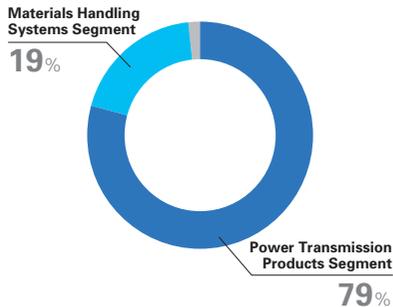


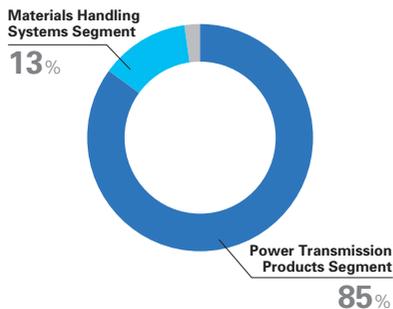
Business Segments

Percentage of Overall Results*1

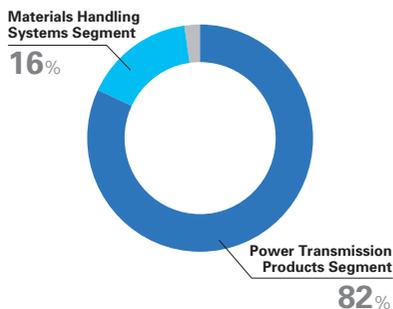
Net Sales



Operating Income



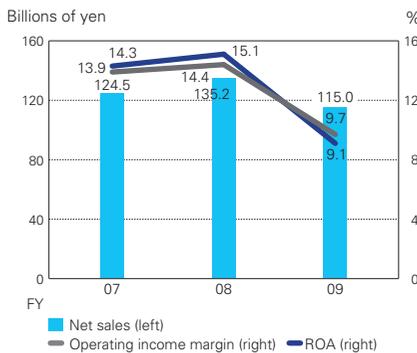
Total Assets



Three-Year Performance*2

Power Transmission Products Segment

Net Sales



Standing and Features

Chain Operations

An industry leader, accounting for 67% of the domestic market for industrial-use steel chains and 24% of the global market. Also, realizes advantages in plastic chains, cableveyors, and other products. Differentiated in global market by technological superiority based on quality and development of high-value-added products.

Automotive Parts Operations

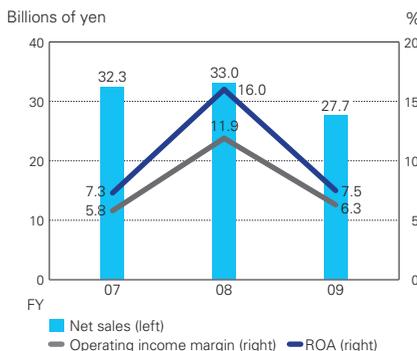
We hold an overwhelmingly dominant share of the domestic market and more than 37% of the global market for automotive engine timing chain drive systems. The Tsubaki Group, together with competing overseas manufacturers, account for most of the global market for those products. Also, we bring our strengths to bear in tensioners. Quality—durability and low-noise—system adaptability, and a five-point global production and supply system differentiate the Tsubaki Group.

Power Transmission Units and Components Operations

We strive to grow sales by leveraging our mainstay reducers to aggressively enter target markets, and by utilizing our competitive advantages in domestic niche markets for electro-mechanical cylinders, locking devices, and other products. We aim to be a globally leading company of cam clutches. Differentiated by ability to draw on diverse product lineups to provide one-stop Motion & Control solutions.

Materials Handling Systems Segment

Net Sales



Materials Handling Systems Operations

Boasts long track record in delivery of automotive body paint shop conveyor systems, conveyance systems for the newspaper industry, sorting systems, and bulk conveyance systems. While focusing management resources on mainstay lineups, markets new products for drug development and other emerging fields. Strength lies in ability to customize systems and realize technology solutions-based marketing.

1. Percentage of overall results has been calculated using denominator figures that have not been adjusted for internal transactions among divisions or for items related to headquarters.
 2. In the calculation of ROA, operating income for the numerator and average total assets (before adjustments) for the denominator have been used.

