



**Takashi Fukunaga**  
President and Representative Director

### OVERVIEW

As a result of the steady progress that we have made over the past several years in the implementation of our aggressive restructuring measures, we were able to record an improved performance in the fiscal year ended March 31, 2001.

Although our net income decreased from the previous fiscal year due to extraordinary losses, such as a loss related to a change in the accounting standards for retirement benefits, net sales rose 7.5%, and operating income was up 157.4%.

There were signs of recovery in the first half of the fiscal year under review, but in the second half capital investment was reduced in IT and other leading-edge industries, raising doubts about the

# Aiming to Be a Global Leader

In the year under review, Tsubakimoto Chain made steady progress toward further strengthening its corporate constitution and raising its profitability. Our flagship power transmission products operations were the driving force behind our improved performance, and in materials handling systems operations, which have faced intense competition in recent years, we moved closer to restoring profitability. We are now in the final stages of our comprehensive restructuring plan, and we are implementing aggressive operational development activities in preparation for continued growth in the years ahead.

health of the domestic economy. In this environment, Tsubakimoto Chain worked to reinforce its competitive advantage in power transmission products by strengthening its product competitiveness in terms of both quality and price. As a result, we recorded favorable sales of a number of products, including Cableveyors, small conveyor chains, and Power Cylinders to the semiconductor and LCD manufacturing sectors as well as to related machine tools sectors; plastic chains to the food processing industry; and hypoid motors to the conveyance equipment industry. In automotive parts, sales of timing chain drive systems expanded. In materials handling systems, we worked to improve profitability by making products with strong market competitiveness the focus of intensive marketing efforts targeted at selected customers. As a result, in an environment characterized by intense

price competition, favorable results were recorded by products in fields where Tsubakimoto Chain boasts special strengths, such as roll paper feeding systems for the newspaper industry and linear motor actuated tilt sorting equipment. By region, sales in North America declined due to the economic slowdown, while our performance in Asia and Oceania improved. Although the depreciation of the euro had an adverse influence on our European operations, we were nonetheless able to maintain our performance at the same level as in the previous year.

#### MANAGEMENT STRATEGY

Over the past several years, Tsubakimoto Chain has implemented structural reforms designed to lay the foundation for future growth by strengthening the Company's corporate constitution. These reforms have centered on such areas as the reduction of our workforce, the consolidation of our sales bases, and the reorganization of our production facilities. We are moving ahead as planned in each of these areas and expect to have these reforms essentially completed by March 2002. In April 2001, we implemented reforms to reduce the number of layers in our organization, to speed up the management process, and to clarify the allocation of responsibility. We now have five operating divisions under the direct control of top management—chains, automotive parts, power transmission units and components, materials handling systems, and environmental operations. In the future, each division, as an independent unit, will bear responsibility for increasing its market competitiveness and profitability. The newly established Environmental operations Division resulted from the consolidation of our environment and

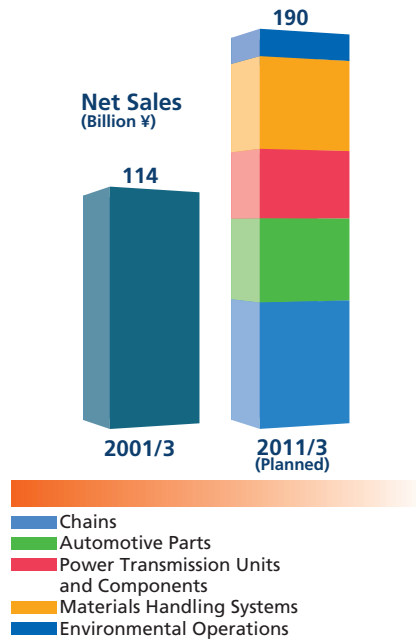
health-care related operations. We have high expectations for this division and intend to focus resources on developing it into one of our major sources of profits.

Strengthening Tsubakimoto Chain's presence in domestic and overseas markets will be the major theme of the Power Transmission Products operational strategy. To that end, we will bolster its development of products that have a competitive advantage in a range of areas, such as functionality, durability, environmental friendliness, and cost performance. In Materials Handling Systems operations, we will work to steadily achieve results from the operational restructuring that has been implemented and strive to build a profit structure that is less susceptible to fluctuations in the operating environment. Accordingly, we will increase our operational efficiency by continuing to thoroughly reduce costs while intensively marketing products that showcase our strengths. Overseas, we will strengthen the operational foundation of our subsidiary in North America, where we anticipate continued growth in roller chains and automotive parts, and at the same time we will strive to achieve steady expansion of our operations in Europe, Southeast Asia, and China.

#### LOOKING AHEAD WITH CONFIDENCE

The construction of a new plant has been a major part of our plans to reinforce our position as the global leader in the chain industry. The plant was completed in June 2001, and, following the step-by-step transfer of production equipment, we plan to begin full-scale operations in April 2002. The construction of a new plant required a large investment for Tsubakimoto Chain, but we expect to be able to offset the associ-

#### Long-Term Management Plan ST-10



ated depreciation and interest expenses with the savings that we have achieved through the implementation of comprehensive management rationalization measures, such as workforce reductions. In addition, production efficiency will be significantly higher at the new plant, so over the long term it will serve to strengthen our profit foundation. The products made at the new plant will be highly competitive in global markets in both quality and price.

Although there is cause for concern about the future course of business conditions, Tsubakimoto Chain plans to continue steadily improving its performance in the years ahead. I would like to ask our shareholders for their continued support in that endeavor.

July 2001

**Takashi Fukunaga**

*President and Representative Director*