>One-way clutches for vehicles</p>  <p>EneDrive Chains for powertrains (electric vehicles / hybrid electric vehicles)</p>
New Businesses			



Food / Medicine



Sorting machines for apple processing plants  
Small-size conveyor chains



Beverage plants  
Plastic top chains



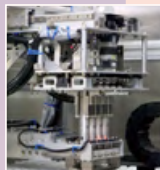
CT (computed tomography) scanners  
Power cylinders, gear reducers, other



Automatic handling system for plant factories  
Autoran Vanguard



Regenerative medicine, etc.  
LaboStocker



Equipment for automated PCR testing



Plant factories  
Automatic seedling transplanter unit

Infrastructure / Environment



Passenger boarding bridges for airports  
Power cylinders, cableveyor, other



Watertight doors for subways and disaster prevention purposes  
Zip chain units



Movable barriers for train station platforms  
Brushless motors, timing belts, other



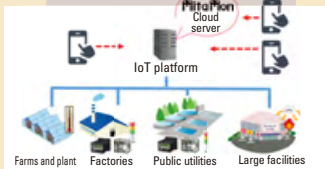
Floodgates  
Cableveyor



Biomass power plants  
Bucket elevators, conveyor chains



Desulfurization and denitrification devices (steel plants)  
PB Pivotveyor, NAB Aprozator



IoT-based remote monitoring software  
MitaMon

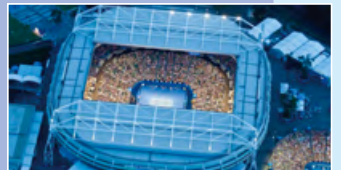
Consumer / Entertainment Facilities



Claw crane arcade games  
Cable carriers



Conveyors for conveyor belt sushi restaurants  
Plastic top chains



Devices for opening and closing stadium roofs  
Steel cableveyor system



Stage elevator equipment  
Zip chain lifter



Escalators  
Step chains



Mail-order shopping distribution systems  
QuickSort



Bond document management systems  
Security Stocker



Newspaper printing plants  
Paper-feeding AGV



Mail-order shopping distribution systems  
Shipping system using small AGVs



V2X bi-directional EV charging systems  
eLINK

# Value Creation History

Since our establishment in 1917, we have developed our businesses by building up our unique technological and product development capabilities, which are our strengths, while anticipating the needs of the times for over a century.

1917

## The 1910s Onward Contributing to Japan's Rapid Modernization and Industrialization

Tsubaki was founded in 1917 to manufacture bicycle chains. Inspired by Western-made weaving machines, the Company shifted completely to the manufacture of chains for machinery in anticipation of the progress of mechanization in Japan. In accordance with customer requirements, we expanded our product lineup from drive chains to include conveyor chains. In addition, in 1937 we delivered a large-scale conveyor plant that used chains to a cement factory, thereby widening the scope of our businesses to encompass the materials handling domain.

The Mid-1940s Onward

## The Mid-1940s Onward Underpinning Japan's Postwar Reconstruction and High Economic Growth

Tsubaki developed chains for public-sector investment projects, such as infrastructure development during postwar reconstruction, and handling systems for coal and fertilizer, which were key national industries. The Company contributed to Japan's industrial and manufacturing development by developing and mass-producing a succession of world-class chains and handling systems that underpinned Japan's high economic growth. In 1957, when the wave of motorization also came to Japan, we then began production of timing chains for automobile engines and established a system for the mass production of automotive parts. In 1958, we branched out into the power transmission units and components field (now motion control) with the development of large chain reducers.

The 1970s Onward

## The 1970s Onward Developing Products in Keeping with Drastic Change in the Industrial Structure

With Japan's industrial structure changing drastically from heavy to light and small industry, we developed highly functional, high-precision chains and factory automation (FA)-related systems. Entering the 1980s, as automobile engine timing chain systems shifted from chains to belts, we engaged in belt production while developing smaller and lighter timing chains. A redesign of our timing chains to incorporate outstanding environmental performance led to an expansion in their adoption in new engines by automobile manufacturers in Japan and overseas. At the same time, the Company promoted globalization by expanding the local production of chains for machinery and timing chain systems, beginning in the U.S., in order to achieve globally optimized production.

- 1917 Founded in Oyodo-ku (now Kita-ku), Osaka. Made bicycle chains.
- 1923 Commenced manufacture of chains for machinery
- 1928 Completely shifted from the manufacture of bicycle chains to chains for machinery



Production floor for making chains for machinery, which would become a designated plant of the Ministry of the Navy

- 1931 Began sales via distributors throughout Asia
- 1937 Delivered a large-scale conveyor plant (commenced Materials Handling Operations)
- 1938 Constructed and moved to the Tsurumi Plant in Osaka
- 1949 Listed shares on the Osaka and Tokyo Stock Exchanges
- 1950 Exported roller chains to the United States for the first time
- 1957 Began production of automobile timing chains (commenced Automotive Parts Operations)
- 1958 Developed large chain reducers (commenced Power Transmission Units and Components Operations)
- 1962 Completed construction of Saitama Plant



Handling system for a chemical fertilizer plant (bucket elevator)

- 1970 Established a joint venture company in Taiwan (first overseas base)
- 1971 Completed construction of Kyoto Plant (now Nagaokakyo Plant)
- 1971 Established Tsubakimoto USA, Inc. (later U.S. Tsubaki Holdings, Inc.) in the U.S., entering the North American market
- 1972 Established a sales company in the Netherlands. Later established sales companies in Canada and the Asian region
- 1986 U.S. Tsubaki Holdings, Inc. (UST) acquired a chain manufacturing company. Began production of chains for machinery in the U.S.
- 1989 Began local production of timing chains at UST in the U.S.



Automotive parts production in North America

## The 1990s Onward

### Building a Global Production System

Despite domestic economic stagnation stemming from the collapse of the bubble economy, we constructed the Kyotanabe Plant, which would become the mother plant of Chain Operations, and transferred all operations there from the headquarters plant in Osaka. In a challenging management environment, we made concerted efforts to raise productivity and reduce fixed costs while expanding our sales and manufacturing bases with a view to growing our businesses globally.

In Automotive Parts Operations (now Mobility Operations), we strengthened our globally uniform-quality production supply system and rapidly increased the global market share of our timing chain systems by further developing new and high-value-added products.

## The 2010s to the Present

### Promoting Product Development Based on CSV Activities Attuned to Diversifying Social Needs

As awareness has grown of activities for creating shared value (CSV) that emphasize solving social and environmental issues, we have picked up the pace of our efforts to develop Eco Products (SDG-oriented products) that help customers reduce their environmental impact and improve their economic performance. Tsubaki's products have been well received by customers. These products include the Zip Chain Lifter®, which uses zip chains (meshing-type chains) uniquely developed by the Company, and the LaboStocker (automated storage system) for storing samples for use by research institutions for drug discovery, DNA handling, and other purposes.

At the same time, we are also taking on the challenge of developing new, next-generation businesses by leveraging our unique technologies, such as those for the agricultural industry, V2X bi-directional electric vehicle (EV) charging systems, and monitoring systems. Amid technological innovation for automobiles aimed at achieving carbon neutrality, we have strengthened our systems for developing highly functional parts in order to expand our business domain from our previous focus on internal combustion engines to mobility in general, including EVs.

Mid-Term Management Plan 2025, which got underway in the fiscal year ending March 31, 2022, will accelerate the development of new products and businesses with the aim of contributing to the resolution of social issues. We will help realize a sustainable society by deploying our Linked Automation technologies and offering solutions that anticipate diversifying customer needs.

2001 Completed construction of Kyotanabe Plant



Kyotanabe Plant, the mother plant for chains

2002 Established a manufacturing subsidiary for automotive parts in Thailand (At present, Mobility Operations has a production system spanning eight countries and 14 plants around the world)

2004 Introduced the executive officer system

2004 All Tsubaki Group worksites in Japan obtain ISO 14001 certification

2010 Converted Kabelschlepp GmbH, a German manufacturer and seller of cable carriers, into a consolidated subsidiary

2012 Converted Mayfran Holdings, Inc., a U.S. manufacturer and seller of chip conveyors, into a consolidated subsidiary  
Established a chain manufacturing subsidiary in Tianjin, China

2017 100th anniversary of founding. Strengthened Group capabilities through establishment of new corporate philosophy, Tsubaki Spirit

2018 Converted Central Conveyor Company, LLC of the U.S., a manufacturer and seller of materials handling systems, into a consolidated subsidiary

2019 Completely separated strategy formulation and oversight (Board of Directors) from business execution

2020 Established the Tsubaki Group Basic Policy on Sustainability

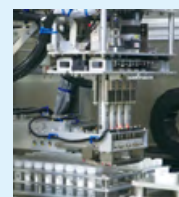
2020 Introduced an age 65 retirement system to promote the active participation of seniors

2020 Joined the "IP Open Access Declaration against COVID-19" as a founding member

2021 Formulated Long-Term Vision 2030 and Mid-Term Management Plan 2025



V2X bi-directional EV charging systems (eLink) that contribute to realizing a smart energy society

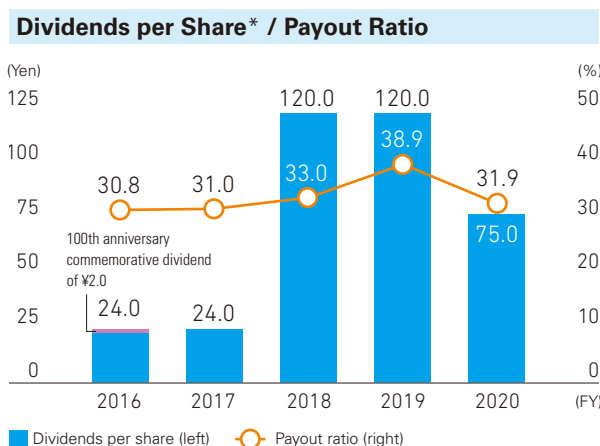
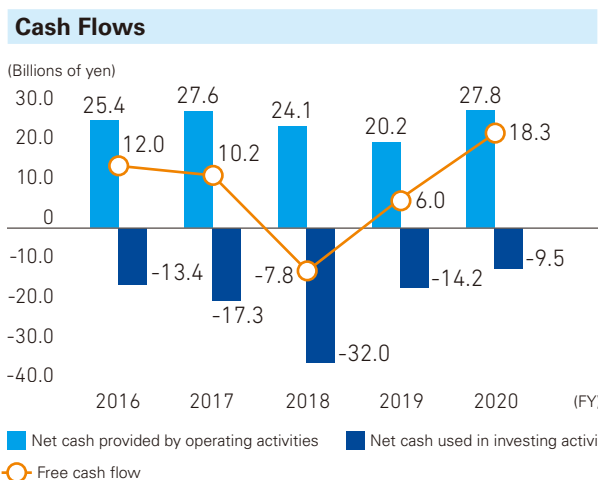
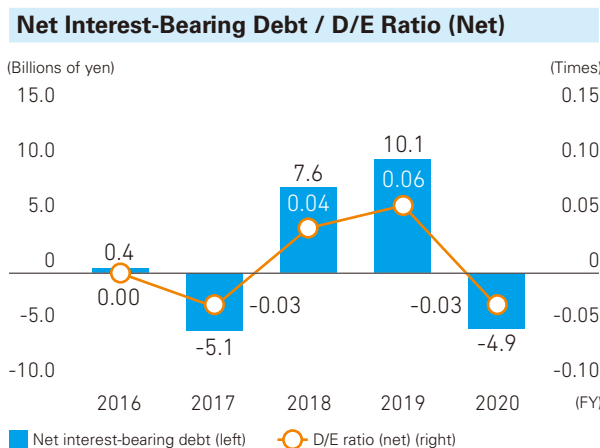
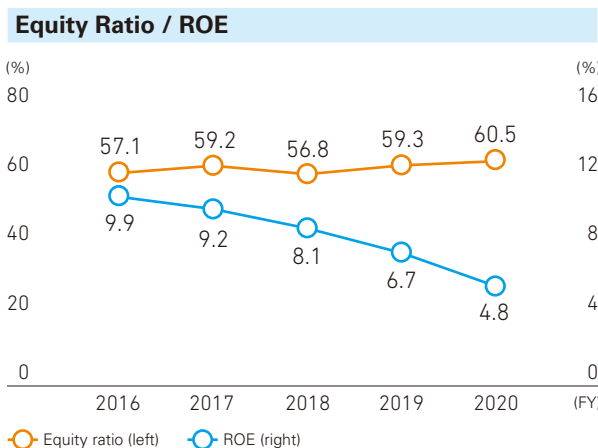
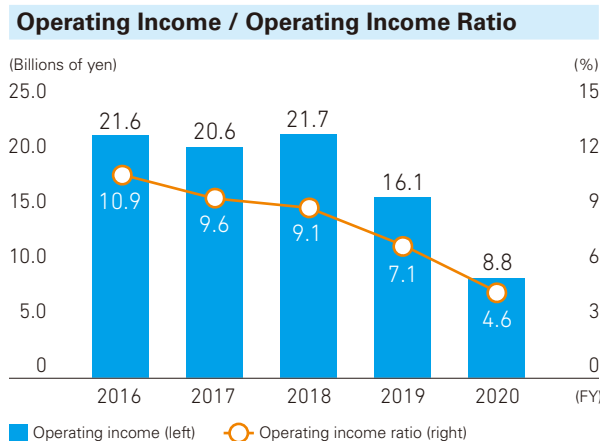
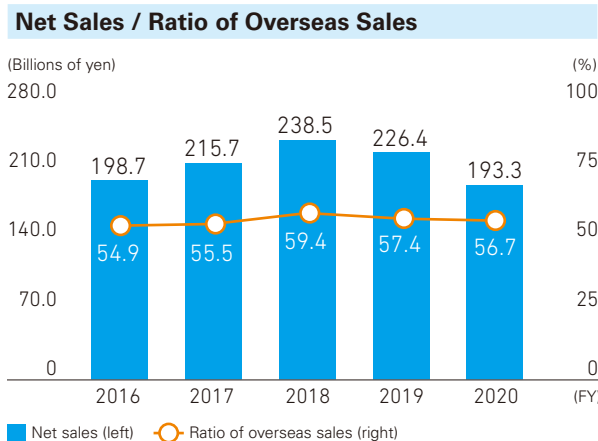


