



Annual Report
1998

TSLIBAKI

Profile

Since its establishment in 1917, Tsubakimoto Chain Co. has marketed industrial-use chains, motion control units, and other power transmission products in Japan and overseas. Today, the Company continues to reinforce its position as a global leader in these fields. Tsubakimoto Chain also develops factory automation, distribution, and other materials handling systems that are making a contribution to workplace rationalization in many industries.

In its mainstay chain business, the Company uses its original development capabilities and technical strengths to develop a wide range of products that offer superior quality, performance, and functionality, and these products are helping the Company to expand its markets. In recent years, in addition to roller chains and conveyor chains, Tsubakimoto Chain's automotive-related products, such as engine timing drive systems, have been highly evaluated by customers and are registering strong growth, especially in North America.

Tsubakimoto Chain products are sold in more than 70 countries through the Company's global network. The Tsubakimoto Chain Group includes sales companies and affiliates in 10 countries and 9 plants overseas. In the years ahead, Tsubakimoto Chain will continue working to solidify its position as an industry leader by strengthening its development of high-value-added products, further advancing the globalization of its operations, and maintaining its emphasis on placing the customer first in all areas of operations.

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FINANCIAL HIGHLIGHTS

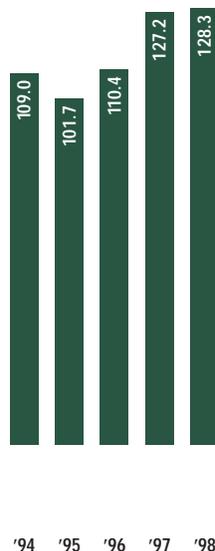
Tsubakimoto Chain Co. and Consolidated Subsidiaries
Years ended March 31, 1998 and 1997

	Millions of Yen		Thousands of U.S. Dollars
	1998	1997	1998
Net sales	¥128,298	¥127,231	\$ 971,955
Operating income	6,435	6,374	48,750
Net income	2,709	3,280	20,523
Per share* (yen and dollars):			
Net income	¥14.08	¥17.04	\$0.107
Cash dividends	6.00	6.00	0.045
Total assets	¥147,668	¥145,268	\$1,118,697
Shareholders' equity	64,989	63,516	492,340

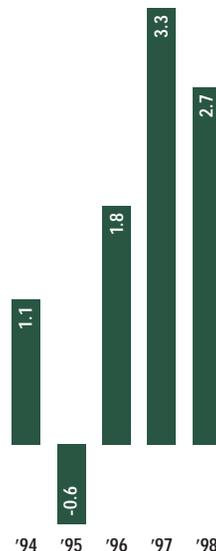
Note: The U.S. dollar amounts in this annual report have been calculated from yen amounts, for convenience only, at the exchange rate of ¥132 to \$1, the approximate exchange rate at March 31, 1998.

* The effective par value per share is ¥50.

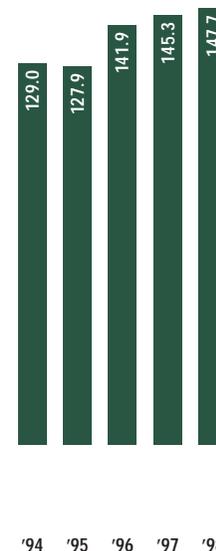
NET SALES
(Billion ¥)



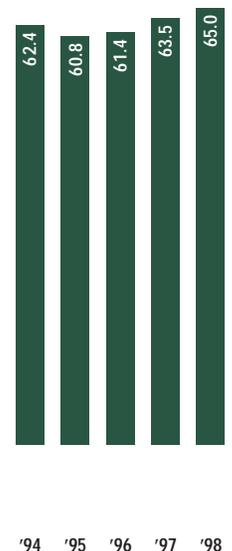
NET INCOME
(Billion ¥)



TOTAL ASSETS
(Billion ¥)



SHAREHOLDERS' EQUITY
(Billion ¥)



Meeting the challenge of change. To ensure steady growth in the years ahead, Tsubakimoto Chain is implementing changes designed to strengthen its competitiveness in a wide range of business fields. These efforts include developing high-value-added products, implementing production and marketing systems from a global viewpoint, placing the customer first in all areas of our operations, and improving profitability by increasing productivity. We have incorporated these broad objectives into detailed medium- and long-term management goals, and we are making steady progress each year toward meeting those goals. In our power transmission products business, which is centered on chains, we are one of the leading companies in international markets; however, our goal is to be the No. 1 manufacturer of power transmission products in the world, and accordingly we are working to further strengthen our operational and management capabilities.



Michio Noguchi, Chairman (left) and Takashi Fukunaga, President

- Under the slogan of “meeting the challenge of change,” Tsubakimoto Chain is taking steps to raise competitiveness to reinforce its ability to meet the expectations of its shareholders, customers, and employees.
- Guided by clear-cut management objectives, Tsubakimoto Chain is aggressively tackling the strategic challenges it faces and is laying the foundation for continued growth in the years ahead.
- Tsubakimoto Chain is determined to be the No. 1 company in the world in the field of chains and other power transmission products. To that end, the Company is striving to add even more value to its products and to build a production system with improved cost performance.

Three Consecutive Years of Higher Sales

In the fiscal year ended March 31, 1998, Tsubakimoto Chain achieved its third consecutive increase in sales, a performance that was attributable to the Company's strenuous efforts in a difficult operating environment marked by a continued slump in the Japanese economy. The highlights of the year under review are outlined below.

- Our mainstay power transmission products operations recorded a steady performance, and consolidated net sales rose 0.8%, to ¥128.3 billion (US\$972.0 million).
- Operating income increased 1.0%, to ¥6.4 billion (US\$48.8 million), as a result of efforts to improve our gross profit margin through rationalization and other measures.
- Net income was down 17.4%, to ¥2.7 billion (US\$20.5 million).
- Dividends per share were maintained at ¥6.0 (US\$0.045), for a payout ratio of 42.6%.

Our mainstay power transmission products business recorded steady sales, up 1.9%, to ¥89.1 billion (US\$674.6 million). In Japan, sales to key industries, such as machine tools and automobiles, were firm. Overseas sales also increased, especially in the key North American market. Orders, however, were adversely affected by the difficult operating environment, especially in the second half of the fiscal year, as worsening business conditions forced major customers to postpone capital investment and reduce production.

In our materials handling systems business, sales declined 1.6%, to ¥38.7 billion (US\$293.0 million), in a difficult operating environment. Although many customers postponed or canceled their capital investment plans, capital spending remained favorable in the electrical and electronic equipment and automobile industries, and a number of large orders that were received in the previous fiscal year were recorded as sales during the year under review. In the first half of the year under review, orders from the electrical and electronic equipment, automobile, and distribution

industries were strong both domestically and overseas. In the second half, however, orders were down considerably as companies postponed or canceled projects due to the adverse influences of weak capital investment sentiment in Japan and the Southeast Asian currency crisis.

Tsubakimoto Chain's businesses are significantly affected by external factors over which the Company has no control, such as private-sector capital investment. This fact underlines the significance of our steady performance gains in the difficult economic conditions that we have faced in recent years. In the current year, however, Japan's economic slump is continuing and the economies of Southeast Asia and South Korea show no signs of recovery. These conditions will adversely influence our orders and sales, and maintaining our performance is the largest challenge that we face. To overcome that challenge, we will work to develop high-value-added products, to bolster our marketing capabilities by reorganizing our sales force, and to reduce costs by rationalizing production and raising efficiency in staff departments. We are confident that such wide-ranging measures as these will enable us to strengthen our management foundation.

Ensuring Continued Growth by Meeting Three Strategic Challenges

Tsubakimoto Chain is working to meet the challenges for ensuring continued growth. Our operating environment is characterized by business conditions that fluctuate even as the underlying trend remains weak. We view these conditions as a turning point that, if handled appropriately, will offer excellent opportunities for laying the foundation for future growth. We have identified three strategic challenges that we must face to become a more competitive company with higher productivity.

- Globalizing our power transmission products business
- Establishing a profitable structure for our materials handling systems business
- Aggressively entering new markets and new business areas

In power transmission products, we aim to further solidify our No. 1 position in the global market for chains, our principal product, by 2000, securing a 20% market share. To succeed in international markets, we must provide the best value in products that meet customer needs, which vary from region to region. To that end, Tsubakimoto Chain will improve its competitiveness in international markets by building a global network that makes full use of exports, overseas production, and international procurement in accordance with changing business conditions.

