



CONSOLIDATED BALANCE SHEETS

Tsubakimoto Chain Co. and Consolidated Subsidiaries
March 31, 1997 and 1996

Assets	Millions of Yen		Thousands of U.S. Dollars
	1997	1996	1997
Current assets (Note 8):			
Cash and cash equivalents:			
Cash and time deposits	¥ 14,282	¥ 17,891	\$ 115,177
Marketable securities	7,717	3,788	62,234
Trade notes and accounts receivable:			
Unconsolidated subsidiaries and affiliates	3,487	3,272	28,121
Other	27,178	28,839	219,177
Inventories	27,161	23,016	219,040
Other receivables:			
Unconsolidated subsidiaries and affiliates	62	88	500
Other current assets	1,421	1,479	11,460
Allowance for doubtful receivables	(379)	(378)	(3,056)
Total current assets	<u>80,929</u>	<u>77,995</u>	<u>652,653</u>
Property, plant and equipment (Note 8):			
Land	6,128	6,029	49,419
Buildings and structures	30,579	29,213	246,605
Machinery and equipment	61,537	58,100	496,266
Construction in progress	1,279	856	10,315
Accumulated depreciation	(61,192)	(57,294)	(493,484)
Net property, plant and equipment	<u>38,331</u>	<u>36,904</u>	<u>309,121</u>
Investments and long-term loans receivable:			
Investment securities:			
Unconsolidated subsidiaries and affiliates	539	539	4,347
Other	9,318	9,229	75,145
Long-term loans receivable:			
Unconsolidated subsidiaries and affiliates	10	34	81
Other	10,067	10,081	81,185
Other noncurrent items	6,376	6,349	51,419
Allowance for doubtful receivables	(302)	(249)	(2,435)
Total investments and long-term loans receivable	<u>26,008</u>	<u>25,983</u>	<u>209,742</u>
Currency translation adjustments	—	981	—
Total assets	<u>¥145,268</u>	<u>¥141,863</u>	<u>\$1,171,516</u>

The accompanying notes are an integral part of these financial statements.

Liabilities and Shareholders' Equity	Millions of Yen		Thousands of U.S. Dollars
	1997	1996	1997
Current liabilities:			
Short-term bank loans and current portion of long-term debt	¥ 23,307	¥ 25,563	\$ 187,960
Trade notes and accounts payable:			
Unconsolidated subsidiaries and affiliates	937	859	7,556
Other	19,333	23,443	155,911
Income taxes payable	1,761	721	14,202
Accrued expenses	4,292	3,757	34,613
Other	8,719	7,969	70,315
Total current liabilities	<u>58,349</u>	<u>62,312</u>	<u>470,557</u>
Noncurrent liabilities:			
Bonds	6,962	6,695	56,145
Convertible bonds	—	185	—
Long-term loans, less current maturities	8,991	4,378	72,508
Retirement benefits	5,894	5,591	47,532
Total noncurrent liabilities	<u>21,847</u>	<u>16,849</u>	<u>176,185</u>
Currency translation adjustments	191	—	1,540
Minority interests	1,365	1,310	11,008
Shareholders' equity:			
Common stock	17,075	17,068	137,702
Capital surplus	12,651	12,644	102,024
Legal reserve	3,080	2,964	24,839
Unappropriated retained earnings	30,711	28,718	247,669
	<u>63,517</u>	<u>61,394</u>	<u>512,234</u>
Treasury stock	(1)	(2)	(8)
Total shareholders' equity	<u>63,516</u>	<u>61,392</u>	<u>512,226</u>
Total liabilities and shareholders' equity	<u>¥145,268</u>	<u>¥141,863</u>	<u>\$1,171,516</u>

CONSOLIDATED STATEMENTS OF INCOME

Tsubakimoto Chain Co. and Consolidated Subsidiaries
Years ended March 31, 1997, 1996 and 1995

	Millions of Yen			Thousands of U.S. Dollars
	1997	1996	1995	1997
Net sales	¥127,231	¥110,424	¥101,670	\$1,026,056
Cost of sales	94,367	81,670	77,664	761,024
Gross profit	32,864	28,754	24,006	265,032
Selling, general and administrative expenses	26,490	24,425	23,772	213,629
Operating income	6,374	4,329	234	51,403
Other income (expenses):				
Interest and dividend income	659	779	1,075	5,315
Interest expense	(1,458)	(1,555)	(1,786)	(11,758)
Foreign exchange gains (losses)	124	1	(102)	1,000
Other, net	(32)	30	138	(258)
Ordinary income (loss)	5,667	3,584	(441)	45,702
Extraordinary profit (loss):				
Profit (loss) on disposal of fixed assets, and other, net	264	65	(35)	2,129
Currency translation adjustments	-	-	655	-
Income before income taxes and minority interests	5,931	3,649	179	47,831
Income taxes	2,535	1,724	759	20,444
Minority interests	(116)	(131)	(54)	(935)
Amortization of consolidation difference	-	2	(0)	-
Net income (loss)	¥ 3,280	¥ 1,796	¥ (634)	\$ 26,452

The accompanying notes are an integral part of these financial statements.