Automated COVID-19 PCR testing equipment

# Financial and Non-Financial Highlights (Consolidated)

## Key Points of Financial Activities

1. Sales decreased for the second consecutive year since the fiscal year ended March 31, 2020, reflecting the impact of the sharp global economic downturn. Despite proactively promoting cost reductions, the operating income ratio in the fiscal year ended March 31, 2021 declined due to factors including the deterioration of the profitability of Materials Handling Operations overseas as a result of the impact of the COVID-19 pandemic.
2. Free cash flow was on an upward trend, in part due to capital expenditures associated with the expansion of our global bases passing their peak. With a D/E ratio (net) of -0.03 on March 31, 2021, we further solidified our financial foundation.

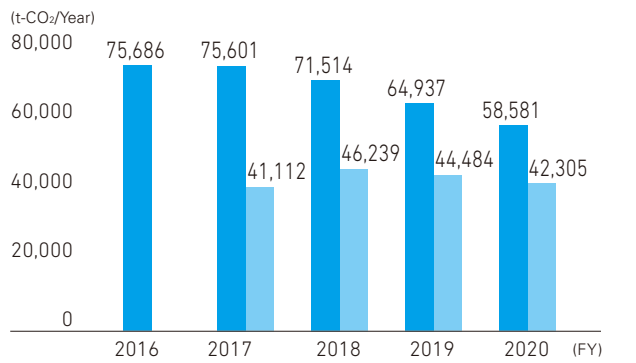


\* Consolidated common shares at the ratio of five shares to one share on October 1, 2018. The share dividend amount shown for the fiscal year ended March 31, 2019 was calculated based on this share consolidation.

## Key Points of Non-Financial Activities

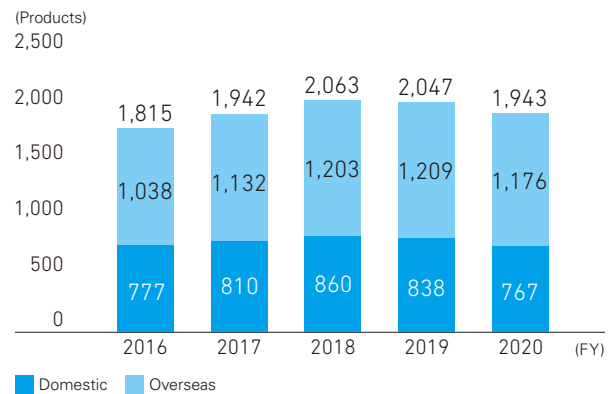
1. The Company made progress in reducing its CO<sub>2</sub> emissions in Japan. However, as the result for the fiscal year ended March 31, 2021 also includes the impact of the decline in production stemming from the economic downturn, we will continue working relentlessly to reduce our environmental impact, including overseas.
2. We enhanced our creation of shared value through our products, strengthened our human resource foundation, and improved our engagement with employees. We aim to promote a variety of measures from a medium- to long-term perspective, such as further bolstering our corporate governance and thoroughly implementing global risk management.

### Total CO<sub>2</sub> Emissions\*

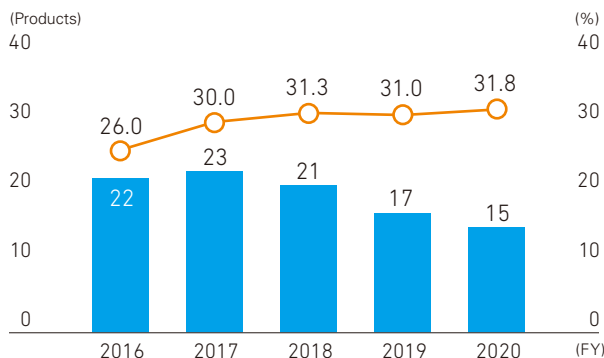


■ Domestic (11 major manufacturing bases) ■ Overseas (14 major manufacturing bases)  
 \* The CO<sub>2</sub> emissions factors for electricity are as follows:  
 Domestic: Alternative values of "emission factors by electric utility operator" published by the Ministry of the Environment  
 Overseas: Emissions factors for the fiscal year ended March 31, 2019, as indicated in the International Energy Agency CO<sub>2</sub> Emissions Factors 2020

### Number of Patents Held

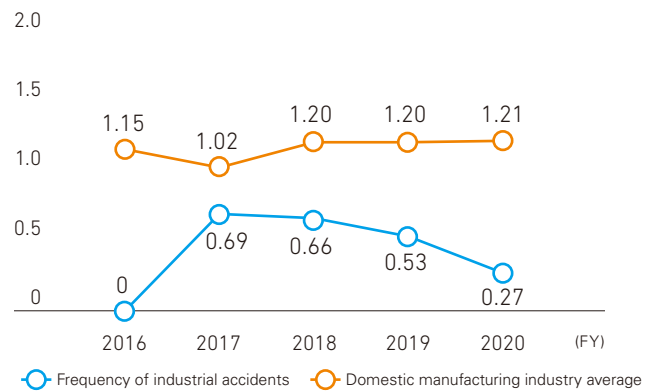


### Eco Products (SDG-Oriented Products): Number of Products Launched / Ratio of Net Sales

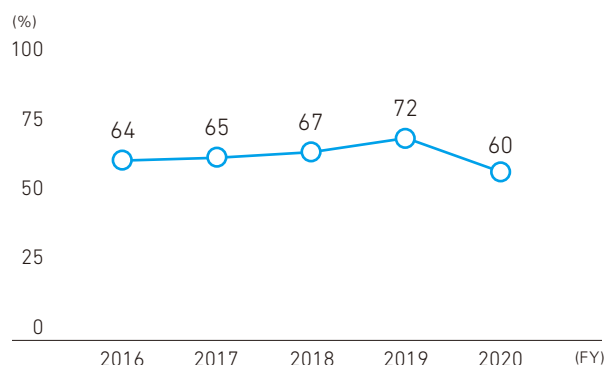


■ Eco Products (SGD-oriented products): Number of products launched (left) ○ Ratio of Eco Products to net sales (right)

### Industrial Accident Status (Domestic)

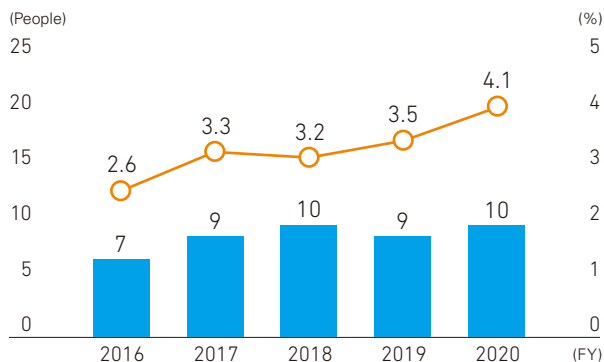


### Ratio of Paid Leave Acquisition\*



\* Tsubakimoto Chain, non-consolidated

### Number of Female Employees in Managerial Roles / Ratio of Female Employees in Senior Roles (Domestic)



■ Number of women in middle managerial roles (left) ○ Ratio of female employees in senior roles (right)

# Tsubaki's Global Network

(As of March 31, 2021)

The Tsubaki Group has built a global network encompassing 26 countries and regions and 82 business sites. We leverage this network to the fullest extent possible to develop high-quality products and offer timely solutions.

**17** Companies  
in the Americas

(of which, 12 are  
manufacturers)



**13** Companies  
in China

(of which, 10 are  
manufacturers)



**15** Companies  
in Japan

(of which, 10 are  
manufacturers)



**19** Companies  
in Europe

(of which, 6 are  
manufacturers)



**14** Companies  
in the Indian Ocean Rim

(of which, 6 are  
manufacturers)



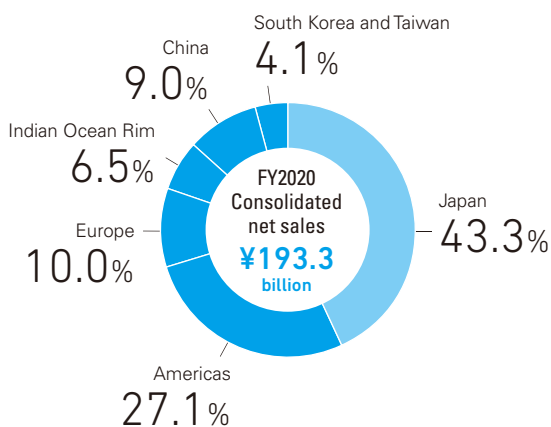
**4** Companies  
in South Korea and Taiwan

(of which, 2 are  
manufacturers)



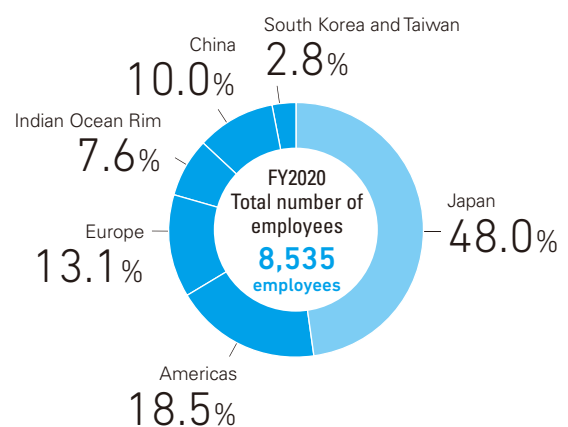
## Ratio of Overseas Sales

**56.7%**



## Ratio of Overseas Employees

**52.0%**





















## Sustainability Management

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**Driving the World...  
and the Future**

# Sustainability Priority Matters and Progress to Date

In April 2020, we established our Basic Policy on Sustainability. Guided by this policy, we set material issues (priority matters) and key performance indicators (KPIs) by ESG category. In the fiscal year ended March 31, 2021, our activities progressed as follows.