In materials handling systems, where we have faced difficult conditions in recent years, our efforts to respond more flexibly to changes in order levels are gradually yielding results. We are making the most of key products by thoroughly segmenting our markets. And by rationalizing our development and production processes to reduce costs, we are improving our structure to be profitable.

Accepting the challenge of entering new markets and new areas of business is an important step in bolstering our growth prospects. We are already strengthening our development and marketing of new products targeted at growth fields and applying our original technologies to new markets. Over the past few years, we have begun to make strong progress in water treatment and in health care. We aim to raise the percentage of net sales accounted for by products introduced within the past five years to 30% by 2005.

Becoming No. 1 in Power Transmission Products

During the year under review, Tsubakimoto Chain decided to relocate its Osaka Plant, the Company's main factory and principal production base for its mainstay chains, to a new facility in the nearby city of Kyotanabe. This move was based on our judgment that the limitations of our existing factory would hinder efforts to dramatically increase productivity and capacity and to secure a solid position at the top of the chain industry. Acquiring the land and building the factory required an investment of about ¥60 billion (US\$ 455 million), and the new facility is slated to begin operations in the early 2000s. We will make full use of this plant, not only as a production base but also as a technical center with advanced product and technical development capabilities and as a head factory

that is a source of basic technology for Tsubakimoto Chain Group production bases around the world. Making this project a success is a high-priority task for the entire Company.

As is clear from trends in the Japanese economy, our operating environment is likely to become even more difficult in the years ahead. Nonetheless, Tsubakimoto Chain has the fundamental strength to surmount any difficulties, no matter how challenging the environment. And we have clear-cut objectives, such as the rationalization of staff departments, to ensure that we can record steady profits even in low-growth environments. Also, we are taking steps to convert from the traditional Japanese-style personnel system, which emphasizes seniority, to a merit-based system that will place a much greater emphasis on individual ability.

Tsubakimoto Chain will continue to anticipate future trends, formulate accurate policies, and strive for steady growth and development. In these endeavors, we would like to ask our shareholders for their continued support in the years ahead.

June 1998



Michio Noguchi

Chairman and Representative Director



Takashi Fukunaga

President and Representative Director

Meeting the Challenge of Change

“**M**eeting the Challenge of Change”
is the slogan that underlies

Tsubakimoto Chain’s efforts to further strengthen the Company’s market position and achieve stable growth. Each and every change in our operating environment gives rise to a new business opportunity and becomes the driving force behind our next growth phase. As we did in the past, we will continue working to strengthen our corporate constitution and operational foundation by aggressively seeking out the opportunities associated with change. In this special feature section, we outline three of the challenges we face today.

Product Innovation
Globalization
Customer Focus

To achieve its goal of having products introduced within the past five years contribute 30% of net sales, Tsubakimoto Chain is taking an aggressive approach to product development. The launch of products with new characteristics and functions serves both to activate our markets and to expand the scope of our operations.

In our mainstay chain business, innovative product development has enabled us to steadily expand the range of applications for our products. Tsubakimoto Chain continually improves its original production, quality control, and quality evaluation technologies, and those efforts play a key role in its ability to develop high-value-added products.

Lube-free chain



Over the past several years, Tsubakimoto Chain has introduced a large number of innovative new products. Our lube-free chains, for example, use specially sintered, oil-impregnated bushings. Our corrosion-resistant chains are manufactured using special surface processing technology. And our sophisticated engineered plastic chains take advantage of advanced materials. These are just a few examples of

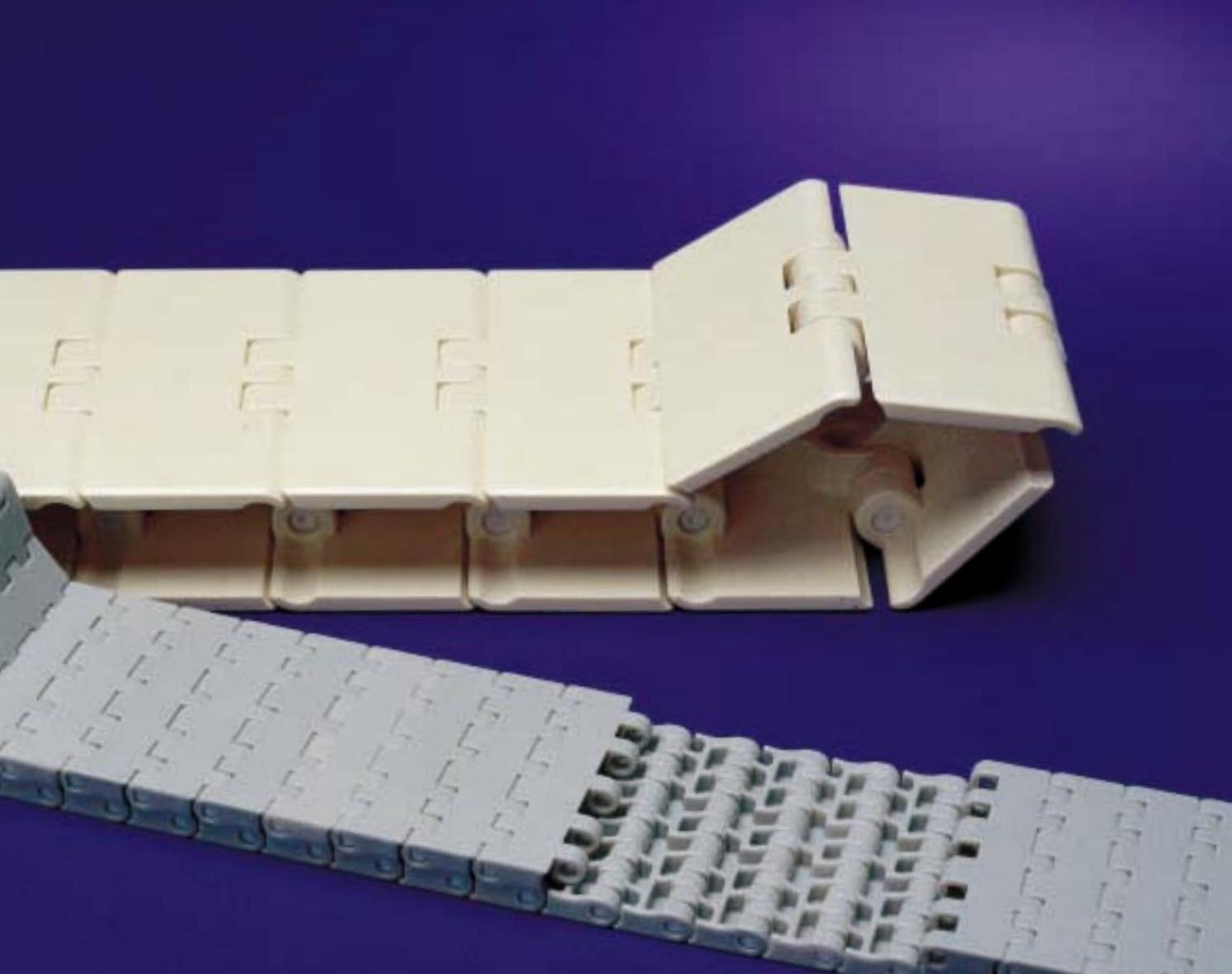
Product Innovation

how we are significantly expanding the possible uses of chain products through the application of new technologies and materials.

During the year under review, we began sales of an engineered plastic chain that features antibacterial and antimold characteristics. The hygiene and cleaning standards applied to conveyors and related equipment are becoming increasingly stringent, especially in the food processing industry. In response, we have used our original technology to incorporate long-lasting antibacterial agents into this chain, which has been highly evaluated by customers for its functionality and superior quality.



Corrosion-resistant chains



novation

In our materials handling systems business, we have introduced a number of new products in recent years that have accurately anticipated emerging market needs. During the year under review, we launched Lini Sort V, an automatic sorter that meets growing demand for small lot sorting capabilities. Our New Power Column automatic vertical shelves enable customers to significantly reduce the time required for stocking and retrieval, and our New Storage Conveyor features low-noise operation on automobile painting lines.

Tsubakimoto Chain will continue to accept the challenge of maintaining its position as a leader by developing innovative new products that accurately meet emerging market needs.



Lini Sort V

Our new engineered plastic chains, which were launched during the year under review, feature antibacterial and antimold properties and have been well received by customers, especially in the food processing industry.

As a global leader in power transmission products and materials handling systems, Tsubakimoto Chain has a corporate mission to provide best value products that meet the needs of customers around the world.

