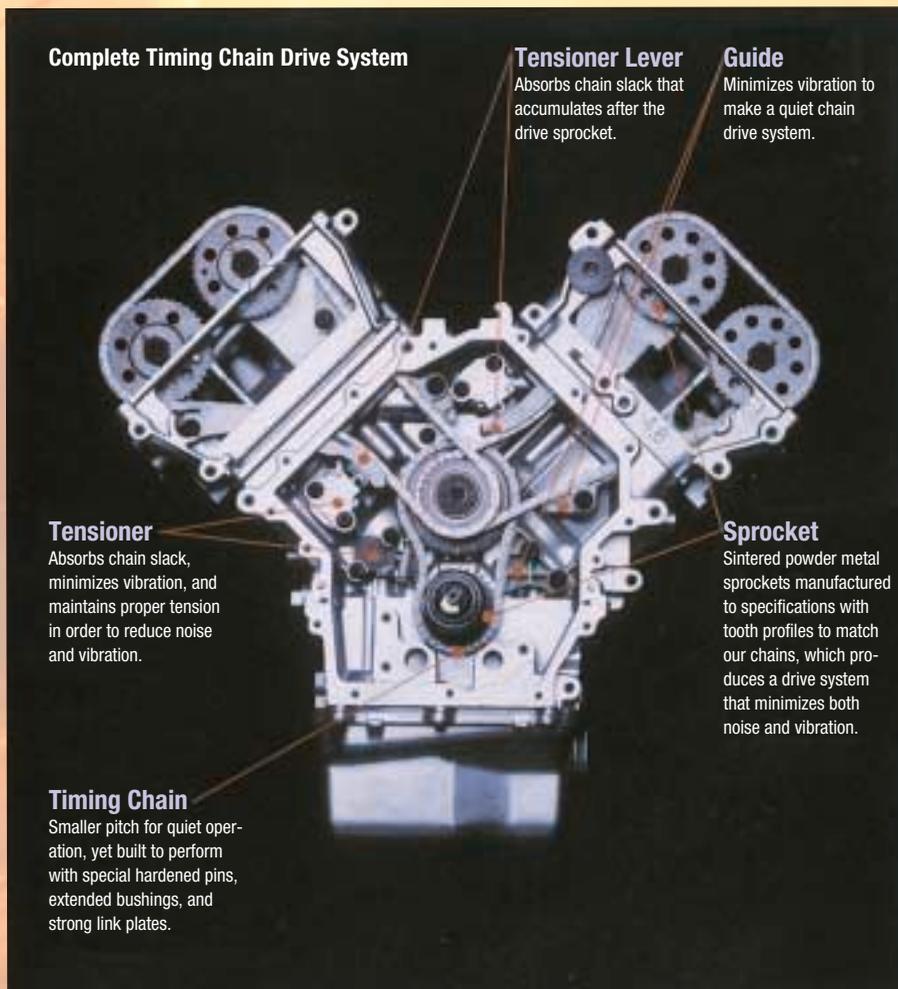
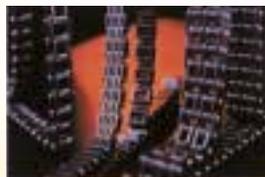


Tsubakimoto Chain's Strategy for Automotive Parts

Tsubakimoto Chain is the global leader in supplying automakers with automotive engine timing drive systems (camshaft drive systems). We are making progress with technological innovation in a wide range of related areas, and our operations in this field continue to hold significant potential for future growth. To take advantage of that potential, we are committed to bolstering our market position by pursuing an even more aggressive approach to developing our operations in the years ahead.



Market Trend

A Shift to the Use of Chains in Timing Systems

The market for automotive engine timing drives is composed principally of belt- and chain-based products, with belts currently used in the majority of engines. In recent years, however, the trend in automotive engines has been toward more reliable, lower fuel consumption models, and therefore interest in chains, which are more durable and compact, has increased.

Technological innovation has facilitated the development of new chains that are lighter, smaller, and quieter than conventional chains, and as a result automakers are increasingly choosing to use chains in new engines. Tsubakimoto Chain supplies both belt drive and chain drive systems to automakers around the world, but its market position in chain drive systems, which have higher added value and are a product line that showcases the Company's technical strengths, is being reinforced by the increased use of these products. The market share of chains is expected to surpass that of belts in the next five years, and accordingly we have decided to aggressively strengthen our chain drive operations.

