

In the fiscal year ended March 2004, the effects of the merger that created Tsubaki Emerson two years ago became apparent. All of our business units were profitable, and, overall, we recorded increases in sales and profits. In the future, we will work to achieve further growth by developing products that meet market needs in each of our product lines.

Market Trends and Operating Strategy

The year under review was the second for Tsubaki Emerson since the merger of Tsubakimoto Chain's power transmission units and components operations and Tsubakimoto Emerson Co. For such products as reducers, linear actuators, couplings, and cam clutches, we implemented a product strategy that accurately matched increasingly diverse and subdivided market needs. As a result, we achieved profitability in our reducer operations and recorded significantly higher sales of Power Locks for LCD production lines. Our performance considerably exceeded planned levels, with increases in both sales and profits.

The domestic operating environment is marked by the manufacturing industry's ongoing shift of production overseas and by growing demand for products that are more advanced and more compact. In this setting, we will continue to carefully select target markets for each product line and to provide products that meet the needs of those target markets.

By product line, in reducers, which are one of our core products, we will use the just-fit model to create a series of products that meet the needs of market subdivisions, such as stage equipment and waste processing equipment. In addition, we will provide a precise response to

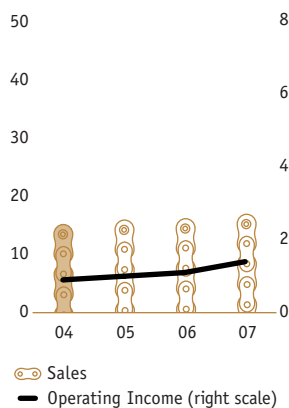


Power Transmission Units and Components Operations BOLSTERING PRODUCT STRENGTHS

Takehiro Ueda
Chairman and Representative
Director, Tsubaki Emerson Co.

Power Transmission Units
and Components Operations
Operating Plan

Billion ¥ (Consolidated)



market needs with the launch of a global series of products for use in industrial equipment that is exported. These products will meet international safety standards in such markets as Europe, North America, and China. Moreover, in linear actuators, environmental issues have resulted in a trend away from the hydraulic and air methods and toward electromechanical Power Cylinders. We will emphasize Power Cylinders as we work to develop products that meet needs for higher precision and greater environmental friendliness.



Reducers

High-End Products in the Global Market

The domestic market accounts for about 90% of sales, and to achieve further growth in the years ahead we must enhance our overseas presence. In the future, we will center our product strategy on high-end products and aggressively expand sales to such markets as China, South Korea, and Taiwan. Sales in Asia account for 30% of our production of clutches, and we will

focus on those products as the driver of our global expansion. Also, in China, in addition to subsidiary Tsubaki Emerson Gear (Tianjin), in the year ending March 2005 we plan to establish a local sales and production subsidiary that will provide us with a local supply system with which to meet the needs of manufacturers that have operations in China.



Lini Power Jack and
Power Cylinder