Main Lineups



Drive chains, Small pitch conveyor chains, Large pitch conveyor chains, Plastic chains, Cable and hose protection and guidance products



Timing chain drive systems (roller chains / silent chains, tensioners, levers, guides, sprockets), Power drive chains



Reducers / Variable speed drives, Linear actuators, Locking devices, Shaft couplings, Cam clutches, Overload protectors, Sprockets

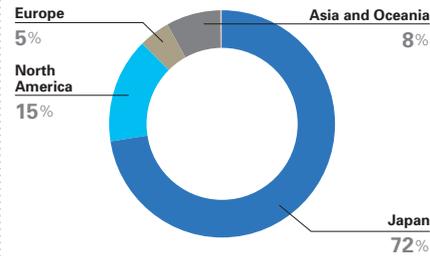


Sorting and conveyance systems, Storage and picking systems, Bulk conveyance systems, Scrap metal conveyance and coolant processing equipment

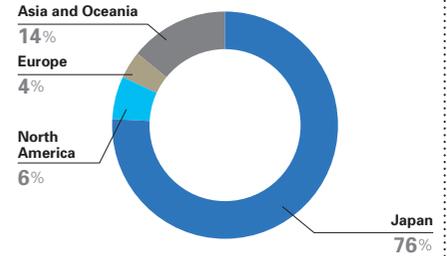
Breakdown by Region

Percentage of Overall Results*1

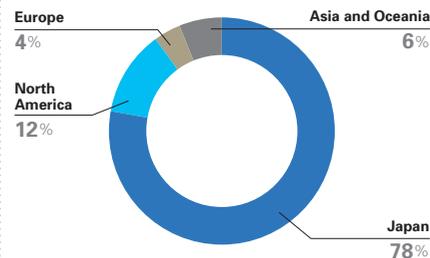
Net Sales



Operating Income



Total Assets



Japan

Principal Companies	TSUBAKIMOTO CHAIN CO. TSUBAKI EMERSON CO.
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North America

Principal Companies	U.S. TSUBAKI, INC.
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Europe

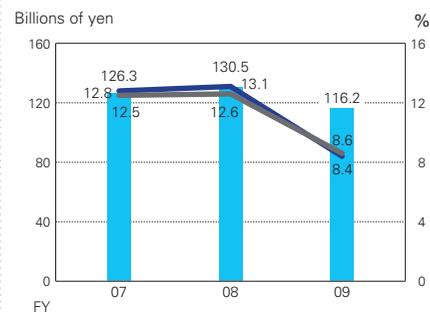
Principal Companies	TSUBAKIMOTO EUROPE B.V.
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Asia and Oceania

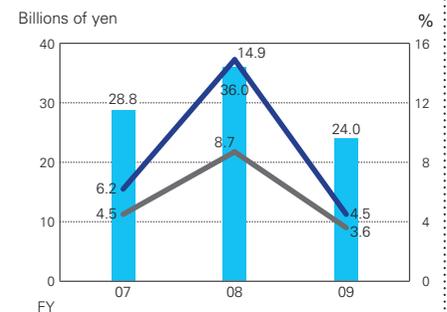
Principal Companies	TAIWAN TSUBAKIMOTO CO. TSUBAKIMOTO AUTOMOTIVE (SHANGHAI) CO., LTD. TSUBAKIMOTO AUTOMOTIVE (THAILAND) CO., LTD.
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Three-Year Performance*2

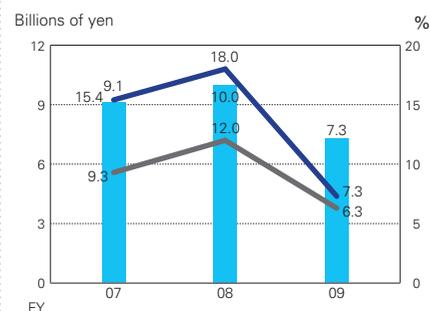
Japan



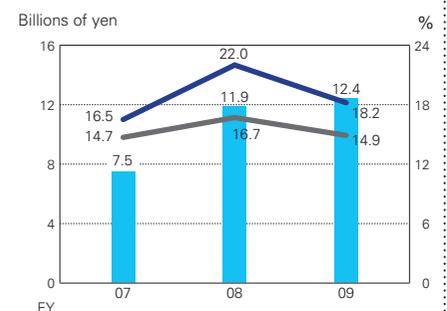
North America



Europe



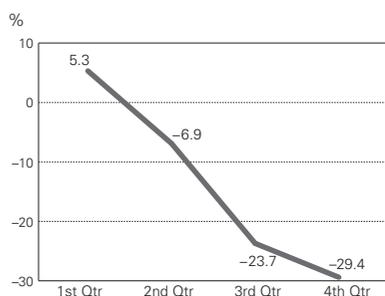
Asia and Oceania



■ Net sales (left) — Operating income margin (right) — ROA (right)