	ESG Category	Material Issues (Priority Matters)	Contribution to the SDGs	KPIs	Targets and Results			
					Scope	Target Figure	Year of Achievement	FY2020 Actual Results
 <b>Environment</b>	Environmental conservation  Climate change countermeasures	Climate change mitigation measures (CO <sub>2</sub> emission reductions) and other environmental conservation	    	Total CO <sub>2</sub> emission reductions (FY2013 as base year for comparison)	Domestic	30% 46%	FY2025 FY2030	23.5%
				Total CO <sub>2</sub> emission reductions (FY2018 as base year for comparison)	Overseas	20% or more 30% or more	FY2025 FY2030	9.0%
				CDP climate change response boundary rate	Global	95% or more	FY2021	95.7%
				CDP climate change score	Global	A-	FY2023	B-
				Waste recycling rate	Domestic	99% or more	FY2030	96.7%
				PRTR-substance emissions	Domestic	Less than 130.9 t	FY2030	125.2t
				Number of violations of environmental laws and regulations	Global	0	Annually	0
				 <b>Society</b>	Safe and rewarding workplaces  Provision of safe and reliable products  Sustainable procurement  Development and provision of SDG-oriented products	Respect for human rights  Promotion of diversity  Workstyle reforms (improve motivation and operational efficiency)  Cultivation of human resources  Ensuring employee safety and well-being  Quality assurance  Cooperation with suppliers  Creating an Earth-friendly society  Creating a people-friendly society  Building a safe and secure infrastructure for living	      	Number of companies implementing ethics education
Ratio of employees with disabilities	Non-consolidated	2.5%	FY2025					2.34%
Ratio of companies meeting legally required employment ratios for people with disabilities	Domestic	100%	FY2025					44.4%
Number of non-Japanese employees	Non-consolidated	85 people	FY2030					27 people
Ratio of senior female employees	Domestic	10%	FY2030					4.1%
Ratio of paid leave acquisition	Non-consolidated	85%	FY2025					60%
Education plan implementation rate	Non-consolidated	100%	Annually					96.0%
Number of accidents resulting in absence from work	Domestic	0	Annually					2
Ratio of highly stressed employees	Non-consolidated	5.0%	FY2025					5.9%
Number of major quality issue occurrences	Global	0	Annually					2
Number of companies streaming the CO <sub>2</sub> emission reductions webinar	Domestic	200 companies or more	Implementing in FY2021 only					—
Ratio of companies implementing CO <sub>2</sub> emission reduction status surveys	Domestic	95% or more	Implementing every three years (plan)					Implementing from FY2021
Number of sustainability guidelines issued	Domestic	900 guidelines or more	FY2020					941
 <b>Governance</b>	Sound, fair, and transparent business operations	Thorough compliance  Crisis response and Business Continuity Plan  Information security  Prevention of intellectual property infringement	  					Number of serious violations of Company regulations
				Number of companies that participated in Strengthening Corporate Ethics Awareness Month	Global	51 companies	FY2020	24 companies
				Ratio of companies implementing disaster preparedness and evacuation drills	Domestic	100%	Annually	100%
				Number of serious system incident occurrences	Domestic	0	Annually	0
				Number of information security accident occurrences	Global	0	Annually	4

\*1 Please refer to page 15 for details





Please refer to our website to view our Basic Policy on Sustainability and other detailed information.

<https://tsubakimoto.com/sustainability/plan/>

Progress to Date	Remaining Issues and Direction of Future Initiatives
<ul style="list-style-type: none"> <li>Made progress with a range of efforts, such as installing solar power equipment, converting to the use of liquefied natural gas (LNG) fuel, switching to LED lighting, and conducting various energy-saving activities in production processes*2</li> <li>Implemented activities centered on energy saving as voluntary activities in each of our countries of operation and at each of our business sites</li> <li>In FY2020, expanded the scope of business sites eligible to participate in the CDP to 11 in Japan and 15 overseas</li> <li>In the three years leading up to FY2020, focused on expanding the CDP reporting boundary (overseas Group companies) and implementing activities for reducing CO<sub>2</sub> emissions at domestic business sites</li> <li>In FY2018, energized environmental activities by introducing the EcoFactory Certification System to raise awareness through visualization at each business site. Promoted activities based on a comprehensive environmental management indicator system that adds reducing greenhouse gas emissions caused by climate change as a management indicator to KPIs for environmental conservation</li> </ul>	<ul style="list-style-type: none"> <li>Maintain and accelerate initiatives for reducing CO<sub>2</sub> emissions at each business site. Monitor the progress of initiatives on a monthly basis at the environmental management committee meetings of each business site.</li> <li>Establish uniform targets for overseas business sites from FY2021 and strengthen their CO<sub>2</sub> emissions reduction activities</li> <li>Expand the scope of overseas business sites eligible to participate in the CDP by two (scheduled)</li> <li>In addition to the CDP, prepare to announce support for the recommendations of the TCFD and submit application for SBT certification</li> <li>Implement CO<sub>2</sub> emission reduction activities in a planned manner in accordance with the Group's carbon neutrality response plan</li> <li>Steadily increase CDP climate change score by enhancing the content of responses in the CDP climate change questionnaire</li> <li>With a focus on improving the recycling rate at domestic business sites, aim to achieve EcoFactory certification for all business sites</li> <li>Realize the early establishment of the EcoFactory Certification System overseas and focus efforts on appropriate information disclosure</li> </ul>
<ul style="list-style-type: none"> <li>Designated a Corporate Ethics Awareness Month each year to carry out activities for raising awareness of the importance of compliance with laws and regulations in Japan and overseas</li> <li>Codified a basic human rights policy and set up a helpline. Also conducted harassment prevention activities</li> </ul>	<ul style="list-style-type: none"> <li>Maintain initiatives pursued thus far</li> </ul>
<ul style="list-style-type: none"> <li>Developed workplace environments accessible to people with disabilities and established a special subsidiary to promote their employment (in FY2020, the ratio of employees with disabilities reached 2.3%, exceeding the target of 2.2%)</li> </ul>	<ul style="list-style-type: none"> <li>Set a new FY2025 target for further raising the ratio of employees with disabilities</li> </ul>
<ul style="list-style-type: none"> <li>In 2020, increased the number of female employees in senior positions by nine through the promotion of awareness raising activities within the Group</li> <li>Proactively hired non-Japanese employees but fell short of increasing the number of non-Japanese employees due to the COVID-19 pandemic in FY2020</li> </ul>	<ul style="list-style-type: none"> <li>Continue promoting and raising awareness of the recruitment of women</li> <li>Work proactively to increase the number of non-Japanese employees by diversifying types of employment status</li> </ul>
<ul style="list-style-type: none"> <li>Liberalized working practices, such as introducing remote working and staggered working hours as a facet of workstyle reforms and promoted corresponding revisions of workflows</li> <li>Despite promoting paid leave acquisition, the ratio of acquisition declined 12.6% due to remote working and an increase in the number of non-business days</li> </ul>	<ul style="list-style-type: none"> <li>Continue designing systems and revising workflows to facilitate diverse workstyles</li> <li>Encourage employees to make use of paid leave</li> </ul>
<ul style="list-style-type: none"> <li>Although efforts were made to implement activities in accordance with the educational plan, including remote training, the implementation rate was sluggish due to factors including the COVID-19 pandemic. However, the Company enhanced content for themes that required strengthening, through training and other activities with external experts</li> </ul>	<ul style="list-style-type: none"> <li>Proactively work to increase opportunities for human resource education, including Companywide education through our own three schools, divisional education, and various training programs, including those for dispatching trainees overseas</li> </ul>
<ul style="list-style-type: none"> <li>Despite continuously conducting risk assessments and accident-prevention activities, in FY2020 an accident resulting in absence from work occurred when attending to an equipment error</li> <li>Implemented mental health education on a regular basis and established a consultation service operated by dedicated personnel</li> <li>Carried out stress checks for all employees (ongoing since FY2016)</li> </ul>	<ul style="list-style-type: none"> <li>Strictly apply the Machinery and Equipment Safety Guidelines and introduce an indicator to visualize global safety</li> <li>Continue working on mental health education and providing support on an individual basis</li> </ul>
<ul style="list-style-type: none"> <li>In addition to traditional quality control assurance activities in each division, we conducted audits from a third-party perspective, established Group quality guidelines, and implemented cross-organizational activities to improve quality</li> </ul>	<ul style="list-style-type: none"> <li>Share information globally across the entire organization on the two major quality issues that arose in FY2020, rather than only at the plants where they occurred, and implement Group quality audits with an emphasis on processes</li> </ul>
<ul style="list-style-type: none"> <li>Completely revised Green Procurement Guidelines in FY2019 and carried out a basic survey to gain an accurate picture of procurement matters related to the environment. Performed additional checks and onsite inspections of suppliers deemed to warrant additional investigation</li> <li>Issued new supplier sustainability guidelines. Notified suppliers of the new guidelines and posted them on the Company website</li> </ul>	<ul style="list-style-type: none"> <li>In FY2021, begin the implementation of climate change countermeasures throughout the supply chain. As a first step, provide an explanation to major suppliers in Japan on the background and goal of initiatives, as well as on the procedures and policies for activities, and request their participation in the activities</li> </ul>
<ul style="list-style-type: none"> <li>Each business division developed eco-friendly products, such as those for reducing CO<sub>2</sub> emissions or power consumption, which were certified internally as Eco Products</li> <li>Products such as those by Power Transmission Operations for computed tomography (CT) scan systems, ultra-low temperature storage units for regenerative medicine and new drug research, and automated seedling transplanting units for plant factories, contributed to the medicine and welfare fields</li> <li>Also developed and offered a large number of products that contributed to labor saving</li> <li>Offered products that help build safe and secure infrastructure for living, including a drive system for sliding barriers on station platforms to prevent falls and various Power Transmission Operations products for sewage-related systems</li> </ul>	<ul style="list-style-type: none"> <li>Accelerate the development of innovative next-generation products that contribute to the global environment, people, and infrastructure for living based on Linked Automation technology (a technology domain that is highly functional and highly automated) set out in Long-Term Vision 2030 (please refer to pages 8-9 for details). In addition to the current two KPIs, prepare to establish a new KPI to measure the effect of these products on reducing CO<sub>2</sub> emissions throughout the product lifecycle to serve as a KPI for determining their contribution to the progress of activities for creating social value</li> </ul>
<ul style="list-style-type: none"> <li>Guided by our Corporate Work Ethics, raised employee consciousness and familiarized them with corporate ethics through Corporate Ethics Awareness Month and a range of training programs</li> </ul>	<ul style="list-style-type: none"> <li>Ensure thorough compliance by maintaining activities to date and making continuous improvements</li> </ul>
<ul style="list-style-type: none"> <li>Based on the Tsubaki Group Basic BCP Strategy, carried out various disaster preparedness activities, including disaster preparedness drills, drills using a safety confirmation system, and stockpiling of disaster preparedness items</li> <li>Revised the Tsubaki Electronic Information Security Policy and disseminated it at Group companies in Japan and overseas</li> <li>Despite introducing a multifactor authentication method for user authentication, FY2020 saw four cases of computers being infected by viruses</li> </ul>	<ul style="list-style-type: none"> <li>Strengthen the risk management system by not only implementing disaster preparedness activities but also anticipating risks related to business continuity, such as large-scale natural disasters, new infectious diseases, and environmental pollution</li> <li>Install endpoint detection and response (EDR), a security tool that quickly detects and eliminates threats when computer systems are penetrated by malware (malicious programs). Endeavor to prevent such threats and minimize potential damage</li> </ul>
<ul style="list-style-type: none"> <li>Improved knowledge and promoted awareness among employees (including managers) of intellectual property rights infringement through intellectual property seminars and other efforts, and avoided potential infringements by carrying out investigations before applications</li> </ul>	<ul style="list-style-type: none"> <li>Continue to share information and promote awareness regarding intellectual property infringements at seminars and the Techno School, thoroughly implement investigations before making applications, and maintain and enhance the ongoing awareness of avoiding infringements on the part of those engaged in such work</li> </ul>

\*2 The reduction (ratio) for FY2020 is given for reference purposes only, as the ratio includes the impact of the decrease in production volume associated with the deterioration in the business environment in that fiscal year

# E Environmental Management

In order to contribute to the development of a sustainable society, the Tsubaki Group completely revised its Basic Environmental Policy in March 2021 and is working to reduce its environmental impact from a medium- to long-term perspective while proactively developing and offering new products targeting the eco (SDG) market. In particular, we will address the issue of climate change, which we view as a priority issue of the utmost urgency, by closely monitoring international standards and market and customer trends.



Please refer to our website for details on our environmental management.  
<https://tsubakimoto.com/sustainability/environment/>

## » Environmental Management Structure

Under the supervision of the Board of Directors, the Tsubaki Group Environmental Committee takes the lead in promoting the Group's environmental management. This committee, which is chaired by the executive officer in charge of the environment for Tsubakimoto Chain and comprises plant managers, general managers of business segments, and representatives of each Group company, addresses the Group's environmental issues from a medium- to long-term perspective. In addition, overseas business sites appoint environment promoting staff who communicate with the employee in charge of environmental promotion for Tsubakimoto Chain (Group Environmental Secretariat).

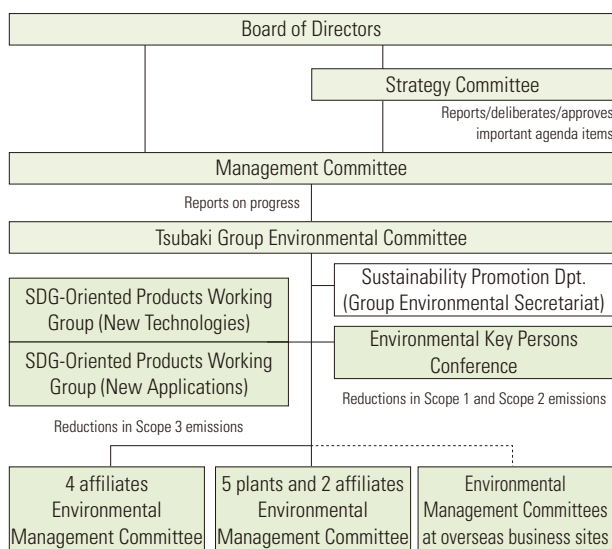
## » Environmental Activity Initiatives

As the climate changes, the Group recognizes that reducing total CO<sub>2</sub> emissions is a key social issue. Setting out environmental activity initiatives as priority matters, Mid-Term Management Plan 2025 promotes specific initiatives based on our environmental action plan, which is guided by our medium- to long-term environmental target of reducing total CO<sub>2</sub> emissions by 46% by the fiscal year ending March 31, 2031 (with FY2013 as the base year for comparison) in Japan.