For Tsubakimoto Chain, globalization means innovating to establish a system that can efficiently and accurately meet a range of product needs that vary with region and customer, including quality, price, and performance. There are many untapped markets for Tsubakimoto Chain, and the Company is working to build an organization that can aggressively capitalize on the opportunities these markets present.

U.S. Tsubaki, Inc.'s Holyoke Plant



To offer its customers the best value, Tsubakimoto Chain is strengthening the market competitiveness of its products by taking an integrated approach to exports, local production, and international procurement among Tsubakimoto Chain Group companies. To that end, Tsubakimoto Chain Group companies around the world are developing close ties to the regions they serve while building information networks to maintain close contact with other Group companies. In this way, we

G l o b a l i z a t i o n

are making progress toward an improved response to changing conditions in global markets.

Currently, the scale of our operations in North America, our largest overseas market, is increasing each year, principally due to the growing production of roller chains and automotive engine timing chains. We are steadily building a stronger presence in this key market, with especially notable success as a top manufacturer of timing chains. In June 1997, we established a joint venture company in Hangzhou, China, for the production and marketing of roller chains. This company has begun to supply general-purpose



U.S. Tsubaki's headquarters plant in Chicago





Production

products, principally to the local market as well as other Asian nations, where price competition is intense.

Tsubakimoto Chain Group companies will continue to accept the challenge of implementing a wide range of projects to open new markets while making ongoing contributions to the success of the Group as a whole. In these and other ways, Tsubakimoto Chain will continue to develop products that satisfy customers in markets around the world.



*Hangzhou
Tsubaki Dunpai
Chain Co., Ltd.,
in China*

Production levels at U.S. Tsubaki's Chicopee Plant, a specialized facility for the manufacture of timing drive systems for automobiles, are growing each year.

"Customer First" has been one of our corporate philosophies since our first day in business. Based on the conviction that customer satisfaction in the provision of products and services is essential for business growth, we have made the Customer First philosophy a key part of all of our strategic decision making.

In putting the Company's customer orientation into practice, the first challenge for Tsubakimoto Chain as a manufacturer is the establishment of a quality control system that meets global standards. Our success in that endeavor is reflected in our

chain products, which are used in markets around the world. Nearly all of our chain production facilities in Japan and overseas have earned the ISO 9000 series certification.

We continue to strengthen our quality control capabilities, especially for timing chains, which are used to drive the cam shafts in automobile engines. We manufacture these chains at two plants, one each in Japan and the United States, and both of these plants have received the QS 9000 quality control certification that is required by the Big Three U.S.



C u s t o m e r

automakers. With a high evaluation from customers for quality, our timing chains are recording strong sales growth and solidifying a position as the top brand in worldwide markets.

Tsubakimoto Chain applies its Customer First philosophy in marketing as well as in production. We are taking aggressive steps to strengthen our relationships with customers and to increase customer satisfaction.

Recently, by expanding the information network used in customer-contact sales areas, such as branches and sales offices, we have increased the speed at which sales-related tasks are handled and enabled more accurate responses to



The year under review was the fourth in a row and the fifth overall in which U.S. Tsubaki was named Supplier of the Year by General Motors.

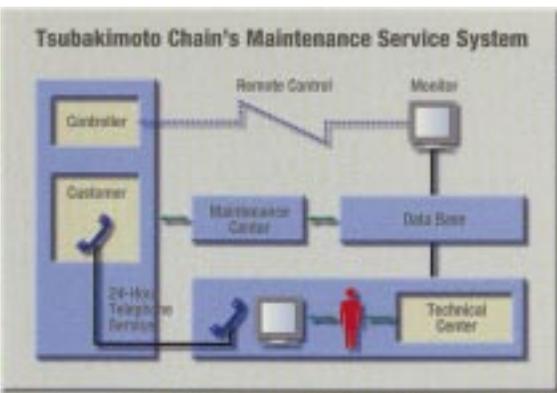


Customer First

Tsubakimoto Chain is committed to customer-first principles in product development and marketing and continually strives to strengthen relationships with customers.

changing customer needs. And in the after-sales service of materials handling systems, we are reorganizing our maintenance operations and building a database of related information to enhance our maintenance capabilities.

From production to marketing, the thorough implementation of our Customer First philosophy is laying a solid foundation for future growth.





Michio Noguchi

Chairman

Takashi Fukunaga

President

Kazuo Yoshida

Executive Managing Director
(Materials Handling Operations
and Tokyo Office)

Kunio Hirayama

Executive Managing Director
(Power Transmission Operations)

Kyosuke Otoshi

Managing Director
(Power Transmission Sales & Marketing
Operations and Osaka Office)

Toru Miyamoto

Managing Director
(Operational Affairs)

Tadashi Arimitsu

Managing Director
(New Factory Development Project)

Kimio Takakura

Managing Director
(North American Operations)

Hideaki Kamitani

Director
(Power Transmission Units & Components
Division and Kyoto Plant)

Itsuro Fujii

Director
(Materials Handling Equipment Division,
Hyogo Plant, and Research & Development)

Tadashi Uchida

Director
(Nagoya Office)

Hideo Miyazaki

Director
(Automotive Parts Division)

Eiji Fujita

Director
(General Affairs)

Kohji Iwai

Director
(Finance)

Nobuhide Noguchi

Director
(Strategic Business)

Eishi Haga

Director
(Physical Distribution Systems Division and
Saitama Plant)

Kenji Ohara

Director
(Chain Division)

Norikazu Ohno

Director
(Business Administration)

Kohei Hashimoto

Director
(Factory Automation Systems Division)

Tadachi Yokoyama

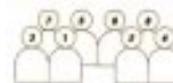
Corporate Auditor

Tomoo Ito

Corporate Auditor

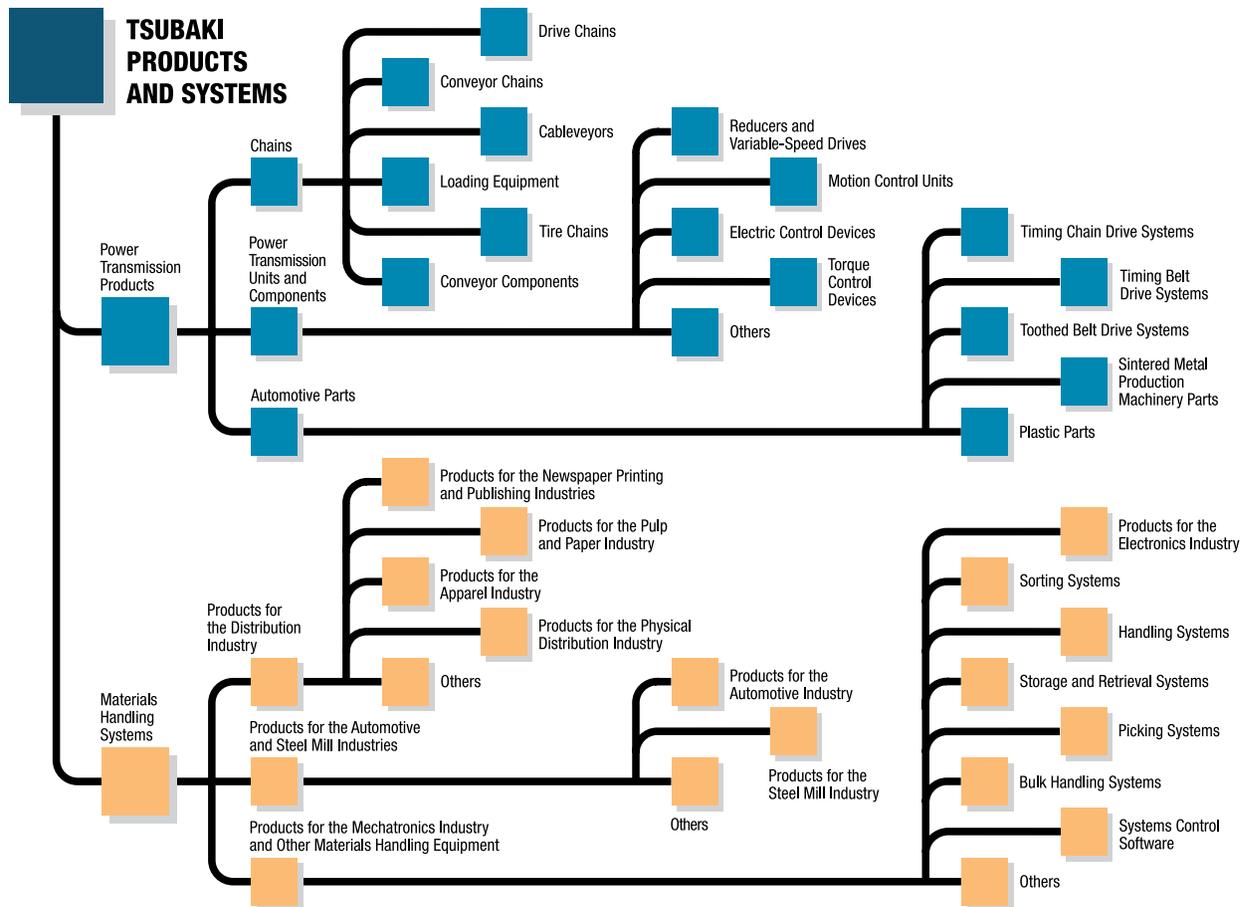
Masaru Tokuda

Corporate Auditor



1. Michio Noguchi
2. Takashi Fukunaga
3. Kazuo Yoshida
4. Kunio Hirayama
5. Kyosuke Otoshi
6. Toru Miyamoto
7. Tadashi Arimitsu
8. Kimio Takakura