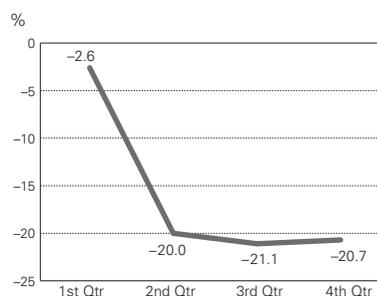
Machinery orders in Japan

Year-on-year change



Automotive sales in the world's five largest regions

Year-on-year change



Fiscal year data

	Original data		Year on year	
	2007	2008	2009	2009
Statistics Relating to Operating Environment				
1. Japan nominal GDP-related statistics (Billions of yen)				
GDP	¥510,899	¥515,823	¥496,607	1.0% (3.7%)
Private-sector corporate capital investment	80,465	82,671	75,145	2.7% (9.1%)
Exports	83,889	92,222	78,292	9.9% (15.1%)
2. Machinery orders in Japan (Billions of yen)				
	12,741	12,364	10,617	(3.0%) (14.1%)
3. Automotive sales in the world (Thousands of cars)				
United States	16,557	16,147	13,217	(2.5%) (18.1%)
Japan	5,740	5,354	5,082	(6.7%) (5.1%)
China	7,184	8,785	9,363	22.3% 6.6%
South Korea	3,812	4,066	3,838	6.7% (5.6%)
Europe	15,423	15,574	13,203	1.0% (15.2%)
Total of the world's five largest regions	48,716	49,926	44,705	2.5% (10.5%)
Tsubaki Group Data (Consolidated)				
1. Orders received (Millions of yen)				
Power Transmission Products segment	¥124,005	¥134,313	¥108,897	8.3% (18.9%)
Materials Handling Systems segment	29,766	35,963	25,829	20.8% (28.2%)
Total	153,772	170,276	134,727	10.7% (20.9%)
2. Net sales (Millions of yen)				
Power Transmission Products segment	124,550	135,225	115,001	8.6% (15.0%)
Chain operations	48,600	49,800	43,900	2.5% (11.8%)
Power Transmission Units and Components operations	26,900	27,900	26,200	3.7% (6.1%)
Automotive Parts operations	44,500	53,600	42,200	20.4% (21.3%)
Materials Handling Systems segment	32,318	33,097	27,764	2.4% (16.1%)
3. Operating income (Millions of yen)				
Power Transmission Products segment	17,367	19,429	11,171	11.9% (42.5%)
Materials Handling Systems segment	1,889	3,950	1,737	109.1% (56.0%)
4. Operating income margin				
Power Transmission Products segment	13.9%	14.4%	9.7%	—
Materials Handling Systems segment	5.8%	11.9%	6.3%	—

1. Sources: Cabinet office; Japan nominal GDP and machinery orders. Bloomberg; automotive sales

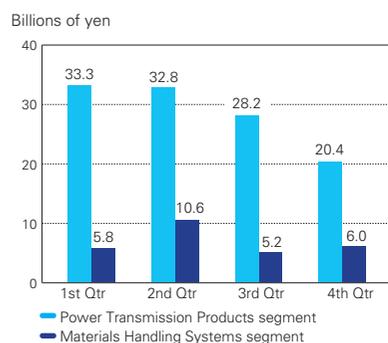
2. Machinery orders in Japan: Private-sector demand excluding electric power companies and orders for ships

3. Automotive annual sales only are based on the calendar year, all other data is based on the Japanese fiscal year, starting April.

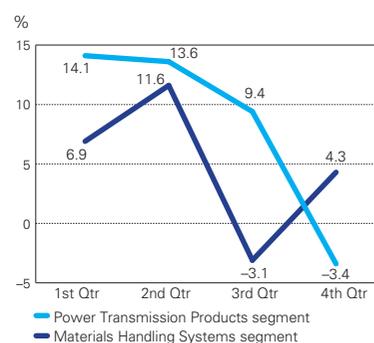
4. All statistics relating to the operating environment were correct as of May 8, 2009, and any subsequent changes are not reflected.