Proactively adopting solar power and energy-saving production methods at our new factory

## Environmental Management Structure



## Targets for Reducing Total CO<sub>2</sub> emissions

	(FY)	
	2025	2030
Domestic business site (compared to FY2013)	30%	46%
Overseas business sites (compared to FY2018)	20% or more	30% or more

## Initiatives for Reducing Total CO<sub>2</sub> Emissions in Mid-Term Management Plan 2025

### 1. Reduce CO<sub>2</sub> emissions through production reform

- Increase energy efficiency by switching to energy-saving production methods and investing in equipment
- Expand solar power generation
- Purchase optimal amount of renewable energy
- Apply insulating paint coatings and convert to liquefied natural gas (LNG) fuel

### 2. Develop and promote products with reduced environmental impact

- Develop and expand sales of new products that contribute to reduction of environmental impact throughout product lifecycles

## » Responding to Climate Change

Climate change-driven events, such as intensifying natural disasters, including temperature rises, concentrated heavy rains, and floods, constitute a major physical risk. In business terms, while the transition to decarbonization poses risks that will have a significant impact on the Group's business operations, business domains, and product concepts, Tsubaki recognizes that implementing appropriate measures will help strengthen its corporate structure and enhance its competitiveness while presenting opportunities to identify new markets and businesses.

Going forward, we will promote initiatives that position climate change as a priority issue in terms of both risks and opportunities. We will also advance preparations for disclosing information to announce our support for the recommendation of the Task Force on Climate-related Financial Disclosures (TCFD).



The TCFD was established by the Financial Stability Board in response to a request from the G20 Meeting of Finance Ministers and Central Bank Governors

## » Our Measures in Response to Climate Change Risks and Opportunities

We have broadly divided climate change risks and opportunities into two categories: risks related to the transition to a low-carbon economy, and risks related to physical changes due to climate change. Our approach to measures in response to these risks and opportunities is as follows.

### Transition Risks and Opportunities

In our Companywide management systems and existing business domains, we must operate defensively and offensively in response to both risks and opportunities.

We recognize that carving out new businesses and developing new products that adapt to paradigm shifts, such as decarbonization and the creation of a recycling-oriented society, are key tasks, as is the speed of our response.

### Physical Risks

We recognize that it is important for measures in response to climate change to enhance the resilience of our businesses and further strengthen our business foundation, rather than simply to serve as a hedge against risks.

### Measures in Response to Climate Change Risks and Opportunities (Plan)

Item		Response Measures (Plan)			
Category	Risk/Opportunity Items	Companywide Management Systems	Existing Businesses	New Businesses	
Transition Risks and Opportunities	Government policies Laws and regulations	Rising carbon prices	<ul style="list-style-type: none"> <li>Stronger energy management</li> <li>Reduction of CO<sub>2</sub> emissions by 46% compared with FY2013 level</li> <li>Compliance with SBT and setting of Scope 3 goals</li> <li>Establishment of an internal carbon pricing system</li> </ul>	<ul style="list-style-type: none"> <li>Transforming factories into decarbonized factories</li> <li>Reductions in Scope 3 emissions from a lifecycle assessment (LCA) perspective</li> <li>Monitoring and responding to relevant laws and regulations</li> </ul>	<p>Long-Term Vision 2030: Establishing the Direction We Want to Go and Where We Want to Be</p> <p><b>We aim to become a corporate group that contributes to solving social issues through Linked Automation technology.</b></p> <p><b>Social issues addressed by Tsubaki</b></p> <ol style="list-style-type: none"> <li>Creating a people-friendly society                             <ul style="list-style-type: none"> <li>Medicine, health, and aging</li> <li>Building infrastructure</li> </ul> </li> <li>Building a safe and secure infrastructure for living                             <ul style="list-style-type: none"> <li>Sustainable economic growth</li> <li>Disaster preparedness and urban development</li> </ul> </li> <li>Creating an Earth-friendly society                             <ul style="list-style-type: none"> <li>Global environment</li> <li>Resources and energy</li> <li>Global environment</li> </ul> </li> </ol> <p>Examples: Expansion of business for EV devices / Adaptation to pre-collision systems / Development of growth products / Achievement of carbon emission targets</p>
		Carbon emission targets			
		Energy-saving policy			
	Market trends	Subsidies for renewable energy	<ul style="list-style-type: none"> <li>Effective use of subsidies for renewable energy</li> </ul>	—	
		Change to energy mix	<ul style="list-style-type: none"> <li>Transition to renewable energy (2050 carbon neutrality challenge)</li> </ul>	<ul style="list-style-type: none"> <li>Observation and introduction of new technologies</li> <li>Expansion of sales in the renewable energy market</li> <li>Development of large-scale energy projects</li> <li>Continued mass production of timing chain systems for PHVs</li> </ul>	
		Transition to a decarbonized society	<ul style="list-style-type: none"> <li>Ratification of the TCFD</li> <li>Securing of new technological development personnel</li> </ul>	<ul style="list-style-type: none"> <li>Development of decarbonized heat treatment technologies</li> <li>Expansion of sales of the Zip Chain Lifter®</li> </ul>	
Technological development	Technologies for energy saving and decarbonization	<ul style="list-style-type: none"> <li>Monitoring of the industry and adoption of new decarbonization technologies</li> </ul>	<ul style="list-style-type: none"> <li>Development of decarbonized heat treatment technologies</li> <li>Expansion of sales of the Zip Chain Lifter®</li> </ul>		
	Evaluation and assessment	Changes in customer evaluation	<ul style="list-style-type: none"> <li>Information disclosure in line with TCFD requirements</li> <li>Implementation of sustainable management</li> <li>Securing 30% or higher dividend payout ratio and implementing ESG management</li> </ul>	<ul style="list-style-type: none"> <li>Communication with existing customers</li> <li>Observation of customer and market trends</li> </ul>	
		Changes in investor assessment			
Physical Risks	Chronic damage	Rising temperatures	<ul style="list-style-type: none"> <li>Investment in a comfortable workplace</li> </ul>	<ul style="list-style-type: none"> <li>Use of renewable energy-based air-conditioning at plants and offices</li> </ul>	
		Rising sea levels	—	<ul style="list-style-type: none"> <li>Implementation of measures against flooding in Thailand and other overseas sites</li> </ul>	
	Acute damage (wind and water damage)	<ul style="list-style-type: none"> <li>Improvement of factory resilience and strengthening of BCP</li> <li>Expansion of sales in disaster preparedness</li> </ul>	<ul style="list-style-type: none"> <li>Improvement of factory resilience and strengthening of BCP</li> <li>Strengthening of the supply chain</li> <li>Agricultural technologies resilient to climate change</li> </ul>		

### » Shifting Our Focus from Eco Products to SDG-Oriented Products (Creating Shared Value)

In 2011, we established eco evaluation criteria with the aim of bolstering product development that helps customers reduce their environmental impact (ecology) and improve their economic performance (economy). We have classified products that meet these criteria as Eco Products and pursued product development and sales promotion activities with an eye on co-creating economic value, such as cost benefits for our customers.

In the fiscal year ending March 31, 2022, we launched Long-Term Vision 2030. In terms of the sustainability issues (environmental, social, and economic) that Tsubaki must tackle as set forth in this long-term vision, the Company will not only strengthen its existing Eco Products but also the development of SDG-oriented products, and marketing activities.

Specifically, we will expand our activities with a focus on efforts that will include the provision of:

1. Eco products that contribute to areas related to the global environment and resources/energy

2. Equipment that contributes to medicine, healthcare, and aging
3. Products that contribute to building infrastructure, disaster prevention, and urban development.

At the same time, we have also initiated a new system for activities aimed at expanding the sales of SDG-oriented products

#### Relationship between SDG-oriented products and social issues



### » Initiatives for Expanding SDG-Oriented Products

Based on the following definition of SDG-oriented products, we will expand the development of and sales activities for new products.

1. Products that directly contribute to environmental conservation through reductions of CO<sub>2</sub> emissions from a lifecycle perspective by improving on existing products and developing new products (Product Development)

2. Products that indirectly contribute to achieving the SDGs by promoting the appeal of existing products or new products in global markets for environmental or otherwise sustainable products, such as those offering low-carbon or decarbonization features (Application Development)

#### Overview of Activities for Expanding SDG-Oriented Products

	Activities for Expanding SDG-Oriented Products (From FY2021)		Activities for Expanding Former Eco Products (FY2011–FY2020)
<b>Scope</b>	<b>SDG-oriented products (including Eco Products) (1)</b> (Product development)	<b>SDG-oriented products (2)</b> (Application development)	<b>Environment-friendly products (Eco Products)</b> (Product development)
<b>Products</b>	Tsubaki products that contribute directly to solving issues related to the SDGs using Tsubaki technology	Tsubaki products used in products marketed by customers to solve issues related to the SDGs, thereby contributing indirectly to solving such issues	Tsubaki products that contribute directly to conserving the global environment using Tsubaki technology
<b>Product Designation</b>	Designated by the design/development section in the relevant division or Tsubaki Group company	Designated by the sales/marketing section in the relevant division or Tsubaki Group company	Designated by the design/development section in the relevant division or Tsubaki Group company
<b>Registration Evaluation Criteria</b>	A new or improved product that meets the internally established certification criteria (quantitative criteria)	A new, improved, or existing product that meets the internally established criteria for customer applications	A new or improved product that meets a certain internally established criteria (qualitative criteria)
<b>Monitoring Items (KPI)</b>	Number of new annual registrations  Level of environmental contribution (Volume of CO <sub>2</sub> reductions: t-CO <sub>2</sub> )	Number of new annual registrations  Ratio of sales of SDG-oriented products (2) to total division sales	Number of new annual registrations  Ratio of sales of Eco Products to total business site sales

## S Supply Chain Management

In order to realize high-quality manufacturing and a sustainable society, we conduct procurement activities in cooperation with partner companies (suppliers).



Please refer to our website for details on our supply chain management.  
<https://tsubakimoto.com/sustainability/society/supplier/>

### » Initiatives for Sustainable Procurement

Throughout our history, we have fulfilled our social responsibilities as a company while simultaneously advancing Companywide efforts to solve social issues by strengthening our response to a variety of business continuity risks and promoting technological innovation. Going forward, we will solve social issues through our business activities in pursuit of our goal of contributing to the creation of a sustainable society.

To this end, as we must promote further cooperation with our suppliers, we have established the Tsubaki Group Supplier Sustainability Guidelines, in which we ask

suppliers to undertake proactive initiatives with the aim of achieving sustainability.

Regarding conflict minerals, the guidelines indicate our basic procurement policy to “implement measures to ensure the transparency of the supply chain of mineral resources used in materials and components to avoid the use of disputed minerals that might fund armed groups.” In accordance with guidance manuals on investigating conflict minerals, we request the suppliers concerned to carry out an investigation and complete and publish a Conflict Minerals Reporting Template.

### » Promotion of Green Procurement

We established our Green Procurement Guidelines in 2006 and have worked together with suppliers to promote activities for purchasing materials and components with low environmental impact. In April 2019, we revised these guidelines in order to more proactively advance efforts to reduce emissions.

We also carry out surveys on the current environmental performance of major suppliers and conduct additional surveys and local inspections of suppliers thought to face risks, as we work to achieve ongoing improvements.

### Requests to Business Partners

Requests/Orders	Raw materials, parts, packaging materials, sub-materials, etc.	Jigs, tools, production equipment, etc.	
Prerequisite	(1) Compliance with environment-related laws on products and business activities	Required	Required
	(2) Management of hazardous chemical substances		Recommended*
What we ask of business partners	(1) Establishment of an environmental management system		
	(2) Reduction of greenhouse gas emissions	Recommended	Recommended
	(3) Promotion of resource recycling		
	(4) Effective use of water resources	Optional	Optional
	(5) Environment-friendly design and product proposals	Recommended	Recommended

\* Management of hazardous chemical substances is required in the event of hazardous chemical substances scattering or falling from equipment onto products or in the event of hazardous chemical substances becoming attached to or transferred onto products through contact with equipment.

### » Cooperation with Suppliers

In the fiscal year ending March 31, 2022, we are launching initiatives toward achieving carbon neutrality throughout our supply chain.