Our Strengths

Meeting Customer Needs with Total Solutions

Product development capabilities backed up by advanced technological skills constitute Tsubakimoto Chain's key strengths in the market for automotive parts. Chain drive systems, for example, are made from timing chains, tensioners, tensioner levers, sprockets, and guides, and Tsubakimoto Chain develops and produces each of these parts in-house. In product development, we work together with automakers from the new engine development stage,



Timing chain testing



Product development meeting



U.S. Tsubaki's automotive products plant in Chicopee

and we have the capability to provide an integrated response from the basic design of a product to the delivery of a system. In addition, we offer roller chains and silent chains for use as timing chains, which are the core part of chain drive systems. Silent chains are used not only in timing drives; they are also widely used in power drives, which transfer engine power to the wheels. In the future, Tsubakimoto Chain will make full use of its original technology to aggressively establish a strong position in the market for silent chains for power drives.

Tsubakimoto Chain Automotive Parts

■ Timing Drive Products

● Chain drive systems

- Timing chain (roller chain/silent chain)
- Tensioner
- Tensioner lever
- Sprocket
- Guide

● Belt drive systems

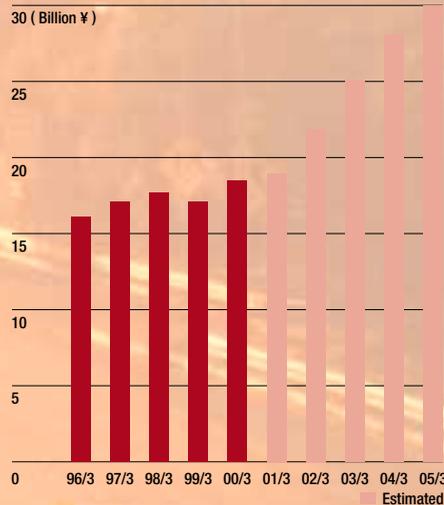
- Timing belt
- Autotensioner
- Pulley

■ Power Drive Products

- Silent chains for 4WD transfer
- Silent chains for FFD primary drives

accounting for 17% of Tsubakimoto Chain's net sales and 23% of sales in the power transmission operations. We are a leader in the important timing chain market, with a more than 90% share in Japan and a 10% share overseas. In the future, as automakers reappraise the strengths of chain drives, demand for our products will increase. In the North American market in particular, the use of timing roller chains, in which we boast special strengths, is still low, so significant growth can be expected in the years ahead. Sales of automotive parts by our U.S. subsidiary are expected to increase threefold over the next five years, to US\$100 million, and as a result our consolidated sales of automotive parts in the fiscal year ending March 31, 2005, are projected to reach about ¥30.0 billion.

Consolidated Sales of Automotive Parts



Strategic Response

**Adding More Value
and Boosting Production Capacity**

Demand for chain drive products is expanding around the world, and Tsubakimoto Chain is working to raise its production capacity in Japan and the United States. The Company's automotive products are manufactured at two plants: the Saitama Plant in Japan and the Chicopee Plant in the United States (Massachusetts). We are working to boost production capacity at each plant, with capacity for our mainstay timing chains slated to rise from the current 9,000 kilometers a year to 16,000 kilometers by 2005. In the future, as demand grows in Europe and Asia, we will bolster our production system globally. In addition, by strengthening our development of high-value-added products that meet the varied technical requirements of automakers, we will further solidify the already strong presence of the Tsubaki brand in the industry. For each of the past six years, we have been named a Supplier of the Year by General Motors, an indication of the high regard in which our customers hold our products. In the years ahead, we will continue to use our technical strengths and reliable quality to aggressively expand our automotive parts operations.

Future Potential

**Strong Growth Expected
in the Automotive Parts Market**

The customers for Tsubakimoto Chain's automotive parts include the world's leading automakers, such as Toyota, Nissan, Honda, General Motors, and Ford. Consolidated automotive parts sales were about ¥18.5 billion in the year under review,

Increasing Our Annual Production Capacity for Timing Chains