5. Net sales totals for Chain operations, Automotive Parts operations, and Power Transmission Units and Components operations within the Power Transmission Products segment are from managerial accounts and not from financial accounts.

**Trends in net sales by segment
(consolidated)**



**Trends in operating income margin
by segment (consolidated)**



Quarterly data for fiscal 2009

Original data				Year on year			
1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr
¥127,404	¥123,411	¥130,256	¥115,535	(0.9%)	(1.8%)	(3.6%)	(8.6%)
18,896	20,490	17,349	18,410	2.0%	(2.0%)	(10.4%)	(22.9%)
22,705	24,061	18,753	12,774	2.0%	4.1%	(21.5%)	(44.4%)
3,131	2,845	2,280	2,361	5.3%	(6.9%)	(23.7%)	(29.4%)
3,825	3,342	2,478	2,203	(12.2%)	(18.5%)	(34.8%)	(38.3%)
1,176	1,242	1,055	1,228	(1.9%)	(3.5%)	(13.9%)	(23.7%)
2,595	2,046	2,142	2,673	15.4%	(1.9%)	(8.2%)	3.6%
1,059	800	988	694	(1.3%)	(10.5%)	(13.1%)	(30.0%)
4,070	2,173	2,900	3,356	(2.7%)	(40.2%)	(19.9%)	(17.3%)
12,726	9,604	9,564	10,154	(2.6%)	(20.0%)	(21.1%)	(20.7%)
¥33,680	¥31,384	¥25,958	¥17,875	4.5%	(3.1%)	(28.0%)	(46.9%)
6,161	8,687	4,637	6,344	30.9%	(32.1%)	(31.4%)	(45.8%)
39,841	40,072	30,595	24,219	7.8%	(11.3%)	(28.5%)	(46.6%)
33,385	32,872	28,285	20,459	3.0%	(0.3%)	(19.7%)	(40.9%)
11,900	12,200	11,000	8,600	(3.2%)	0.0%	(13.6%)	(30.4%)
7,300	7,500	6,400	4,800	11.4%	8.2%	(10.9%)	(31.9%)
13,200	12,400	10,000	6,400	5.1%	(2.6%)	(29.5%)	(54.0%)
5,835	10,660	5,210	6,059	21.2%	3.7%	(0.6%)	(52.5%)
4,703	4,484	2,671	(687)	17.6%	(5.1%)	(49.5%)	—
400	1,239	(160)	258	4.4%	(14.6%)	—	(84.6%)
14.1%	13.6%	9.4%	(3.4%)	—	—	—	—
6.9%	11.6%	(3.1%)	4.3%	—	—	—	—

Chain Operations

Tadashi Ichikawa
Chain Division



Further differentiating our products for a greater number of customers

In addition to building a strong business structure that is resilient even in an economic recession, we strongly believe we can return to a growth track from the second half of the current fiscal year by carrying out the following measures: (1) Launching products that clearly demonstrate our technological edge; (2) Developing Asian and European markets, where our share is currently low compared to our domestic market; and (3) Focusing our marketing on industries with high growth potential, such as mining and photovoltaic power generation.

Performance Review

Taking a direct hit from the global economic recession

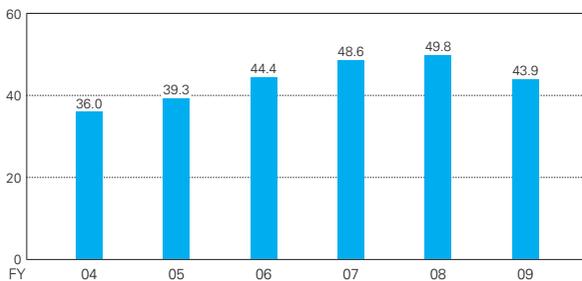
Up until fiscal 2008 we had achieved sustainable growth in Chain operations, with net sales having grown to 1.4 times and ordinary income 3.9 times the level of four years earlier. However, on entering the second half of fiscal 2009 a major change occurred in the rate of growth. While net sales in the first half of the fiscal year maintained their previous high level, in the third quarter they declined 14% year on year, and dramatically fell 30% in the fourth quarter. These declines were not a result of any change in our global market share of 24%—achieved through our products’ superior quality in areas such as wear and efficiency—but were the result of the impact of the global economic recession. Specifically, sales to the Japanese machine tool industry were down considerably. In addition, overseas sales fell approximately 20% in both our North American and European markets.

