

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	<u>62,224</u>	<u>58,349</u>	<u>471,394</u>
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	<u>18,710</u>	<u>21,847</u>	<u>141,743</u>
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	<u>64,989</u>	<u>63,516</u>	<u>492,340</u>
Total liabilities and shareholders' equity	<u>¥147,668</u>	<u>¥145,268</u>	<u>\$1,118,697</u>

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

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