REVIEW OF 1998

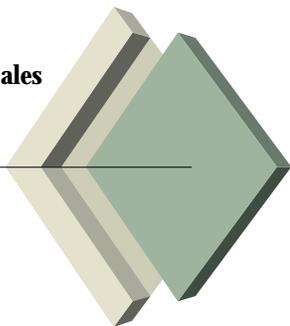


During the year ended March 31, 1998, sales of power transmission products increased 1.9%, to ¥89.1 billion (US\$674.6 million), accounting for 69.4% of Tsubakimoto Chain's net sales. Overseas sales rose 7.6%, to ¥28.8 billion (US\$218.2 million), representing 32.3% of sales of power transmission products, compared with 30.6% in the previous year.

Products for the machine tool and automobile industries registered increased sales in Japan. Overseas, demand remained strong in the key North American market, but conditions in Southeast Asia were adversely affected by the currency crisis in that region.

Share of Net Sales

Power Transmission Products
69.4%

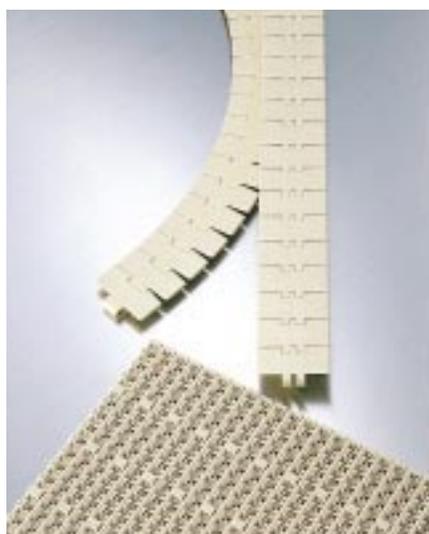


Sales Breakdown

(Millions of yen, %)

	1998	1997	% Change
Domestic Sales	¥60,249 (67.7)	¥60,587 (69.4)	-0.6%
Overseas Sales	28,804 (32.3)	26,773 (30.6)	+7.6%
Total	¥89,053 (100.0)	¥87,360 (100.0)	+1.9%

Power Transmission Products



Antibacterial chains

■ Chains

As one of the world's leading chain makers, Tsubakimoto Chain supplies a wide range of industries with advanced, high-performance products.

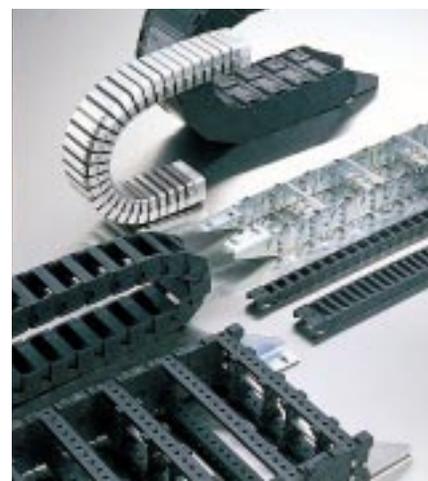
We continue working to expand the scope of the chain market by using new technologies and materials in product development.

In Japan, sales of products for use in food processing and conveyance were weak during the year under review; however, those for machine tools and other general machinery were comparatively favorable. Especially strong sales were recorded by Automatic Tool Changer (ATC) chains for machining centers and other machine tools and by plastic Cableveyor chains.

Domestic private-sector capital investment was strong in the first half of the year under review, but in the second half the operating environment became more difficult as business conditions worsened and com-

panies in all industries reduced capital investment. In this environment, we worked to bolster our marketing capabilities by linking our domestic sales organization even more closely with customers and regions and by promoting integrated engineering sales. We also worked to create new demand during the year with the introduction of a new engineered

Cableveyors



plastic chain. This product, which is targeted at the food processing industry, features antibacterial and antimold functions.

Overseas, sales of roller chains in the mainstay North American market continued to increase, but sales in Southeast Asia declined due to the adverse effects of the currency crisis.

■ Power Transmission Units and Components

Tsubakimoto Chain is a market leader in a wide range of power transmission units and components. Our major products include Power Cylinders and other motion control units, Cam Clutches, and couplings. During the year under review, sales of couplings for machine tools were favorable and demand for integrated mechatronics products, which



Cam Clutches

incorporate Power Cylinders and servo motors, was robust. In addition, Power Locks, for which we have the top market share, continued to enjoy growing demand.

In 1996, we began full-fledged marketing activities in health care, a new field of business for Tsubakimoto Chain. One focus of our activities is the use of original



Power Locks

technology and specialized know-how to develop and market nursing assistance products that will help meet the needs of Japan's rapidly aging society. We have developed units that convert hand-operated adjustable beds to electric operation and, for people in wheelchairs, kitchen equipment that allows easy, electrically powered adjustment of the height of sinks. We are currently conducting marketing activities targeting health care facilities and individuals.

■ Automotive Parts

Tsubakimoto Chain has built a solid position as one of the leading manufacturers of timing drive systems, which include automotive timing chains and timing belts. Each year, we continue to bolster that strong market presence. The reliability and quality of our products, especially timing roller chains, have been highly evaluated by domestic and overseas automakers, and we have a 90% share of the Japanese market and the top

share of the market in the United States.

In Japan, our sales of timing drive systems increased during the year as automakers began to replace belts with chains, one of our traditional strengths. We anticipate further sales gains in the years ahead. In the past, belt-driven camshafts were more common because the belts offered light weight and low cost. However, new engine models feature high output and high-RPM operation, and as a result the use of chains, which offer superior durability and reliability, is increasing.

Overseas, demand for timing chains and timing drive systems is expected to remain strong in the key North American market. Accordingly, we are conducting aggressive capital investment to expand our local production capacity. In the previous fiscal year, we opened a new plant in Chicopee, Massachusetts, that is dedicated to the production of automotive parts. Full-scale operations at the plant began during the year under review. We will continue to expand our global operations in the years ahead, and plans call for the opening of marketing and production bases in Europe and Asia.

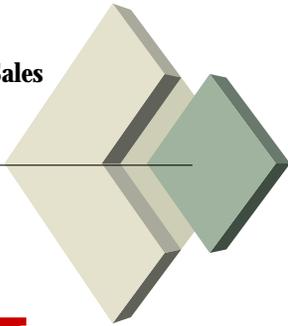
Timing drive parts



Sales of materials handling systems declined 1.6% during the year under review, to ¥38.7 billion (US\$293.0 million), accounting for 30.1% of the Company's net sales. Overseas sales declined 3.1%, to ¥9.3 billion (US\$70.6 million), representing 24.1% of our sales of materials handling systems.

Domestically, sales of physical distribution systems increased, but those of factory automation systems declined. Our overseas business was significantly affected by the Southeast Asian currency crisis.

Share of Net Sales
Materials Handling
Systems
30.1%



Sales Breakdown

	(Millions of yen, %)		
	1998	1997	% Change
Domestic Sales	¥29,349 (75.9)	¥29,680 (75.5)	-1.1%
Overseas Sales	9,321 (24.1)	9,617 (24.5)	-3.1%
	¥38,670 (100.0)	¥39,297 (100.0)	-1.6%

Materials Handling Systems

■ Factory Automation Systems

Tsubakimoto Chain is contributing to the rationalization of production activities by providing the automobile, paper manufacturing, newspaper, steel, mechatronics and other industries with advanced factory automation systems. With leading-edge mechatronics technology and engineering services tailored to the

Handling system for cathode ray tubes



specific needs of each industry, our factory automation systems are highly regarded in the markets we serve.