Further development of our products’ distinctive features

It is precisely because the Tsubaki Group’s lineup of chain products have such a high market share that their sales figures are seriously affected by contraction to the market as a whole. However, we can still see the steady results achieved through the growth strategy we have pursued for many years, namely differentiating our products through superior levels of quality and technologies. Amid the overall fall in sales in the second half of fiscal 2009, sales of our special material plastic chains—used in the battery (lithium and photovoltaic) and the food industries—were comparatively strong. Sales of the RS Roller Chain G7 were also solid. We began sales of this technologically innovative, next-generation roller chain in 2007, and it provides double the wear life and 33% better drive performance of conventional products.

Long-term sales trends

Billions of yen



A comparison of connecting link fatigue strengths (based on the results of tests conducted by the Tsubaki Group)

Taking the fatigue strength of the Tsubaki Group roller chain as 100,



competitor products values ranged from 23–45.



Fiscal 2010 Basic Strategies

A far-reaching review of our cost structure

While we anticipate that the fall in sales will bottom out in the first quarter of fiscal 2010 and begin to recover from the second quarter, we also expect the recovery to be extremely gradual. As a result, our fiscal 2010 full-year net sales forecast is ¥37.3 billion, a decrease of 15% year on year and the same level of sales as fiscal 2004–2005. Consequently, we are aiming to reduce fixed costs, particularly personnel costs, to a level below that in fiscal 2005. In addition, we are targeting substantial cost reductions by negotiating with domestic and international manufacturers to lower our procurement costs for steel, which is our principal raw material, and by strengthening our value analysis (VA) and value engineering (VE) activities for raw materials and parts processing. By positively striving in ways such as these to reduce both fixed and variable costs, we are constructing a business structure able to secure profitability even if the current slump in demand becomes long term.

Speeding up the strengthening of our products' capabilities

1. Enhancing our lineup of distinctive products

We are enhancing our lineup of the RS Roller Chain G7, which as previously mentioned is one of our most technologically superior products, by providing additional sizes. We expanded the range of the G7 lineup by releasing the G7-EX Series in June this year.

2. Focusing on increasing sales of products for the photovoltaic power generation industry, which has high growth potential

Our lineup of chains, including our precision chains and plastic chains, are used on the production lines of photovoltaic panels and in transportation processes for completed products. (Please refer to the Special Feature on pages 10 to 11 for further details.) Many governments in the world's industrialized nations have been aggressively implementing "Green New Deal" policies, which are designed to both protect the environment and stimulate

economies. Against this backdrop, the photovoltaic power generation industry is expected to grow considerably in the near future. At the Tsubaki Group, we aim to increase the scale of our product sales to this industry approximately five times by fiscal 2011, from the current ¥100 million to ¥500 million. Of course, we are not expecting to achieve this increase solely by customer-driven market growth; we will leverage our strength in developing technologies and proactively provide customers with solutions, having established full-time projects specifically for this purpose.

3. Furthering global development and increasing customers in different industry sectors

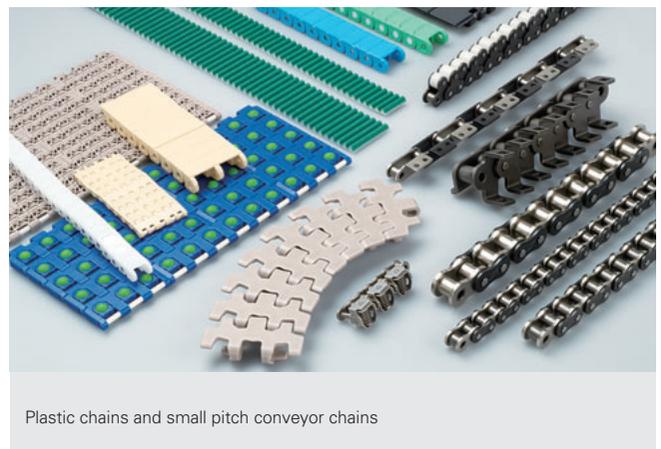
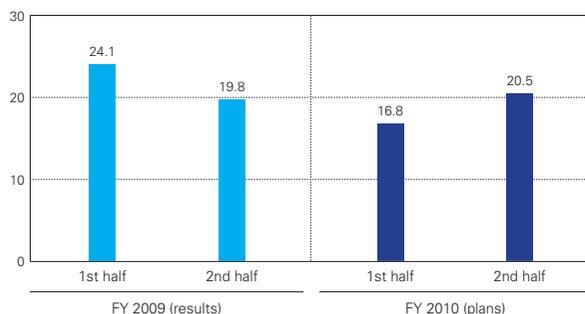
The Tsubaki Group possesses a formidable competitive strength in providing plastic chains to the food and other industries that are relatively unaffected by economic recessions. With a particular focus on the Asia and Oceania regions, we are leveraging this strength to globally expand the sales of our plastic chains. We are also enhancing our lineup of plastic chain products by targeting alliances with overseas manufacturers. Further, to increase our share of the European market we are making progress with preparations to establish new sales and marketing bases in Europe's manufacturing superpower, Germany.

