

Power Transmission Products

Sales of power transmission products in the year ended March 31, 2000, rose 2.3%, to ¥80.7 billion (US\$761.5 million), accounting for 75.9% of consolidated net sales. Overseas sales decreased 4.5%, to ¥27.2 billion (US\$256.3 million), representing 33.7% of sales of power transmission products. The division's consolidated operating income was up 15.1%, to ¥6.2 billion (US\$58.1 million).

The Japanese economy was sluggish during the past year, with no recovery in consumer spending and continued weakness in private-sector capital investment. In this setting, Tsubakimoto Chain succeeded in increasing sales and profits by instituting projects

designed to strengthen relationships with existing customers and attract new customers.

Overseas, our subsidiaries in Asia recorded strong recoveries, with sales rising by large margins. Although the appreciation of the yen against the euro led to an unfavorable market environment in Europe, European subsidiary Tsubakimoto Europe B.V. was able to earn a profit despite a decline in sales. In the important North American market, we recorded higher sales of timing chains to automakers, but sales of chains to general industrial customers declined, and overall sales decreased from the previous year.



Sales Breakdown

	Millions of Yen			% Change 2000/1999
	2000	1999	1998	
Domestic Sales	¥53,557 (66.3)	¥50,429 (63.9)	¥60,250 (67.7)	+6.2
Overseas Sales	27,163 (33.7)	28,446 (36.1)	28,804 (32.3)	-4.5
Total Sales	¥80,720 (100.0)	¥78,875 (100.0)	¥89,054 (100.0)	+2.3
Operating Income	¥6,161	¥5,353	¥8,532	+15.1

During the fiscal year, Tsubakimoto Chain made further progress in reorganizing its domestic operations. In November 1999, we combined six consolidated subsidiaries and affiliates into Tsubakimoto Machinery Co. We also closed eight domestic sales offices and consolidated their operations into a branch office and a marketing office. As a result, we succeeded in raising the efficiency of our sales activities and strengthening our corporate constitution.

Chains

As one of the world's leading chain makers, Tsubakimoto Chain supplies a broad range of industries with advanced, high-performance chain products. The quality of our products and our technical development capabilities are highly regarded by customers.

Our sales of chains in Japan for

the full fiscal year were unchanged from the previous year. In contrast to the sluggish demand in the first half of the year, conditions in the second half turned toward recovery. In the second half of the year, orders increased 7% from the first half and sales rose 10%. This improvement was due primarily to higher sales of such products as small conveyor chains and plastic Cableveyors to the information technology, machine tool, and food processing industries. In particular, sales of plastic Cableveyors (sup-

Clip top chains



port and protection products for cables and hoses, made with engineering plastic) for use in ATMs and other information processing equipment were strong. Sales of these products in the year under review increased 20% from the previous year, and in the second half of the year under review they rose at an even faster pace, 32% year on year. Sales of small conveyor chains rose 10% from the previous year, supported by strong demand from the food processing, light electrical, and semiconductor industries. Sales of Auto Tool Changer (ATC) chains for machine tools recovered, up 39% year on year in the second half.

Sales of medium- and large-size conveyor chains declined. Demand was favorable in some applications, such as incinerators, where investment has been spurred by the dioxin issue, and automobile production lines. Nonetheless,



Plastic chains for conveying PET bottles

conditions remained sluggish in key industries, such as steel and cement, and market prices came under growing pressure from imports.

In North America, demand for chains for general industrial applications was weak. In South America, however, we secured large orders for conveyor chains from the steel and cement industries. In Asia, economic recovery led to growth in sales of smaller products.

Power Transmission Units and Components

In addition to chains, Tsubakimoto Chain provides a wide range of other highly regarded power transmission products, including reducers, such as gear motors and gear boxes; motion control units, such as Power Cylinders; couplings; and Cam Clutches.

There were several bright spots during the past year. Sales of motion control units, for example, increased 9% from the previous year, and sales of variable-speed drives were up 8%. In addition, we took steps to strengthen Tsubakimoto Sprocket Mfg., Ltd. In April 1999, a sales division was established at the company, which had previously operated as a Tsubakimoto Chain's production subsidiary. Tsubakimoto Sprocket subsequently began to market its products directly to customers as a specialized sprocket manufacturer, and as a result orders and sales in the second half of the year increased significantly.

In motion control units, we secured large orders for electro-mechanical actuators, such as Power Cylinders and Lini Power

Jacks, for use in event halls and other public facilities in Japan and elsewhere in Asia. These products were highly evaluated for their low environmental impact, which results from the use of electro-mechanical technology, and for their contribution to reducing energy consumption in facilities with low utilization rates. In addition, reflecting the growing investment in information technology, we recorded increased orders for products used in LCD and semiconductor manufacturing equipment as well as higher exports.

In variable-speed drives, sales of shaft-mounted Hypoid Motors rose 31% from the previous year. This increase was due primarily to their ease of installation and to the manner in which they facilitate layout selection. With monthly sales in excess of ¥50 million, shaft-mounted Hypoid Motors have become one of our key products. Sales of these products for use in distribution and food processing equipment were strong, and their use in stairway ascent/descent equipment and chip conveyors increased. In addition, the range of applications for these products is expanding to include such areas as waste processing equipment made by large electrical equipment manufacturers.

In the five years since we entered the market for health care products, our units for converting hand-operated adjustable beds to electric operation have become a key product, with cumulative sales surpassing 16,000 during the past year. In April 2000, we began sales of a low electric bed that is better suited for use in Japanese-style

Lini Power Jacks



rooms. We also launched a product that makes it easier for those with physical disabilities to take off and put on their shoes when entering or leaving the house and an adjustable-height sink designed for use by people in wheelchairs and small children. In Japan, a home care insurance system has been established, and in the years ahead we will work to further expand our

Electrically operated reclining bed for senior citizens



health care operations by making full use of our power transmission and materials handling technologies.

Automotive Parts

Tsubakimoto Chain is one of the leading manufacturers of timing drive systems for automotive engines, and the Company provides products to leading automakers in Japan and overseas. For timing chains, we have a market share of more than 90% in Japan and of 10% in the United States. In recent years, automakers have made increasing use of steel chains, an area in which we have particular strengths. As a result, we are recording strong sales of timing chains and other camshaft drive systems in Japan and the United States, and we expect these products to play a key role in our growth over the medium to long term. We provide a more detailed operational overview and outlook for our timing drive systems and timing chains