CONSOLIDATED STATEMENTS OF RETAINED EARNINGS

Tsubakimoto Chain Co. and Consolidated Subsidiaries
Years ended March 31, 1997, 1996 and 1995

	Millions of Yen			Thousands of U.S. Dollars
	1997	1996	1995	1997
Unappropriated retained earnings at the beginning of the year	¥28,718	¥28,219	¥29,961	\$231,597
Increase in retained earnings, resulting from				
consolidation of additional subsidiaries	-	-	424	-
Transfer from legal reserve upon liquidating a consolidated subsidiary	-	-	22	-
Appropriations:				
Transfer to legal reserve	(117)	(123)	(128)	(944)
Cash dividends	(1,154)	(1,154)	(1,154)	(9,306)
Bonuses to directors and statutory auditors	(16)	(20)	(10)	(129)
Net income (loss) for the year	3,280	1,796	(634)	26,452
Currency translation adjustments	-	-	(262)	-
Unappropriated retained earnings at the end of the year	¥30,711	¥28,718	¥28,219	\$247,669

The accompanying notes are an integral part of these financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Tsubakimoto Chain Co. and Consolidated Subsidiaries
Years ended March 31, 1997, 1996 and 1995

	Millions of Yen			Thousands of U.S. Dollars
	1997	1996	1995	1997
Cash flows from operating activities:				
Net income (loss)	¥ 3,280	¥ 1,796	¥ (634)	\$ 26,452
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation and amortization	4,783	4,837	5,165	38,573
Provision for retirement benefits	303	154	14	2,444
Minority interests in income	116	131	54	935
(Increase) decrease in trade notes and accounts receivable	1,443	(8,909)	346	11,637
(Increase) decrease in inventories	(4,145)	(3,488)	601	(33,427)
(Increase) decrease in other receivables	57	147	(78)	460
Increase (decrease) in trade notes and accounts payable	(4,033)	6,179	728	(32,524)
Increase (decrease) in accrued expenses	535	43	(436)	4,315
Increase in income taxes payable	1,040	176	213	8,387
Increase (decrease) in other current liabilities	751	4,274	(84)	6,056
Other	(102)	116	210	(823)
Net cash provided by operating activities	<u>4,028</u>	<u>5,456</u>	<u>6,099</u>	<u>32,485</u>
Cash flows from investing activities:				
Acquisition of property, plant and equipment	(5,680)	(4,759)	(4,290)	(45,806)
Proceeds from sale of property, plant and equipment	407	789	627	3,282
(Increase) decrease in investment securities and loans receivable to unconsolidated subsidiaries and affiliates	(261)	45	619	(2,105)
(Increase) in other investment securities and loans receivable	(349)	(70)	(230)	(2,815)
Other	1,220	(250)	(701)	9,838
Net cash used in investing activities	<u>(4,663)</u>	<u>(4,245)</u>	<u>(3,975)</u>	<u>(37,606)</u>
Cash flows from financing activities:				
Increase (decrease) in short-term bank loans	(454)	2,373	1,531	(3,661)
(Decrease) in commercial papers	—	—	(1,000)	—
Proceeds from long-term debt	6,338	1,252	1,410	51,113
Reduction of long-term debt	(3,698)	(1,155)	(1,950)	(29,823)
Cash dividends	(1,154)	(1,154)	(1,154)	(9,306)
Bonuses to directors and statutory auditors	(16)	(20)	(10)	(129)
Other	(61)	(50)	(23)	(493)
Net cash provided by (used in) financing activities	<u>955</u>	<u>1,246</u>	<u>(1,196)</u>	<u>7,701</u>
Net increase in cash and cash equivalents	320	2,457	928	2,580
Cash and cash equivalents at the beginning of the year	21,679	19,222	18,294	174,831
Cash and cash equivalents at the end of the year	<u>¥21,999</u>	<u>¥21,679</u>	<u>¥19,222</u>	<u>\$177,411</u>
Supplemental disclosures of cash flow information:				
Cash paid during the year for:				
Interest	¥ 1,464	¥ 1,489	¥ 1,769	\$ 11,806
Income taxes	1,504	1,548	509	12,129

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