In addition, we are working to further increase sales of products for the basic materials and mining industries, such as aluminum and steel. These products began contributing to performance in fiscal 2008. Employees at our Australian subsidiary are very familiar with customers in these industries and play a central role in strengthening global marketing activities.

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Fiscal half-year net sales trends and plans

Billions of yen



Automotive Parts Operations

Toru Fujiwara
Automotive Parts Division



Far-reaching preparations to return to a growth track

Our keywords in this operating segment are “Survival & Growth,” and we are executing a strategy of both “defense and attack.” In addition to creating a strong business structure able to secure a sufficient level of profits even if the automotive industry only achieves a moderate recovery, we are working to further increase the Tsubaki Group’s technological competitive edge to better expand our global market share.

Performance Review

The impact of the significant decline in global automotive production

In the four years up to fiscal 2008, this operating segment was the driving force behind the Tsubaki Group’s high rate of growth with net sales increasing 1.7 times and ordinary income 2.3 times. However, following the global economic recession from the second half of fiscal 2009, third quarter sales in this fiscal year fell 30% year on year and fourth quarter sales slumped 54%. As a result, we were forced to record an ordinary income loss in the fourth quarter.

No change to the upward trend in our global market share

While it has been impossible for us to avoid a fall in earnings due to the global reduction in automotive production, there has not been any change to the upward trend in our global market share that has continued for the past several years. During fiscal 2009, we maintained our global share of the timing chain drive system market at the high level of 37%. Our most impressive result in

this fiscal year was our growth in share in Asia. We were able to increase our share of the Chinese market, the fall in automotive sales in this region being relatively small compared to those in other regions. Our share in this market has rapidly recovered, from 26% in fiscal 2008 to 30% in fiscal 2009. In addition, we captured our first order for a timing chain drive system from a Korean automotive manufacturer, and will commence full-fledged delivery in 2010.

Fiscal 2010 Basic Strategies

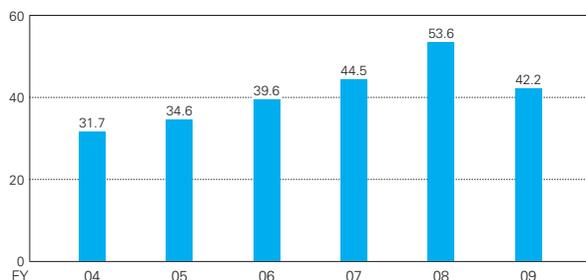
Far-reaching review of our cost structure

While we had previously seen signs that the fall in automotive sales in China, Japan, and the United States have bottomed out, it was felt that a full-fledged recovery in production would begin from July 2009 onwards due to the effects of the inventory adjustment. Further, even if the worst is over, a sense of uncertainty remains about how the recovery will progress.

In this type of business environment, we will continue to carry out far-reaching cost-cutting measures in this operating

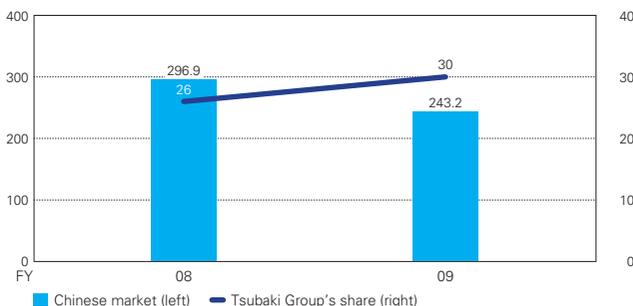
Long-term sales trends

Billions of yen



A dramatic leap in share in the fastest growing market, China

Billions of yen



segment. We have targeted a reduction in personnel costs of more than ¥2.0 billion compared to fiscal 2009. But even if production should decrease, we intend to increase productivity (per hour production capacity) by 16% compared to fiscal 2009, and are also pursuing stringent management at each production line, based on indices.