In the domestic market during the year under review, we continued to record steady deliveries of factory automation systems for the automobile industry, a major customer, as well as for the electrical and electronic equipment, paper manufacturing, and newspaper industries. Demand remained firm for several products, including the Traverser System series of body paint shop conveyor systems for the automobile industry; a CRT handling system for the electrical and electronic equipment industries; and our AGV and ADS automatic roll paper feeding systems for the newspaper industry.



Hard disk conveyance system

During the previous year, we launched conveyor systems for hard disk production lines in the electronics industry, and during the year under review we sold a number of these systems to customers. We expect growing demand for this product, which is used to link separate production processes and is composed principally of dollies that run on tracks.

In overseas business, sales during the year under review were less than the previous year, due to the adverse impact of the currency crisis in Southeast Asia. Although we fared comparatively well in Taiwan, in our major markets of South Korea and Malaysia sales fell sharply. Our key products in the Asian market are CRT handling systems for the mechatronics industry, body paint shop conveyor systems for the automobile industry, and coil handling systems for the steel industry. In North America and Great Britain meanwhile, sales increased from the previous year. A key product in these markets is our body paint shop conveyor systems for Japanese automakers.

Physical Distribution Systems

Tsubakimoto Chain offers a wide variety of physical distribution systems, which help customers to rationalize the sorting of goods in the publishing, apparel, and retail industries. Our systems are developed to meet the specific needs of different industries, and they offer advanced functionality in the accurate and rapid sorting of products of any form. The systems also facilitate

Multi-Sorter



Lini Sort

higher speed and reduced costs in distribution operations. During the year under review, sales of physical distribution systems increased from the previous year.

Our flagship products in this field include Multi-Sorter, a printed materials sorting system for the publishing industry; Lini Sort, a high-speed, multi-directional sorting system for the retail industry and distribution centers; and Fashion Sort, which enables clothing to be distributed on hangers for the apparel industry. Each of these systems showcases our original technology and know-how and has been highly evaluated in its target industry.

During the year under review, our results were supported by the sale to a book retailer of the largest Multi-Sorter we have ever built.

Products launched during the year under review included Lini Sort V, which offers significant improvements in cost and size, and Lini Sort S, which is designed for use with small objects weighing less than five

kilograms. Each system is tailored to small lot sorting needs and is contributing to the expansion of our customer base.

Other Materials Handling Equipment

Three of our key products in this business group are Pak-U-Veyor, Power Column, and Aufran Vanguard. During the year under review, we introduced a new version of our Power Column vertical shelves that offers a reduction in access time of more than 30%, and Power Column orders increased by a large margin. Aufran Vanguard, which is suitable for use in small and medium-sized distribution facilities as well as in offices, continues to strengthen its market presence, and during the year under review it en-

Aufran Vanguard



joyed solid demand in new markets, such as the food processing industry. In addition, our New WIPS, a high-speed, high-precision automatic stocking system for use in clean rooms, was the focus of aggressive marketing activities, and it is recording steady results in LCD production lines of the electronics industry.

Results of Operations

In the fiscal year ended March 31, 1998, consolidated net sales rose 0.8%, to ¥128.3 billion (US\$972.0 million). Despite higher net sales, the cost of sales declined 0.4%, to ¥94.0 billion (US\$712.3 million), due to the Company's rationalization of production operations. The gross profit margin improved to 26.7%, from 25.8% in the previous year. Selling, general and administrative expenses increased 5.1%, to ¥27.8 billion (US\$210.9 million), primarily as a result of intensified sales promotion activities. Operating income rose 1.0%, to ¥6.4 billion (US\$48.8 million), and the operating profit margin was unchanged, at 5.0%.

Net interest expense, which accounts for the majority of other expenses, increased 7.4%, to ¥858 million (US\$6.5 million). Income before income taxes and minority interests decreased 7.1%, to ¥5.5 billion (US\$41.7 million). Income taxes increased 5.4%, to ¥2.7 billion (US\$20.2 million), and net income was down 17.4%, to ¥2.7 billion (US\$20.5 million). Net income per share was ¥14.08 (US\$0.107), a decline of 17.4%.

Return on equity (ROE) was 4.2%, compared with 5.3% in the previous year. Cash dividends per share were unchanged at ¥6.00 (US\$0.045), for a dividend payout ratio of 42.6%, compared with 35.2% in the previous year.

Liquidity and Capital Resources

Net cash provided by operating activities increased 45.0%, to ¥5.8 billion (US\$44.2 million). Inventories decreased ¥181 million (US\$1.4 million), compared with an increase of ¥4,145 million in the previous year, and trade notes and accounts payable decreased ¥819 million (US\$6.2 million), compared with a decrease of ¥4,033 million in the previous term. Depreciation and amortization was about level, at ¥4.8 billion (US\$36.3 million).

Net cash used in investing activities was up 41.0%, to ¥6.6 billion (US\$49.8 million). Capital investment increased 2.6 times, to ¥15.1 billion (US\$114.0 million), due primarily to part payment for the acquisition of land for the construction of the new main factory. Other investment securities and loans receivable decreased ¥10.5 billion (US\$79.2 million).

Net cash provided by financing activities was ¥933 million (US\$7.1 million), compared with ¥955 million in the previous year. Proceeds from short-term and long-term debt totaled ¥1.7 billion (US\$12.8 million) and ¥1.5 billion (US\$11.7 million), respectively.

As a result, at the end of the fiscal year, cash and cash equivalents were about the same level as in the previous year, at ¥22.2 billion (US\$168.2 million). Current assets at year-end rose 0.9%, to ¥81.6 billion (US\$618.3 million), and current liabilities were up 6.6%, to ¥62.2 billion (US\$471.4 million). The current ratio was 1.31, compared with 1.39 at the end of the previous year. Property, plant and equipment, net of accumulated depreciation, was up 27.4% from the previous year-end, to ¥48.8 billion (US\$370.0 million).

Shareholders' equity increased 2.3%, to ¥65.0 billion (US\$492.3 million), and the ratio of shareholders' equity to total assets at fiscal year-end was about the same as at the previous year-end, at 44.0%. Tsubakimoto Chain's debt-to-equity ratio at fiscal year-end was 0.64, compared with 0.62 at the previous year-end, due to higher debt. Total assets rose 1.7%, to ¥147.7 billion (US\$1,118.7 million).

SIX - YEAR FINANCIAL SUMMARY

Tsubakimoto Chain Co. and Consolidated Subsidiaries
Years ended March 31

	Millions of Yen						Thousands of U.S. Dollars
	1998	1997	1996	1995	1994	1993	1998
Net sales	¥128,298	¥127,231	¥110,424	¥101,670	¥109,014	¥120,867	\$ 971,955
Income before income taxes and minority interests	5,508	5,931	3,649	179	1,750	5,131	41,728
Net income (loss)	2,709	3,280	1,796	(634)	1,148	2,539	20,523
Net income (loss) per share* (yen and dollars)	14.08	17.04	9.33	(3.29)	5.96	13.20	0.107
Interest expense:							
Net	1,172	1,073	1,063	951	1,041	1,248	8,879
Gross: Interest received	323	385	492	835	982	1,247	2,447
Interest paid	1,495	1,458	1,555	1,786	2,023	2,495	11,326
Capital expenditures	15,050	5,680	4,759	4,290	4,221	8,489	114,015
Current assets	81,622	80,929	77,995	63,452	63,319	75,028	618,349
Current liabilities	62,224	58,349	62,312	45,902	45,625	56,937	471,394
Net property, plant and equipment	48,837	38,331	36,904	37,709	39,221	40,629	369,977
Noncurrent liabilities	18,710	21,847	16,849	19,966	19,818	20,320	141,743
Total assets	147,668	145,268	141,863	127,893	129,020	141,759	1,118,697
Common stock	17,077	17,075	17,068	17,066	17,066	17,058	129,371
Retained earnings	35,260	33,791	31,682	31,060	32,675	33,398	267,121
Shareholders' equity	64,989	63,516	61,392	60,768	62,382	63,091	492,340
Number of shares outstanding at year-end (thousands)	192,406	192,399	192,377	192,374	192,372	192,354	
Number of employees	5,720	5,789	5,844	5,829	5,652	5,649	

* The effective par value per share is ¥50.