As a first step, we will provide a careful explanation to our major suppliers on the background and importance of their participation in these initiatives and gain an understanding of the current state of each supplier’s CO<sub>2</sub> emission reduction activities. To this end, we stream a webinar for suppliers that explains the Group’s policy and targets for carbon neutrality, its CO<sub>2</sub> reduction measures,

global and Japanese trends, methods for calculating emission volumes, and the steps that comprise our initiatives. We then plan to ask each supplier to complete the survey template and request that they move on to the next step after we have gained an understanding of the current state of their activities.

Ultimately, we will incorporate the risks and opportunities related to climate change into our supply chain management, with the aim of constructing a sustainable and resilient supply chain.

## S Human Resource Management

At the Tsubaki Group, we view human resources as the most vital component of our management base. We are establishing an environment where people from various backgrounds can work positively and vigorously, and striving to cultivate the human resources who will support business growth going forward. We also recognize that respect for human rights is an important social responsibility for companies. Based on this recognition, we are striving to promote respect for human rights throughout the entire Group by taking a thorough approach to spreading awareness of the Tsubaki Group Human Rights Policy.



Please refer to our website for details on our human resource management.  
<https://tsubakimoto.com/sustainability/society/employees/>

### » Initiatives for Cultivating Human Resources

The drivers of the Group's growth are the technological capabilities and advanced technical skills we have continuously refined as a manufacturer since our founding in 1917. We launched the Tsubaki Techno School in April 1998 for young engineers, with the aim of passing on expertise to the next generation and reinforcing technical skills. We have expanded the curriculum to include technical and sales categories, in order to provide our original and practical training. In the fiscal year ended March 31, 2018, we reorganized the curriculum by dividing it into a Techno School for engineers, a Skills School for technicians, and a Business School for office and sales staff. We have also incorporated new technological domains into the curriculum for cultivating human resources with expertise in the Internet of Things (IoT) and artificial intelligence (AI). Besides such training, we are widening opportunities for employees to share ideas, interact, and engage in co-creation in a way that transcends departments through a Technology Forum at which departments present their latest technologies.

For technicians, we are passing on and reinforcing

*monozukuri* skills through a variety of efforts that include cultivating technicians, a processing training program, and the Master Craftsman system.

We launched the Tsubaki Technical Skills Olympics in 2012 to serve as a platform for the mutual study and presentation of these skills. Through technological exchange among employees from different divisions and countries, this event helps invigorate the organization. We are also focusing efforts on cultivating global human resources through a variety of measures. These include an overseas trainee system for dispatching young employees to overseas subsidiaries as trainees, and overseas foreign language training for new employees. By combining training by function with level-specific training across all job categories, we have generated a positive cycle in which we increase the awareness of employees and enhance technological and technical skills levels.

Despite the challenges created by the COVID-19 pandemic, we have implemented training almost as planned by proactively incorporating online training methods in order to secure ongoing educational opportunities.



Online training (carefully avoiding closed spaces, crowded places, and close-contact settings)



Tsubaki Technical Skills Olympics (engine lathe operation)



Overseas trainee (the United States)

### » Respect for Human Rights

To ensure that nobody involved in our businesses is subject to any form of discrimination or harassment that violates individual dignity including on the grounds of race, ethnic group, nationality, social status, origin, gender, disability, health status, thoughts and beliefs, sexual orientation, or difference of job type or employment status, we are implementing measures to enhance ethics

awareness among employees.

During Corporate Ethics Awareness Month, which we hold annually in February, each domestic and overseas Group company fulfills its responsibility to raise awareness by carrying out activities for ensuring compliance with the laws and rules in their respective countries, including with regard to human rights.

## » Initiatives for Promoting Diversity

Since 2018, Tsubakimoto Chain has been promoting workstyle reforms to enable a diverse range of employees to perform to the best of their individual abilities. Under these reforms, we have been pursuing a variety of measures to realize efficient and flexible workstyles. At the Labor/Management Joint Committee, labor and management are working together to implement initiatives for reducing excessively long work

## » Initiatives for Reforming Workstyles

### 1. Active Participation of Women

We promote the active participation of women. In the fiscal year ended March 31, 2021, we adopted the target of increasing the percentage of female employees on a non-consolidated basis to 10% (the percentage was 8.8% as of April 1, 2021), and are actively encouraging applications from various high schools and universities. We proactively provide opportunities for promotion to outstanding employees, irrespective of gender, and are advancing the promotion of women to management positions.

### 2. Promotion of the Employment of People with Disabilities

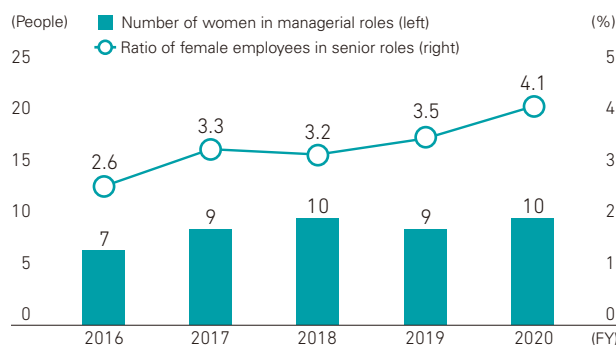
We are striving to expand the employment of people with disabilities in a wide range of fields, including at manufacturing worksites and in administrative work and health management, by developing a workplace environment that allows them to engage in work that makes use of their individual talents and aptitudes. In the fiscal year ended March 31, 2021, we established a special subsidiary that succeeded in promoting increased employment of people with disabilities to ensure legally compliant employment rates at Tsubakimoto Chain.

### 3. Active Participation of Seniors

hours and encouraging employees to use paid leave.

In response to the COVID-19 pandemic, we offered special leave and promoted teleworking for parents following emergency school closures. We also revised office layouts to facilitate communication and operational efficiency, including through the introduction of hot desking at headquarters and our Osaka and Tokyo offices.

## Number of Women in Managerial Roles / Ratio of Female Employees in Senior Roles (Domestic)



In April 2020, we adopted an Age 65 Retirement System, extending the mandatory retirement age from 60 to 65 years old. This system aims to enable the Company to deploy its comprehensive strengths, raising awareness among senior employees of their status as core personnel playing active roles by making use of the knowledge, skills, and rich experience they have accumulated over many years. With improvements also being made to employment conditions, the rate of continuous employment after the adoption of the system (FY2020) stood at 96%.

We have also enhanced career training for employees when they are 50 years old. We revised the training content to encourage such employees to maintain their desire to work and continue learning until they reach 65 years old, in an effort to help them adjust their outlook.

## TOPICS

### Communication with Employees

We strive to create an open workplace culture by regularly conducting employee awareness surveys, carrying out business status briefings to explain financial results and issues, and holding a president's town hall meeting. During the COVID-19 pandemic in 2020, the Company streamed a video message from the president to employees in Japan and overseas to ease their concerns and call upon them to work together to overcome this difficult situation.



Online streaming of the president's video message

# S Health and Safety Management

Under its corporate philosophy, the Tsubaki Spirit, the Tsubaki Group has adopted safety and quality as the highest priority in its Code of Conduct, and strives to prevent work-related accidents and maintain and enhance the health of its employees as a *monozukuri* company guided by its Basic Safety Policy. In February 2009, the Group established the Tsubaki Group Health and Safety Committee, which advances activities aimed at enhancing health and safety throughout the Group.



Please refer to our website for details on our health and safety management.  
<https://tsubakimoto.com/sustainability/society/employees/health/>

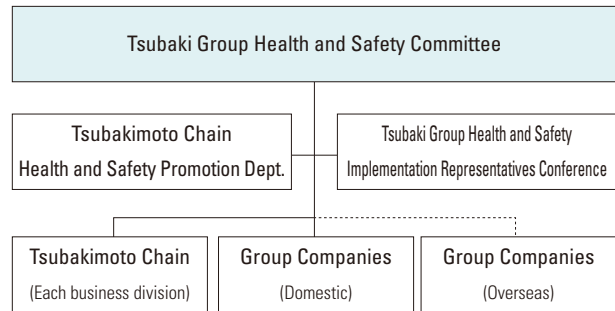
## » Safety Management System

The Group has established the Tsubaki Group Health and Safety Committee to supervise health and safety activities for the Group as a whole. The committee formulates the Health and Safety Activities Plan and confirms the progress status of safety activities at each business location. We promote ongoing safety activities based on the following three pillars:

- 1 Risk management:** Promotion of risk assessment activities to prevent serious accidents
- 2 Equipment and work environment maintenance:** Development and implementation of machinery and equipment safety guidelines that aim to realize the fundamental safety of machinery

- 3 Employee development:** Cultivation of safety-oriented personnel who understand and follow basic safety protocol at all times

### Safety Management System



## » Initiatives for Promoting the Health and Safety of Employees

### Activities for Preventing Serious Accidents

In the fiscal year ended March 31, 2021, we set activities for preventing serious accidents as the priority issue for our occupational health and safety activities and began the new initiative of making fixed-point observations in order to identify non-routine tasks that can lead to serious accidents.

We also published machinery and equipment safety guidelines with the aim of making machinery fundamentally safer. In accordance with these guidelines, safety officers participate from the design stage of, through to the performance of safety checks on, new equipment.

### Employee Health Promotion

To promote the health of our employees, we are strengthening activities for the prevention and early detection of disease. In these activities, we carry out a variety of health checks on employees who work long hours, including regular health checkups and special health examinations, in collaboration with industrial physicians, health management staff, and managers.

We regularly provide education on mental health, in support of employees and supervisors. In addition, we have strengthened initiatives for the prevention and early treatment of disease by establishing a consultation service operated by dedicated staff.

### Industrial Accidents (domestic)



Health promotion event (February 2020)



# S Quality Management

Under its corporate philosophy, the Tsubaki Spirit, the Tsubaki Group has adopted safety and quality as the highest priorities in its Code of Conduct as a *monozukuri* company. In accordance with these priorities, we have established a Basic Quality Policy. We strive to maintain and improve the Tsubaki brand by thoroughly pursuing high quality and quality management as a *monozukuri* company.



Please refer to our website for details on our quality management.  
<https://tsubakimoto.com/sustainability/society/products/>

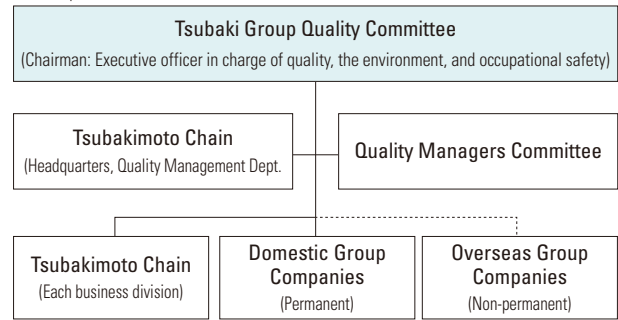
## » System for Promoting Quality Management

We have established a system for promoting quality management led by the Tsubaki Group Quality Committee. In April 2018, to further ensure the effectiveness of these efforts, we established the Quality and Environmental Promotion Department as a headquarters operations overseeing the entire Group, and the Quality Managers Committee as a cross-organizational implementation body. In addition to traditional quality control assurance activities in each division, the Company conducts audits from a third-party perspective, formulates Group quality guidelines, and implements cross-organizational activities to improve quality. Through such methods, we not only aim for zero defects in quality but also to strengthen our system and abide by our promises to our customers. In

doing so, we are strengthening the governance of quality management while maintaining and improving the Tsubaki brand.

### System for Promoting Group Quality Management

(As of April 2021)



\* Name changed to Quality Control Department on October 1, 2021

## » Initiatives for Providing Safe and Reliable Products

We aim to improve quality management skills by developing level-specific education on quality and improvement in our Companywide educational system.

As we move forward, we will enhance quality specialist education centered on the Quality and Environmental Promotion Department, such as providing education on statistical methodology, nurturing lecturers, and promoting the acquisition of quality control examination certificates as well as implementing initiatives such as

fieldwork for quality training participants from Group companies for a period of one to two years. At the same time, we are introducing individual quality targets and quality model factory systems aimed at raising quality awareness among all employees.



Quality guidance at an overseas subsidiary

### TOPICS

#### Our Quality Activities Garner Praise from a Global Automobile Manufacturer

Tsubakimoto Automotive Mexico, our Mexican subsidiary, has received Ford Q1 certification from Ford Motor Company's quality management program. This certification comprises Ford's own program for assessing whether or not its suppliers have a quality management system in place that meets the requirements of their customers. The quality level and production planning process for the timing chain systems that the Group delivers to Ford were recognized for their high performance in the automobile industry.

Additionally, Mobility Operations in Japan and Tsubakimoto Automotive (Shanghai) Co., Ltd. earned plaudits and received awards for their quality activities from Toyota Motor Corporation and two Toyota group companies in China, respectively.