Accelerating our strategy of differentiation through quality and technology

The distinctive quality and technologies used in our timing chain drive systems are helping to increase their market share. In the immediate future in this operating segment, while we will continue to implement cost-cutting measures and limit investment intended to increase production, we will maintain levels of investment to strengthen quality and technology, aiming to return to a growth track from 2010.

Further, we completed the construction of our Auto Engineering Lab in April 2009, with it beginning operations in June. This facility is a “powerful new weapon” in our technological-development armament, and will focus on two key development areas. The first is environmentally friendly products with high-performance specifications. At present, each industrialized nation is enacting new environmental legislation and proactively supporting the development of environmentally friendly eco-cars, and the shift toward highly efficient vehicles with downsized engines is growing faster and faster. Aiming to take advantage of these trends, we are achieving even greater wear lives for our products in this operating segment by making them increasingly small, lightweight, and efficient, thereby further increasing their competitive superiority. The second is the development of products for extremely low-priced vehicles, and we are moving ahead with the development of timing chain drive systems that realize cost reductions without sacrificing the highest levels of quality. The Auto Engineering Lab will not merely be a center for technological development. By installing testing

equipment to evaluate actual machinery and vehicles, we are optimistic that this facility will become a showroom to raise awareness among automotive manufacturers of the superiority of Tsubaki Group products.

(Please refer to the Special Feature on pages 10 to 11 for further details of the Auto Engineering Lab.)

Accelerating global development

We are expanding our optimized regional production in this segment, including the regional production in Korea previously mentioned that is scheduled to start in fiscal 2011. We are accelerating our global development activities in our production as well as marketing. We intend to take advantage of the major opportunities created in this segment by the slump in performance of rival companies due to the economic crisis, and will further strengthen our attack strategy toward leading overseas automakers.

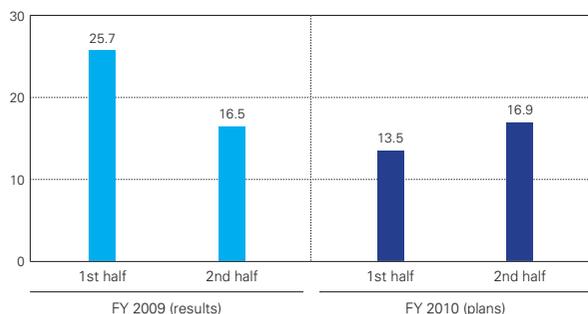
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Timing chain drive system

Fiscal half-year net sales trends and plans

Billions of yen



Increasing environmental legislation in Japan, the United States, and Europe

Regions	Fiscal-year targets	Details
Japan	2016	Improve passenger car fuel cost to 16.8 km per 1 ℓ
Europe	2013–2016	Reduce CO ₂ emissions to 130g per 1km (practically equivalent to Japanese regulations)
The United States (federal level)	2017	Improve passenger car and compact truck fuel costs to 16.6 km per 1 ℓ and 12.7km per 1 ℓ , respectively

Power Transmission Units and Components Operations

Tadashi Ichikawa
President,
TSUBAKI EMERSON CO.



Aiming to create further high-value-added and continue to develop globally

We are aiming to strengthen our competitiveness in this segment by focusing our efforts on our highly distinctive worm gear reducer and jack product lineups, while at the same time creating high-added-value through developing modules. In addition, we will positively utilize our steadily growing overseas subsidiaries and alliance partners to accelerate our global development.

Performance Review

While performance declined significantly in the second half of the fiscal year, we still achieved strategic results.

This segment had expanded steadily in the four years up to fiscal 2008, with net sales growing 1.4 times and ordinary income 2.4 times. However, this trend changed in the second half of fiscal 2009, and we recorded a decline in both sales and income. The main reason was the slump in the machine tools, automotive, and liquid crystal display and information technology (LCD IT) industries. However, we still achieved a certain level of results through the strategy that we have been steadily advancing over many years. One such result was the robust performance of our two Chinese subsidiaries. Our subsidiary in Shanghai commenced processing and production and achieved levels of profitability comparable to our bases in Japan. In addition, our subsidiary in Tianjin recorded strong sales of reducers for major U.S. and European escalator manufacturers. A second positive result was the strengthening of production capabilities in Japan and the development of new customers, such as a major automotive

manufacturer that officially adopted the Tsubaki Group's automotive-use cam clutches.