CONSOLIDATED BALANCE SHEETS

Tsubakimoto Chain Co. and Consolidated Subsidiaries
March 31, 1998 and 1997

Assets	Millions of Yen		Thousands of U.S. Dollars
	1998	1997	1998
Current assets (Note 8):			
Cash and cash equivalents:			
Cash and time deposits	¥ 11,111	¥ 14,282	\$ 84,174
Marketable securities	11,086	7,717	83,985
Trade notes and accounts receivable:			
Unconsolidated subsidiaries and affiliates	2,568	3,487	19,455
Other	28,457	27,178	215,584
Inventories	26,980	27,161	204,394
Other receivables:			
Unconsolidated subsidiaries and affiliates	39	62	295
Other current assets	1,781	1,421	13,492
Allowance for doubtful receivables	(400)	(379)	(3,030)
Total current assets	<u>81,622</u>	<u>80,929</u>	<u>618,349</u>
Property, plant and equipment (Note 8):			
Land	6,204	6,128	47,000
Buildings and structures	31,493	30,579	238,583
Machinery and equipment	64,039	61,537	485,144
Construction in progress	11,492	1,279	87,061
Accumulated depreciation	(64,391)	(61,192)	(487,811)
Net property, plant and equipment	<u>48,837</u>	<u>38,331</u>	<u>369,977</u>
Investments and long-term loans receivable:			
Investment securities:			
Unconsolidated subsidiaries and affiliates	544	539	4,121
Other	8,874	9,318	67,227
Long-term loans receivable:			
Unconsolidated subsidiaries and affiliates	-	10	-
Other	53	10,067	402
Other noncurrent items	8,214	6,376	62,227
Allowance for doubtful receivables	(476)	(302)	(3,606)
Total investments and long-term loans receivable	<u>17,209</u>	<u>26,008</u>	<u>130,371</u>
Total assets	<u>¥147,668</u>	<u>¥145,268</u>	<u>\$1,118,697</u>

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

Liabilities and Shareholders' Equity	Millions of Yen		Thousands of U.S. Dollars
	1998	1997	1998
Current liabilities:			
Short-term bank loans and current portion of long-term debt	¥ 28,723	¥ 23,307	\$ 217,598
Trade notes and accounts payable:			
Unconsolidated subsidiaries and affiliates	744	937	5,636
Other	18,712	19,333	141,758
Income taxes payable	1,334	1,761	10,106
Accrued expenses	4,543	4,292	34,417
Other	8,168	8,719	61,879
Total current liabilities	62,224	58,349	471,394
Noncurrent liabilities:			
Bonds	3,081	6,962	23,341
Long-term loans, less current maturities	9,806	8,991	74,288
Retirement benefits	5,823	5,894	44,114
Total noncurrent liabilities	18,710	21,847	141,743
Currency translation adjustments	314	191	2,379
Minority interests	1,431	1,365	10,841
Shareholders' equity:			
Common stock	17,077	17,075	129,371
Capital surplus	12,653	12,651	95,856
Legal reserve	3,208	3,080	24,303
Unappropriated retained earnings	32,052	30,711	242,818
	64,990	63,517	492,348
Treasury stock	(1)	(1)	(8)
Total shareholders' equity	64,989	63,516	492,340
Total liabilities and shareholders' equity	¥147,668	¥145,268	\$1,118,697

CONSOLIDATED STATEMENTS OF INCOME

Tsubakimoto Chain Co. and Consolidated Subsidiaries
Years ended March 31, 1998, 1997 and 1996

	Millions of Yen			Thousands of U.S. Dollars
	1998	1997	1996	1998
Net sales	¥128,298	¥127,231	¥110,424	\$971,955
Cost of sales	94,025	94,367	81,670	712,311
Gross profit	34,273	32,864	28,754	259,644
Selling, general and administrative expenses	27,838	26,490	24,425	210,894
Operating income	6,435	6,374	4,329	48,750
Other income (expenses):				
Interest and dividend income	637	659	779	4,826
Interest expense	(1,495)	(1,458)	(1,555)	(11,326)
Foreign exchange gains (losses)	(21)	124	1	(159)
Other, net	(45)	(32)	30	(340)
Ordinary income	5,511	5,667	3,584	41,751
Extraordinary profit (loss):				
Profit (loss) on disposal of fixed assets, and other, net	(3)	264	65	(23)
Income before income taxes and minority interests	5,508	5,931	3,649	41,728
Income taxes	2,671	2,535	1,724	20,235
Minority interests	(128)	(116)	(131)	(970)
Amortization of consolidation difference	-	-	2	-
Net income	¥ 2,709	¥ 3,280	¥ 1,796	\$ 20,523

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, 1998, 1997 and 1996

	Millions of Yen			Thousands of U.S. Dollars
	1998	1997	1996	1998
Unappropriated retained earnings at the beginning of the year	¥ 30,711	¥ 28,718	¥ 28,219	\$ 232,659
Appropriations:				
Transfer to legal reserve	(128)	(117)	(123)	(970)
Cash dividends	(1,154)	(1,154)	(1,154)	(8,742)
Bonuses to directors and statutory auditors	(86)	(16)	(20)	(652)
Net income for the year	2,709	3,280	1,796	20,523
Unappropriated retained earnings at the end of the year	¥ 32,052	¥ 30,711	¥ 28,718	\$ 242,818

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, 1998, 1997 and 1996*

	Millions of Yen			Thousands of U.S. Dollars
	1998	1997	1996	1998
Cash flows from operating activities:				
Net income	¥ 2,709	¥ 3,280	¥ 1,796	\$ 20,523
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation and amortization	4,790	4,783	4,837	36,288
Provision for (reversal of) retirement benefits	(71)	303	154	(538)
Minority interests in income	128	116	131	970
(Increase) decrease in trade notes and accounts receivable	(336)	1,443	(8,909)	(2,545)
(Increase) decrease in inventories	181	(4,145)	(3,488)	1,371
(Increase) decrease in other receivables	(352)	57	147	(2,667)
Increase (decrease) in trade notes and accounts payable	(819)	(4,033)	6,179	(6,205)
Increase in accrued expenses	251	535	43	1,902
Increase (decrease) in income taxes payable	(427)	1,040	176	(3,235)
Increase (decrease) in other current liabilities	(551)	751	4,274	(4,174)
Other	337	(102)	116	2,553
Net cash provided by operating activities	<u>5,840</u>	<u>4,028</u>	<u>5,456</u>	<u>44,243</u>
Cash flows from investing activities:				
Acquisition of property, plant and equipment	(15,050)	(5,680)	(4,759)	(114,015)
Proceeds from sale of property, plant and equipment	112	407	789	848
(Increase) decrease in investment securities and loans receivable to unconsolidated subsidiaries and affiliates	16	(261)	45	121
(Increase) decrease in other investment securities and loans receivable	10,459	(349)	(70)	79,235
Other	(2,112)	1,220	(250)	(16,000)
Net cash used in investing activities	<u>(6,575)</u>	<u>(4,663)</u>	<u>(4,245)</u>	<u>(49,811)</u>
Cash flows from financing activities:				
Increase (decrease) in short-term bank loans	1,683	(454)	2,373	12,750
Proceeds from long-term debt	1,540	6,338	1,252	11,667
Reduction of long-term debt	(988)	(3,698)	(1,155)	(7,485)
Cash dividends	(1,154)	(1,154)	(1,154)	(8,742)
Bonuses to directors and statutory auditors	(86)	(16)	(20)	(652)
Other	(62)	(61)	(50)	(470)
Net cash provided by financing activities	<u>933</u>	<u>955</u>	<u>1,246</u>	<u>7,068</u>
Net increase in cash and cash equivalents	198	320	2,457	1,500
Cash and cash equivalents at the beginning of the year	21,999	21,679	19,222	166,659
Cash and cash equivalents at the end of the year	<u>¥22,197</u>	<u>¥21,999</u>	<u>¥21,679</u>	<u>\$168,159</u>
Supplemental disclosures of cash flow information:				
Cash paid during the year for:				
Interest	¥ 1,498	¥ 1,464	¥ 1,489	\$ 11,348
Income taxes	3,090	1,504	1,548	23,409

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

1. Basis of Presenting Consolidated Financial Statements

(a) Accounting principles of consolidation

The Company has prepared its consolidated financial statements in accordance with accounting principles generally accepted in Japan. Certain modifications in format have been made to facilitate understanding by readers outside Japan.

(b) Consolidated subsidiaries

The consolidated financial statements include the accounts of the parent company and its significant domestic and foreign subsidiaries.