Tsubakimoto Automotive Mexico, recipients of Ford Q1 certification

# S Coexisting with Local Communities

The Tsubaki Group's manufacturing and sales bases extend to 26 countries and regions across the world. We not only contribute to society through our business activities but also understand cultures and laws and regulations that differ by country and region and carry out a host of activities rooted in local communities as members of those communities. (In the fiscal year ended March 31, 2021, many activities were cancelled as a result of the COVID-19 pandemic.)



Please refer to our website for details on our initiatives in local communities.

<https://tsubakimoto.com/sustainability/society/communing/>

### » Initiatives in Japan

In Japan, we conduct support activities for fostering interest in science and *monozukuri* among children through a variety of activities, including visiting institutes of technology (colleges) to give lectures to students as well as offering work experience to junior and senior high school students and hands-on plant tours to elementary and junior-high school students. We also carry out activities rooted in communities as a corporate citizen. Activities that we carry out regularly include donating Tsubaki products to aid disaster preparedness and mitigation activities, holding an environmental fair, and performing cleanup activities in the areas around our plants.

#### Holding the Fourth Tsubaki Future Creation Contest at Maizuru College

We held our fourth collaborative lesson with Maizuru College. In the fiscal year ended March 31, 2021, the lessons, group work, and final review were all carried out

online due to the COVID-19 pandemic. The theme for the contest was "proposals for new products that bring happiness to people." Incorporating future megatrends and SDG perspectives, participants anticipated the distant future and established hypothetical users. Based on this premise, the participants proposed products to be developed in ten years' time. Employees of the Company who had graduated from Maizuru College also took part in the review and shared information with students.



Online Tsubaki Future Creation Contest

### » Overseas Initiatives

We also carry out various charity and environmental activities overseas in accordance with local characteristics. The mangrove-planting activities performed by our subsidiary in Thailand are worthy of special mention both for the participation of employees and for their continuity.

#### Tsubakimoto Automotive (Thailand) Co., Ltd. (TAT)

Tsubaki Automotive (Thailand) Co., Ltd. (TAT) began its mangrove-planting activities in 2008. The number of volunteers taking part in these activities has increased in tandem with business expansion, and 2,800 trees were planted in the fiscal year ended March 31, 2021. The planting of 32,753 trees over 13 years equates to CO<sub>2</sub> emission reductions of 408.31 tons. These steady, ongoing efforts are contributing to CO<sub>2</sub> reduction

countermeasures.

TAT also conducts social contribution activities, including wildlife protection activities (activities for replenishing salt and nutrients) and the donation to an elementary school of the proceeds from the sale of recycled goods brought in by employees.



Environmental activities by TAT (mangrove planting)

## Governance

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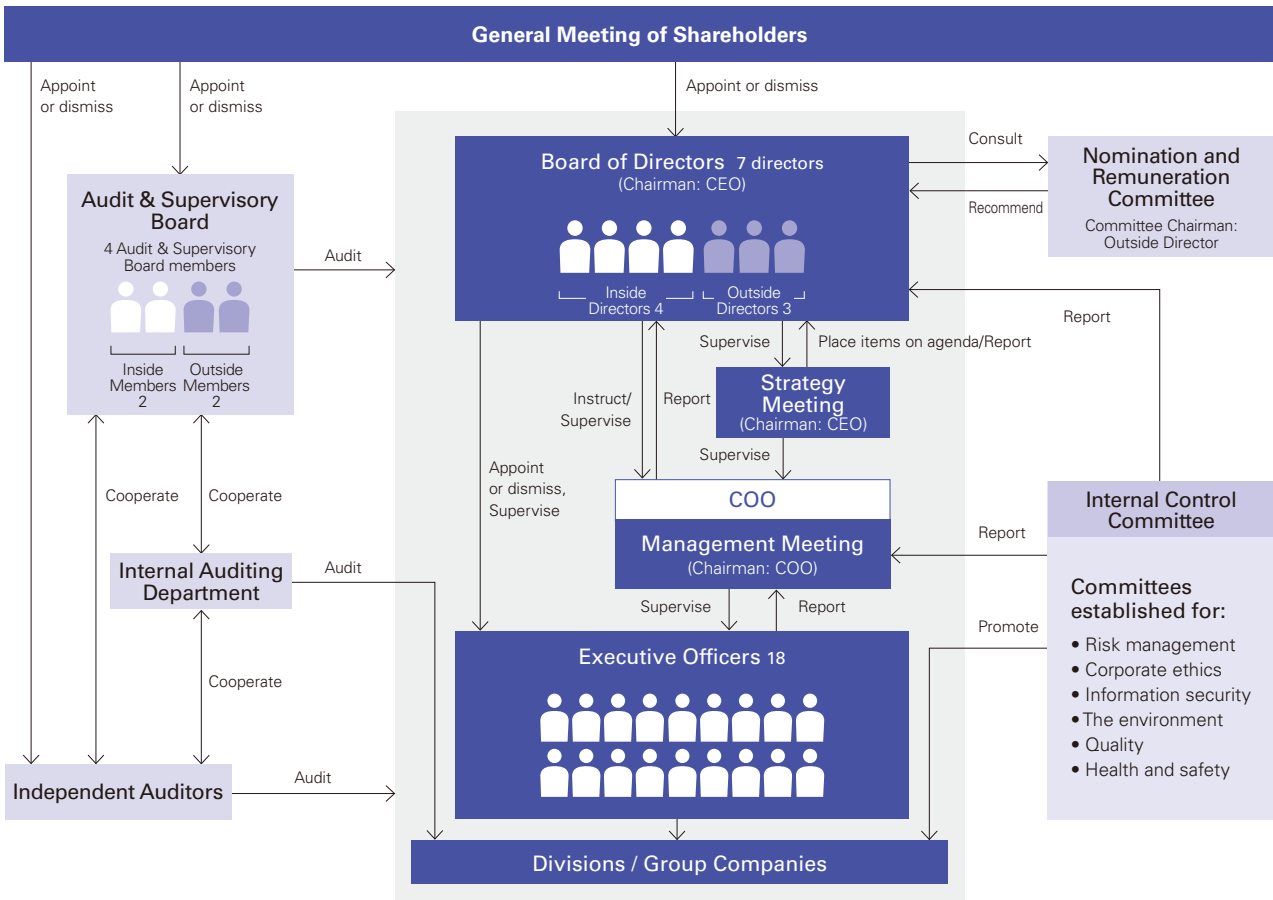
**Driving the World...  
and the Future**

The Company regards enhancing corporate governance as one of the most important management tasks for creating value for customers and contributing to society. The Group has thus formulated its approach into the basic corporate governance policy stated below and strives to improve its corporate governance.



Please refer to our website for details on our Basic Corporate Governance Policy and other governance-related matters.  
<https://tsubakimoto.com/sustainability/governance/>

**Corporate Governance Structure** (As of June 29, 2021)



**Overview of Corporate Governance Structure** (As of June 29, 2021)

Organizational structure	Company with Auditors
Number of directors	7 (of which 3 are outside directors)
Term of office of directors	1 year
Chairman of the Board of Directors	Chief Executive Officer (CEO)
Number of Audit & Supervisory Board members	4 (of which 2 are outside Audit & Supervisory Board members)

Number of independent board members	3 outside directors and 2 outside Audit & Supervisory Board members
Number of meetings of the Board of Directors	13 (fiscal year ended March 31, 2021)
Number of meetings of the Audit & Supervisory Board	16 (fiscal year ended March 31, 2021)
Number of meetings of the Nomination and Remuneration Committee	3 (fiscal year ended March 31, 2021)

## » System for Strategy Formulation and Supervision, and Business Execution

The Company makes a clear distinction between strategy formulation and oversight of the Group by the Board of Directors and business execution by the COO and the executive officers, who are also members of the Management Meeting. Furthermore, the Company holds

the Strategy Meeting, which is positioned as the second-highest decision-making body in the Company after the Board of Directors, to deliberate and make decisions regarding important Groupwide business strategies and management policies.

## » Systems to Ensure Management Transparency and Flexibility

We are striving to enhance the independence of the Board of Directors through the appointment of outside directors and outside Audit & Supervisory Board

members while strengthening the management supervision function and improving management transparency to increase our corporate value.

### Reasons for Appointing Outside Directors (Independent Board Members) and Their Attendance at Meetings of the Board of Directors

Name	Reason for appointment	Attendance at meetings of the Board of Directors in the fiscal year ended March 31, 2020
Shuji Abe	The Company appointed Mr. Abe in order to receive his objective advice concerning its focus on the three areas of technologies, development, and manufacturing as three core areas based on his wealth of insight and experience as the manager of a manufacturing company.	Attended all 13 meetings
Keiichi Ando	The Company appointed Mr. Ando in order to receive his objective advice on such fields as finance and corporate governance based on his insight and wealth of experience as a director of financial and other institutions.	Attended all 13 meetings
Hisae Kitayama	The Company appointed Ms. Kitayama in order to receive her objective advice on such fields as finance and accounting based on her wealth of experience as a certified public accountant at an auditing firm and high level of expertise regarding corporate accounting.	Attended all 11 meetings

\* Ms. Kitayama's attendance record covers meetings of the Board of Directors held after her appointment on June 26, 2020.

### Reasons for Appointing Outside Audit & Supervisory Board Members (Independent Board Members) and Their Attendance at Meetings of the Board of Directors and the Audit & Supervisory Board

Name	Reason for appointment	Attendance at meetings of the Board of Directors and the Audit & Supervisory Board in the fiscal year ended March 31, 2020	
Shozo Seki	The Company appointed Mr. Seki so that its audit system could benefit from his wealth of experience as an attorney and his high level of expertise regarding corporate legal affairs.	Board of Directors Attended all 13 meetings	Audit & Supervisory Board Attended all 16 meetings
Hidefumi Naito	The Company appointed Mr. Naito so that its audit system could benefit from his wealth of experience as an attorney and his high level of expertise regarding corporate legal affairs.	Attended all 13 meetings	Attended all 16 meetings

## » Evaluation of the Effectiveness of the Board of Directors

We have been evaluating the effectiveness of the Board of Directors since 2018 in order to improve its performance. The Company requires all of its directors and Audit & Supervisory Board members to complete a questionnaire on matters including the Board of Directors' structure, operation, and agenda items. Based on an analysis and evaluation of the questionnaire results, we have determined that the Board of Directors is functioning effectively.

In light of the results of the previous evaluation, we have been holding information sharing meetings since July 2020 for directors with the objective of further improving discussions about medium- to long-term

policies and strategies at Board meetings. With directors primarily sharing information on matters including business performance and management issues, these information sharing meetings were seen as being effective in invigorating discussions at Board meetings.

Nevertheless, since we received much valuable input on such topics as the further improvement of discussions on medium- to long-term management policies and strategies and the setting of agenda items at meetings of the Board of Directors, we will continue to look into improvements to further enhance the Board's effectiveness.

## » Executive Compensation

The Board of Directors passed a resolution on the policy for determining the method for calculating compensation after deliberations and reporting by the Nomination and Remuneration Committee, a voluntary advisory body to the Board of Directors comprising a majority of outside directors.

### Inside Directors

So that compensation for internal directors provides an effective incentive for realizing sustainable improvements in corporate value over the long term, the Company has adopted a compensation system that focuses on the link between business performance and shareholder profit. Specifically, this system comprises fixed compensation and performance-based compensation, which are monetary

compensation, and restricted stock compensation, which is non-monetary compensation.

### Outside Directors

Given that they perform the role of carrying out management supervision from an objective and neutral standpoint, compensation for outside directors comprises only fixed compensation, which is monetary compensation.

### Audit & Supervisory Board Members

Given that they perform the role of carrying out management supervision from an objective and neutral standpoint, compensation for Audit & Supervisory Board members comprises only fixed compensation, which is monetary compensation.

Executive Category	Total Compensation Amount (Millions of yen)*1	Total Amount of Each Type of Compensation (Millions of yen)*1			Number of Applicable Personnel*2
		Fixed Compensation	Performance-Based Compensation	Non-Monetary Compensation (Restricted Stock Compensation)	
Directors (Outside directors)	282 (25)	191 (25)	76	14	9 (4)
Audit & Supervisory Board members (Outside Audit & Supervisory Board members)	53 (10)	53 (10)	—	—	5 (2)

\*1 Numbers less than one million yen have been truncated.

\*2 The above includes one director and one Audit & Supervisory Board member who ended their terms of services at 111th Annual General Meeting of Shareholders held on June 26, 2020.

## » Internal Control System

For the Company and other Group companies, we have formulated internal control regulations and established the Internal Control Committee in accordance with our Basic Policy on Internal Control. The Internal Control Committee is responsible for advancing ongoing initiatives in the following areas that are inclusive of the entire organization and participated in by all employees.