Fiscal 2010 Basic Strategies

A far-reaching review of our cost structure

We are pressing ahead with the creation of a cost structure that accurately reflects our current level of sales. First, we intend to reduce fixed costs, such as personnel costs, by ¥500 million and then plan to cut our raw material costs by slightly under ¥300 million.

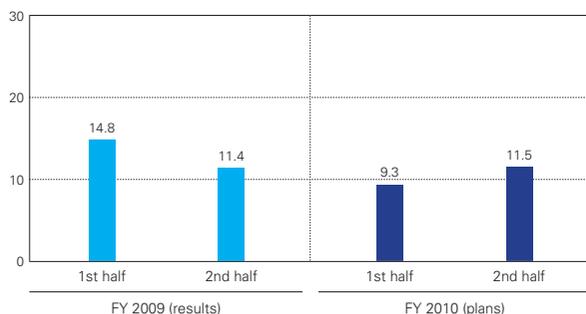
Creating further high-value-added and accelerating our global development

The strengths of TSUBAKI EMERSON CO., our core company in this segment, are in the areas of machinery and electricity (control) technology. For example, the "Servo Press," which combines a servo motor and ball screw, is benefiting from increased demand from the LCD IT industry for use in clean rooms that are shifting from hydraulic systems to electric drivers, and from the photovoltaic power generation industry. With the goal of further developing product modules in this manner, TSUBAKI EMERSON has realized a business alliance with a highly regarded Taiwanese manufacturer of high-precision planetary gearboxes. In addition, aiming to use the strong yen to our advantage, we are developing globally sales of our Tianjin subsidiary's worm gear reducers.

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Fiscal half-year net sales trends and plans

Billions of yen



Materials Handling Systems Operations

Yohei Kataoka
Materials Handling
Systems Division



Uncovering maintenance-related demand and strengthening product capabilities

In this operating segment, we have been aggressively focusing on the maintenance-related business, which is relatively unaffected by changing economic conditions. In addition, we have accelerated our development of and reforms to custom-made value-added products, such as for the environment- and pharmaceuticals-related industries.

Performance Review

Rapid decrease in profitability due to major curbs in capital investment by customers

In the four years up to fiscal 2008, this operating segment achieved moderate sales growth, and ordinary income increased 3.7 times during this period. The backdrop to this increase was a focus on profitable orders. In addition, we poured our energies into solutions-based marketing founded on our technological capabilities and developed new products or reformed existing products to meet customer needs. However, the impact of the global economic recession in fiscal 2009 caused our major customers to substantially cut back on their capital investment, particularly those in the automotive industry. Consequently, net sales fell 16% year on year and ordinary income was down a substantial 60%. However, within the overall decline in performance sales remained solid in bulk conveyance equipment—one of the leading products of our subsidiary TSUBAKIMOTO BULK SYSTEMS CORP. (TBS)—particularly to the overseas cement industry and the ferrous and non-ferrous metals industries.

Fiscal 2010 Basic Strategies

Far-reaching review of our cost structure

We forecast that the severe operating conditions will continue in this operating segment. In addition to reducing fixed costs, we intend to increase the ratio of in-Group manufacturing in all areas, from design through to manufacturing and installation work at local sites. We are pressing ahead with measures to cut costs, such as by reducing the time required for installations and trial runs through promoting the shift at Group workplaces to producing integrated units.

Emphasizing maintenance- and replacement-related demand

We are aggressively searching out maintenance-related business, as this area is relatively unaffected by changes to economic conditions. Specifically, we are working to stabilize the operations of equipment that our Group has delivered to customers in the past and to strengthen our solutions-based marketing in order to increase the lifespan of equipment. We believe there is a considerable level of untapped demand in this business area, as it directly contributes to customers' ability to maintain and improve their productivity at minimal cost.

Focusing on "attacking" growth industries

Environment-related industries, such as photovoltaic power generation and biomass, are forecast to grow significantly as they are benefiting from the Japanese government's promotion of its Green New Deal policy. In addition, demand from the distribution, pharmaceuticals, and overseas cement industries has remained relatively firm despite the current economic recession, and we will focus our marketing "attack" on industries such as these.

Fiscal half-year net sales trends and plans

Billions of yen