Consolidated subsidiaries are:

U.S. Tsubaki, Inc. (U.S.A.)
 Hokkaido Tsubakimoto Chain Co., Ltd.
 Tsubakimoto Custom Chain Co.
 Tsubaki of Canada Limited (Canada)
 Tsubakimoto Bulk Systems Corp.
 Tsubaki Osaka Service Co.
 Tsubakimoto Emerson Co.
 Tsubakimoto Sprocket Mfg., Ltd.
 Tsubaki Conveyor of America, Inc. (U.S.A.)
 Tsubaki Chugoku Sales, Co.
 Taiwan Tsubakimoto Co. (Taiwan)
 Harry James Company Ltd. (Taiwan)
 Ballantine, Inc. (U.S.A.)
 Tsubakimoto Koki Industry Co., Ltd.
 Tsubaki Arcs Co.
 Tsubakimoto Europe B.V. (Netherlands)
 P. Koning B.V. (Netherlands)
 Tsubakimoto U.K. Ltd. (U.K.)
 Technische Handelsonderneming Bergsma B.V. (Netherlands)
 Tsubakimoto Tech Inc.
 Tsubakimoto Higashinihon Co.
 Tsubakimoto Singapore Pte. Ltd. (Singapore)
 Tsubaki Australia Pty. Limited (Australia)

(c) Unconsolidated subsidiaries and affiliates

Investments in 5 insignificant subsidiaries and 11 affiliated companies (20% to 50% owned) are stated at cost because the Company's equity in the income or losses of these companies is not significant.

(d) Translation into U.S. dollars

The consolidated financial statements presented herein are expressed in Japanese yen and, solely for the convenience of the reader, have been translated into U.S. dollars at the rate of ¥132=\$1, the approximate exchange rate prevailing on March 31, 1998.

2. Significant Accounting Policies

(a) Inventories

Inventories are valued substantially at cost, which is determined by the first-in, first-out (FIFO) method, by the accumulated-cost method or by the moving-average cost method, except for the inventories of six subsidiaries, which are valued at the lower of cost or market.

(b) Marketable and investment securities

Marketable and investment securities quoted are valued at the lower of moving-average cost or market. Other securities are stated at cost.

(c) Property, plant and equipment

Property, plant and equipment are carried at cost. In specific cases, these are carried at cost less a reserve permitted under Japanese tax laws in respect of certain gains deferred on the sale of fixed assets. Depreciation of property, plant and equipment is computed mainly by the declining-balance method.

(d) Bonuses for employees

Accrued bonuses for employees are calculated on the basis prescribed by Japanese tax laws.

(e) Retirement benefits

The Company and its consolidated domestic subsidiaries have unfunded employees' retirement benefit plans. The annual accruals under such plans are provided mainly at the maximum amounts deductible for income tax purposes for each fiscal period.

In addition, the Company and certain consolidated subsidiaries have funded pension plans. The annual contributions to such funds are charged to income and include normal costs and amortization of past service costs.

Also, the Company records the unfunded retirement benefits for directors and statutory auditors on the accrual basis.

(f) Translation of balances denominated in foreign currencies in domestic financial statements

Current receivables and payables denominated in foreign currencies are translated into Japanese yen at the exchange rates prevailing on the balance sheet date except for amounts fixed by forward exchange contracts.

Noncurrent receivables and payables denominated in foreign currencies are translated at historical rates or at the forward contract rate, except when significant unrealized exchange losses are incurred.

All gains and losses resulting from the translation of foreign currency balances are included in net income for the year.

(g) Accounting for leases

Finance leases, except for those in which ownership is deemed to be transferred to the lessee, are accounted for by the same method as operating leases.

3. Difference between Cost and Net Equity of Consolidated Subsidiaries The difference between the cost of an investment in a subsidiary and the underlying book value of the acquired interest is, if material, allocated to a specific asset. However, minor differences are charged or credited to income for the year of acquisition.

4. Intercompany Transactions All material intercompany balances and transactions, including unrealized profit in inventories and property, plant and equipment, have been eliminated on consolidation.

5. Translation of Foreign Currency Financial Statements The financial statements of consolidated foreign subsidiaries are translated into yen in accordance with the Financial Accounting Standard for Foreign Currency Transactions in Japan.
This standard requires that assets and liabilities are translated into yen at year-end rates and income and expense accounts are translated at average rates. Foreign currency translation adjustments are reflected in the balance sheets as suspense accounts (currency translation adjustments).

6. Appropriations of Retained Earnings Appropriations of retained earnings are recorded at the date they are approved at the annual shareholders' meeting.

7. Tax Effect of Timing Differences The consolidated financial statements do not reflect the tax effect of timing differences between income as reported for tax and financial statement purposes.

8. Pledged Assets At March 31, 1998 and 1997, the following assets were pledged as collateral for bank loans and long-term debt.

	Millions of Yen		Thousands of U.S. Dollars
	1998	1997	1998
Current assets	¥ 484	¥ 1,094	\$ 3,667
Property, plant and equipment	21,556	24,174	163,303
	<u>¥22,040</u>	<u>¥25,268</u>	<u>\$166,970</u>

9. Contingent Liabilities Contingent liabilities with respect to trade notes discounted and loans guaranteed amounted to ¥11,907 million (\$90,205 thousand) and ¥12,578 million at March 31, 1998 and 1997, respectively.

10. Per Share Amounts

At March 31	Yen		U.S. Dollars
	1998	1997	1998
Shareholders' equity per share	¥337.77	¥330.12	\$2.559
Net income per share	14.08	17.04	0.107

**The Board of Directors
Tsubakimoto Chain Co.**

We have examined the consolidated balance sheets of Tsubakimoto Chain Co. and consolidated subsidiaries as of March 31, 1998 and 1997, and the related consolidated statements of income, retained earnings, and cash flows for each of the three years in the period ended March 31, 1998. Our examinations were made in accordance with generally accepted auditing standards in Japan and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, such consolidated financial statements present fairly the financial position of Tsubakimoto Chain Co. and consolidated subsidiaries as of March 31, 1998 and 1997, and the results of their operations and their cash flows for each of the three years in the period ended March 31, 1998, in conformity with generally accepted accounting principles in Japan applied on a consistent basis.

Osaka, Japan
June 26, 1998

Century Audit Corporation

Century Audit Corporation
Certified Public Accountants

TSUBAKIMOTO CHAIN CO.

HEAD OFFICE

17-96, Tsurumi 4-chome,
Tsurumi-ku, Osaka 538-8686, Japan
(P.O. Box 11, Joto Osaka)
Telephone: (06) 911-1221*
Facsimile: (06) 913-5315*

**Effective January 1999, local numbers 911 and 913
will change to 6911 and 6913, respectively.*

Telex: 64938 OSKTBKJ

DATE OF FOUNDING

December 1917

DATE OF INCORPORATION

January 1941

SHAREHOLDERS' EQUITY

¥64,989 million

COMMON STOCK

Authorized: 300,000 thousand shares
Issued: 192,406 thousand shares

STOCK LISTINGS

Tokyo, Osaka, Nagoya, and Kyoto

TRANSFER AGENT

The Chuo Trust and Banking
Company, Limited
6-26, Kitahama 2-chome,
Chuo-ku, Osaka 541-0041, Japan

NUMBER OF EMPLOYEES

3,018 (Parent company only)

OFFICES AND PLANTS

Tokyo Office

Medical Friend Building,
2-4, Kudan-Kita 3-chome,
Chiyoda-ku, Tokyo 102-8186
Telephone: (03) 3221-5611
Facsimile: (03) 3221-5639

Nagoya Office

Daisho Building,
26-25, Meieki 4-chome,
Nakamura-ku, Nagoya 450-0002
Telephone: (052) 571-8181
Facsimile: (052) 571-0915

Osaka Office

Fukokuseimei Building,
2-4, Komatsubara-cho,
Kita-ku, Osaka 530-0018
Telephone: (06) 313-3190*
Facsimile: (06) 315-6657*

**Effective January 1999, local numbers 313 and 315
will change to 6313 and 6315, respectively.*

Osaka Plant

17-96, Tsurumi 4-chome,
Tsurumi-ku, Osaka 538-8686
Telephone: (06) 911-1221*
Facsimile: (06) 913-5315*

**Effective January 1999, local numbers 911 and 913
will change to 6911 and 6913, respectively.*

Telex: 64938 OSKTBKJ

*Major products: Power transmission chains
and conveyor chains
Number of employees: 942*