### 1. Internal control initiatives stipulated by the Companies Act

We have established an emergency contact system on a global scale to enable information on risks that occur within the Group to be promptly communicated to senior management. We also implement annual risk management status surveys of major subsidiaries in Japan and overseas to ascertain the status of their risk management and follow up on their activities.

### 2. Internal control initiatives described in the Financial Instruments and Exchange Act

Based on the Financial Instruments and Exchange Act, the Group has established internal control initiatives to ensure the appropriateness of the preparation process for its consolidated financial statements. As overseas sales have

increased in recent years, the number of overseas subsidiaries covered by these initiatives has increased. For this reason, with the aim of quickly introducing these initiatives at overseas subsidiaries, we are taking steps toward establishing related materials for, and the sharing of expertise with, overseas subsidiaries while concentrating efforts on enhancing the efficiency and accuracy of evaluations.

### 3. Internal control initiatives conducted by the Group on a voluntary basis

The Group is advancing Tsubaki Internal Control Operation (TICO) initiatives for documenting the procedures of important work in each department. As activities that ensure the appropriateness of controls of risks for each type of work and allow us to observe inefficiencies or waste through the visualization of important processes, the TICO activities play a valuable role in the Group's important internal control initiatives.



Internal control meeting at an overseas subsidiary

## G Compliance and Risk Management

In order to implement our corporate philosophy, the Tsubaki Spirit, we believe it is vital that all executives and employees act in compliance with laws and regulations, ethics, and company rules. To that end, we have formulated the Corporate Work Ethics, which are a clearly defined set of ethical guidelines, and we are working to raise awareness and spread information on ethics through activities, training and other initiatives to strengthen ethics.

To fulfill our social responsibility as a corporation, it is essential that we appropriately manage the various risks that may arise during the course of our business activities. We have established a Risk Management Policy, under which we strive to prevent the actualization of risks and minimize possible losses by continually identifying and understanding risk factors regarding a host of risks that could significantly impact on our business.



Please refer to our website for details on compliance and risk management.

<https://tsubakimoto.com/sustainability/governance/compliance/>

### » Implementation and Spread of Compliance

#### Corporate Ethics Awareness Month

We have designated February of every year as our Corporate Ethics Awareness Month, in which Group companies in Japan and overseas take part. In the fiscal year ended March 31, 2021, the number of participating companies was limited by the COVID-19 pandemic to 24 out of 51, as we responded to the conditions in various countries overseas. Due to the circumstances, we carried out educational activities on ethics awareness centered on e-learning in Japan and remote learning overseas.

In addition, we have published the Tsubaki Corporate Ethics Handbook in six languages as a tool to instill the Corporate Work Ethics. We also plan ethics training throughout the year.

#### Establishment of a Consultation and Reporting Hotline

As a whistleblowing system, the Group facilitates anonymous reporting through a Corporate Ethics Hotline, which provides both an internal (operated by the

employee in charge of corporate ethics) and an external (operated by a legal adviser) consultation service. The Corporate Ethics Hotline deals not only with the Corporate Work Ethics and violations of laws, regulations, and internal rules but also with personal concerns.



A Corporate Ethics Awareness Month meeting at an overseas subsidiary

#### Number of companies that participated in Corporate Ethics Awareness Month

(FY)					
2015	2016	2017	2018	2019	2020
49	51	51	51	51	24

### » Risk Management Activities

The Group periodically assesses the status of the risks to which each Group company is exposed and the status of their response to those risks. Based on the assessment results, the corporate ethics, information security, environment, quality, health and safety, and other committees conduct specific risk management activities in each of these fields.

In our response to the COVID-19 pandemic, which spread rapidly from 2020 onward, we established the Emergency Response Headquarters in February 2020, with the president serving as its chief based on the Guidelines for Measures in Response to New Infectious Diseases. Since establishing the headquarters, we have implemented a variety of measures in response to

changing conditions with the safety and security of our customers, employees and their families, and relevant parties as our highest priority. We have also provided material assistance, such as masks and disinfectants, to our overseas bases. Conversely, we have seen global activities for cooperation and support to overcome the pandemic, with overseas bases sending masks when they were not easily available in Japan.

We are maintaining our efforts to strike a balance between preventing the spread of infection and continuing our business activities, through measures such as telework to reduce the number of workplace attendees, and the introduction of leave for vaccinations.

**G** Board of Directors, Audit & Supervisory Board Members, and Executive Officers

(As of June 29, 2021)



Front row

**Kenji Kose**

President and COO  
Representative  
Director

**Yasushi Ohara**

Chairman and CEO  
Representative  
Director

Back row

**Hisae Kitayama**

Outside Director

**Shuji Abe**

Outside Director

**Tadasu Suzuki**

Director

**Takatoshi Kimura**

Director

**Keiichi Ando**

Outside Director

■ **Audit & Supervisory Board Members (Standing)**

Koji Tanaka  
Kazuya Kawasaki

■ **Audit & Supervisory Board Members (Outside)**

Shozo Seki  
Hidefumi Naito

■ **Senior Managing Executive Officer**

Tadahiro Otsuki

■ **Managing Executive Officer**

Yasushi Nagai

■ **Senior Executive Officers**

Masaki Miyaji  
Kevin Richard Powers  
Toshihiro Ageta  
Kazutomo Nakamura  
Hiromi Ishida  
Kozo Inoue  
Masafumi Okamoto

■ **Executive Officers**

Nobuaki Haga  
Atsushi Kumakura  
Isao Sato  
Futoshi Tanyama  
Yasuhiro Akesaka  
Hisao Nishii  
Osamu Kawakami  
Takao Maeda  
Masayoshi Fujimura



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and the Future**

## Eleven-Year Selected Financial Data

For the year (Millions of yen)	FY2010	FY2011	FY2012
Net sales	138,243	144,896	150,002
Operating income	11,022	12,081	12,579
Ordinary income	11,111	12,140	12,813
Profit attributable to owners of parent	6,093	6,814	7,428
Capital expenditures	5,807	9,518	11,833
Depreciation and amortization	7,544	7,403	7,360
R&D costs	4,144	4,231	4,319
Net cash provided by operating activities	16,293	11,626	15,350
Net cash used in investing activities	(8,281)	(10,487)	(18,401)
Net cash (used in) provided by financing activities	(10,578)	(5,460)	6,325
Cash and cash equivalents at end of the year	17,308	13,916	20,194

At year-end (Millions of yen)	FY2010	FY2011	FY2012
Total assets	184,206	191,766	215,837
Shareholders' equity	83,413	89,923	102,019
Interest-bearing debt	31,240	27,405	36,507
Net interest-bearing debt	13,931	13,488	16,312

## Indexes

Operating income ratio (%)	8.0	8.3	8.4
ROE* <sup>1</sup> (%)	7.4	7.9	7.7
Equity ratio * <sup>2</sup> (%)	45.3	46.9	47.3
D/E ratio (net)* <sup>3</sup> (Times)	0.17	0.15	0.16
Profit attributable to owners of parent per share * <sup>4</sup> (Yen)	32.76	36.60	39.69
Net assets per share* <sup>4</sup> (Yen)	448.43	480.46	545.14
Overseas sales ratio (%)	41.5	39.3	43.6
Total CO <sub>2</sub> emissions (t-CO <sub>2</sub> / year)* <sup>5, 6</sup>	77,908	77,650	74,323
CO <sub>2</sub> emissions (t-CO <sub>2</sub> ) (Per million yen of output)* <sup>5, 6</sup>	0.951	0.899	0.889
Employees* <sup>7</sup>	5,891	6,160	6,792

Amounts less than one million yen have been truncated.

\*1 ROE = Profit attributable to owners of parent ÷ Average shareholders' equity

\*2 Equity ratio = Shareholders' equity ÷ Total assets

\*3 D/E ratio (net) = Net interest-bearing debt ÷ Shareholders' equity

\*4 Consolidated common shares at the ratio of five shares to one share on October 1, 2018. Profit attributable to owners of parent per share and net assets per share are calculated based on the assumption that the share consolidation was conducted at the beginning of the fiscal year ended March 31, 2018.

\*5 The scope of calculation is the Group's 11 major manufacturing bases in Japan

\*6 The CO<sub>2</sub> emission factor for electric power uses the alternative values of "emission factors by electric utility operator" published by the Ministry of the Environment.

\*7 Including contracted staff and temporary staff, etc.

FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020
178,022	196,738	203,976	198,762	215,716	238,515	226,423	<b>193,399</b>
17,354	21,427	21,570	21,647	20,694	21,789	16,146	<b>8,896</b>
17,993	22,263	22,109	22,004	21,743	21,621	16,698	<b>11,026</b>
10,213	14,153	12,766	14,596	14,666	13,779	11,576	<b>8,706</b>
11,372	10,466	15,677	13,995	18,116	15,765	14,388	<b>8,290</b>
8,745	9,476	10,402	10,342	11,005	12,366	12,739	<b>12,682</b>
4,061	4,048	4,300	4,341	4,495	4,505	4,714	<b>4,288</b>
19,761	22,189	19,090	25,434	27,657	24,197	20,275	<b>27,890</b>
(17,166)	(14,306)	(13,593)	(13,420)	(17,389)	(32,088)	(14,241)	<b>(9,560)</b>
(3,196)	(2,647)	(5,476)	(4,084)	(13,191)	12,679	(10,385)	<b>(4,354)</b>
21,291	27,360	26,422	34,142	31,712	36,087	31,378	<b>46,084</b>
228,840	258,742	254,106	267,215	283,574	305,916	294,098	<b>307,332</b>
118,433	140,439	142,041	152,473	167,916	173,734	174,360	<b>185,791</b>
36,538	36,907	34,817	34,634	26,581	43,772	41,509	<b>41,168</b>
15,246	9,547	8,394	493	(5,131)	7,685	10,130	<b>(4,916)</b>
9.7	10.9	10.6	10.9	9.6	9.1	7.1	<b>4.6</b>
9.3	10.9	9.0	9.9	9.2	8.1	6.7	<b>4.8</b>
51.8	54.3	55.9	57.1	59.2	56.8	59.3	<b>60.5</b>
0.13	0.07	0.06	0.00	(0.03)	0.04	0.06	<b>(0.03)</b>
54.58	75.65	68.24	78.03	387.44	364.03	308.71	<b>235.23</b>
632.94	750.63	759.27	815.10	4,435.96	4,590.06	4,711.34	<b>5,019.35</b>
53.2	54.0	54.5	54.9	55.5	59.4	57.4	<b>56.7</b>
76,602	82,469	84,000	75,686	75,601	71,514	64,937	<b>58,581</b>
0.912	0.910	0.916	0.839	0.792	0.749	0.736	<b>0.782</b>
7,068	7,398	7,579	7,886	8,358	8,818	8,733	<b>8,535</b>

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## Data by Segment and Region (Consolidated)

Performance by Business Segment (Millions of yen)		FY2010	FY2011	FY2012
<b>Chain Operations</b>	Order acceptance	47,899	50,584	48,236
	Backlog	7,041	7,105	6,697
	Net sales* <sup>1</sup>	48,262	51,692	50,250
	Operating income	2,780	3,462	3,586
	Operating income ratio (%)	5.8	6.7	7.1
<b>Motion Control Operations</b> * <sup>3</sup>	Order acceptance	20,217	20,996	18,906
	Backlog	2,748	2,699	2,320
	Net sales* <sup>1</sup>	20,061	21,364	19,664
	Operating income	2,065	2,512	1,955
	Operating income ratio (%)	10.3	11.8	9.9
<b>Mobility Operations</b> * <sup>4</sup>	Order acceptance	42,742	43,353	49,555
	Backlog	754	597	755
	Net sales* <sup>1</sup>	43,303	43,509	49,397
	Operating income	5,382	4,846	6,494
	Operating income ratio (%)	12.4	11.1	13.1
<b>Materials Handling Operations</b>	Order acceptance	25,673	27,054	29,652
	Backlog	11,693	10,717	15,993
	Net sales* <sup>1</sup>	26,340	27,977	30,246
	Operating income	215	878	531
	Operating income ratio (%)	0.8	3.1	1.8
<b>Others</b> * <sup>2</sup>	Order acceptance	1,897	1,978	2,054
	Backlog	160	115	227
	Net sales* <sup>1</sup>	2,689	2,911	2,846
	Operating income	173	170	143
	Operating income ratio (%)	6.5	5.9	5.0
<b>Total</b>	Order acceptance	138,431	143,968	148,405
	Backlog	22,398	21,235	25,994
	Net sales* <sup>1</sup>	138,243	144,896	150,002
	Operating income	11,022	12,081	12,579
	Operating income ratio (%)	8.0	8.3	8.4

Performance by Geographic Segment (Millions of Yen)		FY2010	FY2011	FY2012
<b>Japan</b>	Net sales* <sup>1</sup>	108,607	112,940	110,183
	Operating income	8,650	9,165	8,570
<b>Americas</b>	Net sales* <sup>1</sup>	—	—	—
	Operating income	—	—	—
<b>Europe</b>	Net sales* <sup>1</sup>	10,966	12,335	14,566
	Operating income	(323)	242	429
<b>Asia/Oceania</b> * <sup>5</sup>	Net sales* <sup>1</sup>	12,972	13,910	17,027
	Operating income	1,685	1,419	1,417
<b>Indian Ocean Rim</b>	Net sales* <sup>1</sup>	—	—	—
	Operating income	—	—	—
<b>China</b>	Net sales* <sup>1</sup>	—	—	—
	Operating income	—	—	—
<b>South Korea and Taiwan</b>	Net sales* <sup>1</sup>	—	—	—
	Operating income	—	—	—

\*1 Sales figures include internal sales and transfers between segments.