Saitama Plant

20, Shinko, Hanno,
Saitama 357-8510
Telephone: (0429) 73-1131
Facsimile: (0429) 73-4252
*Major products: Automotive parts and
materials handling systems
Number of employees: 880*

Kyoto Plant

1-1, Kotari-Kuresumi,
Nagaokakyo, Kyoto 617-0833
Telephone: (075) 954-1111
Facsimile: (075) 956-8456

*Major products: Power transmission units
and components*

Number of employees: 411

Hyogo Plant

1140, Asazuma-cho,
Kasai, Hyogo 679-0181
Telephone: (0790) 47-1518
Facsimile: (0790) 47-1513

*Major products: Materials handling equipment
Number of employees: 188*

SALES OFFICES

Sendai, Omiya, Yokohama, Shizuoka,
Toyota, Komaki, Okazaki, Hokuriku,
Keiji, Hyogo, Hiroshima, Kyushu,
and 16 other regional sales offices

JAPAN

	<i>Principal business</i>		<i>Principal business</i>
Hokkaido Tsubakimoto Chain Co., Ltd.*	<i>Sales of Tsubakimoto Chain products</i>	Tsubakimoto Higashimihon Co.*	<i>Sales of Tsubakimoto Chain products</i>
Tsubakimoto Custom Chain Co.*	<i>Manufacture of power transmission chains</i>	Kyowa Cam Co.	<i>Manufacture of power transmission products</i>
Tsubakimoto Bulk Systems Corp.*	<i>Manufacture of bulk material handling systems</i>	Showa Chain Industrial Co.	<i>Manufacture of conveyor chains</i>
Tsubaki Osaka Service Co.*	<i>Sales of Tsubakimoto Chain products</i>	Tsubakimoto Iron Casting Co., Ltd.	<i>Casting</i>
Tsubakimoto Emerson Co.*	<i>Manufacture of power transmission products</i>	Tsubakimoto Staff Services Co-op.	<i>Employee welfare services</i>
Tsubakimoto Sprocket Mfg., Ltd.*	<i>Manufacture of sprockets</i>	Tsubakimoto Nishinihon Co., Ltd.	<i>Manufacture of chip conveyors</i>
Tsubaki Chugoku Sales, Co.*	<i>Sales of Tsubakimoto Chain products</i>	Tsubakimoto Mayfran Inc.	<i>Sales of Tsubakimoto Chain products</i>
Tsubakimoto Koki Industry Co., Ltd.*	<i>Manufacture of materials handling systems</i>	Tsubaki Izumi Sales Co., Ltd.	<i>Sales of Tsubakimoto Chain products</i>
Tsubaki Arcs Co.*	<i>Real estate leasing and maintenance and insurance agency services</i>	Tsubaki Mecs Co., Ltd.	<i>Sales of Tsubakimoto Chain products</i>
Tsubakimoto Tech Inc.*	<i>Manufacture of materials handling systems</i>	Shinko Machinery Co.	<i>Manufacture of conveyor chains</i>
		Tsubaki Shikoku Sales Co., Ltd.	<i>Sales of Tsubakimoto Chain products</i>
		Onishi Mfg. Co., Ltd.	<i>Manufacture of conveying equipment</i>

*Consolidated subsidiary

NORTH AMERICA

U.S. TSUBAKI, INC.*
Head Office
 301 E. Marquardt Drive,
 Wheeling, IL 60090-6431, U.S.A.
 Telephone: (847) 459-9500
 Facsimile: (847) 459-9515
Principal business: Manufacture and sales of power transmission products

Number of employees: 1,019

Sprocket Division, Bennington Plant
 119 Bowen Road,
 Bennington, VT 05201-2017, U.S.A.
 Telephone: (802) 447-7561
 Facsimile: (802) 447-7966

Roller Chain Division, Holyoke Plant
 821 Main Street, P.O. Box 471,
 Holyoke, MA 01040-5312, U.S.A.
 Telephone: (413) 536-1576
 Facsimile: (413) 534-8239

Automotive Division, Chicopee Plant
 106 Lonczak Drive,
 Chicopee, MA 01022-1305, U.S.A.
 Telephone: (413) 593-1100
 Facsimile: (413) 593-9999

Engineering Chain Division, Sandusky Plant
 1010 Edgewater Drive, P.O. Box 651,
 Sandusky, OH 44870-1601, U.S.A.
 Telephone: (419) 626-4560
 Facsimile: (419) 626-5194

BALLANTINE, INC.*
 840 McKinley Street,
 Anoka MN 55303-1162, U.S.A.
 Telephone: (612) 571-7474
 Facsimile: (612) 571-0255
Principal business: Sales of trencher parts
Number of employees: 39

TSUBAKI CONVEYOR OF AMERICA, INC.*
 138 Davis Street, P.O. Box 710,
 Portland, TN 37148-0710, U.S.A.
 Telephone: (615) 325-9221
 Facsimile: (615) 325-2442
Principal business: Manufacture and sales of materials handling systems
Number of employees: 97

Fremont Office
 48860 Milmont Drive, Suite 104C,
 Fremont, CA 94538-7344, U.S.A.
 Telephone: (510) 656-3094
 Facsimile: (510) 656-2094

TSUBAKI OF CANADA LIMITED*
 1630 Drew Road,
 Mississauga, Ontario, L5S 1J6 Canada
 Telephone: (905) 676-0400
 Facsimile: (905) 676-0904
Principal business: Manufacture and sales of power transmission products
Number of employees: 85

EUROPE

TSUBAKIMOTO EUROPE B.V.*
 Belder 1, 4704 RK Roosendaal,
 The Netherlands
 Telephone: 165-594800
 Facsimile: 165-549450
Principal business: Sales of power transmission products
Number of employees: 33

P. KONING B.V.*
 Waalhaven Z/Z 42,
 3088 HJ Rotterdam, The Netherlands
 Telephone: (10) 4941818
 Facsimile: (10) 4294906
Principal business: Sales of power transmission products
Number of employees: 49

TSUBAKIMOTO U.K. LTD.*
 Moorbridge Road, Bingham Industrial Estate,
 Bingham, Nottingham NG13 8GG,
 United Kingdom
 Telephone: (1949) 838554
 Facsimile: (1949) 839135
Principal business: Sales of power transmission products
Number of employees: 24

T.E.U.K. LIMITED
 20 Lime Avenue, Duffield, Belper,
 Derbyshire DE56 4DX, United Kingdom
 Telephone: (1332) 841-286
Principal business: Sales and maintenance of materials handling systems
Number of employees: 2

ASIA AND OCEANIA

TSUBAKIMOTO SINGAPORE PTE. LTD.*
 25 Gul Lane, Jurong, Singapore 629419
 Telephone: 8610422-4
 Facsimile: 8617035
Principal business: Manufacture and sales of power transmission products
Number of employees: 24

Tsubaki Thai Representative Office
 No.1622, Krung Kasem Road, Pom Prab,
 Bangkok 10100, Thailand
 Telephone: (2) 226-0320
 Facsimile: (2) 226-0321

TAIWAN TSUBAKIMOTO CO.*
 No.7 Feng Sun Keng, Kuei Shan-Hsiang,
 Taoyuan-Hsien, Taiwan, R.O.C.
 Telephone: (3) 3293827-9
 Facsimile: (3) 3293065
Principal business: Manufacture and sales of power transmission products
Number of employees: 99

KOREA CONVEYOR IND. CO., LTD.
 72-1, Onsoo-dong, Kuro-ku,
 Seoul, Republic of Korea
 Telephone: (2) 613-0151
 Facsimile: (2) 684-9166
Principal business: Manufacture and sales of materials handling systems and conveyor chains
Number of employees: 199

TSUBAKI AUSTRALIA PTY. LIMITED*
 Unit E, 95-101 Silverwater Road,
 Silverwater, N.S.W. 2128, Australia
 Telephone: (2) 9648-5269
 Facsimile: (2) 9648-3115
Principal business: Sales of power transmission products
Number of employees: 28

HANGZHOU TSUBAKI DUNPAI CHAIN CO., LTD.
 309, Hu Shu Nan Road, Hangzhou
 Zhejiang, P.R. of China
 Telephone: (571) 808-2887
 Facsimile: (571) 880-2302
Principal business: Manufacture and sales of chain products
Number of employees: 1,819

*Consolidated subsidiary



TSUBAKIMOTO CHAIN CO.

17-96, Tsurumi 4-chome,

Tsurumi-ku, Osaka 538-8686, Japan