\*2 Not included in reported segments, it includes building maintenance, insurance agency business, and other businesses.

\*3 Power Transmission Units and Components Operations has been renamed Motion Control Operations from the fiscal year ending March 31, 2022.

\*4 Automotive Parts Operations has been renamed Mobility Operations from the fiscal year ending March 31, 2022.

\*5 We have divided Asia/Oceania into the Indian Ocean Rim, China, and South Korea and Taiwan since the fiscal year ended March 31, 2014.

FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020
54,788	60,530	63,168	60,999	69,728	68,198	65,055	<b>61,529</b>
7,409	7,932	8,215	9,789	13,546	11,427	10,619	<b>12,966</b>
55,828	61,721	63,998	60,600	67,338	72,023	67,526	<b>61,312</b>
3,763	5,002	6,172	7,102	8,502	10,292	8,406	<b>7,862</b>
6.7	8.1	9.6	11.7	12.6	14.3	12.4	<b>12.8</b>
22,025	22,389	21,745	21,576	25,043	25,251	22,665	<b>19,290</b>
3,072	3,361	3,464	3,732	5,148	5,277	4,628	<b>4,594</b>
21,612	22,557	21,975	21,563	24,156	25,591	23,813	<b>19,697</b>
2,273	2,400	2,428	2,218	3,060	3,340	2,189	<b>816</b>
10.5	10.6	11.0	10.3	12.7	13.1	9.2	<b>4.1</b>
60,785	66,279	74,235	75,197	79,377	78,940	70,895	<b>57,787</b>
867	169	931	982	814	762	707	<b>717</b>
60,674	66,978	73,473	75,147	79,545	78,992	70,949	<b>57,777</b>
10,119	11,916	12,258	12,385	10,258	8,734	5,791	<b>3,714</b>
16.7	17.8	16.7	16.5	12.9	11.1	8.2	<b>6.4</b>
40,194	44,627	43,460	42,826	46,770	59,054	67,968	<b>48,256</b>
18,023	17,926	16,876	18,716	22,044	27,631	31,457	<b>26,446</b>
39,565	45,169	44,354	41,043	44,187	61,827	64,212	<b>53,618</b>
1,192	1,940	659	706	416	402	647	<b>(2,202)</b>
3.0	4.3	1.5	1.7	0.9	0.7	1	<b>—</b>
1,895	2,258	2,165	2,455	2,826	2,751	2,810	<b>3,012</b>
167	265	88	163	181	313	346	<b>121</b>
2,719	2,968	3,186	3,001	3,331	3,548	3,542	<b>3,941</b>
63	123	84	(1)	(41)	(43)	20	<b>(330)</b>
2.3	4.2	2.6	—	—	—	0.6	<b>—</b>
179,689	196,086	204,776	203,056	223,747	234,196	229,394	<b>189,875</b>
29,540	29,655	29,576	33,385	41,735	45,413	47,760	<b>44,846</b>
178,022	196,738	203,976	198,762	215,716	238,515	226,423	<b>193,399</b>
17,354	21,427	21,570	21,647	20,694	21,789	16,146	<b>8,896</b>
9.7	10.9	10.6	10.9	9.6	9.1	7.1	<b>4.6</b>
110,585	119,349	121,347	117,795	125,380	127,439	120,621	<b>104,416</b>
9,234	12,694	12,621	11,351	12,231	12,702	9,224	<b>4,577</b>
43,551	48,749	51,671	50,830	52,862	67,462	63,371	<b>53,473</b>
3,964	4,162	4,496	4,853	3,034	2,664	1,719	<b>(666)</b>
22,056	26,545	24,219	23,181	25,620	27,779	25,321	<b>20,267</b>
471	890	531	687	176	187	(77)	<b>897</b>
—	—	—	—	—	—	—	<b>—</b>
—	—	—	—	—	—	—	<b>—</b>
9,741	10,718	12,626	12,763	14,850	17,488	16,639	<b>12,752</b>
1,384	1,385	1,680	1,744	2,138	2,837	1,961	<b>1,215</b>
11,044	14,062	16,494	18,186	22,251	22,946	20,523	<b>19,682</b>
954	1,008	273	925	864	1,175	1,069	<b>1,280</b>
5,011	7,115	8,578	8,378	9,684	9,440	9,661	<b>8,054</b>
372	258	405	273	471	314	400	<b>(47)</b>

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## Principal Tsubaki Group Companies

(As of March 31, 2021)

### Japan

Tsubakimoto Custom Chain Co.  
 Tsubakimoto Sprocket Co.  
 Tsubaki Yamakyu Chain Co.  
 Tsubakimoto Iron Casting Co.  
 Tsubakimoto Machinery Co.  
 Tsubakimoto Bulk Systems Corp.  
 Tsubakimoto Mayfran Inc.  
 Tsubaki Support Center Co.

6 other companies

### Americas

U.S. Tsubaki Holdings, Inc.  
 U.S. Tsubaki Power Transmission, LLC  
 U.S. Tsubaki Automotive, LLC  
 U.S. Tsubaki Industrial, LLC  
 Tsubaki Kabelschlepp America, Inc.  
 Tsubaki Brasil Equipamentos Industriais Ltda.  
 Central Conveyor Company, LLC  
 Central Process Engineering, LLC  
 Electrical Insights, LLC  
 KCI, Incorporated  
 Tsubaki of Canada Limited  
 Mayfran International, Incorporated  
 Conergics International LLC  
 Press Room Techniques Co.  
 Tsubakimoto Automotive Mexico S.A. de C.V.

2 other companies

### Europe

Tsubakimoto Europe B.V.  
 Tsubakimoto UK Ltd.  
 Tsubaki Deutschland GmbH  
 Tsubaki Automotive Czech Republic s.r.o.  
 Tsubaki Ibérica Power Transmission S.L.  
 Tsubaki Kabelschlepp GmbH  
 Kabelschlepp GmbH-Hünsborn  
 Kabelschlepp Italia S.R.L.  
 Metool Products Limited  
 Kabelschlepp France S.A.R.L.  
 Kabelschlepp Systemtechnik spol. s.r.o.  
 OOO Tsubaki Kabelschlepp  
 Schmidberger GmbH  
 Mayfran U.K. Limited  
 Mayfran GmbH  
 Mayfran Limburg B.V.  
 Mayfran International B.V.  
 Mayfran France S.A.R.L.

1 other company

### Indian Ocean Rim

Tsubakimoto Singapore Pte. Ltd.  
 PT. Tsubaki Indonesia Manufacturing  
 PT. Tsubaki Indonesia Trading  
 Tsubaki Power Transmission (Malaysia) Sdn. Bhd.  
 Tsubakimoto (Thailand) Co., Ltd.  
 Tsubaki India Power Transmission Private Limited  
 Tsubakimoto Vietnam Co., Ltd.  
 Tsubakimoto Philippines Corporation  
 Tsubaki Australia Pty. Limited  
 Tsubakimoto Automotive (Thailand) Co., Ltd.  
 Tsubaki Motion Control (Thailand) Co., Ltd.  
 Kabelschlepp India Private Limited

2 other companies

### China

Tsubakimoto Chain (Shanghai) Co., Ltd.  
 Tsubaki Motion Control (Shanghai) Co., Ltd.  
 Tsubakimoto Automotive (Shanghai) Co., Ltd.  
 Tsubaki Everbest Gear (Tianjin) Co., Ltd.  
 Tsubakimoto Chain (Tianjin) Co., Ltd.  
 Tsubakimoto Bulk Systems (Shanghai) Corp.  
 Kabelschlepp China Co., Ltd.  
 Tianjin Tsubakimoto Conveyor Systems Co., Ltd.  
 Tsubakimoto Mayfran Conveyor (Shanghai) Co., Ltd.  
 Tsubaki CAPT Power Transmission (Shijiazhuang) Co., Ltd.

3 other companies

### South Korea and Taiwan

Taiwan Tsubakimoto Co.  
 Tsubakimoto Automotive Korea Co., Ltd.  
 Tsubakimoto Korea Co., Ltd.

1 other company

## Corporate Data and Stock Information

(As of March 31, 2021)

### Corporate Data

Company Name	Tsubakimoto Chain Co.	Number of Consolidated Subsidiaries	64
Date of Foundation	December 1917	Number of Unconsolidated Subsidiaries	8
Date of Incorporation	January 31, 1941	Number of Affiliates	9 (including 1 equity-method affiliate)
Paid-in Capital	¥17,076 million	Number of Employees* (consolidated)	8,535
Headquarters	3-3-3, Nakanoshima, Kita-ku, Osaka 530-0005, Japan	Manufacturing facilities	Kyotanabe, Saitama, Nagaokakyo, Hyogo, Okayama
Phone	+81 (6) 6441-0011 (Reception)	Branch Offices	Tokyo, Nagoya, Osaka
Fiscal Year-End	March 31	Sales Offices	Omiya, Toyota, North Osaka, Hiroshima, Kyushu

\* Including contracted staff and temporary staff, etc.

### Stock Information

Shareholder Register	Sumitomo Mitsui Trust Bank, Limited
Stock Listing	Tokyo
Common Stock	
Authorized:	59,800,000 shares
Issued:	38,281,393 shares
Number of Shareholders	10,313

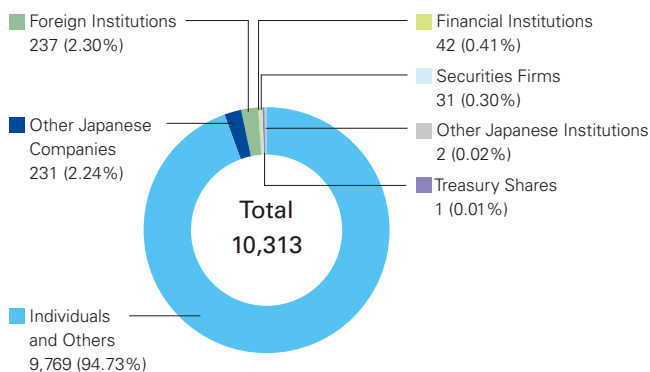
#### Major Shareholders (Top 10)

Name	Number of Shares Held (Thousands)	Percentage of Total Shares Issued (%)
Taiyo Life Insurance Company	3,559	9.61
The Master Trust Bank of Japan, Ltd. (Trust account)	2,985	8.06
Nippon Life Insurance Company	1,970	5.32
Kyoeikai Members Stock Ownership Association	1,495	4.04
Sumitomo Mitsui Banking Corporation	1,406	3.80
Custody Bank of Japan, Ltd.(Trust account)	1,191	3.21
Tsubakimoto Kogyo Co., Ltd.	1,158	3.13
Sumitomo Mitsui Trust Bank, Limited	849	2.29
MUFG Bank, Ltd.	712	1.92
Resona Bank, Limited	667	1.80

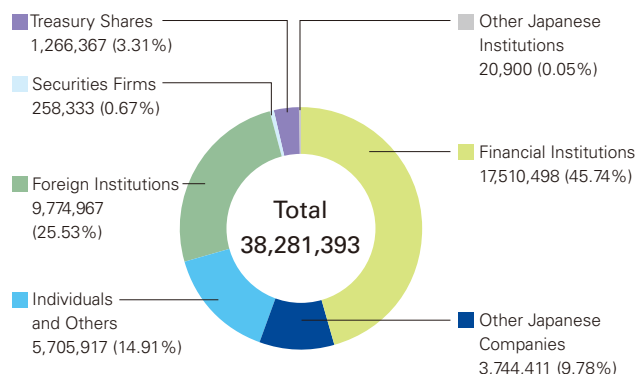
(Notes) 1. Numbers less than 1,000 have been rounded down.  
2. Although the Company holds treasury stock of 1,266,367 shares, it is not included in the above list of major shareholders.  
3. Percentage of total shares issued has been calculated excluding the treasury stock of 1,266,367 shares.

### Shareholder Composition

#### Number of Shareholders



#### Number of Shares Held



Contact for inquiries regarding  
TSUBAKI REPORT

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**TSUBAKIMOTO CHAIN CO.**

<https://tsubakimoto.com>



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